



Audited Financial Statements Report of Auditor General Response to Auditors General Report Audit Committee Report

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BUDGET AND TREASURY DEPARTMENT

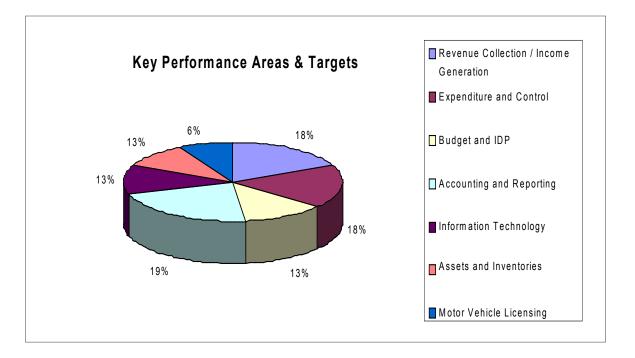
1. KEY PERFORMANCE INDICATORS AND FOCUS AREAS

The following focus areas have been set achievable targets as set out below:

•	Revenue and Collection / Income generation:	18%
•	Expenditure and control:	18%
•	Budgeting and IDP:	13%
•	Accounting and Reporting:	19%
•	Information Technology:	13%
•	Assets and Stores:	13%
•	Motor Vehicle Licensing:	6%

2. PERFORMANCE INDICATORS / KEY RESULT AREAS 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:



KEY PERFORMANCE INDICATORS

These will be examined under each subsection as follows :

Revenue Collection/Income Generation

Within the Revenue Collection/Income Generation division it is required that the processing of monthly consumer accounts and the receipting of all revenue is undertaken at three of the towns that fall within the jurisdiction of Senqu municipality, namely Barkly East, Lady Grey and Sterkspruit.

The villages of Rossouw, Rhodes and Herschel are serviced by staff situated in Lady Grey, Barkly East and Sterkspruit respectively. All these functions are supervised and supported from Lady Grey from where meter readers servicing the water and electricity meters are controlled.

• Expenditure and Control

This function is situated in Lady Grey and is supported by three staff members who are responsible for the payment of creditors, ordering of goods, services and materials, processing the monthly salaries and allowances, compilation and control of budgets, controlling capital and other projects, processing of monthly and quarterly financial reports and the compilation of annual financial records and statements.

The Key Performance Indicators are:

- Monthly reconciliation & payment of all creditors.
- · Interventions and strategies/turnaround plan to improve on expenditure (Levels and quality)
- Monthly controlling of purchases.
- Monthly processing of payroll.
- Annual updates & maintenance of Council's insurance portfolio.
- Monthly updating & maintenance of Council's investments.
- Updating & implementing financial policies and procedures:
- Supply Chain Management;
- Loans & Contractual Agreements;
- Asset Management & Insurance;
- Cash Management, Banking & Investments.
- Supply Chain Management (including Tender and Bid Processes)
- Implementation of the Municipal Finance Management Act, No 56 of 2003 requirements relating to Expenditure.

BUDGETING

It is incumbent upon this department to compile the Council's operational and capital budget. It is also the responsibility of this department to provide the necessary inputs during the annual review of Council's Integrated Development Plan (IDP). This department is also responsible for the determination of tariffs and maintaining a cash budget.

Actual expenditure is monitored to date monthly against Council's approved budget and reports are submitted monthly to all other departments informing them of their expenditure to date.

The Key Performance Indicators are:

- Compile & publish budget time schedule
- Establish & publish committees & consultation forums.
- Outreach programme established for all wards.
- Review & prepare:
 - o Integrated Development Plan (IDP);
 - o Service Delivery Agreements;
 - o Delegations;
 - o Budget Related Policies;
 - o Operational & Capital Budget
- Determine Rates & Tariffs.
- · Consult with established committees & forums
- Table budget & supporting documents.
- Approve budget & supporting documents
 - o Budget & Supporting documents submitted to:
 - National Treasury;
 - Provincial Treasury;
 - Publishing and website
 - o Service Delivery & Budget Implementation Plan (SDBIP)

ACCOUNTING AND REPORTING

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- Daily & monthly updating of accounting records.
- MFMA required reporting to:

- National Treasury;
- Provincial Treasury;
- Accounting Officer;
- Executive Committee;
- Municipal Council
- Monthly reconciliation of supporting registers:
 - Funds;
 - Loans;
 - Assets;
 - Banks;
 - Investments;
 - Debtors;
 - Creditors; and
 - Income & Expenditure.
- Compilation of annual financial statements.
- Compilation of annual report for Department: Budget & Treasury Service.
- Implement Municipal Finance Management Act, No 56 of 2003 requirements related to Accounting and Reporting.

INFORMATION TECHNOLOGY

Although not yet fully functional, this function is located in Lady Grey. All computer hard and software used at all three administrative units are supported and maintained at this point. The implementation and maintenance of Council's Geographical Information System is also part of this function.

The Key Performance Indicators are:

- Maintain & upgrade of computer hard and software
- · Secure computer hard and software services.
- Training for all staff in utilizing IT systems effectively.
- Development of Information Technology policies.
- Update of General Plans (GP's)
- Update of Ownership / Title Deed information
- Update of Valuation information
- Update of Road & Street infrastructure
- Update of Geographical information
- Update of ESKOM infrastructure
- Update of electrical infrastructure
- Update of water infrastructure
- Update of sewerage infrastructure
- Update of solid waste infrastructure.
- Daily & monthly processing of records when required by other departments.
- Developed & maintained municipal Website.

ASSETS AND STORES

The existing manual assets register as well as the inventory lists are now in the process of being computerized by means of bar coding for all movable assets.

The Key Performance Indicators are:

- Recording & Marking (bar-coding) of all assets.
- Updating & maintaining a comprehensive assets register
- Compiling, updating & maintaining of inventories.
- Revaluing of fixed assets.
- Preparing for conversion to GRAP Legal requirement by 2009

MOTOR VEHICLE LICENSING

Roadworthy of Vehicles, Licence Testing and the like are performed at the fully functional Grade A Traffic Test Station situated in Barkly East. Council also renders the NATIS motor vehicle registration facility service on an agency basis for the Department of Transport in Lady Grey and Barkly East. It is intended to extend these facilities to the Sterkspruit administrative unit.

The Key Performance Indicators are:

- Provision of facilities for the licensing of motor vehicles.
- Provision of the National Traffic Information System (NaTIS) on behalf of the Department of Transport
- Establishment of a Motor Vehicle Registration facility in Sterkspruit awaiting approval from Department of Transport
- Training of staff to operate the Natis System

3. OPERATING AND CAPITAL BUDGET 2008/2009 FINANCIAL YEAR

3.1 2008 / 2009 Budget Report

The requirements for Municipal Budgets are clearly set out in Chapter 4 (Section 15 to 33) of the Municipal Finance Management Act; no 56 of 2003 (MFMA) and all steps were taken to ensure that the Municipality meets these requirements. The municipality has as far as possible compiled the 2008/2009 MTREF Budget in the format prescribed by National Treasury in terms of Circular 28 and the related regulations.

3.2. Capital Expenditure (Table 2 – Capital Programme)

Council's MIG (Municipal Infrastructure Grant) allocation increased from the R 8 234 000 to R14 971 525 for the 2008/2009 financial year. It is anticipated that some of the MIG allocation would be used finance the following projects:

Integrated Development Plan	R 50 000
Valuation Roll	R 00 000
Led plastic products	R5 000 000
Call centre	R 565 000

An amount of R26 899 300 Capital Expenditure Ex Revenue was budgeted to fund the following projects:

Roads Masterplan	R 800 000
	12 000 000
Upgrading Access Roads	R 5 250 000
Extension Offices	R 6 000 000
Tools and Equipment	R 300 000
Vehicles, Plant & Equipment	R 920 000
Furniture and Office Equipment	R 325 000
Driver Licence Training Centre	R 130 000
Pounds	R 598 646
Community Halls	R 1 000 000
Internet / Communication	R 300 000
Khwezi Stormwater Channel	R 1 436 250
Formal Cemeteries	R 243 340

Sterkspruit Solid Waste Site	R 2 619 720
Construct Roads Wards 7,8,9 & 12	R 5 750 000
Paving Lady Grey	R 495 911
Community Centres	R 780 433

It is anticipated that R 15 219 965 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 1 241 000 during the 2008 / 2009 would be required.

