

04



**FINANCIAL
INFORMATION**



ANNUAL REPORT
BUDGET & TREASURY OFFICE
30 JUNE 2008

BUDGET AND TREASURY DEPARTMENT

INTRODUCTION

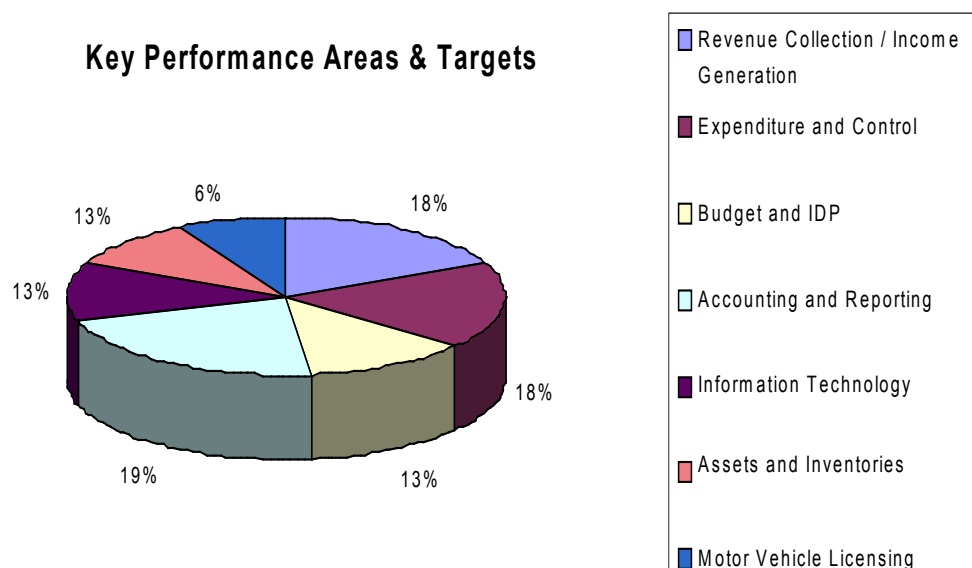
Council have a strong commitment to sound financial management and maintenance of a sound economic base. Senqu Municipality have a strong Finance department headed by the Chief Financial Officer Mr C Venter Annual Financial reporting and Assessment in terms 2007 / 2008 KPA and KPI's are as indicated hereunder.

Key Performance Indicators

- Revenue and Collection / Income generation 18%
- Expenditure and control 18%
- Budgeting and IDP 13%
- Accounting and Reporting 19%
- IT 13%
- Assets and Stores 13%
- Motor Vehicle Licensing 6%

1. KEY RESULT AREAS / KEY PERFORMANCE INDICATORS AND TARGETS

With this dedicated staff component the following functions (Key Performance Indicators and Targets) were set, performed and maintained with great success during the 2007/08 financial year:



2. 2007 / 2008 BUDGET

2.1.1. 2007 / 2008 Budget Report

The requirements for Municipal Budgets are clearly set out in Chapter 4 (Section 15 to 33) of the MFMA and all steps were taken to ensure that the Municipality meets these requirements. The municipality has as far as possible tried to compile the 2007/2008 Budget in the format prescribed by National Treasury – MFMA Circular No 28 – Budget Content and Format – 2006/07 MTREF.

2.1.2. Capital Expenditure (Table 2 – Capital Programme)

Council's MIG (Municipal Infrastructure Grant) allocation increased from the R 7 328 000 to R 8 234 000 for the 2007 / 08 financial year. The MIG allocation of R 7 822 300 (R 8 234 000 less 5% - R 411 700, allocated to the Project Management Unit) would be used finance the following projects:

Storm water channel at Kwezi-Naledi housing project	R 7 088 497
Establishment of Formal Cemeteries	R 687 750
Rossouw Solid Waste Site	R 46 053
Establishment of MIG Project Management Unit (PMU)	R 411 700
	R 8 234 000

Due to budget constraints a minor amount of R 2 017 390 from council's own revenue would go towards capital expenditure. It would amongst others go to the following projects:

Completion of Phase I - Additional Office Accommodation	R 500 000
Completion of Community Hall at Tapoleng	R 250 000
Completion of a Community Hall at Majuba	R 250 000

It is anticipated that R 11 369 581 would go towards the completion of existing housing projects.

Council further intends to take up a loan to finance the completion of the office complex. It is foreseen that R 8 000 000 during the 2007 / 2008 and a further R 1 000 000 during the 2008 / 2009 financial years would be required.

2.2. Operational expenditure (Table 1)

There is a need to highlight the following in council's operational budget:

- Councillors remuneration amounts to R 5 771 145 of which R 1 143 179 is financed by a special allocation to be received from the national government;
- Personnel costs vs. total operational expenditure are 37.99%. The Organogram provides for 442 posts of which 170 are filled, 27 are vacant and funded and 245 are unfunded. Amongst others the following expenditure was provided for:

Performance management system & agreements – legal requirement	1101 / 2019	R 675 990
Maintenance to existing streets & access roads	4600	R3 451 830
Repairs to pedestrian bridges	4600 / 3002	R 600 000
Supporting SMME's	5200 / 2012	R 300 000
Gxothindlala agricultural project	5200 / 2014	R 250 000
Repairs to rural sport fields	5450 / 3210	R 500 000
Repairs to fence around Sport Field in Kwezi-Naledi	5450 / 3208	R 200 000
Tourism – Support to Senqu Tourism Organisation	5750 / 2248	R 550 000

- R 6 983 893 (previous year R 6 178 345) would go directly to provide services to the (indigent) poorest of the poor as per council Free Basic Service and Indigent Subsidy Support Policy.

2.3. Rates and Tariffs

Extensive consultation within the budget executive and budget technical committees has resulted in probably the most transparent and fair budget-related policies this council have seen. During the consultation meetings held on council's new rates policy as required in terms of the new Municipal Property Rates Act, No 6 of 2004, community participation exceeded all expectations. One can proudly say council's policies are the community's policies.

The following budget-related policies have also been reviewed during 2007/2008.

- Integrated Development Plan and Budget Policy;

- Free Basic Service and Indigent Subsidy Support Policy;
- Credit Control and Debt Collection Policy;
- Tariff Policy; and
- Rates Policy.

An increase of 6.0% on all water, sanitation and refuse removal tariffs have been budgeted for. The rates tariff will increase by 6.0% to 1.69% and to encourage development of vacant property the rates tariff on vacant properties would be 3.38%. With the help of ESKOM council's electricity tariffs have been redesigned to reflect a cost related tariff. This has been submitted to the National Electricity Regulator for consideration and approval and the planned implementation date is 1 July 2007.

2.4. Conclusion

The challenge now is to conclude the 2007 / 08 budget process by dealing with:

- The finalization of the cash flow statements;
- The finalization of the measurable performance objectives;
- The finalization of the service delivery and budget implementation plan (SDBIP); and

The finalization of performance management scorecards and agreements for the sect 57 managers and middle managers, before 30 June 2008 – S57 process fully implemented although went beyond planned dates of implementation. The performance management scorecards and agreements for middle management has not as yet been implemented due to capacity and financial constraints. The roll out of individual Performance Management is being planned and will be done in a systematic manner. It was agreed to rollout in phases and as such the process has been put out to tender during the period under review. Tenderers were invited by the Tender Adjudication Committee to present their PMS system to Management and Executive Committee. The presentations took place, but management were not happy with the systems that were presented as they were looking for a fully computerized system. This issue has thus not been finalised – it is planned to be completed by June 2008/2009 financial year.

3. BUDGET RELATED RESOLUTIONS

As required by the Municipal Finance Management Act, No 56 of 2003, and to reflect the legal form of the budget, the draft resolutions to be considered upon approval of the budget after the consultation process would be:

1. Council resolves that the annual budget of the municipality for the financial year 2007 / 2008; and indicative for the two projected outer years 2008 / 2009 and 2009 / 2010 be approved as set-out in the following schedules:

- Operating revenue by source reflected in Schedule 1;
- Operating expenditure by vote reflected in Schedule 2;
- Operating expenditure by GFS classification reflected in Schedule 2 (a);
- Capital expenditure by vote reflected in Schedule 3;
- Capital expenditure by GFS classification reflected in Schedule 3 (a);
- Capital funding by source reflected in Schedule 4; and
- Council resolves that multi-year capital appropriations by vote and associated funding reflected in Schedules 3, 3(a) and 4 be approved.

2. Council resolves that property rates reflected in council's Tariff Structure – See Annexure 1 and any other municipal tax reflected in council's Tariff Structure – See Annexure 1 are imposed for the budget year 2007/08.

3. Council resolves that tariffs and charges reflected in council's Tariff Structure – See Annexure 1 are approved for the budget year 2007/08.

4. Council resolves that the measurable performance objectives for revenue from each source reflected in (to be done) are approved for the budget year 2007/08.

5. Council resolves that the measurable performance objectives for each vote reflected in (to be done) are approved for the budget year 2007/08.

6. Council resolves to adopt the Integrated Development reflected in Annexure 2.

7. Council resolves that the amended policies for credit control, debt collection and indigents as reflected in Annexure 3 - 7 are approved for the budget year 2007 / 08.

8. Council resolves that the other amended budget related policies reflected in Annexure 3 - 7 are approved for the budget year 2007 / 08.

9. Council notes the SDBIP (Service Delivery and Budget Implementation Plan) tabled with the budget for subsequent approval by the Mayor.

When the budget is tabled for approval, the approval should be based on these or amended resolutions.

4. THE BUDGET

Steps were taken to ensure that the requirements of the Municipal Finance Management Act, No 56 of 2003, especially Chapter 4 (section 15 to 33), as well as any MFMA Circulars from National Treasury, were met.

4.1. Executive Summary

As required the Budget Executive committee met for the first time on 29 August 2007 during which council's previous year's (2006 / 07) budget process was evaluated through the BEC (Budget Evaluation Checklist). At the same meeting the Schedule of Key Deadlines were compiled and the budget executive committee, budget technical committee, budget local consultation forum and budget technical consultation forum were established. The Schedule of Key Deadlines, as approved by council on 29 August 2007, as well as an invitation to participate in budget local consultation forum were duly advertised and circulated.

During October to November 2007 the Budget Executive committee, with assistance from ward councillors and ward committees engaged into an outreach program to assess the needs of the community in all 16 wards. All needs recorded were later prioritised and included in council's Integrated Development Plan.

The budget technical committee has in the addressed various issues required by the Municipal Finance Management Act:

- Reviewing the IDP objectives and strategies;
- Reviewing the Organisational structure;
- Reviewing the Delegation framework;
- Reviewing the 2006 / 2007 Service Delivery and Budget Implementation Plan (SDBIP);
- Reviewing existing and considering new Service Delivery Agreements;
- Considering the establishment of Entities;
- Reviewing existing and compiling new Budget-related policies;
- Considering the Macro and micro economic climate and budget guidelines, requirements and growth parameters;
- Planning the implementation of GFS classifications;
- Considered proposed tariff increases;
- Compile a draft operational and capital budget;
- Prioritise community needs in the IDP.

During January 2007 the draft budget and supporting documents were tabled to the budget executive committee for consideration, discussion and approval.

4.2. Budget Schedules

SCHEDULE 1 – REVENUE BY SOURCE

Council's realistic anticipated revenue of R 60 651 229, of which the national contribution is R 31 891 700, is set out on Schedule 1. Provincial and district contributions are not yet available.

SCHEDULE 2 – OPERATING EXPENDITURE BY VOTE (FUNCTIONAL AREA / DEPARTMENT)

SCHEDULE 2 (A) – Operating expenditure by GFS (Government Finance Statistics) classification.
Detail of this budgeted expenditure of R 60 584 004 is reflected on Table 1 and Table 1 (a).

SCHEDULE 3 – CAPITAL EXPENDITURE BY VOTE

SCHEDULE 3 (A) – CAPITAL EXPENDITURE BY GFS CLASSIFICATION.

SCHEDULE 4 – CAPITAL FUNDING BY SOURCE.

4.3. Budget Related Charts and Explanatory Notes

Table 1	– Revenue by Source.
Table 1 (a) Page 1	– Operating expenditure by vote.
Table 1 (a) Page 2	– Revenue by vote.
Table 2	– Operating Expenditure by Vote.
Table 3	– Capital Expenditure by Vote.
Table 4	– Capital Funding by Source.
Table 5	– Summary Revenue & Expenditure by Vote.
Table 6	– Operating Expenditure by Type

5. SUPPORTING DOCUMENTATION

The numerous number of documents required as supporting documents in terms of section 17 (3) of the Municipal Finance Management Act, No 56 of 2003, are either included as schedules, tables or annexure into this budget or circulated separately. The documents are also available at the Barkly East, Lady Grey and Sterkspruit administrative units and on council's website – www.senqu.gov.za.

5.1. Budget Process Overview

The MFMA Circulars 10, 13, 14, 19, 27, 28 and 41 issued by the National Treasury was used as a guidance mechanism during the 2007 / 08 budget processes. From this council has developed an **IDP (Integrated Development Plan) and Budget policy** to guide the established Budget Executive and Budget Technical committees.

The **Budget Executive committee** consists of the Mayor, Speaker, council's five executive committee members, the Municipal Manager (as Accounting Officer) and all senior managers. This committee provides the necessary political oversight to the **Budget Technical committee**, which consists of the Municipal Manager, all senior managers and senior staff from the different departments – Corporate and Support, Budget and Treasury, Technical and Engineering and Community and Social services. Staff from the Budget and Treasury department, under guidance of the Chief Financial Officer, acts as secretariat to both committees. Budget Technical committee meetings are held when required to meet the deadlines stipulated in council's Schedule of Key Deadlines and report back to the Budget Executive committee every second month or when required. The Mayor and Municipal Manager act as chairperson to the Budget Executive and Budget Technical committee respectively.

The **Schedule of Key Deadlines** issued by National Treasury was also used as guideline for council to develop its own Schedule of Key Deadlines, which takes effect once council has approved it during August. A summarized version thereof is then advertised in the local newspapers and placed on council's web-site. Interest groups and stakeholders are annually invited to register and form part of council's **Local Budget Consultation Forum**. Council's IDP and Budget policy provides guidelines as to how this forum and the **Sector Budget Consultation Forum** should be established. Amongst others, has council ensured that at least two members of each of its sixteen **ward committees** are represented on the Local Budget Consultation Forum. All relevant national and provincial departments, as well as the district municipality – Ukhahlamba district municipality – forms part of the Sector Budget Consultation Forum. Council meets at least two times during the budget process and once after the draft budget has been tabled with these forums.

The Budget Executive committee, with the involvement of the **ward councillors** and ward committees, annually engage itself in an **Outreach Programme** during which community meetings are held in all sixteen wards. This has proved to be a very fruitful exercise as the community uses this opportunity to inform council of their

needs. All needs / problems discussed, whether local, district, provincial or national are recorded, prioritised and summarized in a report for follow-up or inclusion into council's IDP. Non-local issues (national, provincial and district) raised are discussed at the Sector Budget Consultation Forum, whilst local issues are prioritised by the Local Budget Consultation Forum for inclusion in council's IDP.

Any matter needing a broader political overview is discussed with the full council by the Mayor and brought back to the Budget Executive committee. Council treats its IDP and budget process as one process and is always discussed at the same time at committee and forums.

Once the draft budget is tabled by the Mayor in March, the budget and required supporting documents are made available for representation and / or comments. It can either be viewed in hard copy at one of council's administrative units or on council's web-site – www.senqu.gov.za. The tabling and invitation to submit representation / comments are also advertised in locally circulated newspapers and on municipal notice boards.

The Budget Executive committee keeps record and deals with all representations and comments received. Any adjustments resulting there from are done before the budget is submitted for approval towards the end of May.

5.2. Alignment of Budget with Integrated Development Plan

Council's reviewed Integrated Development Plan (IDP), as discussed at various committee and forum meetings, is attached as Annexure 2 and is also available on council's website. A hard copy thereof is available at council's three administrative units.

The following Supporting Tables would reflect council's ability to finance the priorities identified in its IDP:

Supporting Table 1 – Reconciliation of IDP and Budget – Revenue;

Supporting Table 2 – Reconciliation of IDP and Budget – OPEX (Operational Expenditure);

Supporting Table 3 – Reconciliation of IDP and Budget – CAPEX (Capital Expenditure).

5.3. Budget Related Policies Overview and Amendments

Council's budget related policies are attached as:

Annexure 3 – Budget and Integrated Development Plan (IDP) policy;

Annexure 4 – Credit Control and Debt Collection policy;

Annexure 5 – Free Basic Service and Indigent Subsidy Support policy;

Annexure 6 – Tariff policy; and

Annexure 7 – Rates policy.

Apart from the new Rates policy, the existing policies were reviewed by the Budget Executive and Budget Technical committees and no amendments thereto were required. A new Rates policy as required by the Municipal Property Rates Act, No 6 of 2004, was developed through a consultation process.

5.4. Budget Assumptions

5.5. Funding the Budget

Schedule 1 – Revenue by Source

Schedule 4 – Capital Funding by Source

Supporting Table 4 – Investment Particulars by Type;

Supporting Table 4 (a) – Investment Particulars by Maturity;

Supporting Table 5 – Government Grants and Subsidies – Allocations;

Supporting Table 6 – New Borrowings.