3.3. Operational expenditure (Table 1)

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

- Councillors remuneration amounts to R 6 373 045 of which R 1 315 000 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:
- R 8 168 140 (previous year R 6 983 893) would go directly to provide services to the (indigent) poorest of the poor as per council Free Basic Service and Indigent Subsidy Support Policy.

Performance management system & agreements – legal requirement	R 300 000
Valuation Roll	R 1 147 370
Plastic Products	R 3 000 000
Neighbourhood Development Partners	R 2 000 000
Agriculture Rural Commonages	R 100 000
Repairs to rural sport fields	R 200 000
Brick Making	R 100 980
Tourism – Support to Senqu Tourism Organisation	R 700 000

3.4. 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 2008/2009.

- 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% and to encourage development of vacant property the rates tariff on vacant properties would be charged at a rate in the rand of R0.0378 on the total valuation of the property. With the help of ESKOM council's electricity tariffs have been redesigned to reflect a cost related tariff.

3.5. Conclusion

The challenge now is to conclude the 2008 / 09 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 2009 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 2009/2010 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:

 Council resolves that the annual budget of the municipality for the financial year 2008 / 2009; and indicative for the two projected outer years 2009 / 2010 and 2010 / 2011 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.

- 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 2008 / 09.
- 3. Council resolves that tariffs and charges reflected in council's Tariff Structure See Annexure 1 are approved or the budget year 2008 / 09.
- 4. Council resolves that the measurable performance objectives for revenue from each source reflected in (to be done) are approved for the budget year 2008/ 09.
- 5. Council resolves that the measurable performance objectives for each vote reflected in (to be done) are approved for the budget year 2008 / 09.
- 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 2008 / 09.
- 8. Council resolves that the other amended budget related policies reflected in Annexure 3 7 are approved for the budget year 2008 / 09.
- 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 in August 2008 during which council's previous year's (2007 / 08) 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 in August 2008, as well as an invitation to participate in budget local consultation forum were duly advertised and circulated.

During October to November 2008 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 2008 / 2009 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.

5. BUDGET SCHEDULES

The schedules referenced below can be found in the Budget

Schedule 1 – Revenue by source.

Council's realistic anticipated revenue of R 122 221 195, of which the national contribution is R 70 245 355, 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 80 129 245 is reflected on Table 2

Schedule 3 – Capital expenditure by vote.

Schedule 3 (a) – Capital expenditure by GFS classification.

Schedule 4 – Capital funding by source.

5.1. 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

5.2 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 at available at the Barkly East, Lady Grey and Sterkspruit administrative units and on council's website – www.senqu.gov.za.

5.3. 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 2008 / 09 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 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 from 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 being 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 – HTwww.senqu.gov.zaTH. 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.

5.4. 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).

5.5. Budget Related Policies Overview and Amendments

Council's budget related policies are attached in the budget 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.

Note: referenced annexures can be found in the Budget

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.

5.6. Budget Assumptions and 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.

5.7. Disclosure on Allocations Made by the Municipality

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 2172 918
ANNEXURE 13	Department Of Transport	Registration and Licensing of motor vehicles	R 0
ANNEXURE 14	Department of Health	Primary Health Care	R 512 000
ANNEXURE 15	Senqu Tourism	Tourism function	R 700 000
ANNEXURE 16	Water Service Authority	Water & Sanitation services	R 5936785
ANNEXURE 17	DBSA	Local Government Network	R 0
ANNEXURE 18	BERTA	Management Barkly East Caravan Park	R 0

Council has entered into the following Service Delivery Agreements:

Supporting Table 7 – Grants allocations are attached as Appendix E of the Annual Financial Statements.

A. Disclosure on Salaries, Allowances and Benefits

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.

6. INTEGRATED DEVELOPMENT PLAN (IDP) – 2008 / 2009

6.1 Review Process

Outreach programme to all wards by the executive council of Senqu Municipality took place during the months of October 2008 and November 2008 to identify new priorities.

Local Consultation Forum / Budget meetings were held at Lady Grey (January 2009), Sterkspruit (January 2009) & Barkly East (February 2009).

Review of the IDP strategic objectives and strategies by the Budget Technical Committee on 2 December 2008.

Determination of projects to meet objectives and strategies.

Alignment with the Ukhahlamba District Municipality and Sector Departments on 27 February 2009.

Public participation took place as follows: 6;7;8;9;10 and 14 October 2008.

Service Level Agreements put into place and proposed budget and service delivery plans taken to Council (March 2009).

IDP and Budget published for comment (31 March 2009).

Consultation with Sector Departments (February / March 2009).

Revise IDP and Budget if necessary (April 2009)

Public hearings and Council Debate on IDP and Budget (May 2009)

Amendments to IDP and Budget.

Final approval 30 June 2009.

IDP Document submitted to MEC of Department of Provincial and Local Government for comment.

2009/2010 IDP annual review started in August 2008 in conjunction with budget processes.

6.1.2. 2008 / 2009 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

6.1.3 Strategic Development Objectives

OBJECTIVES	STRATEGIES
To support the increase in the economic growth of the area by at least 3% by end June 2008.	 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 com- munity of Senqu municipal area by December 2010.	 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

OBJECTIVES	STRATEGIES	
To mobilize community for the reduction of crime and divert youth from criminal activities by the end June 2008.	 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 serv- ices by the end December 2014.	 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.	 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.	Lobby Water Services Authority (Ukhahlamba District Municipality)	
To increase access to adequate sanita- tion to all residents by end December 2014.	Lobby Water Services Authority (Ukhahlamba District Municipality)	
To ensure that more households have access to reliable electrical services by end December 2006.	 Lobby ESKOM Upgrading existing reticulation Establishment of REDS 	
To ensure that more than 15 000 inhabitants have access to for- mal housing by end of December 2014.	 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 	
To ensure that all towns have access to registered solid waste sites by end December 2010.	 Establish registered solid waste sites Develop solid waste management plan 	
To increase access to health services to all residents by the end of December 2014.	 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 	

OBJECTIVES	STRATEGIES
To improve communications with all stakeholders	 Access to information Institute systems to improve communication with institutions Intergovernmental Forum Establish communications strategy
To increase the revenue base of the municipality by at least 3% per annum.	 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
To develop a Disaster Management Programme by the end of June 2008.	Lobby Ukhahlamba district municipality.Compile a local disaster management plan.
To integrate and implement new by - laws and update as need requires.	Update by-laws on regular basis
To improve community lighting in all towns and identify areas for installation by 2008.	 Installation of streetlights in towns Installation of community lighting in villages on a phased approach Liaise with ESKOM
To improve institutional capacity.	 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
To ensure Consultative community participation	 Outreach Programme/Public participation Comply with all Local Government Legislation Attendance of Council, Budget and IDP meetings
To improve access to community facili- ties by 2014	 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	Extension of Municipal Offices
Address housing challenges	 Develop a turnaround strategy Develop a housing policy

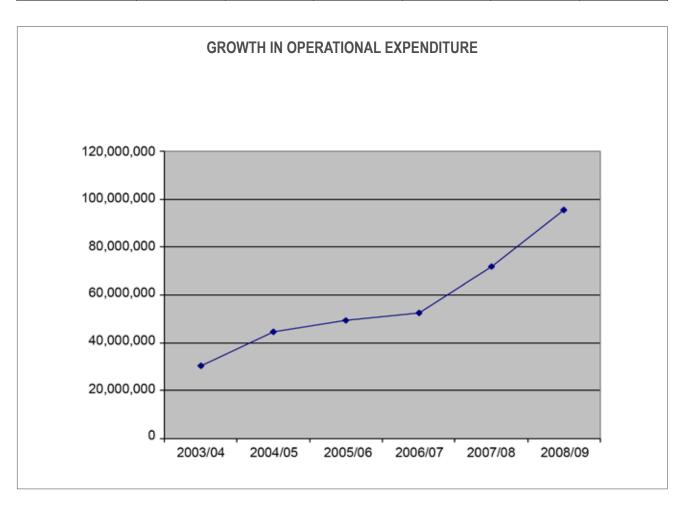
6.1.4 Operational Expenditure

The R 95 349 210 (R 122 155 220 less R 26 806 010 – capital expenditure ex revenue) budgeted for operational expenditure is 32.73% (R 23 511 238) more than the previous year, but only R 10 995 816 (13%) more that the approved 2007/ 2008 Adjustment Budget of R 84 353 394, which is within the limit set. This amount includes services rendered on an agency basis on behalf of:

Water (WSA Ukhahlamba District Municipality, now Joe Gqabi)	R 5 936 785
Primary Health Care (Department of Health)	R 512 000

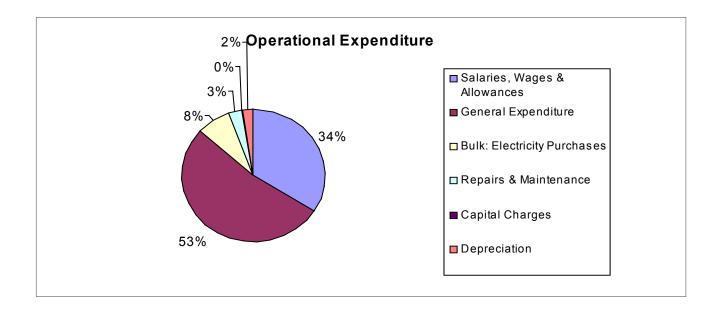
Growth in operational expenditure

FINANCIAL YEAR	2008 / 09	2007 / 08	2006 / 07	2005 / 06	2004 / 05	2003 / 04
AMOUNT	95 349 210	71 837 972	52 589 227	49 389 882	44 155 072	29 990 615
PERCENTAGE INCREASE	32.73%	36.60%	6.47%	11.86%	47.23%	3.54%



Operational expenditure analysis

	2008/09 EXPENDITURE	2007/ 08 EXPENDITURE	VARIANCE PREVIOUS YEAR	VARIANCE %
Employee related costs	19 726 900	15 849 797	3 877 103	24.46%
Remuneration of Councillors	6 238 713	5 886 387	352 326	5.98%
Debt impairment	2 308 504	995 135	1 313 369	31.99%
Impairments	7 999		7 999	100%
Repairs and maintenance	1 818 923	1 347 399	471 524	34.99%
Actuarial losses		370 964	(370 964)	(100%)
Bulk Purchases	7 362 124	5 522 173	1 839 951	33.31%
Grants and Subsidiespaid	560 337	999 155	(438 818)	(56.08%)
Other Operating Grant Expenditure	14 397 383	4 747 462	9 649 921	203.26%
General Expenses	11 269 154	7 660 040	3 609 114	47.11%
Total Expenditure	63 690 038	43 378 511	20 311 527	46.82%



5. 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 33.97%.

6.1.6 General Expenditure

The budgeted General expenditure (excluding Bulk: Electricity Purchases of R 7 549 165) has increased by 40.84% (R 14 546 023) to R 50 166 380 which is 52.61% 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	R 300 000
Maintenance to existing streets & access roads	R1 147 370
Repairs to pedestrian bridges	R 300 000
Supporting SMME's	R 200 000
Gxothindlala agricultural project	R 100 000
Repairs to rural sport fields	R 200 000
Repairs to fence around Sport Field in Kwezi-Naledi	R 100 000
Brick Making	R 100 980
Tourism – Support to Senqu Tourism Organisation	R 700 000

Free Basic Electricity would continue to be rolled out throughout the municipal area during the 2008/2009 financial year and ESKOM was requested to make this available to all consumers currently using 20 Amp or smaller meters. R 2 400 000 of Council's equitable share allocation has been earmarked for this project that would now be rolled out to Transwilger in Lady Grey and Nkululeko in Barkly East. This programme would be extended during the financial year.

6.1.7. Repairs and Maintenance

Council's intention to maintain its infrastructure and assets is clear with the amount of R 2 881 460 allocated to repairs and maintenance.

6.1.8 Capital charges / loan commitments

An external loan in the amount of R 1 241 000 was taken up for Extensions to Offices (Development Bank) during the 2008/09 financial year.

6.1.9 Contributions to Capital Outlay

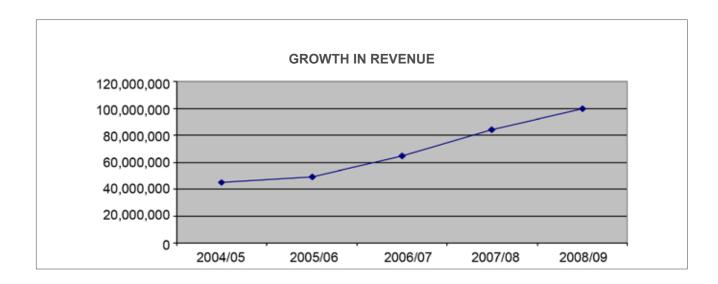
The R 26 806 010 (21.94% of total operational expenditure) made available for Capital expenditure from Revenue would go directly towards projects identified in council's Integrated Development Plan and is 50.03% more than the previous year's allocation of R 17 839 690.

7. OPERATIONAL INCOME

The realistic anticipated revenue of R 99 477 610 is 17.93 % (R 15 124 216) more than the previous financial year and resulted in an estimated surplus of R4 128 400. 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	2008/09	2007 / 08	2006 / 05	2005 / 06	2004 / 05
AMOUNT	99 477 610	84 353 394	64 288 508	49 425 965	44 654 512
PERCENTAGE GROWTH	17.93%	36.60%	30.07%	10.69%	47.36%



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

REVENUE BY SOURCE	2008/2009 ACTUAL R	2008/2009 BUDGET					
Operating Revenue by Source							
Property Rates	3 146,669	2 785 875					
Property Rates - penalties imposed & collection charges	-	-					
Service charges	6 595 493	17 583 260					
Rental of facilities and equipment	301 361	165 000					
Interest earned - external investments	7 732 615	2 500 000					
Interest earned - outstanding debtors	555 897	640 915					
Dividends received	-	-					
Fines	86 448	50 000					
Licences and permits	1 614 250	855 000					
Income for agency services	389 897	6 448 785					
Government grants and subsidies	65 904 756	66 710 840					
Other income	892 208	1 737 935					
Public contributions & donated or contributed PPE	-	-					
Gain on disposal of property, plant & equipment	-	-					
Actuarial Gains	222 758						
TOTAL	87 442 353	99 477 610					

Revenue by Source

1892,208	
	65,904,756
389,897	
1,614,250	
86,448	
1555,897	
7,732,615	
301,361	
<u>6,595,49</u> 3	
3,146,669	
	1,614,250 86,448 555,897 7,732,615 301,361 6,595,493

7.1 Equitable Share

Council's Equitable share allocation was increased by 29% (R 9 059 879) from R 31 230 447 to R 40 290 26, which includes R1 315 000 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:

	2008/2009
Population	135 141
Number of households	34 044
Number of households earning between R0 to R1600 per month	28 920
Water backlog	21169
Sanitation backlog	34188
Electricity backlog	12723
Refuse backlog	34192
Housing backlog	1453
Estimated poverty rate	88%

7.1.2 Growth in Equitable share allocation:

FINANCIAL YEAR	2008 / 09	2007 / 08	2006 / 07	2005 / 06	2004 / 05
Basic Services	38 975 326	30 087 268	18 970 381	18 970 381	21 951 611
Free Basic Electricity			2 802 722	2 802 722	2 268 064
Free Basic Services			4 519 732	3 302 046	2 348 805
Add Councillor Supp	1 315 000	1 143 179	1 356 800		
Total Allocation	40 290 326	31 230 447	23 692 758	23 692 758	26 568 480
% Growth	29.00%	12.95%	16.70%	(10.82%)	23.56%

7.1.3 Other external income / grants / allocations

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

NATIONAL GOVERNMENT

- R500 000 for the implementation of the Municipal Finance Management Act;
- R2 000 000 for Neighbourhood Development Partnership
- R400 000 for Municipal Systems Improvement Grant.