5.6. Disclosure on Allocations Made by the Municipality

Council has entered into the following Service Delivery Agreements:

ANNEXURE 8	ESKOM	Bulk Electricity Supply to town of Barkly East	R	0
ANNEXURE 9	ESKOM	Bulk Electricity Supply to town of Lady Grey	R	0
ANNEXURE 10	ESKOM	Bulk Electricity Supply to town of Sterkspruit	R	0
ANNEXURE 11	Electoral Commission	Establishment of Electoral Unit	R	0
ANNEXURE 12	ESKOM	Free Basic Electricity to Rural consumers	R	2 272 779
ANNEXURE 13	Department Of Transport	Registration and Licensing of motor vehicles	R	0
ANNEXURE 14	Department of Health	Primary Health Care	R	601 560
ANNEXURE 15	Senqu Tourism	Tourism function	R	550 000
ANNEXURE 16	Water Service Authority	Water & Sanitation services	R	6 683 535
ANNEXURE 17	DBSA	Local Government Network	R	0
ANNEXURE 18	BERTA	Management Barkly East Caravan Park	R	0

Supporting Table 7 – Grants allocations.

5.7. Disclosure on Salaries, Allowances and Benefits

Council's detailed Organisational Structure is attached as Annexure 19.

Supporting Table 8 – Disclosure of Salaries, Allowances and Benefits;
Supporting Table 8 (a) – Summary of Total Salaries, Wages, Allowances, etc;
Supporting Table 8 (b) – Summary of Personnel Numbers.

5.8. Monthly Cash Flows by Source

5.9. Measurable Performance Objectives

5.10. Disclosure on Implementation of MFMA and Other Legislation

5.11. Budgets and SDBIPs – Departmental / Functional

5.12. Budgets and SDBIPs – Entities and Other External Mechanisms

5.13. Summary of Detailed Capital Plans

5.14. Budgeted Financial Statements

6. INTEGRATED DEVELOPMENT PLAN (IDP) – 2007 / 2008

6.1 Review Process

- Outreach programme to all wards by the executive council of Senqu Municipality during the months of October and November 2007 to identify new priorities.
- Local Consultation Forum / Budget meetings were held at Lady Grey (January 2008), Sterkspruit

(January 2008) & Barkly East (February 2008).

- Review of the IDP strategic objectives and strategies by the Budget Technical Committee on the 13 December 2007.
- Determination of projects to meet objectives and strategies.
- Alignment with the Ukhahlamba District Municipality and Sector Departments in February 2008.
- Public participation in February 2008.
- Service Level Agreements put into place and proposed budget and service delivery plans taken to Council (March 2008).
- IDP and Budget published for comment (April 2008).
- Consultation with Sector Departments (February / March 2008).
- Revise IDP and Budget if necessary (April 2008)
- Public hearings and Council Debate on IDP and Budget (May 2008)
- Amendments to IDP and Budget.
- Final approval end June 2008.
- IDP Document submitted to MEC of Department of Provincial and Local Government for comment.
- 2007/2008 IDP annual review starts in August 2008 in conjunction with budget processes.

6.2 2007 / 2008 Priority Issue Areas

The following priority issues were identified during the community outreach programme and community consultations with the executive committee and management. It takes into account issues also raised during the needs analysis of the original IDP and have not changed that significantly since the original analysis:

- Institutional capacity building;
- Institutional restructuring;
- Water and sanitation;
- Addressing HIV/Aids;
- Stimulation of the economy with special emphasis on agriculture;
- Roads and storm water;
- Electricity provision; and
- Housing provision and the acquisition of land.

6.3 Strategic Development Objectives

OBJECTIVES	STRATEGIES
To support the increase in the economic growth of the area by at least 3% by end June 2008.	<ul style="list-style-type: none"> • Procurement policy to support skills transfer • Initiate Job Creation Programme • Establishment of sustainable agricultural and tourism projects • Maximize natural resources • Promotion of local employment • Opening up economic opportunities • Increase Public Private Partnership • Market the potential of the area • Accelerate the establishment of SMME's • Implement Black Economic Empowerment Policy • Implement the Expanded Public Works Programme • Add value to production
To develop skills base for the community of Senqu municipal area by December 2010.	<ul style="list-style-type: none"> • Introduce Capacity Development Programmes (internal and external capacity) • Lowering the illiteracy rate • Establish accessible ABET centre • Support the Department of Education in their endeavours to educate people • Training programmes to be biased towards women, youth and disabled • Training programmes on municipal projects are coordinated and have a special focus in the area of technical and financial skills
To mobilize community for the reduction of crime and divert youth from criminal activities by the end June 2008.	<ul style="list-style-type: none"> • Consolidation of community policing forums and mobilization of key role-players in crime prevention • Support for diverse recreational and sport facilities • Safety and security awareness programmes for the community • Local Economic Development
To improve public access to social services by the end December 2014.	<ul style="list-style-type: none"> • Lobby key service providers, especially banking, telephone, and television, transport and home affairs • Improving the transportation system of the area • Municipal performance
To upgrade access roads and ensure that they are maintained sufficiently by end June 2008.	<ul style="list-style-type: none"> • Suitable storm water reticulation installed • Accessible roads are constructed • Maintenance and monitoring systems are developed and implemented • Increase capacity of Senqu Municipality to perform functions related to roads • Source funding in line with the roads function • Purchasing of plant and equipment • Roads Maintenance Plan • Illima Programme • Expanded Public Works Programme • MIG Programme
To provide clean water to all residents by end December 2008.	<ul style="list-style-type: none"> • Lobby Water Services Authority (Ukhahlamba District Municipality)
To increase access to adequate sanitation to all residents by end December 2014.	<ul style="list-style-type: none"> • Lobby Water Services Authority (Ukhahlamba District Municipality)
To ensure that more households have access to reliable electrical services by end December 2006.	<ul style="list-style-type: none"> • Lobby ESKOM • Upgrading existing reticulation • Establishment of REDS

OBJECTIVES	STRATEGIES
<p>To ensure that more than 15 000 inhabitants have access to formal housing by end of December 2014.</p>	<ul style="list-style-type: none"> • Registration of housing applications • Utilization of government housing programmes • Lobby Department of Land Affairs for access to land • Coordinated service provision • Ensure correct town planning and zoning procedures are followed • Ensure sole security of tenure • Establishment of Housing Sector Plan
<p>To ensure that all towns have access to registered solid waste sites by end December 2010.</p>	<ul style="list-style-type: none"> • Establish registered solid waste sites • Develop solid waste management plan
<p>To increase access to health services to all residents by the end of December 2014.</p>	<ul style="list-style-type: none"> • Lobby District Municipality and Department of Health to improve health facilities. • Engage the Provincial Government on the Provincial hospitals • Aids education in schools is improved through agreements with the Departments of Education and Health • Aids education is also provided for people not at school through the use of trained and qualified local AIDS counsellors • Establish basic services and infrastructure
<p>To improve communications with all stakeholders</p>	<ul style="list-style-type: none"> • Access to information • Institute systems to improve communication with institutions • Intergovernmental Forum • Establish communications strategy
<p>To increase the revenue base of the municipality by at least 3% per annum.</p>	<ul style="list-style-type: none"> • Revise the current tariff structure • Identify and diversify sources of revenue – enhance revenue management - implement revenue management plan / strategies • Comprehensive Valuation Roll • Comprehensive data base • Increase service delivery • Pre-paid electricity systems • Implementation of the Municipal Finance Management Act
<p>To develop a Disaster Management Programme by the end of June 2008.</p>	<ul style="list-style-type: none"> • Lobby Ukhahlamba district municipality. • Compile a local disaster management plan.
<p>To integrate and implement new by - laws and update as need requires.</p>	<ul style="list-style-type: none"> • Update by-laws on regular basis
<p>To improve community lighting in all towns and identify areas for installation by 2008.</p>	<ul style="list-style-type: none"> • Installation of streetlights in towns • Installation of community lighting in villages on a phased approach • Liaise with ESKOM
<p>To improve institutional capacity.</p>	<ul style="list-style-type: none"> • Human Resource Development Strategy • Implementation and compliance with all Local Government Legislation • Improve administrative capacity • Implementation of Retention strategies / policies • Finalization of job evaluation • Revisit Organogram
<p>To ensure Consultative community participation</p>	<ul style="list-style-type: none"> • Outreach Programme/Public participation • Comply with all Local Government Legislation • Attendance of Council, Budget and IDP meetings

OBJECTIVES	STRATEGIES
To improve access to community facilities by 2014	<ul style="list-style-type: none"> • Construction of community halls • Construction of shearing sheds • Construction and rehabilitation of sports grounds • Construction of clinics
To ensure additional office space in 2008/2009 financial year	<ul style="list-style-type: none"> • Extension of Municipal Offices
Address housing challenges	<ul style="list-style-type: none"> • Develop a turnaround strategy • Develop a housing policy

7. OPERATIONAL EXPENDITURE

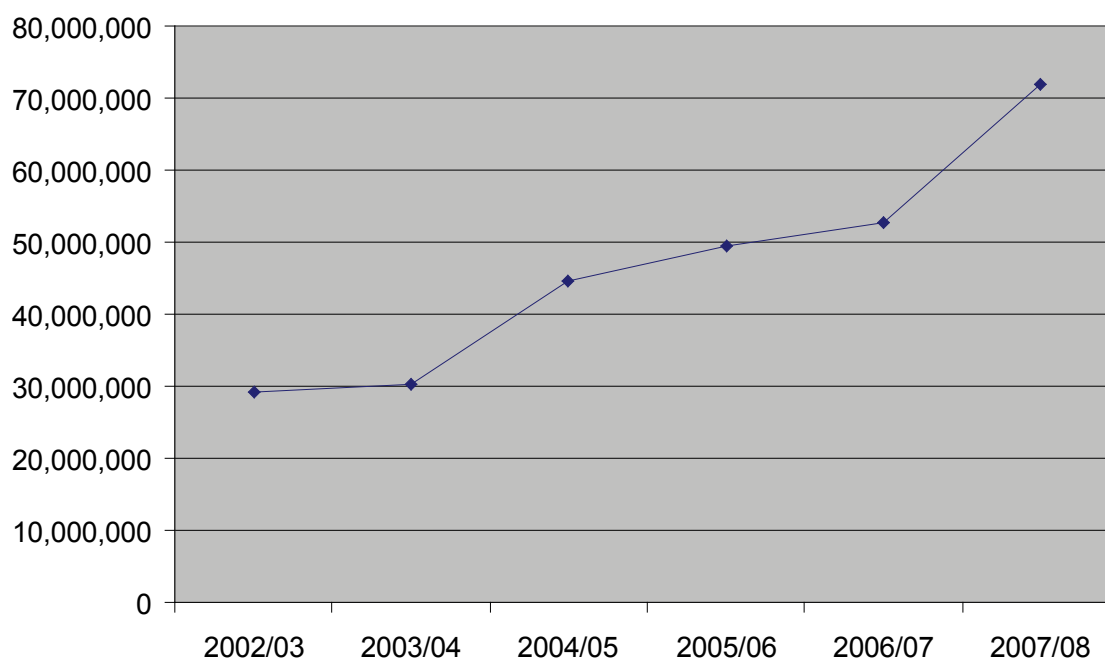
The first challenge was to meet the guideline growth limit of 5.5% increase on expenditure set by the National Treasury. The R 71 837 972 (R 89 677 662 less R 17 839 690 – capital expenditure) budgeted for operational expenditure is 36.60% (R 19 248 745) more than the previous year, but only R 6 412 868 (9.8%) more than the approved 2006 / 2007 Adjustment Budget of R 65 425 104, which is within the limit set. This amount includes services rendered on an agency basis on behalf of:

- Vote 4550 – Sanitation / Sewerage (WSA Ukhahlamba District Municipality) R 5 004 385
- Vote 4650 – Water (WSA Ukhahlamba District Municipality) R 4 511 930
- Vote 5250 – Primary Health Care (Department of Health) R 554 948

Growth in Operational Expenditure

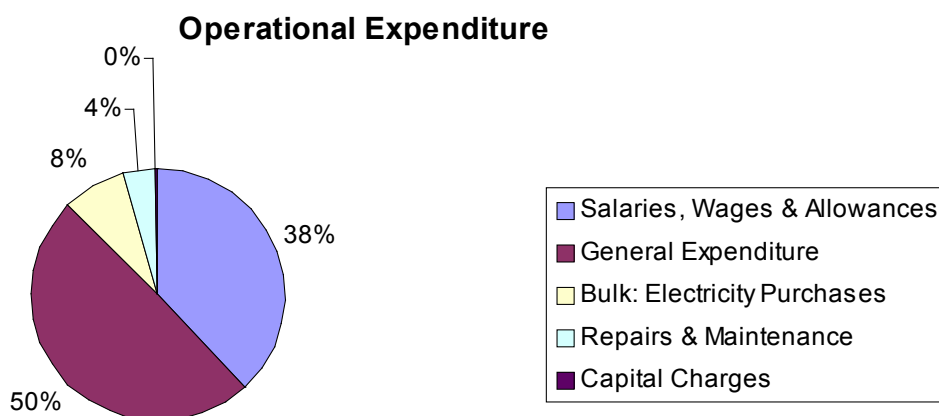
FINANCIAL YEAR	2007 / 08	2006 / 07	2005 / 06	2004 / 05	2003 / 04	2002 / 03
AMOUNT	71 837 972	52 589 227	49 389 882	44 155 072	29 990 615	28 965 325
PERCENTAGE INCREASE	36.60%	6.47%	11.86%	47.23%	3.54%	16.37%

Growth in Operational Expenditure



Operational Expenditure Analysis:

	2007 / 08 BUDGET	2006 / 07 BUDGET	VARIANCE PREVIOUS YEAR	VARIANCE %	% OF TOTAL EXPENDITURE	% OF OPERATIONAL EXPENDITURE
Salaries, Wages & Allowances	27 291 710	23 538 168	3 753 542	15.95%	30.43%	37.99%
General Expenditure	35 620 357	19 052 995	16 567 362	86.95%	39.72%	49.58%
Bulk: Electricity Purchases	5 717 500	5 441 300	276 200	5.01%	6.38%	7.96%
Repairs & Maintenance	3 045 305	4 213 744	(1 168 439)	(5.93%)	3.40%	4.24%
Capital Charges	163 100	163 020	80	(0.05%)	0.18%	0.23%
Contributions to Capital Outlay	17 839 690	11 621 176	6 218 514	53.51%	19.89%	
Contributions to Funds	0	180 000	(180 000)	(100%)	0%	0%
BUDGETED EXPENDITURE	89 677 662	64 210 403	14 820 521	39.66%		
Less Contr. to Capital Outlay	17 839 690	11 621 176	6 218 514	53.51%		
OPERATIONAL EXPENDITURE	71 837 972	52 589 227	19 248 745	36.60%	100.00%	100.00%



7.1 Personnel Expenditure

Although the need for additional staff in all departments are huge, council's greatest challenge is to try and operate within the norm of 30.0 - 35.0% set by the National Treasury, Department of Provincial and Local Government and SALGA by reducing the current personnel expenditure of 30.43%. Comparative figures of the previous year are 44.76% and 44.42%.

7.2 General Expenditure

The General expenditure (excluding Bulk: Electricity Purchases of (R 5 717 500) has increased by 86.95% (R 16 567 362) to R 35 620 357 which is 49.58% of the total operating expenditure.

The following aims directly to address projects identified as priorities in Council's Integrated Development Plan:

Performance management system & agreements – legal requirement	1101 / 2019	R 675 990
Maintenance to existing streets & access roads	4600	R3 451 830
Repairs to pedestrian bridges	4600 / 3002	R 600 000
Supporting SMME's	5200 / 2012	R 300 000
Gxothindlala agricultural project	5200 / 2014	R 250 000
Repairs to rural sport fields	5450 / 3210	R 500 000
Repairs to fence around Sport Field in Kwezi-Naledi	5450 / 3208	R 200 000
Tourism – Support to Senqu Tourism Organisation	5750 / 2248	R 550 000

Free Basic Electricity would continue to be rolled out throughout the municipal area during the 2007/2008 financial year and Eskom was requested to make this available to all consumers currently using 20 Amp or smaller meters. R2 127 918 of Council's equitable share allocation has been earmarked for this project that would now be rolled out to Transwiler in Lady Grey and Nkululeko in Barkly East. This programme would be extended during the financial year.

7.3 Repairs and Maintenance

Council's intention to maintain its infrastructure and assets is clear with the amount of R 3 045 305, 4.24% of total operational budget allocated to repairs and maintenance.

7.4 Capital charges / loan commitments

Council has resolved not take up any further loans during the 2007/08 financial year.

7.5 Contributions to Capital Outlay

The R 17 839 690 (19.89% of total operational expenditure) made available for Capital expenditure from Revenue would go directly towards projects identified in council's Integrated Development Plan and is 53.51% more than the previous year's allocation of R 11 621 176.