DISTRICT MUNICIPALITY

• R5 936 785 for rendering auxiliary support services for water and sanitation.

7.1.4 Own income

Council's sound financial management since establishment during December 2000 has lead to the stage here 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 2008 / 2009

financial year.

7.1.5 Operational Income analysis

REVENUE BY SOURCE					
	2008/2009	2007/2008			
	R	R			
Operating Revenue by Source					
Property Rates	3 146 669	1 897 450			
Property Rates - penalties imposed & collection charges	-	-			
Service charges	6 595 493	6 067 706			
Rental of facilities and equipment	301 361	280 274			
Interest earned - external investments	7 732 615	5 110 979			
Interest earned - outstanding debtors	555 897	740 997			
Dividends received	-	-			
Fines	86 448	239 890			
Licences and permits	1 614 250	1 155 643			
Income for agency services	389 897	321 686			
Government grants and subsidies	65 904 756	44 143 684			
Other income	892 208	558 602			
Public contributions & donated or contributed PPE	-	-			
Gain on disposal of property, plant & equipment	-	-			
Actuarial Gains	222 758				
Third party payments		62 165			
TOTAL	87 442 353	60 579 076			

7.2. 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 by 100% during 2007/2008 Financial Year .it has become very costly to purchase water and the WSA was again requested to honour Council's Free Basic Services and Indigent Subsidy Support Policy.

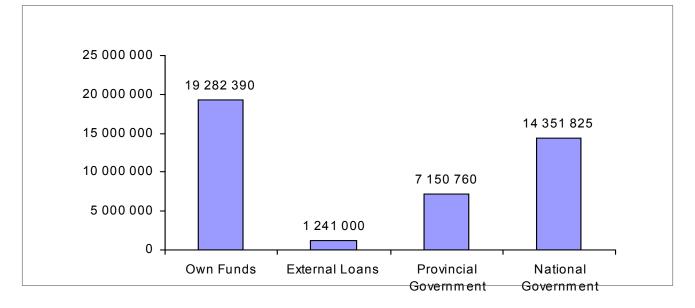
A service delivery agreement between the WSA: Ukhahlamba district municipality and WSP (Water Service Provider): Senqu municipality has been entered into during 2006/2007 however; this arrangement is on a more informal basis and a more relevant legalized document is being developed by UKDM to be signed during 2008/2009 financial year. Currently the rendering of these services continues uninterrupted, notwithstanding the extensive challenges that have faced the water-related targetthe overall poor quality of water (having improved).

7.2.1 2008 / 2009 CAPITAL BUDGET

The Municipality's Three-Year Capital Infrastructure Programme:

INFRASTRUCTURE ASSETS	2008/2009	2009/2010	2010/2011
Electricity	0	0	0
Roads	11 750 000	9 961 801	14 424 803
Sewerage/Waste	9 119 5	5 262 008	2 144 179
Water	0	0	0
COMMUNITY ASSETS			
Buildings	1 780 435	2 094 640	6 123 600
Recreational Facilities	450 000	0	0
Security Measures	0	0	0
Cemeteries	243 340	47 500	0
OTHER ASSETS			
Buildings	1 829 270	6 940 601	651 668
Office Equipment	461 080	291 500	308 990
Bins & Container	0	0	0
Emergency Equipment	0	0	0
Motor Vehicles, Plant and Equipment	850 000	848 000	898 880
Tools and Equipment	322 000	3 659 260	12 265 396
Housing	15 219 965	0	
TOTAL ASSETS	42 025 975	29 105 310	36 817 516

The R 42,025,975 is funded as follows:



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8. 2008 / 2009 FINANCIAL RESULTS

1. 2008 / 09 Financial Statements

The Annual Financial Statements for the period ended 30 June 2009 was compiled and submitted to the Municipal Manager in August 2009 where after it was reviewed in terms of section 166(2)(b) by the audit committee. In September 2009 the statements were 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 to the Annual Report as Annexure A.

2. Operational results

The Municipality estimated a revenue budget of R122.22 million in the 2008/09 financial year. However, due to the global economic crisis and the ongoing implementation of improving the billing system together with the credit control policy, only 71.54% of the estimated budget was achieved. The provision for bad debts has increased to R2 308 504 The Municipality only managed to spend 47.86% of its Operating expenditure Budget.

• Employee Related costs

A savings of 24.17 % of the employee related costs is due to funded vacant posts. The Municipality has experienced major difficulty in attracting suitable qualified personnel.

Repairs and maintenance

In the financial year ending 2008/9 the municipality has expensed 63.13% of its repairs and maintenance budget. An action plan has been drawn up

to execute a well-planned programme for repairs and maintenance in the 2009/10 financial year. The municipality has emmaintenance campaign of its infrastructure assets.

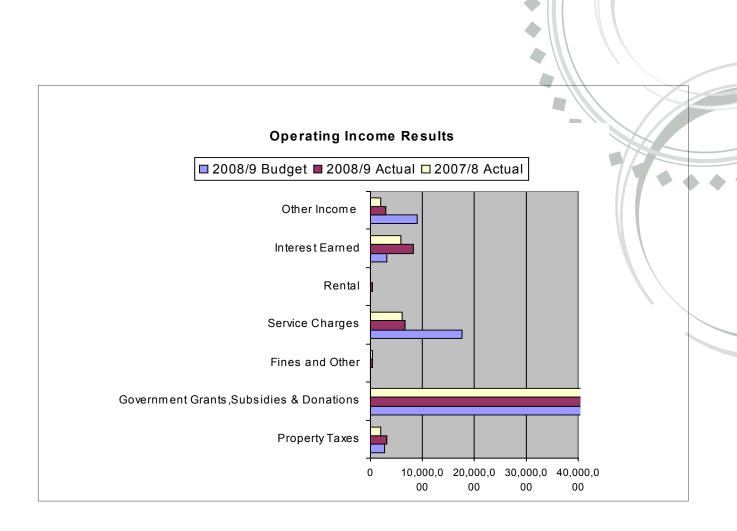
	2008/2009 BUDGET	2008/2009 ACTUAL	% VARIANCE ACTUAL TO BUDGET	2007/2008 ACTUAL
REVENUE				
TOTAL REVENUE	99 477 610	87 442 353	-12.10	60 579 076
TOTAL EXPENDITURE	95 349 210	63 690 038	-33.20	43 378 511
OPERATING SURPLUS	4 128 400	23 752 315		17 200 565

8.3 Operating income results

Analysis of Operating Revenue & Expenditure for year ended June 2009

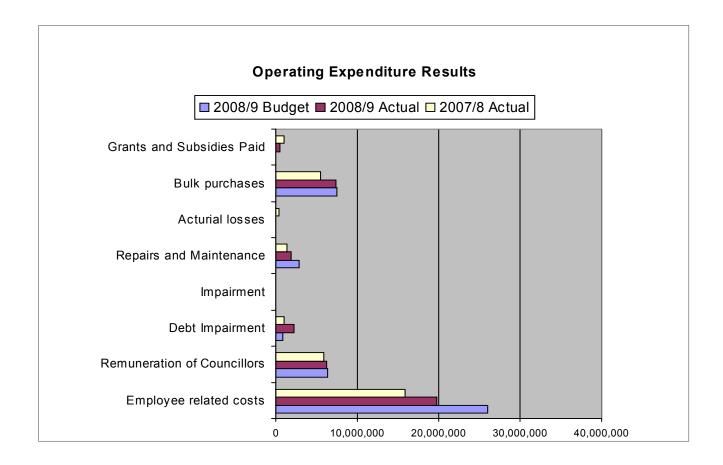
8.3.1 Operating Revenue Results

	2008/2009 BUDGET	2008/2009 ACTUAL	% VARIANCE	2007/2008 ACTUAL
REVENUE				
Property Taxes	2 785 875	3 146 669	12.95	1 897 450
Government Grant, Subsidies & Donations	66 710 840	65 904 756	-1.21	44 143 684
Fines & Other	50 000	309 206	518.41	302 055
Service Charges	17 583 260	6 595 493	-62.49	6 067 706
Rental	165 000	301 361	82.64	280 274
Interest Earned	3 140 915	8 288 512	163.89	5 851 976
Other Income	9 041 720	2 896 355	-67.97	2 035 931
TOTAL REVENUE	99 477 610	87 442 353		60 579 076



8.3.2 Operating Expenditure Results

EXPENDITURE	2008 / 2009 BUDGET	2008 / 2009 ACTUAL	% VARIANCE	2007 \ 2008 ACTUAL
EMPLOYEE RELATED COSTS	26 016 060	19 726 900	24.17	15 849 797
REMUNERATION OF COUNCILLORS	6 373 045	6 238 713	2.11	5 886 387
DEBT IMPAIRMENT	884 600	2 308 504	-160.97	995 135
IMPAIRMENTS		7 999	0.00	-
REPAIRS AND MAINTENANCE	2 881 460	1 818 923	36.87	1 347 399
ACTUARIAL LOSSES	-	-	0.00	370 964
BULK PURCHASES	7 549 165	7 362 124	2.48	5 522 173
GRANTS AND SUBSIDIES PAID	-	560 337	0.00	999 155
OPERATING GRANT EXPENDITURE	15 863 725	14 397 383	9.24	4 747 462
GENERAL EXPENSES	36 424 915	11 269 154	69.06	7 660 040
CAPITAL EXPENDITURE	26 162 250	-	24.17	-
TOTAL EXPENDITURE	122 155 220	63 690 038	-	43 378 511
OPERATING SURPLUS	65 975	23 752 315	-	17 200 565



8.3.3 Capital expenditure and financing

The expenditure on assets occurred during the financial year amounted to R19 223 279, R9 490 846 more than the previous years expenditure of R9 732 433. The actual expenditure is 45.74% of what was budgeted for (R42 025 975) and consists of the following:

		2008/09	2007/08	2006/07
LAND AND	Land			24 334
BUILDINGS	Buildings	1 995 609	449 747	2469 254
	Electricity			
INFRASTRUCTURE	Roads, Streets and Storm Water	14 825 337	5 088 374	3 812 629
ASSETS	Sewerage & Solid Waste	233 148	145 144	
	Water			
	Buildings		2 234 521	3 583 808
COMMUNITY ASSETS	Recreation grounds	335 372		
	Cemetery	228 856		
	Buildings			
	Office Equipment	251 858	435 116	261 470
	Furniture & Fittings	64 462	35 478	80 569
	Bins & Containers			
OTHER ASSETS	Motor Vehicles	830 422	434 232	1 051 525
	Plant and Equipment	119 116	909 817	1 003 429
	Computer Equipment	141 615		
	Computer Software	197 485		
		19 223 278	9 732 433	12 287 018

R3 355 745 of the budgeted R15 219 965 for housing projects (22.05%) was spent on three housing projects currently in progress. The Department of Housing, Local Government and Traditional Affairs finance all three housing projects.

8.3.4 Funds and reserves

Full detail of Council's Statutory Funds, Reserves and Trust Funds are reflected as Appendix E on page 44 of the enclosed Annual Financial Statements.

Equitable Share	40 290 326
Prov Gov Housing (Lady Grey)	3 322 950
Prov Gov Housing (Hillside)	5 770 214
Municipal Finance Management	500 000
Prov Gov – Valuation Roll	400 000
Municipal Infrastructure Grant	14 722 000
Municipal Systems Improvement	400 000
Herschel People's Housing	446 701
Health Subsidy	512 005
IEC Elections	180 598
Ukhahlamba DM – Plastic Products	3 000 000
Ukhahlamba DM – District Call Centre	565 000
Ukhahlamba DM - IDP	50 000
	Prov Gov Housing (Lady Grey)Prov Gov Housing (Hillside)Municipal Finance ManagementProv Gov – Valuation RollMunicipal Infrastructure GrantMunicipal Systems ImprovementHerschel People's HousingHealth SubsidyIEC ElectionsUkhahlamba DM – Plastic ProductsUkhahlamba DM – District Call Centre

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

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

8.4. Assets and liabilities

8.4.1. 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 Chief Financial Officer
- C N Sbukwana Accountant: Expenditure/SCM
- 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)

	2009	2008
Opening Balance	R 909 098	R1 302 209
Closing Balance	R2 011 290	R 909 098

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	R	500.00	R	500.00
	R	900.00	R	900.00

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

During this financial year council earned interest on its investments which amounted to R 67 094 621. This amount is invested over different periods:

CALL AND SHORT TERM DEPOSITS	2009	2008
	R 67 094 621	R62 405 513

Investments are held at:

Standard Bank, Lady Grey; and StanLIB, Queenstown.

8.4.2. 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 2009	OUTSTANDING AS AT 30 JUNE 2008	OUTSTANDING AS AT 30 JUNE 2007
J van Rensburg	Housing	45587.83	59304.49	71720.94
TOTAL		45587.83	59304.49	71720.94

It is anticipated that R 15 221.00 of this loan would be recovered during the 2009/10 financial year.

8.4.3 Trade debtors

The following trade debtors were due to council as at 30 June 2009:

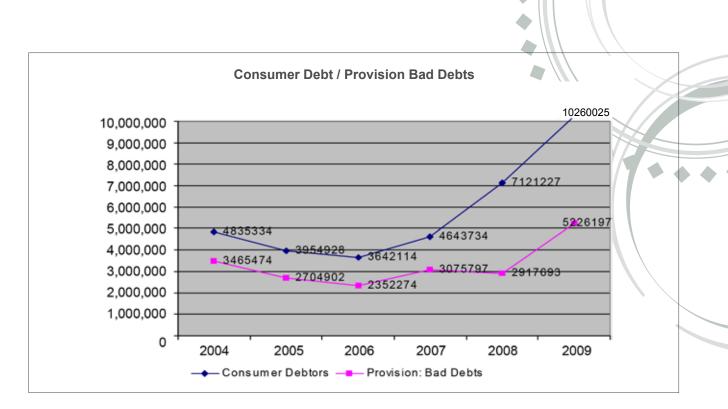
DEBTOR	PURPOSE	AMOUNT
Gariep Municipality	Advance	650 903
Ukhahlamba District Municipality (Now Joe Gqabi)	WSA Services rendered	6 052 718

8.4.4. Consumer debtors

Council's outstanding consumer debtors have again increased by 44.08% (R 3 138 798) from R 7 121 227 to R 10 260 025 during this financial year and the age-analysis thereof are as follows:

SERVICE	BALANCE AT 30 JUNE 2009	CURRENT	30 DAYS+	60 DAYS +	90 DAYS +
ELECTRICITY OTHER REFUSE HOUSING	1 782 849 6 719 720 1 627 808 129 649	576 236 6 052 718 155 560 7 916	244 895 77 127 24 205	166 484 53 855 2 947	795 234 667 001 1 341 266 94 581
	10 260 025	6 792 430	346 227	223 286	2 898 082

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



8.4.5. Provisions

At year-end the following provisions were made for expenditure that would incur during the 2008/ 09 financial year:

PURPOSE	AMOUNT
Leave	1 510 541
Performance Bonuses	1 853 082
Post Retirement Benefits	118 474
Long Service Awards	93 237
Compensation for Injured on Duty	284 070

8.4.6. Trade creditors

An amount of R 645 639 had not been paid to various trade creditors at year-end.

8.4.7. Consumer deposits

An amount of R 379 158 (30 June 2008 – R 369 858) is held as deposits on water and electricity services rendered to consumers.