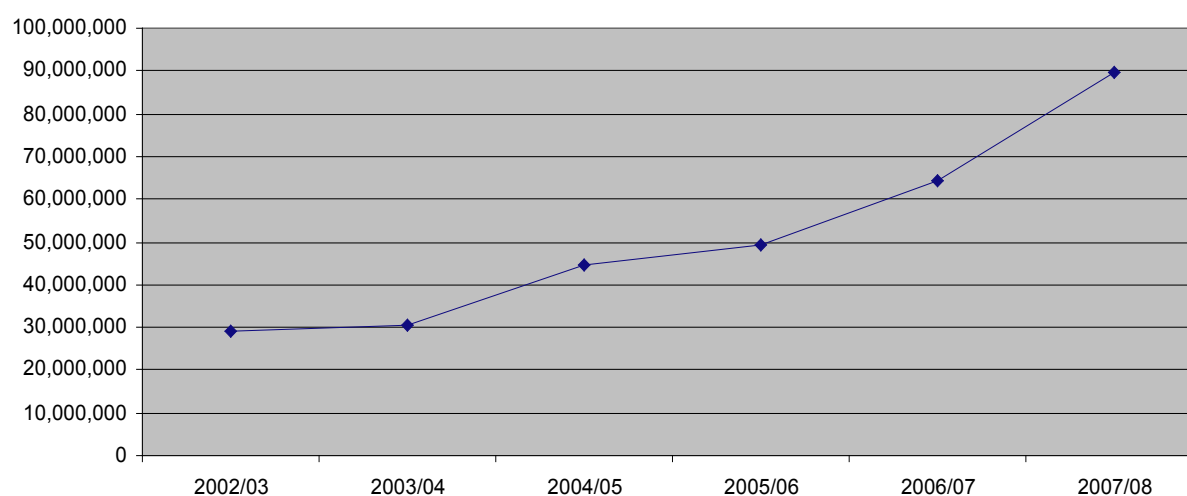
8. OPERATIONAL INCOME

The realistic anticipated revenue of R 89 744 877 is 39.60% (R 25 456 369) more than the previous financial year and resulted in an estimated surplus of R67 225. It includes all sources of income e.g. own revenue, grants, subsidies, agency receipts, donor funds, trust funds, etc.

Growth in Operational Income

FINANCIAL YEAR	2007/08	2006 / 07	2005 / 06	2004 / 05	2003 / 04	2002 / 03
AMOUNT	71 837 972	64 288 508	49 425 965	44 654 512	30 303 486	29 085 842
PERCENTAGE GROWTH	36.60%	30.07%	10.69%	47.36%	4.19%	13.82%

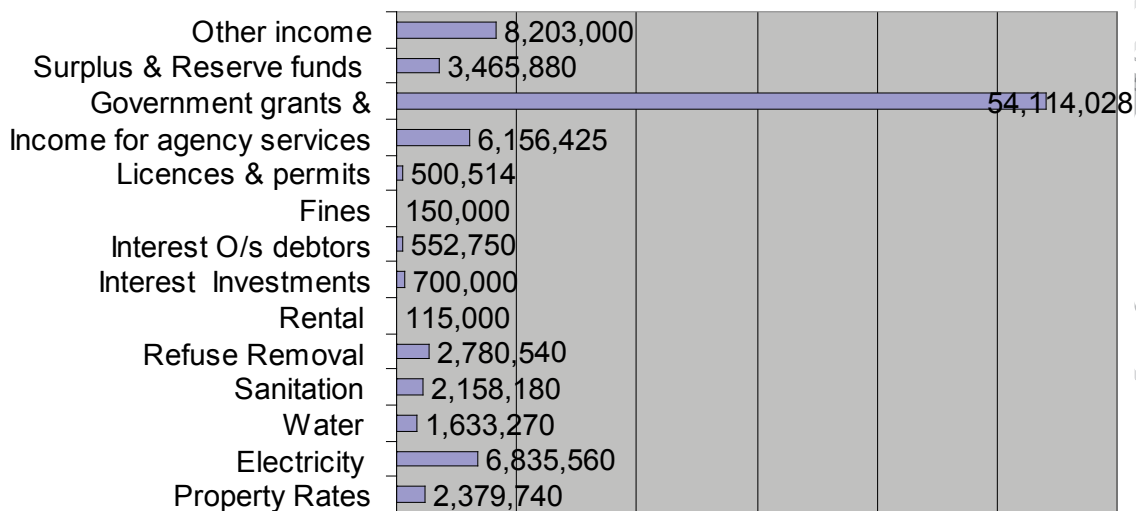
Growth in Revenue



An analysis of Council's revenue sources is as follows:

REVENUE BY SOURCE	2007/2008	2006/2007
	R	R
OPERATING REVENUE BY SOURCE		
Property Rates	2,379,740	2,374,830
Property Rates - penalties imposed & collection charges	-	-
Service charges - electricity revenue from tariff billing	6,835,560	6,594,216
Service charges - water revenue from tariff billing	1,633,270	1,700,710
Service charges - sanitation revenue from tariff billing	2,158,180	2,328,759
Service charges - refuse removal revenue from tariff billing	2,780,540	2,544,185
Service charges - other	-	-
Rental of facilities and equipment	115,000	1,384,332
Interest earned - external investments	700,000	2,938,379
Interest earned - outstanding debtors	552,750	701,445
Dividends received	-	-
Fines	150,000	366,560
Licences and permits	500,514	1,111,622
Income for agency services	6,156,425	4,404,698
Government grants and subsidies	54,114,028	28,482,940
Surplus & reserve funds appropriated	3,465,880	6,638,200
Other income	8,203,000	822,824
Public contributions & donated or contributed PPE	-	-
Gain on disposal of property, plant & equipment	-	-
TOTAL	89,744,887	62,393,700

Revenue by Source



8.1 Equitable Share

Council's Equitable share allocation was increased by 12.95% (R 6 350 812) from R 27 649 635 to R 31 230 447, which include R1 143 179 as a contribution to the increase in Councillor's remuneration and remains Council's major source of income.

The following demographic data (from the 2001 Census statistics) was used for calculating council's equitable share and MIG allocations:

	2007/2008
Population	135 141
Number of households (71% Formal and 28.9% Informal)	34 051
Number of households earning less than R800 per month	25049
Number of households earning less than R1 600 per month	29950
Water backlog	21169
Sanitation backlog	34188
Electricity backlog	12723
Refuse backlog	34192
Housing backlog	1453
Estimated poverty rate	88%

Growth in Equitable share allocation:

FINANCIAL YEAR	2007 / 08	2006 / 07	2005 / 06	2004 / 05	2003 / 04	2002 / 03
Basic Services	30 087 268	18 970 381	17 587 990	21 951 611	17 879 436	17 710 905
Free Basic Electricity		2 802 722	2 802 722	2 268 064	1 864 011	
Free Basic Services		4 519 732	3 302 046	2 348 805	1 758 511	
Add Councillor Supp	1 143 179	1 356 800				
Total Allocation	31 230 447	27 649 635	23 692 758	26 568 480	21 501 958	17 710 905
% Growth	12.95%	16.70%	(10.82%)	23.56%	21.41%	17.95%

8.2 Other external income / grants / allocations

It is anticipated that the following external income / grants / allocations would be received during this financial year:

NATIONAL GOVERNMENT

- R250 000 for the implementation of the Municipal Finance Management Act;
- R411 700 for the establishment of a MIG Project Management Unit.

PROVINCIAL GOVERNMENT

- R 140 000 for Human resources Development;
- R 400 000 for Valuation Roll;

DISTRICT MUNICIPALITY

- R5 554 865 for rendering auxiliary support services for water and sanitation.

8.3 Own income

Council's sound financial management since establishment during December 2000 has lead to the stage where various activities and projects could be financed from its own income, reserve funds and accumulated surplus funds. Own income is based on the actual income received during the first six months of the 2007 / 2008 financial year.

8.4 Operational Income analysis

REVENUE BY SOURCE		
	2007/2008	2006/2007
	R	R
Operating Revenue by Source		
Property Rates	2,379,740	2,374,830
Property Rates - penalties imposed & collection charges	-	-
Service charges - electricity revenue from tariff billing	6,835,560	6,594,216
Service charges - water revenue from tariff billing	1,633,270	1,700,710
Service charges - sanitation revenue from tariff billing	2,158,180	2,328,759
Service charges - refuse removal revenue from tariff billing	2,780,540	2,544,185
Service charges - other	-	-
Rental of facilities and equipment	115,000	1,384,332
Interest earned - external investments	700,000	2,938,379
Interest earned - outstanding debtors	552,750	701,445
Dividends received	-	-
Fines	150,000	366,560
Licences and permits	500,514	1,111,622
Income for agency services	6,156,425	4,404,698
Government grants and subsidies	54,114,028	28,482,940
Surplus & reserve funds appropriated	3,465,880	6,638,200
Other income	8,203,000	822,824
Public contributions & donated or contributed PPE	-	-
Gain on disposal of property, plant & equipment	-	-
TOTAL	89,744,887	62,393,700

9. WATER SERVICE AUTHORITY (WSA)

The estimated expenditure for rendering the water and sanitation services have been forwarded to the WSA: Ukhahlamba district municipality. The tariffs were increased during 2007/2008. The tariffs increased by 100% - it now becomes very costly to purchase water. The WSA was again requested to honour Council's Free Basic Services and Indigent Subsidy Support Policy.

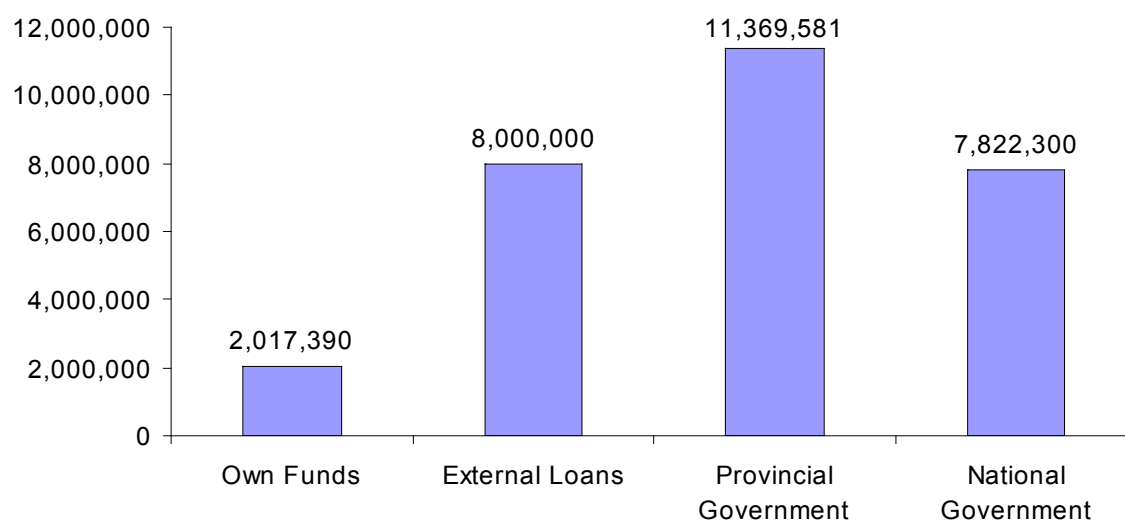
A service delivery agreement between the WSA: Ukhahlamba district municipality and WSP (Water Service Provider): Senqu municipality has been entered into during 2006/2007 however; this arrangement is on a more informal basis and a more relevant legalized document is being developed by UKDM to be signed during 2008/2009 financial year. Currently the rendering of these services continues uninterrupted, notwithstanding the extensive challenges that have faced the water-related targets, and notwithstanding the overall poor quality of water (having improved), negative publicity to the Ukhahlamba District Municipality and Senqu Municipality a result of the Baby Death incidents, poor infrastructure and the operational challenges that have been identified, it must be acknowledged that plans and funding have been leveraged by the District to resolve these issues over time.

10 2007 / 2008 CAPITAL BUDGET

Council's three-year capital programme:

	2006 / 2007	2007 / 2008	2008 / 2009	2009 / 2010
INFRASTRUCTURE ASSETS				
• Electricity	1 074 000			2 050 000
• Roads	1 489 078	7 088 497		133 018 900
• Sewerage / Waste	846 053	46 053		
• Water	600 726	200 000		
COMMUNITY ASSETS				
• Buildings	3 872 936	8 627 390		13 700 000
• Recreational Facilities	1 200 000	687 750		300 000
• Security Measures	521 872			
• Cemeteries	2 657 661			200 000
OTHER ASSETS				
• Buildings	3 100 000	500 000		8 000 000
• Office Equipment	430 000	540 000		
• Furniture & Fittings	116 450			
• Bins & Containers				
• Emergency Equipment				
• Motor Vehicles	180 000			
• Plant & Equipment	3 320 000	150 000		150 000
HOUSING	20 631 437	11 369 581	15 262 000	279 618 600
TOTAL	40 040 213	29 209 271	15 262 000	429 037 500

The R 29 209 271 is funded as follows:



11 2007 / 08 FINANCIAL RESULTS

11.1 2007 / 08 Financial Statements

The Annual Financial Statements for the period ended 30 June 2008 was compiled and submitted to the Municipal Manager on 24 August 2007, where after it was reviewed in terms of section 166(2)(b) by the audit committee. On 25 September 2007 the statements was presented to, discussed and approved by the municipal council of Senqu Municipality. Signed approved copies were thereafter forwarded to the National Treasury, Provincial Treasury and Auditor-General.

A copy of these statements is attached hereto as Annexure A.

11.2 Operational results

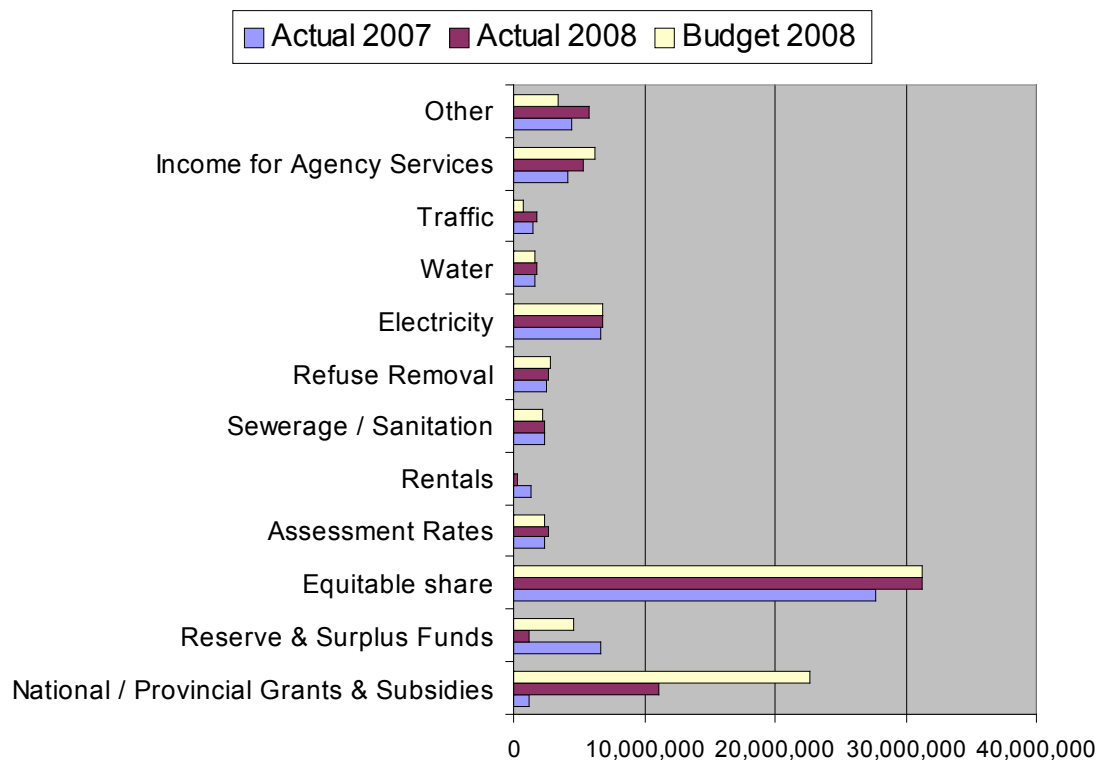
	2008	2007	VARIANCE	2007 BUDGET	VARIANCE ACTUAL / BUDGET
INCOME					
OPENING SURPLUS	35 406 734	33 940 225			
OPERATING INCOME FOR THE YEAR	72 896 170	62 401 593	15.51%	84 550 593	(13.78%)
SUNDRY TRANSFERS	83 056	(5 794 969)			
CLOSING DEFICIT	0	0			
	108 385 960	90 546 849			

	2008	2007	VARIANCE	2007 BUDGET	VARIANCE ACTUAL / BUDGET
INCOME					
OPENING DEFICIT	0	0			
OPERATING EXPENDITURE FOR YEAR	65 265 946	55 140 115	9.29%	84 353 394	(22.63%)
SUNDRY TRANSFERS	0	0			
CLOSING SURPLUS	43 120 014	35 406 734			
	108 385 960	90 546 849			

11.2.1 OPERATING INCOME RESULTS

ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2008			
INCOME	ACTUAL	ACTUAL	BUDGET
	2007	2008	2008
	R	R	R
National / Provincial / District Grants & Subsidies	1,130,884	11,056,617	22,592,890
Reserve & Surplus Funds	6,646,096	1,131,151	4,523,827
Equitable share	27,649,635	31,230,447	31,230,447
Assessment Rates	2,374,830	2,653,246	2,379,740
Rentals	1,384,330	273,226	130,000
Sewerage / Sanitation	2,328,759	2,415,462	2,158,180
Refuse Removal	2,544,185	2,647,727	2,780,540
Electricity	6,594,216	6,822,647	6,835,560
Water	1,700,710	1,775,867	1,633,270
Traffic	1,478,181	1,721,230	738,514
Income for Agency Services	4,107,121	5,334,167	6,156,425
Other	4,462,646	5,834,383	3,391,200
TOTAL	62,401,593	72,896,170	84,550,593

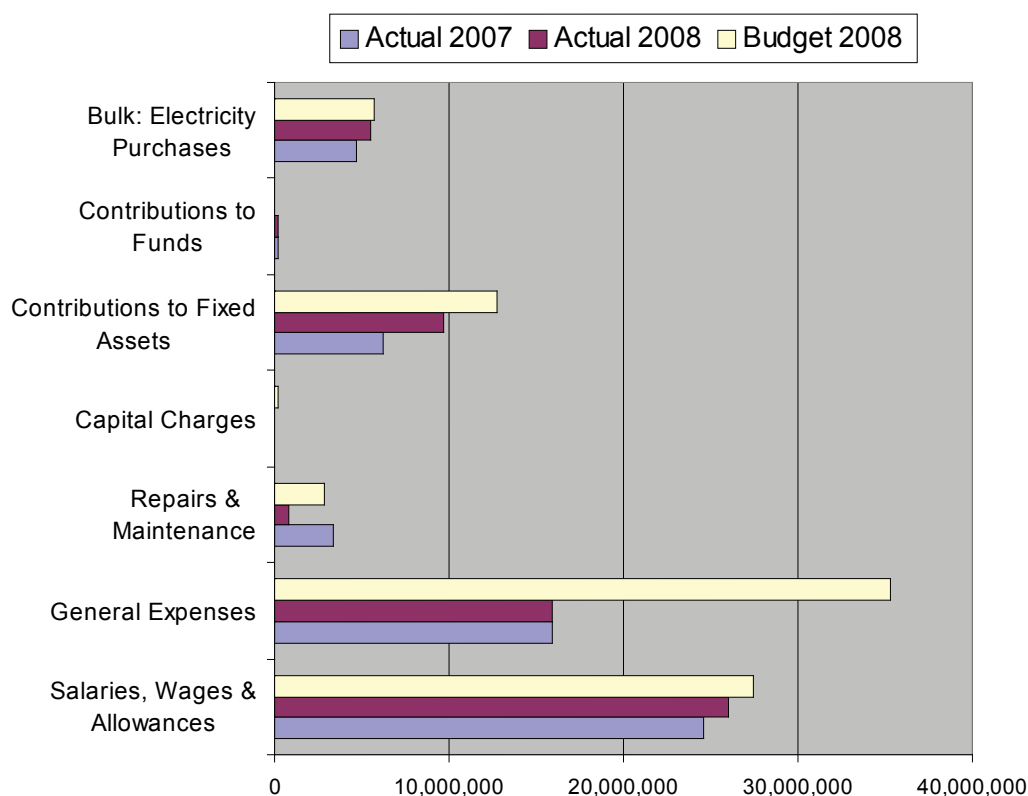
Operating Income Results



11.2.2 OPERATING EXPENDITURE RESULTS

EXPENDITURE	ACTUAL	ACTUAL	BUDGET
	2007	2008	2008
	R	R	R
Salaries, Wages & Allowances	24,630,171	26,055,139	27,484,175
General Expenses	15,954,160	15,954,160	35,288,209
Repairs & Maintenance	3,348,098	770,449	2,878,835
Capital Charges	140,617		163,100
Contributions to Fixed Assets	6,185,732	9,732,433	12,731,575
Contributions to Funds	156,735	178,112	90,000
Bulk: Electricity Purchases	4,724,602	5,522,173	5,717,500
Gross Expenditure	55,140,115	65,265,946	84,353,394
Less: Amounts charged out			
NET EXPENDITURE	55,140,115	65,265,946	84,353,394

Operating Expenditure Results



11.3 Capital expenditure and financing

The expenditure on assets occurred during the financial year amounted to R 9 732 433; 20.79% less than the previous years expenditure of R12 287 018. The actual expenditure is 42.94% of what was budgeted for (R22 666 050) and consists of the following:

		2007 / 08	2006 / 07	2005 / 06
LAND & BUILDINGS	Land	0	24 334	0
	Buildings	449 747	2 469 254	0
INFRASTRUCTURE ASSETS	Electricity	0	0	484 277
	Roads, Streets and Storm Water	5 088 378	3 812 629	4 922 412
	Sewerage & Solid Waste	145 144	0	1 401 760
	Water	0	0	0
COMMUNITY ASSETS	Buildings	2 234 521	3 583 808	2 898 364
OTHER ASSETS	Buildings	0	0	515 651
	Office Equipment	435 116	261 470	165 136
	Furniture and Fittings	35 478	80 569	84 866
	Bins & Containers	0	0	18 625
	Motor Vehicles	434 232	1 051 525	512 089
	Plant and Equipment	909 817	1 003 429	2 742 593
TOTAL		9 732 433	12 287 018	13 745 773

Resources utilized to finance these fixed assets were as follows:

	2007 / 08	2006 / 07	2005 / 06
Municipal Infrastructure Grant (MIG / CMIP)	6 231 333	6 101 286	7 606 658
Trust and Reserve Funds	0	0	0
Operational Expenditure; Contributions Ex Revenue	3 501 100	6 185 732	6 139 115
TOTAL	9 732 433	12 287 018	13 745 773

R3 010 530 of the budgeted R9 934 475 (30.30%) was spent on three housing projects currently in progress. The Department of Housing, Local Government and Traditional Affairs finance all three housing projects.

11.4 Funds and reserves

Full detail of Council's Statutory Funds, Reserves and Trust Funds are reflected as Appendix A on page 19 of the enclosed Annual Financial Statements – see [Annexure A](#).

The following contributions were made towards council's Funds and Reserves:

• STATUTORY FUNDS	Revolving Fund	178 112
• TRUST FUNDS	Peach and Vegetable Processing	155 708
	Heritage Management	229 912
	Co-op's Development	134 186
	Human Resource Development	118 858
	People's Housing (Lady Grey)	3 800
	Municipal Finance Management	250 000
	Spatial Development Framework	674 200
	Valuation Roll	400 000
	Municipal Infrastructure Grant	6 934 416

All Council's Funds and Reserves are cash backed by investments and/or cash in the bank.

11.4.1 Intergovernmental grants (National)

ALLOCATION	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4	EXPENDITURE
Equitable Share Received	10 410 149	7 807 612	13 012 686	-	31 230 447
Municipal Finance Management Received		250 000			294 464
Municipal Infrastructure Grant Received	4 100 000	1 547 000	687 415	600 000	6 753 388

11.4.2 Intergovernmental grants (Provincial)

ALLOCATION	QUARTER 1	QUARTER 2	QUARTER 3	QUARTER 4	EXPENDITURE
Human Resource Development Received	118 858				118 858
Valuations Roll Received	400 000				263 840

3.5. Assets and liabilities

3.5.1. INVESTMENTS AND CASH

Council's primary bank account is held at Standard Bank, Lady Grey. The existing signatories on all bank and investment accounts are:

- M M Yawa Municipal Manager
- C R Venter Manager: Financial Services
- C N Sbukwana Accountant: Expenditure
- A K Fourie Budget & Treasury Officer

Required that any two of the above-mentioned signatories authorize any payment or transfer from any of Council's bank or investment accounts.

Only one bank account is maintained: Standard Bank, Lady Grey (Acc No 28 063 130 8)

30 June 2008

R 909 098

R 909 098

30 June 2007

R1 366 699

R1 366 699

Cash advances are restricted to the minimum and is only available to cashiers:

Lady Grey Administrative Unit	R 100.00	R 100.00
Barkly East Administrative Unit	R 100.00	R 100.00
Sterkspruit Administrative Unit	R 200.00	R 200.00
Barkly East Traffic Department	<u>R 500.00</u>	<u>R 500.00</u>
	R 900.00	R 900.00

During this financial year council earned an average interest of 8.24% on its investments which amounted to 62 405 513. This amount is invested over different periods:

Short term / call deposits	R 9 925 243	R 4 787 108
Medium term / 32 days	R 40 195 062	R 36 575 481
Long-term	<u>R 12 285 208</u>	<u>R 11 439 396</u>
	R 62 405 513	R 52 801 986

Investments are held at:

Standard Bank, Lady Grey; and StanLIB, Queenstown.

11.5.2. LONG-TERM DEBTORS

Council has policies in place, which entitle Section 57 employees and full-time councillors (Mayor and Speaker) to apply for housing and motor vehicle loans financed from Council's Revolving fund. These loans are repayable over a period of five years (60 months) at an interest rate of 8.00%. Details are as follows:

DEBTOR	PURPOSE	OUTSTANDING AS AT 30 JUNE 2008	OUTSTANDING AS AT 30 JUNE 2007	OUTSTANDING AS AT 30 JUNE 2006
M M Yawa	Motor Vehicle	0		11 389.24
C R Venter	Motor Vehicle	0		25 424.21
Z A Williams	Motor Vehicle	0		28 380.52
Z I Dumzela	Motor Vehicle	0		15 267.85
J van Rensburg	Housing	59304.49	71720.94	82 960.49
M M Yawa	Housing	0		36 504.69
R N Crozier	Motor Vehicle	0		57 975.87
Z A Williams	Housing	0		50 322.16
Z I Dumzela	Housing	0	0	0
P G du Toit	Motor Vehicle	0	0	107 047.72
TOTAL		59304.49	71720.94	308.225.03

It is anticipated that 13716.00 of this loan would be recovered during the 2008/09 financial year.

11.5.3 TRADE DEBTORS

The following trade debtors were due to council as at 30 June 2008:

DEBTOR	PURPOSE	AMOUNT
South African Revenue Services	Value Added Tax	1 192 747
Gariep Municipality	Advance	779 131
Ukhahlamba District Municipality	WSA Services rendered	2 198 132
Other		48 280
TOTAL		4 218 290

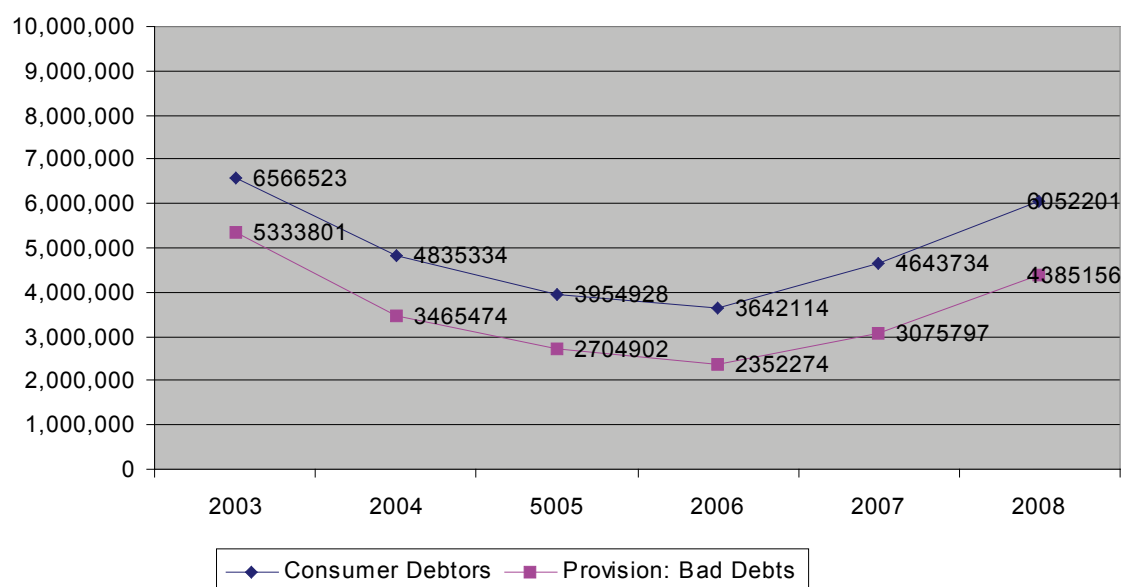
11.5.4. CONSUMER DEBTORS

Council's outstanding consumer debtors have again increased by 27.50% (R 1 001 620.47) from R 3 642 114,50 to R 4 643 734.97 during this financial year and the age-analysis thereof are as follows:

SERVICE	BALANCE AT 30 JUNE 2008	CURRENT	30 DAYS+	60 DAYS +	90 DAYS +	120 DAYS+
Water	842 996.60	91 996.55	35 709.52	28 427.84	32 748.49	654 114.20
Miscellaneous	1 135 729.47	612 414.37	229 317.18	100 301.41	111 764.07	81 932.44
Electricity	12 749.05	848.00	820.00	820.00	820.00	9 441.05
Sewerage	988 902.97	117 686.57	48 356.12	69 953.94	69 953.94	710 647.53
Refuse removal	1 031 997.59	103 248.12	43 998.12	57 419.64	57 419.64	790 937.92
Rates	1 937 432.24	34 307.05	62 346.58	84 085.12	84 085.12	1 701 023.75
Encroachments	(1 225.26)	.20	.20	.20	.20	(1 226.06)
Rentals	102 392.87	11 487.34	9 425.95	11 575.12	11 575.12	68 692.94
Building Clause	(203.30)					(203.30)
	6 050 772.23	971 988.20	429 973.67	368 366.58	368 366.58	4 015 360.47

Provision was also made for bad debt for the all consumer debt exceeding 90 days:

Consumer Debt/Provision Bad Debts



A General Valuation throughout all urban areas situated within the Senqu municipal area has been completed. The result:

TOWN	NO OF ERVEN	TOTAL SIZE OF ALL ERVEN	TOTAL VALUATION OF LAND	TOTAL VALUATION OF IMPROVEMENTS	TOTAL
Barkly East / Nkululeko / Fairview	2 097	9 082 091	3 032 350	73 216 050	76 248 400
Herschel	179	184 433	184 300	2 695 900	2 880 200
Lady Grey / Kwezi-Naledi / Transwilger	2 245	25 802 054	3 456 700	43 051 030	46 507 730
Rhodes / Zakhele	313	293 609	12 383 500	13 614 000	25 997 500
Rossouw	265	8 393 989	479 800	925 100	1 404 900
Sterkspruit	274	3 755 876	6 463 000	16 767 500	23 230 500
Agricultural Land	1 400				291 176 650
TOTAL	6 773	47 512 052	25 999 650	150 269 580	467 445 880

11.5.5. PROVISIONS

At year-end the following provisions were made for expenditure that would incur during the 2007/ 08 financial year:

SERVICE PROVIDER	PURPOSE	AMOUNT
AUDITOR-GENERAL	Audit Fees – 2007 / 08	494 225
BAD DEBTS	Consumer Debtors	4 385 156
	Leave	1 028 013
	Performance Bonuses	636 625
TOTAL		6 544 019

11.5.6. TRADE CREDITORS

The following trade creditors were not yet paid at year end:

CREDITOR	AMOUNT
Various creditors – rendering operational goods and services during June 2008	0
Various third party payments – salary deductions for June 2008	47 650
Department of Transport – motor vehicle registration collections for June 2008.	18 187
SARS – VAT on unpaid consumer accounts	491 182
Project Funds	223 680
Insurance Refund	0
Total	780 699

11.5.7. CONSUMER DEPOSITS

An amount of R 369 858 (30 June 2007 – R314 728.18) is held as deposits on water and electricity services rendered to consumers.

12. AUDIT REPORTS AND CORRECTIVE ACTIONS

The auditing of the financial statements for the period ended 30 June 2008 has commenced during August 2007 and the Report of the Auditor-General of Senqu Municipality for the Financial Year ended 30 June 2008 is attached hereto – see Annexure B.

12.1 Corrective Actions

The Report of the Auditor-General is currently being dealt with by the Audit Committee.

13. CHALLENGES

The following is seen as the challenges that need to be accomplished during the 2007/08 financial year:

- Compliance and implementation of the Municipal Finance Management Act (MFMA)
- Implementation/conversion to GRAP - Compliance required by 2009 this department would continue with the implementation of GAMAP (Generally Accepted Municipal Accounting Practices), which was started during the 2002/2003 financial year.
- Implementation/conversion to GRAP. Senior financial staff continue to be sent for training on the implementation thereof and if needed the expertise of external service providers would be called upon to assist the department;
- Various new and existing policies will be compiled/reviewed and the all stakeholders will be consulted as required;
- Training of staff within the finance department would continue and is already underway. Capacity building within the finance department is council's and management's first priority;
- Implementation of a comprehensive Information Technology (IT) system has been completed and the training of the employed IT/GIS Operator would proceed as to enable council to be as independent as possible from external service providers;
- Implementation of Geographical Information System (GIS), phase II will proceed;
- During the next financial year all assets would be bar-coded and listed as required for the implementation of GAMAP
- Budget and IDP completed; compliance with Audit query raised in this respect regard
- Finalization of Cash flow statements;
- Finalization of Measurable performance objectives
- SDBIP'S for 2007/2008 completed, monitor, evaluated and report on implementation during 2007/2008;
- Population of Performance Scorecards and Agreements for s57 has been completed in May 2008.
- Population and Finalization of Performance Scorecards and Agreements for 25 middle management posts by June 2008.
- To correct deficiencies in the risk management and internal controls - and the maintenance of effective, efficient and transparent systems of financial and risk management and internal control.
- Develop strategies /plans to address Audit Queries raised in the Budget & Treasury Department.
- Develop a strategy to deal with sound financial management and expenditure control and means to increase revenue and external funding

14. CONCLUSION

The 2007/2008-year has yet again provided the Budget & Treasury department many challenges.