9. AUDIT REPORTS AND CORRECTIVE ACTIONS

The auditing of the financial statements for the period ended 30 June 2009 has commenced during August 2009 and the Report of the Auditor General of Senqu Municipality for the Financial Year ended 30 June 2009 is set out in pages 160 - 164.

1. Corrective Actions

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

10. CHALLENGES

The following is seen as the challenges that need to be accomplished during the 2008/09 financial year:

- Compliance and implementation of the Municipal Finance Management Act (MFMA)
- Compliance to GRAP
- 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 further development so to enable council to be as independent as possible from external service providers;
- All assets are bar-coded and listed as required for the implementation of GRAP
- Move towards a GRAP compliant Assets register in place
- Compliance with Audit queries raised in the above regard and in respect of
- · Finalization of Cash flow statements;
- Finalization of Measurable performance objectives
- Departmental SDBIP'S for 2008/2009 completed, monitor, evaluated and report on implementation during 2008/2009;
- 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

11. CONCLUDING REMARKS

The award of an unqualified audit report illustrates the positive strides made towards ensuring that financial management remains a prioritized area of functioning and application within Senqu Municipality:

As per the legislative requirements and prescriptions every effort is being made to ensure that the following financial management strategic objectives and targets are prioritized:

- Annual overview on Risk Management and an Implementation Plan
- Monitoring of financial viability re- debt coverage and expenditure control.
- Implementation of Revenue Management Strategies to enhance Revenue.
- Efforts to facilitate full GRAP compliance.
- The development of all required Financial Policies.

12. CONCLUSION

The 2008/2009-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 it implementation has placed many requirements on the municipality. This had 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.
- 2008/2009 has been a challenging period in respect of the SDBIP structure itself. Not only did its
 function moved from the Budget & Treasury Department to the Office of the Municipal Manager and it
 took on a "new face". It was also established that the SDBIP required re-formatting so as to ensure that
 it took on more "qualitative" reporting as it was of the opinion that the initial SDBIP was more quantative
 than qualative.
- Accordingly a new reporting structure was established and the new SDBIP provided for approval to Council. At this point Council did not approve the SDBIP as there were concerns around the manner in which this reporting had taken place. At this point Council had concerns around the structure of the report and in terms of the content provided. While this report had been structured around the National Indicators the reported information did not appear to be of the desired quality and the report was sent back for amendment and re-submission. Correct quarterly reporting in the manner prescribed remains a challenge, notwithstanding the progress to date.

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 2008/2009.

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 cooperation 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 Honourable 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 2009 of the Budget & Treasury Department of Senqu Municipality.

C R VENTER CHIEF FINANCIAL OFFICER

AUDITED FINANCIAL STATEMENTS

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

GENERAL INFORMATION

Nature of business

Senqu Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

Country of origin and legal form

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

Jurisdiction

The Senqu Municipality includes the following areas:

Lady Grey Barkly East Sterkspruit Rhodes Herschel Rossouw

Members of the Executive Committee

Mayor:	Mr Z I Dumzela
Chairperson:	Housing & Estate Services Mr M M Mafilika
Chairperson:	Corporate & Support Services Mr V V Mbulawa
Chairperson:	Budget & Treasury Services Ms N Kuse
Chairperson:	Community & Social Services Ms G N Mbonyana
Chairperson:	Technical & Engineering Services Ms P August

Municipal Manager: M M Yawa

Chief Financial Officer:C R Venter

Registered office

P.O. Box 18 Lady Grey 9755

Auditors

Auditor-General P O Box 13252 East London

Principle Bankers

Standard Bank

Attorneys Douglas & Botha

Relevant Legislation

- Municipal Finance Management Act (Act no 56 of 2003)
- Division of Revenue Act
- The Income Tax Act

- Value Added Tax Act
- Municipal Structures Act (Act no 117 of 1998)
- Municipal Systems Act (Act no 32 of 2000)
- Municipal Planning and Performance Management Regulations
- Water Services Act (Act no 108 of 1997)
- Housing Act (Act no 107 of 1997)
- Municipal Property Rates Act (Act no 6 of 2004)
- Electricity Act (Act no 41 of 1987)
- Skills Development Levies Act (Act no 9 of 1999)
- Employment Equity Act (Act no 55 of 1998)
- Unemployment Insurance Act (Act no 30 of 1966)
- Basic Conditions of Employment Act (Act no 75 of 1997)
- Supply Chain Management Regulations, 2005
- Collective Agreements
- Infrastructure Grants
- SALBC Leave Regulations

MEMBERS OF THE SENQU MUNICIPALITY

WARD COUNCILLOR

1 2	Ms N E Mbobo Ms N Nombula
3	Ms N C Mraji
4	Ms N M Kwinana
5	Mr J Lamani
6	Mr S S Ndzongana
7	Ms N A Mkhontwana
8	Mr M G Moeletsi
9	Ms A Kwinana
10	Ms G N Parkies
11	Mr V V Mbulawa
12	Mr M P Bingwa
13	Ms L M Tokwe
14	Mr L Booi
15	Mr M G Ncise
16	Mr M Mafilika
Proportional	Mr Z I Dumzela
Proportional	Ms M C E Stanley
Proportional	Ms G Mvuyiswa
Proportional	Mr M W Mpelwane
Proportional	Mr J Constabel
Proportional	Ms I Elia
Proportional	Mr X M Ganamfana
Proportional	Ms G Mbonyana
Proportional	Ms P August
Proportional	Ms A H Sobhuza
Proportional	Ms N Kuse
Proportional	Ms B Juju
Proportional	Ms M N Ngendane
Proportional	Ms N G Beje
Proportional	Mrs M Senoamali
Proportional	Mr S S Tindleni



APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 40 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

M M Yawa

Municipal Manager

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009						
REVENUE	Notes	2009	2008			
		R	R			
NET ASSETS AND LIABILITIES						
Net Assets						
Capital Replacement Reserve	2	45 850 902	50 000 000			
Accumulated Surplus						
Non-Current Liabilities						
Non-Current Employee Benefits	3	7 132 244	6 188 664			
Current Liabilities		21 642 790	15 033 316			
Consumer Deposits	4	379 158	369 858			
Current Employee Benefits	5	3 859 404	1 645 196			
Trade and other payables	6	645 639	719 109			
Unspent Conditional Government Grants and Receipts	7	16 748 700	12 290 962			
Operating Lease Liability	17.01	9 889	8 190			
Total Net Assets and Liabilities						
ASSETS						
Non-Current Assets		123 832 560	104 632 502			
Property, Plant and Equipment	9	121 577 613	104 404 317			
Non-Current Assets Held for Sale	10	1 844 498	-			
Investment Property	11	-	-			
Intangible Assets	12	380 081 182 596				
Long-Term Receivables	13	30 367	45 588			
Current Assets		80 687 190	68 581 878			
Inventory	14	-	-			
Trade Receivables from exchange transactions	15	8 311 436	4 364 697			
Other Receivables from non-exchange transactions	16	454 671	152 120			
Unpaid Conditional Government Grants and Receipts	7	202 700	-			
Unpaid Conditional Government Grants and Receipts	7	202 700	-			
Operating Lease Asset	17.02	42 378	36 610			
Taxes	8	2 553 974	701 565			
Current Portion of Long-term Receivables	13	15 221	13 716			
Cash and Cash Equivalents	18	69 106 810	63 313 170			
Total Assets		204 519 749	173 214 380			