Challenges are regarded as opportunities for growth and development, without which Senqu Municipality would not be able to meet the communities' needs and be given the opportunity to develop.

- Implementation of the Municipal Finance Management Act and its implementation has placed many requirements on the municipality. This has resulted in management, senior staff and all the Executive Committee members being trained in terms of the requirements of the Act (now implemented).
- The implementation and conversion to GRAP has been our challenge and the department has to ensure training of senior financial staff in terms of implementation and to obtain assistance from external service providers should where deemed necessary.
- Training has been undertaken in respect of the challenges of the MFMA and new Supply Chain Management regulations, Performance Management and, IT.
- The IDP (Integrated Development Plan) has been reviewed and the SDBIP's (Service Delivery Budget and Implementation Plans) have been developed and assessed as required on a quarterly basis, in order to target and manage performance within the organization.
- Infrastructure development has been a constant challenge from a financial and resource point of view but we remain remains focused, and development has occurred in many areas.
- Our biggest challenge relates to the qualified audit report received. Based on the emphasis of matter (contained within this report), certain concerns and administrative and financial weaknesses were highlighted and are urgently required to be addressed.

In conclusion, I wish to place on record my sincere thanks and appreciation to all the departmental heads and support staff in the Finance Department that have contributed and assisted this department in achieving our goals and objectives during 2007/2008.

I further wish to place on record my sincere thanks and appreciation:

- To the honourable Mayor, Mr Z. I. Dumzela for his ongoing support, and for the guidance from the Executive Committee.
- To the members of the Finance Standing Committee your support, is appreciated.
- To the Municipal Manager and other Heads of Department, your support, encouragement and co-operation contributed to the successful results this department is able to table. It is a privilege to be part of such a supportive management team.
- To the Mayor, Speaker and Councillors, on behalf of the management team and Finance Department of Senqu municipality, herewith the annual report for the period ended 30 June 2008 of the Budget & Treasury Department of Senqu Municipality.

C R Venter
Chief Financial Officer



AUDITED FINANCIAL STATEMENTS

attached as Annexure A

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 28, in terms of Section 126 (1) of the Municipal Finance Management Act, Act No 56 of 2003, and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 20 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



M M Yawa
Municipal Manager

INDEX

1.	General Information	Page 1
2.	Approval Of Financial Statements	Page 2
3.	Foreword	Page 3
4.	Report Of The Auditor-general	Page 4
5.	Treasurer's Report	Page 6
6.	Accounting Policies	Page 9
7.	Balance Sheet	Page 10
8.	Income Statement	Page 11
9.	Cash Flow Statement	Page 12
10.	Notes To The Financial Statements	
11.	Appendices	
	a.) Statutory Funds, Trust Funds And Reserves	Page 21
	b.) External Loans And Internal Advances	Page 22
	c.) Analysis Of Fixed Assets	Page 23
	d.) Analysis Of Operating Income And Expenditure For The Year Ended 30 June 2008	Page 24
	e.) Detailed Income Statement Of The Year Ended 30 June 2008	Page 25
	f.) Statistical Information	Page 27

MEMBERS OF THE COUNCIL

Mr Z I Dumzela	<i>Mayor / Chairperson of Executive Committee</i>
Mr D D Mqungquthu	<i>Speaker</i>
Mr M M Mafilika	<i>Member Executive Committee / Chairperson Housing & Estate Services</i>
Mr V V Mbulawa	<i>Member Executive Committee / Chairperson Corporate & Support Services</i>
Ms N Kuse	<i>Member Executive Committee / Chairperson Budget & Treasury Services</i>
Ms G N Mbonzana	<i>Member Executive Committee / Chairperson Community & Social Services</i>
Ms P August	<i>Member Executive Committee / Chairperson Technical & Engineering Services</i>
Ms M N Ngendane	
Ms G S Mvunyiswa	
Ms A P Kwinana	
Ms M Stanley	
Mr M W Mpelwane	
Mr J Konstable	
Ms B Juju	
Ms I Elia	
Ms N G Beje	
Mr J J Lamane	
Mr S S Ndzongana	
Ms E N Mbobo	
Ms N Nombula	
Mr M P Bingwa	
Ms L M Tokwe	
Ms N A Mkhontwana	
Mr M G Moeletsi	
Mr L Boo	
Ms G N Parkies	
Ms N C Mraji	
Ms N M Kwinana	
Ms A H Sobhuza	
Mr M G Ncise	
Mr X Ganamfana	
Mr A M Mateisi	

AUDITORS

The Auditor-General

BANKERS

Standard Bank

Lady Grey

REGISTERED OFFICE

19 Murray Street, P O Box 18, LADY GREY, 9755

Tel No: 051 - 603 0019

Fax No: 051 - 603 0445

MUNICIPAL MANAGER

M M Yawa

CHIEF FINANCIAL OFFICER

C R Venter

APPROVAL OF FINANCIAL STATEMENTS

Page 2

The Annual Financial Statements set out on pages 1 - 24 were approved by the Municipal Manager on the 26 August 2008.



.....
Municipal Manager
M M Yawa



.....
Chief Financial Officer
C R Venter

In his State of Nation Address, delivered to the joint sitting of the Houses of Parliament of South Africa, Mr. Thabo Mbeki referred to the speech by the Honourable Nelson Mandela on 24 May 1994 that say "we must, constrained by and yet regardless of the accumulated effect of our historical burdens, seize the time to define for ourselves what we want to make of our shared destiny". Furthermore Mr. Mbeki also said that it is up to all of us, through our National effort, to build a winning nation. A survey was conducted by Government Communication and Information System (GCIS) and the outcomes communicate the unequivocal message that our people expect that government:

- Should move faster to address the challenges of poverty, underdevelopment and marginalization confronting those caught within the second economy, to ensure that the poor in our country share in our growing prosperity;
- Should make necessary interventions with regard to the First Economy to accelerate progress towards the achievement of higher levels of economic growth and development of at least 6% a year;
- Must sustain and improve the effectiveness of our social development programmes targeted at providing a cushion of support to those most exposed to the threat of abject poverty;
- Must ensure that the machinery of government, especially our municipality, discharges its responsibilities effectively and efficiently, honoring the respects of Batho Pele; and
- Must harness the proudly South African spirit that is abroad among the people to build the strongest possible partnership between all sections of our population to accelerate our advance towards the realization of the important goal of a better life for all.
- Directing financial resources to achieve accelerated economic growth in a dynamic and sometimes turbid domestic and regional economic environment requires both resilience and resolve. The resolve is indeed to ensure the use of resources in a manner that promises to improve the lives of all citizens; the resilience, to continuously test the relevance of the strategy at hand.
- The outlook of our municipal policy remains fundamentally unchanged, with the intent to nurture growth to create employment and income in a sustainable manner. In this context, the importance of poverty reduction and eliminating the marginalization of people and communities cannot be emphasized enough.

Since 2001, we have channeled an ever-great share of our resources into capital spending. Our investment in infrastructure has been focused on two major areas: the built environment and economic infrastructure. The built environment refers to a cluster of activities and services related to building viable, secure residential communities – housing, water, electrification, sanitation, roads, sport facilities, and clinics. The municipality remains committed to these programmes, which seek to change both the urban and rural landscapes - to turn barren, dusty land into places that people feel proud to live in.

Through these financial statements we are happy to reflect how healthy our municipal finances are. They are also our litmus test to evaluate the service delivery over the past year and whether the resources of the municipality have been appropriately used.



Z I Dumzela
Mayor

CHIEF FINANCIAL OFFICER'S REPORT

1. Operating Results

Details of the operating results per department, classification and object of expenditure are included in appendices D and E. The overall operating results for the period ended 30 June 2008 are as follows:

			VARIANCE	BUDGET	VARIANCE ACT / BUDG
INCOME					
Opening Surplus	35,406,734	33,940,225			
Operating Income for the Year	72,896,170	62,401,593	16.82%	84,550,593	(13.78%)
Sundry Transfers	83,056	-5,794,969			
Closing Deficit	-	-			
	108,385,960	90,546,849			
EXPENDITURE					
Opening Deficit	-	-			
Operating Expenditure for the Year	65,265,946	55,140,115	15.51%	84,353,394	(22.63%)
Sundry Transfers	-	-			
Closing Surplus	43,120,014	35,406,734			
	108,385,960	90,546,849			

1.1 Rates and General Services

Income	53,316,755	47,052,592	13.31%	58,148,125	(8.31%)
Expenditure	46,027,300	41,177,168	10.32%	57,310,926	(20.74%)
Surplus / (Deficit)	7,289,455	5,875,424		837,199	
Surplus / (Deficit) as % of Total Income	14.80%	12.49%			

1.2 Housing Services

Income	3,520,411	411,645	755.25%	10,432,075	(66.25%)
Expenditure	3,355,745	224,969	1391.65%	10,412,075	(67.77%)
Surplus / (Deficit)	164,666	186,676		20,000	
Surplus / (Deficit) as % of Total Income	4.68%	45.35%			

Funds received and appropriated for housing projects are for the first time disclosed as operational expenditure. In the past housing funds received and appropriated were only disclosed on Appendix A under Trust Funds. This resulted in the material and significant variance. Underspending resulted in the huge variance between the actual and budgeted amounts.

1.3 Trading Services

Income	16,059,004	14,937,356	7.51%	15,970,393	0.55%
Expenditure	15,882,901	13,737,978	15.61%	16,630,393	(4.49%)
Surplus / (Deficit)	176,103	1,199,378		(660,000)	
Surplus / (Deficit) as % of Total Income	1.10%	8.03%			

2. CAPITAL EXPENDITURE AND FINANCING

Page 5

The expenditure on assets incurred during the year amounted to R 9 036 668; 26.45% less than the previous year's expenditure of R 12 287 018. The actual expenditure is 39.87% of that was budgeted for (R 22 666 050) and consists of the following:

LAND & BUILDINGS	Land	0
	Buildings	449,747
INFRASTRUCTURE	Electricity	0
	Roads	5,088,378
	Sewerage / Waster	145,144
COMMUNITY	Buildings	2,234,521
	Recreational Facilities	0
	Security Measures	0
OTHER ASSETS	Buildings	0
	Office Equipment	435,116
	Furniture & Fittings	35,478
	Bins & Containers	0
	Motor Vehicles	434,232
	Plant & Equipment	909,817
TOTAL		9,732,433

Detail of these assets are reflected in council's assets register. A complete analysis of capital expenditure (actual) per department, classification or service is included in appendix C. Resources used to finance the fixed assets were as follows:

CONTRIBUTION EX REVENUE	3,501,100
GRANTS & SUBSIDIES	6,231,333
	9,732,433

More details regarding external loans and internal advances used to inance fixed assets are shown in appendix B. R 3 010 530 of the budgeted R 9 934 475 (30.30%) was spent on housing projects.

3. EXTERNAL LOANS, INVESTMENTS AND CASH

Investments and cash on 30 June 2007 amounts to R 63 313 170 (R 54 169 586 in 2007). More information regarding loans and investments is disclosed in notes (4 and 7) and appendix B to the financial statements.

4. FUNDS AND RESERVES

The movement regarding statutory funds, reserves and trust funds is given in Appendix A

THE FOLLOWING CONTRIBUTIONS WERE MADE:		
STATUTORY FUNDS	Revolving Fund	178,112
THE FOLLOWING TRUST FUNDS WERE RECEIVED:		
	Peach & Vegetable Processing	155,708
	Heritage Management	229,912
	Co-op's Development	134,186
	Human Resource Development	118,858
	People's Housing (Lady Grey)	3,800
	Municipal Finance Management	250,000
	Spatial Development Framework	674,200
	Valuation Roll	400,000
	Municipal Infrastructure Grant	6,934,416

5. APPRECIATION

I would like to thank the Mayor, Speaker, the Chairperson of the Finance Standing Committee, the members of the Executive Committee, other Councillors, the Municipal Manager and Departmental Heads for the support they have given me and my personnel during the year. A special word of thanks to the personnel of the Budget and Treasury Department for their loyalty and commitment in preparing the financial accounts of our municipality.

C R Venter
Chief Financial Officer
26 August 2008

6. ACCOUNTING POLICIES

1. BASIS OF PRESENTATION

- 1.1. These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants in its Code of Accounting Practice (1997) and Published Annual Financial Statements for Local Authorities (2nd edition 1996, as amended).
- 1.2. The financial statements are prepared on historical cost basis, adjusted for Fixed Assets as more fully detailed in Accounting Policy - Note 3. The accounting policies are consistent with those applied in the previous year; except if otherwise indicated.
- 1.3. The financial statements are prepared on the accrual basis as stated:
 - Income is accrued when measurable and available to finance operations. Certain direct income is accrued when received, such as traffic fines and certain licences.
 - Expenditure is accrued in the year it is incurred.

2. CONSOLIDATION

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

3. FIXED ASSETS

3.1. Fixed assets are stated:

- at historical cost, or
- at valuation, where assets have been acquired by grant or donation.

while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the Treasurer.

3.2. Depreciation

The balance shown against the heading "Loans Redeemed and Other Capital Receipts" in the notes to the financial statements is the amount to a provision for depreciation, however, certain structural differences do exist. By way of this "Provision" assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through:

- Appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make any further provision for depreciation.
- Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and Other Capital Receipts" account.

3.3. All net proceeds from the sale of fixed property are credited to the Revolving Fund.

3.4. Fixed assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.

No stock is kept, but purchases are debited directly to the applicable expense account.

5. FUNDS AND RESERVES**5.1. Statutory Funds**

- 7.5% as prescribed in terms of sect 75(1)(a) of Ordinance 20 of 1974 was contributed to the Revolving Fund.

5.2. Trust Funds

- All Trust Funds were received from either the National, Provincial Government and District Municipality and will only be utilized for the purpose it was received for.

5.3. Reserves

- A Working Capital Reserve equal to at least the salary expenditure for one month would be maintained.

6. PROVISIONS

Provisions are created for liabilities or contingencies which are known at the date of the balance sheet but for which the amounts involved cannot be determined with substantial accuracy.

7. SURPLUSES AND DEFICITS

Any surpluses or deficits arising from the operation of Trading Services - Water and Electricity - are transferred to Rates and General Services to alleviate the tax burden of rate payers.

8. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The cost of internal support services are transferred to the different services in accordance with the Institute Report on Accounting for Support Services (June 1997).

9. LEASED ASSETS

Fixed assets held under finance leases are capitalized. Such assets are effectively amortised over the term of the lease agreement.

Lease finance charges are allocated to accounting periods over the duration of the leases, by effective interest rate method, which reflects the extent and cost of lease finance utilized in each accounting period.

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

10. INVESTMENTS

Investments are shown at the lower cost or market value if a permanent decline in the value occurred.

11. DEFERRED CHARGES REPRESENTS

- 11.1. The balance outstanding on the costs incurred in raising loans on the capital market which is recovered from operating income over periods of the various loans involved.
- 11.2. Assets written off before the loans financing them are fully repaid.

12. INCOME RECOGNITION**12.1. Electricity and Water Billings.**

Meters are read and billed monthly. In accordance with the meter reading cycle, debtors are billed in the following month for their con-

sumption and revenue is recorded accordingly.

11.2. ASSESSMENT RATES

Senqu Municipality applies a differential site rating system. In terms of this system the assessment rates are levied on the land value of property, and rebates are granted according to use which a particular property is put.

7. BALANCE SHEET AT 30 JUNE 2008

Page 9

	NOTE	2008	2007
CAPITAL EMPLOYED			
FUNDS AND RESERVES		8,669,053	7,850,116
Statutory Funds	1	7,178,973	6,473,471
Reserves	2	1,490,080	1,376,645
RETAINED SURPLUS / (ACCUMULATED DEFICIT)	23	43,120,014	35,406,734
		51,789,067	43,256,850
TRUST FUNDS	3	13,557,893	15,401,683
LONG-TERM LIABILITIES	4	0	0
CONSUMER DEPOSITS	5	369,858	314,728
		65,716,818	58,973,261
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	6	-0	0
LONG-TERM INVESTMENTS	7	12,285,208	11,439,397
LONG-TERM DEBTORS	8	45,588	59,304
DEFERRED CHARGES	11	0	-
		53,386,022	47,474,560
NET CURRENT ASSETS / (LIABILITIES)			
CURRENT ASSETS		56,927,014	51,248,266
Accounts Receivable / Debtors	10	5,885,336	8,487,634
Cash and Bank	14	907,657	1,367,600
Short-term Investments	7	50,120,305	41,362,589
Short-term Portion of Long-term Debtors	8	13,716	30,443
CURRENT LIABILITIES		3,540,992	3,773,706
Provisions	12	2,158,864	2,018,001
Accounts Payable / Creditors	13	1,382,128	1,755,705
Loans: Short-term Portion	4	0	0
Bank Overdraft	14	-	-
		65,716,818	58,973,261

8. INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

Page 10

30/06/2007 ACTUAL INCOME	30/06/2007 ACTUAL EXPEN- DITURE	30/06/2007 SURPLUS / (DEFICIT)		30/06/2008 ACTUAL INCOME	30/06/2008 ACTUAL EXPEN- DITURE	30/06/2008 SURPLUS / (DEFICIT)	30/06/2008 BUDGETED SURPLUS/ (DEFICIT)
R	R	R		R	R	R	R
47,052,592	41,177,168	5,875,424	RATE AND GENERAL SERVICES	53,316,755	46,027,300	7,289,455	837,199
37,185,979	31,209,721	5,976,258	Community Services	42,030,357	35,233,126	6,797,231	937,199
297,578	420,501	(122,923)	Subsidized Services	575,468	436,850	138,618	0
9,569,035	9,546,946	22,089	Economic Services	10,710,930	10,357,324	353,606	(100,000)
411,645	224,969	186,676	HOUSING SERVICES	3,520,411	3,355,745	164,666	20,000
14,937,356	13,737,978	1,199,378	TRADING SERVICES	16,059,004	15,882,901	176,103	(660,000)
62,401,593	55,140,115	7,261,478	TOTAL	72,896,170	65,265,946	7,630,224	197,199
		(5,794,969)	Appropriations for this year - refer to Note 23			83,056	
		1,466,509	Net Surplus / (Deficit) for the year.			7,713,280	
		33,940,225	Accumulated Surplus / (Deficit) at beginning of the year.			35,406,734	
		35,406,734	ACCUMULATED SURPLUS / (DEFICIT) AT END OF THE YEAR			43,120,014	

9. CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2007

Page 11

	NOTE	2008 R	2007 R
CASH RETAINED FROM OPERATING ACTIVITIES:		18,876,017	11,595,810
Cash Generated by Operations	24	2,094,449	(6,079,044)
Investment Income		5,566,194	4,172,036
(Increase) / Decrease in Working Capital	25	2,314,294	(3,844,627)
		9,974,937	(5,751,635)
Less: External interest paid		-	(65,938)
		9,974,937	(5,817,573)
Cash Contributions from the Public and State		8,901,080	17,413,383
Net Proceeds on Disposal of Fixed Assets		-	-
CASH UTILISED IN INVESTING ACTIVITIES			
Investment in Fixed Assets		(9,732,433)	(12,287,018)
NET CASH FLOW		9,143,584	(691,208)
CASH EFFECTS OF FINANCING ACTIVITIES:			
Increase / (Decrease) in Long-term Loans	26	-	(465,156)
Increase / (Decrease) in Short-term Loans	27	-	-
(Increase) / Decrease in Cash Investments	28	(9,603,527)	(939,049)
(Increase) / Decrease in Cash	29	459,943	2,095,413
Net cash (generated) / utilized		(9,143,584)	691,208

Page 12	
3	2007
7,178,973	6,473,471
7,178,973	6,473,471
1,333,667	1,232,139
156,413	144,506
1,490,080	1,376,645

	2008	2007
--	------	------

7,178,973	6,473,471
7,178,973	6,473,471



1,333,667	1,232,139
156,413	144,506
1,490,080	1,376,645

100,480	92,831
155,708	0
401,284	400,000
66,888	99,457
0	52,751
558,543	516,022
229,912	0
100,983	323,850
134,186	0
210,274	264,206
0	0
666,449	1,509,238
568,826	569,987
348,245	321,734
674,200	0
142,416	131,574
140,372	2,237,602
889,612	821,888
147,378	0
500,909	319,882
498,293	470,935
139,627	128,998
381,853	442,571
0	155,218
6,343,952	5,986,491
157,503	556,448
13,557,893	15,401,683

--	--

4. LONG TERM LIABILITIES	2008	2007
Development Bank of South Africa	0	-
Sub-total	0	0
Less: Current portion transferred to current liabilities	0	0
Development Bank of South Africa	-	-
Total External Loans	0	0
(Refer to Appendix B for more detail on long-term liabilities)		
5. CONSUMER DEPOSITS - SERVICES		
Electricity and Water	369,858	314,728
Interest paid	-	-
Total Consumer Deposits	369,858	314,728
<i>No interest on Consumer Deposits is paid on refund.</i>		
<i>Guarantees held in lieu of Electricity and Water Deposits</i>	-	-
6. FIXED ASSETS		
Fixed assets at the beginning of the year.	95,292,349	108,853,632
Capital expenditure during the year.	9,732,433	12,287,018
Less: Assets written off, transferred or disposed of during the year.	437,869	25,848,301
Total fixed assets	104,586,913	95,292,349
Less: Loans redeemed and other capital receipts	104,586,913	95,292,349
Net fixed assets	(0)	0
<i>(Refer to Appendix C and section 2 of the Treasurer's Report for more details on fixed assets)</i>		
7. INVESTMENTS		
Listed	0	0
Stock	-	-
Unlisted	62,405,513	52,801,986
Call deposits	9,925,243	4,787,108
Short-term deposits	40,195,062	36,575,481
Long-term deposits	12,285,208	11,439,397
Total Investments	62,405,513	52,801,986
Market value of listed investments and managements valuation of unlisted investments.		
Listed investments	-	-
Unlisted investments	62,405,513	52,801,986
Profit / (Loss) on investment transactions.	-	-
Average rate of return on investments (Net)	8.24%	7.95%

NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE 2008

Page 14

No investments have been pledged as security for any funding facilities of the council.

8. LONG-TERM DEBTORS

Motor Vehicle and Housing loans

Less: Short-term portion of long-term debtors transferred to current assets.

Total Long-term Debtors

2008	2007
59,304	89,747
13,716	30,443
45,588	59,304

9. INVENTORY

Inventory represents consumable store, raw materials, work in progress and finished goods.

Total Inventory

-	-
0	0

10. DEBTORS

Consumer debtors

Payments made in advance

Short Term Loan: Gariep Municipality

Current debtors (other)

Less: Provision for bad debts

Total Debtors

6,052,201	4,643,735
-	-
779,131	
3,439,160	6,919,696
10,270,492	11,563,431
4,385,156	3,075,797
5,885,336	8,487,634

Consumer Debtors

As at 30 June 2008

	GROSS BALANCE	PROVISION FOR BAD DEBTS	NET BALANCE
Service debtors	5,937,060	4,294,627	1,642,433
Rates	1,937,433	1,785,109	152,324
Electricity	1,135,729	193,696	942,033
Water	842,997	686,863	156,134
Sewerage / Sanitation	988,903	780,601	208,302
Refuse removal	1,031,998	848,358	183,640
Other	115,141	90,529	24,612
Total	6,052,201	4,385,156	1,667,045

As at 30 June 2007

Service debtors	4,516,602.00	2,986,859	1,529,743
Rates	1,207,099	1,087,983	119,116
Electricity	943,860	80,249	863,611
Water	735,714	578,264	157,450
Sewerage / Sanitation	776,188	575,386	200,802
Refuse removal	853,741	664,977	188,764
Other	127,133	88,938	38,195
Total	4,643,735	3,075,797	1,567,938

	2008	2007
Rates: Ageing		
Current (0 - 30 days)	34,307	27,941
31 - 60 days	62,347	47,166
61 - 90 days	55,670	44,009
91 - 120 days	84,085	84,191
120 + days	1,701,024	1,003,792
	1,937,433	1,207,099
Electricity: Ageing		
Current (0 - 30 days)	612,414	670,348
31 - 60 days	229,317	169,838
61 - 90 days	100,301	23,425
91 - 120 days	111,764	15,757
120 + days	81,933	64,492
	1,135,729	943,860
Water: Ageing		
Current (0 - 30 days)	91,997	90,386
31 - 60 days	35,710	43,801
61 - 90 days	28,428	23,262
91 - 120 days	32,748	48,945
120 + days	654,114	529,320
	842,997	735,714
Sewerage / Sanitation: Ageing		
Current (0 - 30 days)	117,687	117,051
31 - 60 days	48,356	55,460
61 - 90 days	42,259	28,291
91 - 120 days	69,954	44,305
120 + days	710,647	531,081
	988,903	776,188
Refuse removal: Ageing		
Current (0 - 30 days)	103,248	105,636
31 - 60 days	43,998	53,341
61 - 90 days	36,394	29,788
91 - 120 days	57,420	52,244
120 + days	790,938	612,732
	1,031,998	853,741
Other: Ageing		
Current (0 - 30 days)	12,335	13,162
31 - 60 days	10,246	13,773
61 - 90 days	2,032	11,260
91 - 120 days	12,395	14,746
120 + days	78,133	74,192
	115,141	127,133
11. DEFERRED CHARGES		
Preliminary Expenses	-	-
	0	0

12. PROVISIONS

	2008	2007
Audit Fees	494,225	482,690
Leave Pay	1,028,014	1,039,566
Performance Bonus	636,625	495,745
Total Provisions	2,158,864	2,018,001

13. CREDITORS

Trade creditors	-	990,737
Creditors (consumers)	1,429	-
Staff Leave	-	-
Severance Payment (Corporate Services Manager)	600,000	-
Other creditors	780,699	764,968
Total Creditors	1,382,128	1,755,705

14. BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

Standard Bank - Lady Grey Branch - Account Number 28 063 130 8

Cash book balance at beginning of year -	1,366,700	3,411,566
Cash book balance at end of year -	906,757	1,366,700
Bank Statement balance at beginning of year -	1,302,209	3,355,451
Bank Statement balance at end of year -	909,098	1,302,209

Current Account

Standard Bank - Lady Grey Branch - Account Number 28 063 500 1

Cash book balance at beginning of year -	0	50,247
Cash book balance at end of year -	-	-
Bank Statement balance at beginning of year -	0	364,958
Bank Statement balance at end of year -	-	-

Cashier's Float

Balance at beginning of year -	900	1,200
Balance at end of year -	900	900

TOTAL BANK AND CASH

907,657	1,367,600
---------	-----------

15. PROPERTY RATES

		2008	2007
	VALUATION	ACTUAL	
Residential Property	86,536,060	974,725	1,246,641
Commercial Property	21,637,500	365,674	344,036
Industrial Property	-	-	-
Public Benefits Organisations	5,494,000	-	-
Agricultural Purposes	291,176,650	615,111	289,357
State - National / Provincial Services	29,424,500	397,819	374,280
Municipal Property	25,597,520	43,725	-
Vacant Property	7,579,650	256,192	120,516
	467,445,880	2,653,246	2,374,830

Valuations on land and improvements are performed every four years. The last General Valuation was performed during 2004, approved on 27 January 2005 and implemented on 1 July 2005. The current assessment rate tariff is R 0.0169 or 1.69%. The tariff on Vacant Property is R 0.0338 or 3.38%.

A substantial number of RDP houses are still registered in the name of the municipality that should be transferred to the legal occupants. Rates could only be billed on these houses once the transfer of ownership has been concluded.

16. SERVICE CHARGES

Sale of electricity	6,822,647	6,594,216
Sale of water	1,775,867	1,700,710
Refuse removal	2,647,727	2,544,185
Sewerage and sanitation charges	2,415,462	2,328,759
Total Service Charges	13,661,703	13,167,870

17. GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	31,230,447	27,649,635
Provincial Local Economic Development projects	-	-
National Local Economic Development projects	-	-
Municipal Infrastructure Grant	6,934,416	8,084,739
Total Government Grants and Subsidies	38,164,863	35,734,374

17.1. Equitable Share.

In terms of the Constitution this grant is mainly used to subsidise the provision of basis services to indigent community members.

17.2. Provincial Local Economic Development projects.

Balance unspent at beginning of year	897,994	896,945
Current year receipts	78,148	66,132
Conditions met - transferred to revenue	(349,607)	(65,083)
Conditions still to be met	626,535	897,994

17.3. National Local Economic Development projects.

Balance unspent at beginning of year	264,206	443,058
Current year receipts	16,008	19,457
Conditions met - transferred to revenue	(69,940)	(198,309)
Conditions still to be met	210,274	264,206

17.4. Municipal Infrastructure Grant.

Balance unspent at beginning of year	319,882	(443,057)
Current year receipts -	6,934,416	8,084,739
Conditions met - transferred to revenue	(6,753,389)	(7,321,800)
Conditions still to be met	500,909	319,882

18. OTHER INCOME

Rentals	273,226	1,384,330
Traffic	1,721,230	1,478,181
Other	5,834,383	4,462,646
Total Other Income	7,828,839	7,325,157

19. EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	14,827,208	13,045,692
Employee related costs - Contributions for UIF, pensions and medical aids	2,920,258	3,428,304
Travel, motor car, accomodation, subsistence and other allowances	297,095	-
Housing benefits and allowances	22,242	20,342
Overtime and Standby payments	374,022	268,934
Performance bonus	480,163	480,662
Annual bonus	1,247,765	764,375
Total Employee Related Costs	20,168,753	18,008,309

There were no advances to employees. Loans to employees are set out in note 8.

Remuneration of the Municipal Manager

Annual Remuneration	793,923	454,674
Performance Bonuses	165,255	117,812
Travelling Allowance	82,800	92,248
Contributions to UIF, Medical and Pension Funds	1,456	172,982
Total	1,043,434	837,716

Remuneration of the Chief Finance Officer

Annual Remuneration	687,209	431,927
Performance Bonuses	140,466	94,212
Travelling Allowance	-	92,207
Contributions to UIF, Medical and Pension Funds	1,456	5,036
Total	829,131	623,382

	2008	2007
TECHNICAL SERVICES	CORPORATE & SUPPORT SERVICES	COMMUNITY & SOCIAL SERVICES
Remuneration of other Individual Managers		
30 June 2008		
Annual Remuneration	509,688	428,909
Performance Bonuses	130,182	14,943
Travelling Allowance	94,295	72,000
Contributions to UIF, Medical and Pension Funds	1,456	1,456
Total	735,621	531,682

30 June 2007		
Annual Remuneration	374,818	294,129
Performance Bonuses	87,213	94,212
Travelling Allowance	93,705	98,414
Contributions to UIF, Medical and Pension Funds	36	3,030
Total	555,772	482,660

20. REMUNERATION OF COUNCILLORS

Mayor	508,556	430,070
Speaker	394,328	333,274
Executive Committee Members	994,471	932,748
Councillors	3,710,990	3,787,836
Councillors' pension and medical aid contributions	278,041	642,188
Total Councillors' Remuneration	5,886,386	6,126,116

In-kind Benefits

The Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Mayor's private residence is rented by the Council to serve as a Mayoral Residence. The Mayor has use of a Council owned vehicle for official duties.

21. AUDIT FEES

Opening balance	482,690	477,625
Current year audit fee	494,225	482,690
Amount paid in respect of current year	-	-
Amount paid in respect of previous years	(485,546)	(381,313)
Provision provided not utilized	2,856	(96,312)
Balance unpaid (included in provisions)	494,225	482,690

22. FINANCE TRANSACTIONS

Total external interest earned or paid:

Interest earned	6,498,147	4,172,036
Interest paid	-	(65,938)
	6,498,147	4,106,098

Capital charges debited to operating:

Interest:	Internal
	External
Redemption:	Internal
	External

2008	2007
-	-
-	65,938
-	-
0	465,156
0	531,094

23. APPROPRIATIONS

Appropriation Account

Accumulated Surplus / (Deficit) at beginning of the year	35,406,734	33,940,225
Operating Surplus / (Deficit) for the year	7,630,224	7,261,478
Appropriations for the year	83,056	(5,794,969)
Extraordinary Items	83,056	-
Abnormal Items	-	(5,794,969)
Prior Year Adjustment	-	-

Accumulated Surplus / (Deficit) at the end of the year

43,120,014	35,406,734
-------------------	-------------------

Operating Account

Capital Expenditure	9,732,433	6,185,732
Contributions to:	2,336,976	2,708,044
Provisions & Reserves	2,158,864	2,551,309
Revolving Fund	178,112	156,735

12,069,409	8,893,776
-------------------	------------------

Extraordinary Items

An Insurance payout received during 2005/06 amounting to R 62 165 was not utilized, whilst provisions for creditors and leave to the amount of R 20 891 was transferred to the appropriation account.