	NCE FOR THE YEAR ENDED 30 JUNE 2009		
REVENUE	Notes	2009	200
		R	F
Revenue from Non-exchange Transactions		69 360 631	46 343 18
			10 0 10 10
Taxation Revenue			
Property taxes	19	3 146,669	1 897 45
Transfer Revenue		65 904 756	44 143 68
Government Grants and Subsidies	20	65 904 756	43 993 68
Public Contributions and Donations	21	-	150 00
Other Revenue		309 206	302 05
Fines		86 448	239 89
Third party payments		-	62 16
Actuarial Gains	3	222 758	02 10
Revenue from Exchange Transactions		18 081 721	14 235 88
Service Charges	22	6 595 493	6 067 70
Rental of Facilities and Equipment		301 361	280 27
Interest Earned - external investments		7 732 615	5 110 97
Interest Earned - outstanding debtors		555 897	740 99
Licences and Permits		1 614 250	1 155 64
Income for Agency Services		389 897	321 68
Other Income	23	892 208	558 60
Total Revenue		87 442 353	60 579 07
EXPENDITURE			
Employee related costs	24	19 726 900	15 849 79
Remuneration of Councillors	24	6 238 713	5 886 38
Debt Impairment	25	2 308 504	995 13
Impairments	20	7 999	395 15
Repairs and Maintenance	21	1 818 923	1 347 39
Actuarial losses	3	1010 323	370 96
Bulk Purchases	28	7 362 124	5 522 17
Grants and Subsidies Paid	29	560 337	999 15
Other Operating Grant Expenditure	20	14 397 383	4 747 46
General Expenses	30	11 269 154	7 660 04
Total Expenditure		63 690 038	43 378 51
Operating Surplus for the Year		23 752 315	17 200 56
Loss on disposal of Property, Plant and Equipment		-	(415 913
NET SURPLUS/(DEFICIT) FOR THE YEAR		23 752 315	16 784 65

	Notes	2009	2008
CASH FLOW FROM OPERATING ACTIVITIES		R	R
Cash receipts from ratepayers, government and other		70 868 310	57 020 858
Cash paid to suppliers and employees		(53 607 023)	(43 341 393)
Cash generated by operations	33	17 261 287	13 679 465
Interest Received		7 732 615	5 110 979
Net Cash from Operating Activities		24 993 902	18 790 444
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(19 025 793)	(9 720 469)
Increase in Intangible Assets		(197 485)	(11 964)
Decrease in Long-term Receivables		13 717	30 443
Net Cash from Investing Activities		(19 209 562)	(9 701 990)
CASH FLOW FROM FINANCING ACTIVITIES			
Increase in Consumer Deposits		9 300	55 130
Net Cash from Financing Activities		9 300	55 130
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		5 793 640	9 143 584
Cash and Cash Equivalents at the beginning of the year		63 313 170	54 169 586
Cash and Cash Equivalents at the end of the year	34	69 106 810	63 313 170
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		5 793 640	9 143 584
Cash and Cash Equivalents per Balance Sheet		69 106 810	63 313 170
Difference		-	
		0	(0)

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009				E 2009
	Pre-GAMAP Reserves and Funds	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R
Balance at 1 JULY 2006	8 332 806	-	35 406 733	43 739 539
Change in accounting policy - Note 31.07	(8 332 806)	30 000 000	68 609 508	90 276 702
Balance at 30 JUNE 2007	-	30 000 000	104 016 241	134 016 241
Correction of error - Note 32.05	-	-	1 191 508	1 191 508
Balance at 1 JULY 2007	-	30 000 000	105 207 749	135 207 749
Net Surplus for the year	-	-	16 784 651	16 784 651
Transfer to/from CRR	-	20 000 000	(20 000 000)	-
Balance at 30 JUNE 2008	-	50 000 000	101 992 400	151 992 400
Net Surplus/(Deficit) for the year		-	23 752 315	23 752 315
Transfer to/from CRR		(4 149 098)	4 149 098	-
		45 050 000	400,000,040	475 744 745
Balance at 30 JUNE 2009	-	45 850 902	129 893 813	175 744 715

ACCOUNTING PRINCIPLES AND POLICIES NOTES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

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

These annual financial statements have been prepared in accordance with Directive 5 "Determining the GRAP Reporting Framework", issued by the Accounting Standards Board.

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of changes in Foreign Exchange Rates
GRAP 9	Revenue from Exchange Transactions
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment (PPE)
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 102	Intangible assets

The standards are summarised as follows:

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 4: "Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has adopted the transitional provisions for the following GRAP Standards:

GRAP 12	– Inventories;
GRAP 13	– Leases;
GRAP 16	 Investment Property;
GRAP 17	 Property, Plant and Equipment;
GRAP 19	- Provisions, Contingent Liabilities and Contingent Assets;
GRAP 100	 Non-current Assets Held for Sale and Discontinued Operations;
GRAP 102	– Intangible Assets.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

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

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality. The effective dates are not known at the reporting date.

GRAP 21	Impairment of non-cash-generating assets The municipality complies with IPSAS 21 which forms part of the GRAP Framework in terms of Directive 5. Minimal adjustments will be required.
GRAP 24 Presentation of Budget Information in Financial Statements Information to a large extent is already included in Appendix E(1) a the annual financial statements. When the Standard becomes effect information will form part of the audited financial statements.	
GRAP 26	Impairment of cash-generating assets The municipality complies with IAS 36 which forms part of the GRAP Framework in terms of Directive 5. Minimal adjustments will be required.
GRAP 103	Heritage Assets No adjustments will be necessary other than a separate line item in the Statement of Financial Position and the transfer of the values from property, plant and equipment.

The following GRAP standards have been issued but are not yet effective but have been early adopted by the municipality:

	AP 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)	
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1.6. FOREIGN CURRENCY TRANSACTIONS

The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

1.7. RESERVES

1.7.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

The CRR may only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items.

1.8. UNSPENT CONDITIONAL GRANTS

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

1.9. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

1.10. EMPLOYEE BENEFITS

Pension obligations

The - municipality contributes to the following post retirement funds - Cape Joint Pension fund, Cape Joint Retirement fund, SALA and SAMWU Retirement fund which provides for retirement benefits to its employees.

For defined contribution plans, the District Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or reduction in the future payments is available.

Post Retirement Medical obligations

The municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

Long Service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

1.11. PROPERTY, PLANT AND EQUIPMENT

1.11.1 Initial Recognition

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

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

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

1.11.2 Subsequent Measurement – Revaluation Model

The revaluation model does not apply as exemptions in accordance with Directive 4 have been applied in the current year.

1.11.3 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and

capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.11.4 Depreciation and Impairment

No depreciation is calculated as the useful lives and residual values of assets have not been reviewed as required by GRAP 17.

1.11.5 De-recognition

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

1.12. INTANGIBLE ASSETS

1.12.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised.

Intangible assets are initially recognised at cost.

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

1.12.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. No amortisation or impairment charges were written off in the current year as the useful life and residual values of were not determined in the current year as required by GRAP 102.

1.12.4 De-recognition

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

1.13. INVESTMENT PROPERTY

Exemptions in accordance with Directive 4 that applies to Investment Property have been applied in the current year.

1.14. NON-CURRENT ASSETS HELD FOR SALE

1.14.1 Initial Recognition

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

one year from the date of classification.

1.14.2 Subsequent Measurement

Non-current assets held for sale are measured at their carrying amount.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale.

1.15. CONSTRUCTION CONTRACTS

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by either the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs or surveys of work done or completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

1.16. IMPAIRMENT OF ASSETS

Assets were not evaluated for impairment in the current year as exemptions in accordance with Directive 4 have been applied.

1.17. INVENTORIES

Exemptions in accordance with Directive 4 have been applied to inventory in the current year.

1.18. FINANCIAL INSTRUMENTS

Financial instruments recognised on the balance sheet include trade and other receivables, cash and cash equivalents, annuity loans and trade and other payables.

1.18.1 Initial Recognition

Financial instruments are initially recognised at fair value.

1.18.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial Liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

1.18.2.1 Investments

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost.

1.18.2.2 Trade and Other Receivables

For amounts due from debtors carried at amortised cost, the municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.18.2.3 Trade Payables and Borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost.

1.18.2.4 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.18.3 De-recognition of Financial Instruments

1.18.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired.

1.18.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

1.18.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.18.5 Impairment of Financial Assets

The Municipality assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

1.19. REVENUE

1.20.1 Revenue from Non-Exchange Transactions

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

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

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when it becomes due.