24. CASH GENERATED BY OPERATIONS

Surplus / (Deficit) for the year		7,630,224	7,261,478
Adjustment in respect of Previous year's Operating Transactions		83,056	(5,794,969)
Appropriations charged against income		12,069,409	8,893,776
Fixed Assets		9,732,433	6,185,732
Provisions & Reserves		2,158,864	2,551,309
Revolving Fund		178,112	156,735
Capital charges		0	531,094
Interest:	External	0	65,938
	Internal	0	0
Redemption:	External	0	465,156
	Internal	0	0
Deferred charges written off		-	-
Investment income (Operating Account)		(6,498,147)	(4,172,036)
Non-operating income:		1,131,151	6,646,096
From Reserve and Trust Funds		1,131,151	6,646,096
Non-operating expenditure:		(12,321,244)	(19,444,483)
Expenditure charged against Reserves		(12,321,244)	(19,444,483)
		2,094,449	(6,079,044)

25. (INCREASE) / DECREASE IN WORKING CAPITAL

(Increase) / Decrease in Stock	-	-
(Increase) / Decrease in Debtors and Long-term Debtors	2,632,741	(3,194,043)
Increase / (Decrease) in Creditors and Consumer Deposits	(318,447)	(650,584)

2008	2007
-	-
2,632,741	(3,194,043)
(318,447)	(650,584)
2,314,294	(3,844,627)

26. INCREASE / (DECREASE) IN LONG-TERM EXTERNAL LOANS

Loans raised	-	-
Loans repaid	0	465,156

-	-
0	465,156
0	(465,156)

27. INCREASE / (DECREASE) IN SHORT-TERM EXTERNAL LOANS

Loans raised	-	-
Loans repaid	-	-

-	-
-	-
0	0

28. (INCREASE) / DECREASE IN INVESTMENTS

Balance at the beginning of the year	52,801,986	51,862,937
Less: Balance at the end of the year	62,405,513	52,801,986

52,801,986	51,862,937
62,405,513	52,801,986
(9,603,527)	(939,049)

29 (INCREASE) / DECREASE IN CASH

Balance at the beginning of the year	1,367,600	3,463,013
Less: Balance at the end of the year	907,657	1,367,600

1,367,600	3,463,013
907,657	1,367,600
459,943	2,095,413

2008	2007
------	------

, which might

- Illegal occupation in Sterkspruit - R 250 000
- Municipality erecting houses in Herschel, resulting into disputes with the Headman - R 250 000
- House ownership despite - Senqu Municipality vs Donald Tsembeyi - R 75 000

1,064,417	5,550,708
-	-
1,064,417	498,366
-	5,052,342
1,064,417	5,550,708

Approved and contracted for

Approved but not yet contracted for

Internal Sources
External Sources

ACCUMULATED STATUTORY FUNDS, RESERVES AND TRUST FUNDS FOR THE YEAR ENDED 30 JUNE 2008

	BALANCE AS AT 30/06/2007	CONTRI- BUTIONS DURING THE YEAR	INTEREST ON INVEST- MENT	OTHER INCOME	OPERATING EXPENDI- TURE DUR- ING YEAR	CAPITAL EX- PENDITURE DURING YEAR	BALANCE AS AT 30/06/2008
	R	R	R	R	R	R	R
STATUTORY FUNDS							
Revolving	6,473,471	178,112	527,390	-	-	-	7,178,973
	6,473,471	178,112	527,390	0	0	0	7,178,973
RESERVES							
Working Capital Reserve	1,232,139	-	101,528	-	-	-	1,333,667
Disaster	144,506	-	11,907	-	-	-	156,413
	1,376,645	0	113,435	0	0	0	1,490,080
TRUST FUNDS							
Performance Agreements	92,831	-	7,649	-	-	-	100,480
Peach & Vegetable Processing	-	-	-	155,708	-	-	155,708
Holo Hlahatsi Agricultural Project	400,000	-	30,549	-	29,265	-	401,284
Commonage Management Plan	99,457	-	5,092	-	37,661	-	66,888
Libraries	52,751	-	-	-	22,075	30,676	0
Surveying / Land Audit	516,022	-	42,521	-	-	-	558,543
Heritage Management	-	-	-	229,912	-	-	229,912
DEAT Brickmaking	323,850	-	7,688	-	228,805	1,750	100,983
Co-op's Development	-	-	-	134,186	-	-	134,186
LED (Lady Grey)	264,206	-	16,008	-	69,940	-	210,274
Human Resource Development	-	-	-	118,858	118,858	-	0
People's Housing (Lady Grey)	1,509,238	-	-	3,800	846,589	-	666,449
Municipal Finance Management	569,987	-	43,303	250,000	294,464	-	568,826
Municipal Support Programme	321,734	-	26,511	-	-	-	348,245
Spatial Development Framework	-	-	-	674,200	-	-	674,200
Disabled Project BE	131,574	-	10,842	-	-	-	142,416
Hillside Housing	2,237,602	-	66,711	-	2,163,941	-	140,372
Drought Relief Water	821,888	-	67,724	-	-	-	889,612
Valuation Roll	-	-	11,219	400,000	263,841	-	147,378
Municipal Infrastructure Grant	319,882	-	-	6,934,416	411,722	6,341,667	500,909
Implementation Ownership	470,935	-	37,933	-	10,575	-	498,293
Traffic Test Station (Sterkspruit)	128,998	-	10,629	-	-	-	139,627
Rossouw Agricultural Project	442,571	-	29,069	-	89,787	-	381,853
Municipal Systems Improvement	155,218	-	-	-	-	155,218	0
Herschel People's Housing	5,986,491	-	357,461	-	-	-	6,343,952
Internet/Communication Systems	556,448	-	11,990	-	88,450	322,485	157,503
	15,401,683	-	782,899	8,901,080	4,675,973	6,851,796	13,557,893

APPENDIX B

EXTERNAL LOANS AND INTERNAL ADVANCES FOR THE YEAR ENDED 30 JUNE 2008

BALANCE AS AT 30/06/2007	RECEIVED DURING YEAR	REDEEMED OR WRITTEN OFF DURING THE YEAR	BALANCE AS AT 30/06/2008
R	R	R	R

EXTERNAL LOANS

-	-	-	-
0	0	0	0

ANALYSIS OF FIXED ASSETS FOR THE YEAR ENDED 30 JUNE 2008

EXPENDI- TURE		BUDGET FOR PERIOD	BALANCE AS AT 30/06/2007	EXPENDI- TURE FOR PERIOD	WRITTEN OFF, TRANS- FERRED, REDEEMED OR DIS- POSED OF DURING YEAR	BALANCE AS AT 30/06/2008
R		R	R	R	R	R
24,334	LAND & BUILDINGS: Land	-	878,129	-	-	878,129
2,469,254	Buildings	778,997	7,460,083	449,747	-	7,909,830
-	INFRASTRUCTURE: Electricity	-	5,012,248	-	-	5,012,248
3,812,629	Roads	6,347,922	45,603,460	5,088,378	-	50,691,838
-	Sewerage / Waste	646,053	2,296,474	145,144	-	2,441,618
-	Water	-	-	-	-	0
3,583,808	COMMUNITY: Buildings	2,628,740	18,643,623	2,234,521	-	20,878,144
-	Recreational Facilities	-	250,078	-	-	250,078
-	Security Measures	-	41,746	-	-	41,746
-	HERITAGE:	-	-	-	-	0
-	INVESTMENT:	-	-	-	-	0
-	OTHER: Buildings	9,934,475	27,275	-	-	27,275
261,470	Office Equipment	711,666	1,382,291	435,116	99,859	1,717,548
80,569	Furniture & Fittings	318,197	617,065	35,478	396	652,147
-	Bins & Containers	-	34,825	-	-	34,825
-	Emergency Equipment	-	321	-	-	321
1,051,525	Motor Vehicles	440,000	3,196,673	434,232	254,770	3,376,135
1,003,429	Plant & Equipment	860,000	9,848,058	909,817	82,844	10,675,031
			-			
12,287,018	TOTAL FIXED ASSETS	22,666,050	95,292,349	9,732,433	437,869	104,586,913
	LESS: CAPITAL REDEEMED & OTHER RECEIPTS		95,292,349	9,732,433	437,869	104,586,913
	Loans Redeemed & Advances Paid		-	-	-	0
	Contributions Ex Revenue		33,805,952	3,501,100	337,280	36,969,772
	Grants & Subsidies		61,486,397	6,231,333	100,589	67,617,141
	Public Contributions		-	-	-	0
	NET FIXED ASSETS		0	0	0	(0)

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

ACTUAL 2007		ACTUAL 2008	BUDGET 2008
R		R	R
INCOME			
1,130,884	National / Provincial / District Grants & Subsidies	11,056,617	22,592,890
6,646,096	Reserve & Surplus Funds	1,131,151	4,523,827
27,649,635	Equitable share	31,230,447	31,230,447
2,374,830	Assessment Rates	2,653,246	2,379,740
1,384,330	Rentals	273,226	130,000
2,328,759	Sewerage / Sanitation	2,415,462	2,158,180
2,544,185	Refuse Removal	2,647,727	2,780,540
6,594,216	Electricity	6,822,647	6,835,560
1,700,710	Water	1,775,867	1,633,270
1,478,181	Traffic	1,721,230	738,514
4,107,121	Income for Agency Services	5,334,167	6,156,425
4,462,646	Other	5,834,383	3,391,200
62,401,593		72,896,170	84,550,593
EXPENDITURE			
24,630,171	Salaries, Wages & Allowances	26,055,139	27,484,175
15,954,160	General Expenses	23,007,640	35,288,209
3,348,098		770,449	2,878,835
140,617	Capital Charges	-	163,100
6,185,732	Contributions to Fixed Assets	9,732,433	12,731,575
156,735	Contributions to Funds	178,112	90,000
4,724,602	Bulk: Electricity Purchases	5,522,173	5,717,500
55,140,115	Gross Expenditure	65,265,946	84,353,394
-	Less: Amounts charged out	-	-
55,140,115	Net Expenditure	65,265,946	84,353,394

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

30/06/2007 ACTUAL INCOME	30/06/2007 ACTUAL EXPENDI- TURE	30/06/2007 SURPLUS / (DEFICIT)		30/06/2008 ACTUAL INCOME	30/06/2008 ACTUAL EXPENDI- TURE	30/06/2008 SURPLUS / (DEFICIT)	30/06/2008 BUD- GETED SURPLUS / (DEFICIT)
R	R	R		R	R	R	R
47,052,592	41,177,168	5,875,424	RATE & GENERAL SERVICES	53,316,755	46,027,300	7,289,455	837,199
37,185,979	31,209,721	5,976,258	Community Services	42,030,357	35,233,126	6,797,231	937,199
6,780,387	7,307,760	(527,373)	Council	7,061,694	7,143,001	(81,307)	(89,339)
3,963,482	3,964,592	(1,110)	Executive	2,625,998	2,283,644	342,354	(265,377)
2,048,175	1,754,033	294,142	Finance & Administration (Corporate)	1,853,963	2,529,398	(675,435)	(222,000)
798,735	526,053	272,682	Public Safety	809,735	579,180	230,555	52,000
6,315,279	3,052,647	3,262,632	Finance & Administration (Finance)	8,721,229	4,766,089	3,955,140	1,967,475
1,111,621	450,765	660,856	Road Transport	1,592,957	488,835	1,104,122	8,870
1,306,755	1,155,859	150,896	Finance & Administration (Technical)	1,309,174	1,332,320	(23,146)	(150,000)
200,000	160,569	39,431	Waste Water Manage- ment (Storm Water)	5,254,693	4,621,441	633,252	-
6,657,403	6,650,179	7,224	Road Transport	4,055,428	3,909,984	145,444	(120,000)
478,895	447,923	30,972	Electricity (Street Lighting)	372,073	366,635	5,438	-
1,357,072	1,147,872	209,200	Finance & Administration (Community)	1,555,345	1,026,765	528,580	-
1,483,056	1,208,264	274,792	Planning & Development	1,612,114	1,041,433	570,681	330,000
338,936	342,474	(3,538)	Community & Social (Libraries)	623,630	462,639	160,991	98,670
2,457,165	1,388,915	1,068,250	Community & Social (Halls & Facilities)	2,039,592	2,742,077	(702,485)	(871,100)
60,583	50,751	9,832	Community & Social (Cemeteries)	1,212,918	1,193,073	19,845	6,000
64,520	12,281	52,239	Public Safety	70,504	2,093	68,411	42,000
1,263,915	1,088,784	175,131	Sport & Recreational	717,836	45,519	672,317	300,000
500,000	500,000	-	Other	541,474	699,000	(157,526)	(150,000)
-	-	-	Estate (Commonage & Land)	-	-	0	-
-	-	-	Parks & Public Places	-	-	0	-

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

30/06/2007 ACTUAL INCOME	30/06/2007 ACTUAL EXPENDI- TURE	30/06/2007 SURPLUS / (DEFICIT)		30/06/2008 ACTUAL INCOME	30/06/2008 ACTUAL EXPENDI- TURE	30/06/2008 SURPLUS / (DEFICIT)	30/06/2008 BUD- GETED SURPLUS / (DEFICIT)
R	R	R		R	R	R	R
297,578	420,501	(122,923)	Subsidized Services	575,468	436,850	138,618	0
297,578	420,501	(122,923)	Health	575,468	436,850	138,618	-
9,569,035	9,546,946	22,089	Economic Services	10,710,930	10,357,324	353,606	(100,000)
4,249,719	4,249,719	-	Waste Water Manage- ment (Sewerage)	4,683,399	4,683,399	0	-
5,319,316	5,297,227	22,089	Waste Management	6,027,531	5,673,925	353,606	(100,000)
411,645	224,969	186,676	HOUSING SERVICES	3,520,411	3,355,745	164,666	20,000
411,645	224,969	186,676	Housing	3,520,411	3,355,745	164,666	20,000
14,937,356	13,737,978	1,199,378	TRADING SERVICES	16,059,004	15,882,901	176,103	(660,000)
4,056,996	4,056,996	-	Water	4,450,695	4,450,695	0	-
10,880,360	9,680,982	1,199,378	Electricity (Distribution)	11,608,309	11,432,206	176,103	(660,000)
62,401,593	55,140,115	7,261,478	TOTAL	72,896,170	65,265,946	7,630,224	197,199
		(5,794,969)	Appropriations for this year - refer to Note 23			83,056	
		1,466,509	Net Surplus / (Deficit) for the year.			7,713,280	
		33,940,225	Accumulated Surplus / (Deficit) at beginning of the year.			35,406,734	
		35,406,734	ACCUMULATED SURPLUS / (DEFICIT) AT END OF THE YEAR			43,120,014	

STATISTICAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2008

		2008	2007	2006
General statistics				
Population		135,145	135,145	135,145
Registered Voters		61,368	61,368	61,368
Area (square km)		7,329.25	7,329.25	7,329.25
Total valuations:				
	Residential Property	86,536,060	86,536,060	86,536,060
	Commercial Property	21,637,500	21,637,500	21,637,500
	Industrial Property	-	-	-
	Public Service Infrastructure	-	-	-
	Public Benefit Organisations	5,494,000	5,494,000	5,494,000
	Agricultural Purposes	291,176,650	291,176,650	-
	Agricultural Other	-	-	-
	State - Local Services	-	-	-
	State - District Services	-	-	-
	State - National / Provincial Services	29,424,500	29,424,500	29,424,500
	Municipal Property	25,597,520	25,597,520	25,597,520
	Vacant Property	7,579,650	7,579,650	7,579,650
Valuation date:		27/01/2005	27/01/2005	27/01/2005
Number of properties:				
	Residential Property	1,924	1,924	1,924
	Commercial Property	144	144	144
	Industrial Property	-	-	-
	Public Service Infrastructure	-	-	-
	Public Benefit Organisations	40	40	40
	Agricultural Purposes	1,133	1,133	-
	Agricultural Other	-	-	-
	State - Local Services	-	-	-
	State - District Services	-	-	-
	State - National / Provincial Services	69	69	69
	Municipal Property	2,514	2,514	2,514
	Vacant Property	682	682	682
Assessment rate:				
	Basic (per Rand)	0.017	0.016	0.015
	Rebate			
Number of employees		187	192	183

STATISTICAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007	2006
Electricity statistics			
Units (kWh) purchased	21,588,749	20,055,968	19,793,537
Units (kWh) sold	14,495,551	14,633,831	13,834,323
Units (kWh) lost in distribution	7,093,198	5,422,137	5,959,214
Percentage lost in distribution	32.86%	27.04%	30.11%
Cost per unit sold	0.395	0.317	0.308
Income per unit sold	0.513	0.447	0.423
KVA Consumers	33	31	8
kWh Consumers	1,055	1,047	1,032
Pre-paid Consumers	657	667	657
Municipal Consumers	55	42	40
Water statistics			
Units (kl) purified	2,822,922	945,096	746,245
Units (kl) purchased	2,241,764	292,800	173,500
Units (kl) sold	1,918,376	822,233	321,598
Units (kl) lost in distribution	N/A	N/A	N/A
Percentage lost in distribution	N/A	N/A	N/A
Metered Water Consumers	1,353	1,142	4,353
Un-metered Water On-site	3,304	2,084	904
Communal Taps	15	34	436

The 3 304 Un-metered Water On-site makes it impossible to determine the Units (kl) and Percentage lost in water distribution.



REPORT OF THE AUDITOR GENERAL

attached as Annexure B

REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND MUNICIPAL COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF SENQU LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Senqu 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, and the accounting officer's report as set out on pages 1 to 24.

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 with the entity-specific basis of accounting, as set out in accounting policy note 1.1 to the financial statement and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the 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 my audit.
4. I conducted my 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*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

6. An audit also includes evaluating the:
- appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

8. The municipality policy is to prepare financial statements on or the entity-specific basis of accounting, as set out in accounting policy note 1.1 to the financial statements

Basis for qualified opinion

Revenue

9. During the financial year, the municipality lost 7 093 198 kilowatt hours in electricity distribution or 32.8% of total kilowatt hours purchased. Distribution losses of 3 854 886 kilo watt hours can not be allocated to normal technical distribution losses resulting in a potential understatement of revenue and debtors of R1,69 million at a sale tariff of R0.4380 per kilo watt hour.
10. The municipality did not comply with section 77 of the Municipal Property Rates Act, No. 6 of 2004 which requires the municipality to regularly, but at least once a year, update its valuation roll by preparing a supplementary valuation roll. The reconciliation of the valuation roll with property rates income indicated that the property rates income and consumer debtors is understated by R0.4 million.

Irregular Expenditure

11. The municipality have an agreement to provide financial assistance with Senqu Tourism which constitute of individuals from the Senqu's municipal area. The accounting officer failed to comply with section 67 of the MFMA in transferring R0.7 million to Senqu Tourism. Expenditure incurred in contravention of section 67 is considered to be irregular.
12. The municipality provided the mayor with a housing allowance. Such a benefit does not fall within the framework of the Political Officers Bearers Act, 1998 (Act No. 20 of 1998) and would constitute a violation of section 167 of the MFMA. Failure to comply with the Political Office Bearer's Act resulted in irregular expenditure of R0.03 million.
13. The municipality failed to disclose the total irregular expenditure of R0.7 million in the financial statements as required by section 125(2)(d)(i) of the MFMA.

Provisions

14. The municipality, which operates landfill sites, has an obligation in terms of section 28 of the National Environment Management Act, No 107 of 1998, to restore such sites. The municipality does not assess the remaining useful life of landfill sites. Detailed records of the capacity of landfill sites are not maintained by the municipality's community services department. Consequently, a provision for the rehabilitation of landfill sites has not been raised in the financial statements. Due to the specialist nature of such a provision and lack of appropriate records, I was unable to determine the extent of the misstatement.

Qualified opinion

15. In my opinion, except for the effects of the matters described in the basis for qualified opinion paragraphs, the financial statements of the Senqu Municipality as at 30 June 2008 and its financial performance and cash flows for the year then ended have been prepared, in all material respects, in accordance with the basis of accounting as set out in accounting policy note 1.1 to the financial statements and in the manner required by the MFMA and DoRA.

OTHER MATTER(S)

Without qualifying my audit opinion, I draw attention to the following matter(s) that relate to my responsibilities in the audit of the financial statements:

Internal controls

16. 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 qualified audit 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
Revenue		✓ □	✓ □	✓ □	
Irregular expenditure			✓ □	✓ □	
Provisions		✓ □	✓ □	✓ □	

Non-compliance with applicable legislation

17. The municipality did not comply with Section 28 of National Environmental Management Act (No 107 of 1998) (NEMA) and Section 20 of the Environmental Conservation Act (No 73 of 1989) (ECA), regarding the disposal site at Sterkspruit.
18. The municipality did not comply with Section 62(1)(c)(i) of the Municipal Finance Management Act (MFMA). Failure to adhere to Section 62(1)(d) of the Municipal Finance Management Act (Act No. 56 of 2003) resulted in a loss of R 186 084 to the municipality. The loss was also not disclosed in the financial statements, as required by section 125(2)(d)(i) of the MFMA.
19. The municipality did not comply with Section 64(1) of the MFMA, as the cost of private telephone calls was not identified and recovered.
20. The municipality did not comply with Sections 53 and 70 of the Municipal Systems Act (Act No. 32 of 2000), on the delegation of powers and duties; and the Code of Conduct to be provided to staff members and communicated to local community, respectively.
21. Audit evidence was obtained that there was non-compliance to Schedule 1: Code of Conduct for councillors and Schedule 2: Code of Conduct for municipal staff members per the Municipal Systems Act (Act No. 32 of 2000).
22. During the financial year the municipality did not adhere to section 6 & 7 of the Municipal Investment Regulations, regarding prohibited investments and the types of investments that may be made.
23. The municipality has not adhered fully to the provisions of section 20(4) of the VAT Act, regarding the validity of tax invoices.

Matters of governance

24. 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.	✓ <input type="checkbox"/>	
• The audit committee operates in accordance with approved, written terms of reference.	✓ <input type="checkbox"/>	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in Section 166(2) of the MFMA.	✓ <input type="checkbox"/>	
Internal audit		
• The municipality had an internal audit function in operation throughout the financial year.	✓ <input type="checkbox"/>	
• The internal audit function operates in terms of an approved internal audit plan.	✓ <input type="checkbox"/>	
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in Section 165(2) of the MFMA.		✓ <input type="checkbox"/>
Other matters of governance		
• The annual financial statements were submitted for audit as per the legislated deadlines in section 126 of the MFMA.	✓ <input type="checkbox"/>	
• The annual report was submitted to the auditor for consideration prior to the date of the auditor's report.		✓ <input type="checkbox"/>
• The financial statements submitted for audit were not subject to any material amendments resulting from the audit.		✓ <input type="checkbox"/>
• No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.		✓ <input type="checkbox"/>
• The prior year's external audit recommendations have been substantially implemented.	✓ <input type="checkbox"/>	
Implementation of Standards of Generally Recognised Accounting Practice (GRAP):¹		
• 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.	Not applicable	
• The municipality substantially complied with the implementation plan it submitted to the National Treasury and the relevant	Not applicable	

¹ This section should be deleted for:

- municipal entities; and
- municipalities that apply the GRAP, GAMAP & GAAP basis of accounting

Matter of governance	Yes	No
provincial treasury before 30 October 2007, detailing its progress towards full compliance with GRAP.		
<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. 	Not applicable	

OTHER REPORTING RESPONSIBILITIES

REPORT ON PERFORMANCE INFORMATION

25. I was engaged to review the performance information.

Responsibility of the accounting officer for the performance information

26. 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

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

28. 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.

29. 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

30. The municipality has not submitted a performance report for audit purpose as required by paragraph 4 of Government Gazette No. 29919 (Notice 646 of 2007) on Performance Information dated 25 May 2007.

31. During the audit of performance information, it would appear that the municipality did not comply with the following regulations:

- Section 30 of the Municipal Systems Act (No 32 of 200) (MSA) - The executive committee/ executive mayor/ committee of councillors of a municipality, in accordance with the prescribed IDP development process,

managed the drafting of the IDP and assigned the responsibility of drafting the IDP to the municipal manager.

- Section 26(c),(d),(h) of the MSA - The council's development priorities and objectives for its elected term. Alignment of development strategies with national or provincial sectoral plans and planning requirements binding in terms of legislation. A financial plan, which must include a budget projection for at least the next three years
- Reg. 2(3) - Include the budget projection; Indicate the financial resources that are available for capital project developments and operational expenditure; and include a financial strategy that defines sound financial management and expenditure control and means of increasing revenues and external funding for the municipality.
- Section 36 of the MSA- The municipality informed the community of the implementation of the IDP, and conducted its affairs in a manner which was consistent with its IDP, (Reg. 15).
- Reg. 8 - The council adopted the PMS before or at the same time as the commencement by the municipality of the process of setting KPI's and targets in accordance with its IDP.
- Section 40 of the MSA - The municipality must establish mechanisms to monitor and review the PMS
- MFMA section 54(1)(c), 71 and 72 - On receipt of a statement or report submitted by the accounting officer of a municipality in terms of section 71 or 72 the mayor must, *inter alia*, consider and, if necessary, make any revisions to the SDBIP, provided that the provisions to the service delivery targets and performance indicators in the plan may only be made with the approval of the council following approval of an adjustments budget.
- MSA section 41; Reg. 13 - Actual performance is monitored, measured and reviewed on an quarterly basis by council with regards to each of the development priorities and objectives and against the KPI's and targets.

32. The integrated development plan of Senqu Local Municipality did not include the performance targets as required by section 26(i) of the MSA.

Lack of sufficient appropriate audit evidence

33. I was unable to obtain sufficient appropriate audit evidence in relation to the performance information of Senqu Local Municipality, as I was unable to obtain access to the following records pertaining to the programme listed below:

- Sustainable basic services: Health - Quarterly reports submitted

APPRECIATION

34. The assistance rendered by the staff of the municipality during the audit is sincerely appreciated.

Auditor-General

EAST LONDON

30 November 2008



AUDITOR-GENERAL

RESPONSE TO THE AUDITOR GENERAL'S REPORT AND AUDIT PLAN

SENQU MUNICIPALITY'S RESPONSE TO THE AUDITOR GENERAL'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

PURPOSE

In terms of the Public Audit Act No 25 of 2004 and s121(3)(g) of the Municipal Finance Management Act, Act No 56 of 2003, it is required that the particulars of any corrective action taken or to be taken in response to issues raised in audit report, be included in the annual report of the Municipality.

Detailed below are the comments in response to the Auditor-General's Report *with reference specifically to disclosure in terms of S121 (3) (G) of the MFMA – corrective c*

ACTION PLAN (PARTICULARS OF CORRECTIVE ACTION TAKEN/ TO BE TAKEN) FOR AUDIT REPORT FOR FINANCIAL YEAR ENDED 30 JUNE 2009 DISCLOSURE IN TERMS OF S121 (3)(G) OF MFMA

NO	FINDINGS	DEPARTMENT/ PROCESS	DESCRIPTION	ACTION PLAN	TIMEFRAMES	RESPONSIBILITY
1	Irregular rental allowance paid to mayor	Employee costs	Audit Report: Qualification	Rental allowance paid to Mayor is a rental of his house in lieu of providing the Mayor with accommodation; in accordance with S4.4 of Mayor's Handbook - SALGA. Treatment of rental allowance was incorrect and will be rectified in the current financial year. National Treasury will be engaged on the treatment of the rental allowance paid to Mayor - for Technical guidance.	30 June 2009	Municipal Manager
2	Payments made to Senqu Tourism	Expenditure	Audit Report: Qualification	Monthly expenditure reports are submitted by Senqu Tourism from 1 July 2008 to date; Audited Annual Financial Statements for 2008 FYE have been provided by the organisation for inspection; and No funding will be provided to Senqu Tourism for the 2010 FYE.	30 June 2009	Strategic Planning Officer
3	Possible fruitless and wasteful expenditure on electricity	Expenditure	Audit Report: Qualification	Council needs to make resources available to implement the CIP(Construction Implementation Plan) which is essentially the master plan. Disclosure will be made in the Annual Financial Statements for fruitless and wasteful expenditure in the 2009 FYE.	Not applicable 30 June 2009	Operations – Mr Crozier Chief Finance Officer
4	Revenue understated due to unexplained distribution losses	Revenue	Audit Report: Qualification	Electricity losses are not un-explained as the causes are known and the understatement is under the financial department control. Disclosure will be made in the Annual Financial Statements for fruitless and wasteful expenditure in the 2009 FYE.	Ongoing 30 June 2009	Operations – Mr Crozier Chief Finance Officer
5	No reconciliation of rates per valuation roll to actual billing	Revenue	Audit Report: Qualification	Building plan register was used by auditors for reconciliation of rates per valuation to actual billing; some of the house have not been built and no rates are therefore billed Huge number of RDP houses is still registered in the name of the municipality and has not yet been transferred to the occupants. Rates are not billed on these houses. This accounts for the differences raised by Auditor General on rates per valuation to actual billing	Not applicable	Chief Finance Officer

NO	FINDINGS	DEPARTMENT/ PROCESS	DESCRIPTION	ACTION PLAN	TIMEFRAMES	RESPONSIBILITY
6	Non-compliance to National Environmental Management Act	Compliance	Audit Report: Qualification	Permit to be obtained Consultants have been appointed to calculate the estimate of provision	July 2009	Community Services Manager
7	Private telephone costs are not recovered	Expenditure - HR	Audit Report: Other matters	From 1 July 2008, controls have been strengthened in recovery of private telephone costs; and - These costs are recovered from employees' remuneration	Ongoing	Mary Anne
8	Delegations of authority are not in writing	All	Audit Report: Other matters	Formal documentation exists of delegations approved by Council. Furthermore, it is management's intention to provide each Manager with these delegations.	31 May 09	Municipal Manager
9	Code of Conduct not obtained	HR	Audit Report: Other matters	Subsequent to audit, all staff have attended a workshop on the Code of Conduct in March 2009. Signed Code of Conduct documents in all employees files. Code of Conduct to be workshopped and signed by Councillors.	Done May 2009	Corporate Services
10	Implementation of fraud prevention plan not formalised	Governance	Management letter item	Fraud Prevention plan should be approved by Council and adopted. Fraud Prevention plan should be workshopped to all employees- Established of Fraud Prevention Committee	30 June 2009	Municipal Manager
11	Ineffectiveness of the Internal Audit function Non-compliance to audit charter and other requirements	Governance	Management letter item Management letter item	A review of Performance Reporting and Accountability/ Institutional PMS, departmental quarterly reporting and accountability has been included in the 2009 Internal Audit plan with the following scope: Systems and sources of information relative to performance reporting; Processes and systems relative to performance reporting; and Review of key performance data/information. Identification of weaknesses in internal controls and the strengthening thereof by management is an ongoing process Internal Audit charter to be updated and discussed at March 2009 Audit Committee meeting. A formal document 'status of internal audit' will be submitted by Internal Audit for discussion at each Audit Committee. Previously this practice was verbal; however from the January 2009 Audit Committee this action has been implemented.	May 2009 Ongoing 26 March 2009 At each AC	Internal Audit Internal Audit Committee Internal Audit

NO	FINDINGS	DEPARTMENT/ PROCESS	DESCRIPTION	ACTION PLAN	TIMEFRAMES	RESPONSIBILITY
12	No formally approved and adopted risk management policy during the financial year	Governance	Management letter item	A risk management policy will be drafted, approved and adopted. A risk management committee will be formed which will have as its members, senior management representatives from all the various departments	30 June 2009	Municipal Manager Internal Audit
13	Investments: Prohibited investment was made	Finance	Audit Report: Other matters	All non-permitted investments have been de-invested. These investments with StanLIB were made in December 2003.	Done	Chief Finance Officer
14	Tax invoice not reflecting the details required by the VAT Act	Expenditure: Finance	Audit Report: Other matters	These invoices were isolated incidents; Finance department staff will ensure that all invoices received reflect the details required by the VAT Act.	Ongoing	Chief Finance Officer
15	Performance Information Point No. (3.1 - 3.5) in management letter	All: Performance Information	Audit Report: Other matters	All Auditor General items will be addressed during the 2009 FYE in preparation for the increased focus on Performance Information by the Auditor General and the intended issue of a Performance report by the Auditor General in the 2010 FYE.	Ongoing	Municipal Manager
16	Vehicle loss due to negligence not disclosed	Disclosure	Audit Report: Other matters	Employee involved in the vehicle loss will be billed for the amounts incurred by Municipality and normal credit controls procedures will be implemented thereafter Fleet Management Policy has recently been approved by Council Installing of tracking systems for complete management of all vehicles is under discussion for the 2010 FYE.	Ongoing	Rob Crozier

CONCLUDING REMARKS

In conclusion, it must be acknowledged that whilst a qualified audit opinion was obtained, which is highly regrettable, it is of some comfort to acknowledge that the issues raised and highlighted above can and will, be resolved and remedied within the next financial year.

The Audit Committee established has prepared an Audit Plan to ensure insight and compliance at every level. As a critical area, formal commitment is provided to addressing these issues as a top priority and to prevent reoccurrence.



REPORT OF THE INTERNAL AUDIT COMMITTEE

REPORT OF THE AUDIT COMMITTEE TO THE EXECUTIVE COMMITTEE AND COUNCIL OF THE SENQU MUNICIPALITY

We are pleased to present our report for the financial year ended 30 June 2008

Audit Committee Members and Attendance.

The Audit Committee was established during 2004 and consists of the following members:

NAME OF MEMBER	NUMBER OF MEETINGS ATTENDED FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008
Mr. D Du Plessis (Chairperson)	4
Mr. G De Jager	3
Mr. J. Hattingh	4

AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee reports that it has adopted appropriate formal terms of reference via the Audit Committee Charter, which have been approved by the Municipal Manager.

EVALUATION OF ANNUAL FINANCIAL STATEMENTS

These financial statements are prepared in accordance with the basis of accounting determined by the National Treasury as set out in the accounting policy and in a manner required by the MFMA.

The Audit Committee has:

- Reviewed and discussed the audited annual financial statements to be included in the annual report with the Auditor-General and Council;
- Reviewed the Auditor-General management letter and management's response thereto;
- Reviewed the selection of accounting policies and practices;
- Reviewed the effectiveness of the internal control systems;
- Reviewed the effectiveness of internal audit;
- Reviewed the risk areas of the Municipality's operations to be covered in the scope of internal and external audits;
- Reviewed the adequacy, reliability and accuracy of financial information provided to management and other users of such information;
- Reviewed the accounting and auditing concerns identified as a result of internal and external audits;
- Reviewed the Municipality's compliance with legal and regulatory provisions;
- The activities of the internal audit function, including its annual work programme, co-ordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations.

The Audit Committee disagrees with some of the Auditor General conclusions on the annual financial statements.

PERFORMANCE MEASUREMENT

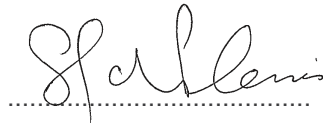
The Audit Committee notes an improvement in the method of reporting the performance of the Municipality.

RISK MANAGEMENT

Whilst progress has been made in the establishment of the risk management structure and framework, a risk management function and process was not established and implemented for the year under review. This includes the establishment of a Risk Committee and the facilitation of strategic and operational risk assessments.

CONCLUSION

The Committee is pleased to note a number of improvements during the year end overall governance and control. The Committee fully supports the Municipality on its journey of improved service delivery and a successful 2010 Soccer World Cup event.

A handwritten signature in black ink, appearing to read 'D Du Plessis', written over a horizontal dotted line.

Mr. D Du Plessis
Chairperson of the Audit Committee
Senqu Municipality: Lady Grey