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

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

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

1.19.2 Revenue from Exchange Transactions

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

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

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. An allowance for unused units are made at year-end, if material.

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

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

Interest revenue is recognised using the effective interest rate method.

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

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

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

1.19.3 Grants, Transfers and Donations (Non-Exchange Revenue)

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

1.20. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. It includes full-time councillors, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.21. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 200), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23. FRUITLESS AND WASTEFUL EXPENDITURE

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

1.24. CONTINGENT LIABILITIES

All known contingent liabilities (if any) are reflected in the financial statements.

1.25. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2 NET ASSET RESERVES

RESERVES	2009	2008
	R	R
Capital Replacement Reserve	45 850 902	50 000 000
Total Net Asset Reserve and Liabilities	45 850 902	50 000 000

3

NON-CURRENT	EMPLOYEE	BENEFITS

Post Retirement Benefits	6 639 044	5 646 821
Long Service Awards	493 200	541 843
Total Non-current Employee Benefits	7 132 244	6 188 664

Exemptions taken for provisions according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 46

Post retirement medical benefits - Reconciliation of present value of fund obligation:

5 646 821	-
-	4 606 368
1 217 675	869 910
(58 902)	(103 478)
(106 978)	332 923
6 698 616	5 05 723
(59 572)	(58 902)
6 639 044	5 646 821
	- 1 217 675 (58 902) (106 978) 6 698 616 (59 572)

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Long Service Awards - Reconciliation of present value of fund obligation:

Balance 1 July	541 843	-
Change in accounting policy - Note 31.04	-	433 340
Contribution for the year	160 374	114 427
Expenditure for the year	-	(43 965)
Actuarial Loss/(Gain)	(115 780)	38 041
Total provision 30 June	586 437	541 843
Less: Transfer of Current Portion to Current Employee Benefits - Note 5	(93 237)	-
Balance 30 June	493 200	541 843

TOTAL NON-CURRENT EMPLOYEE BENEFITS

	2009	2008
	R	R
Balance 1 July	6 188,664	-
Change in accounting policy - Note 31.04	-	5 039 708
Contribution for the year	1 378 049	984 337
Expenditure for the year	(58 902)	(147 443)
Actuarial Loss/(Gain)	(222 758)	370 964
Total provision 30 June	7 285 053	6 247 566
Less: Transfer of Current Portion to Current Employee Benefits - Note 5	(152 809)	(58 902)
Balance 30 June	7 132 244	6 188 664

3.01 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	109	109
Continuatioin members (e.g. Retirees, widows, orphans)	5	5
Total Members	114	114

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas		
Discovery		
LA Health		
Key Health, and		
SAMWU Medical Aid		

The Current-sevice Cost for the ensuing year is estimated to be R 677 697, whereas the Interest Cost for the next year is estimated to be R 604 212.

Key actuarial assumptions used:

i) Rate of interest		
Discount rate	9.02%	10.70%
Health Care Cost Inflation Rate	7.72%	9.58%
Net Effective Discount Rate	1.21%	1.02%

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

The normal retirement age for employees of the municipality is 63 years.

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

	INCREASE	DECREASE
Effect on the aggregate of the current service cost and interest cost components	1 466 100	1 020 600

Effect on the defined benefit obligation	7,985,000	5,773,000
Effect on the defined benefit obligation	18%	-15%

3.02 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 124 employees were eligible for Long Service Bonuses

The Current-service Cost for the ensuing year is estimated to be R 96 907 .

Key actuarial assumptions used:

i) Rate of interest

Discount rate	9.01%	9.01%	
General Salary Inflation (long-term)	6.62%	6.62%	
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.24%	2.24%	

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	586 437	541 843
Fair value of plan assets	-	-
	586 437	541 843
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present value of unfunded obligations	-	-
Net liability	586 437	541 843

The effect of a 1% movement in the assumed rate of salary inflation is as follows:

	INCREASE	DECREASE
Effect on the aggregate of general salary inflation	168,061	153,284
Effect on the defined benefit obligation	5.00%	-4.00%

3.05 Retirement funds

CAPE JOINT PENSION FUND

This fund comprises a defined benefit section and a defined contribution section. The Cape Joint Pension Fund is a multi-employer plan and the contribution rate payable is 9%, by the members and 18% by Council. In respect of the defined benefit section the last valuation performed for the year ended 30 June 2008 (30 June 2007) revealed that the fund had an actuarial surplus of R182,733 (R 200,209) million with a funding level of 106,5% (107,1%), and is in a sound financial state as at 30 June 2008.

CAPE JOINT RETIREMENT FUND

This fund comprises a defined benefit section and a defined contribution section. The contribution rate paid by the members (9,0%) and Council (18,0%) is sufficient to fund the benefits accruing from the fund in future. In respect of the defined contribution section the last valuation performed for the year ended 30 June 2008 (30 June 2007) revealed that the fund had an actuarial surplus of R12,033 (R 20,22) million with a funding level of 103,3% (105.3%) and is in a sound financial position as at 30 June 2008.

MUNICIPAL COUNCILLORS PENSION

4

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and council (15%). The financial statements of the fund have not been audited since June 2006 and the financial position of the fund is not available.

CONSUMER DEPOSITS	2009	2008
	R	
Consumer deposits	379 158	369 858
Total Consumer Deposits	379 158	369 858

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

Guarantees held in lieu Consumer Deposits	-	-

5 CURRENT EMPLOYEE BENEFITS

Bonuses and Performance Bonuses	1 853 082	636 625
Performance bonus reversed - Mr Lumka - Note 32.03	-	(78 345)
Restated balance	1 853 082	558 280
Staff Leave	1 510 541	1 028 014
Compensation for injuries on duty contribution	284 070	-
Current Portion of Non-Current Employee benefits	211 711	58 902
Current Portion of Post Retirement Benefits - Note 3	118 474	58 902
Current Portion of Long-Service Awards - Note 3	93 237	-
Total Provisions	3 859 404	1 645 196

Post Retirement Benefits

58 902	103 478
59 572	(44 576)
118 474	58 902
-	43 965
93 237	(43 965)
93 237	-
-	59 572 118 474 - 93 237

Staff Leave

Balance at beginning of year	1 028 014	1 039 566
Contribution to provision	640 258	264 315
Expenditure incurred	(157 731)	(275 867)
Balance at end of year	1 510 541	1 028 014

Compensation for injuries on duty contribution

Balance at beginning of year	-	-
Contribution to provision	284 070	-

	2009	2008
	R	R
Balance at end of year	284 070	-

Bonuses and Performance Bonuses

Balance at beginning of year	558 280	495 746
Contribution to provision	1 294 802	636 625
Prior year adjustment - Performance bonus reversed - Mr Lumka - Note 32.03	-	(78 345)
Expenditure incurred	-	(495 746)
Balance at end of year	1 853 082	558 280

TOTAL - CURRENT EMPLOYEE BENEFITS

Balance at beginning of year		1 645 196	1 682 755	
Adjustment from non-current		152 809	(88 541)	
Contribution to provision		2 219 130	900 940	
Prior year adjustment - Performance bonus reversed - Mr Lumka - Note 32.03		-	(78 345)	
Expenditure incurred		(157 731)	(771 612)	
Balance at end of year		3 859 404	1 645 196	

For more information regarding the provisions for Post Retirement Benefits and Long-term Service Awards - Refer to Note 3 to the Financial Statements, Other Defined Benefit Plan Information

Exemptions taken for provisions according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 46

6 TRADE AND OTHER PAYABLES

Other Creditors	123 762	719 109
Payments in advance	521 877	-
	L	

Total Trade Payables	645 639	719 109
		719 109

7 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

7.01 Conditional Grants from other spheres of Government

Unspent Grants

National and Provincial Government Grants	16 748 700	12 290 962
Less: Unpaid Grants		
National and Provincial Government Grants	202 700	-

Total Conditional Grants and Receipts

16 546 000 12 290 962

See appendix "E" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

9 PROPERTY, PLANT AND EQUIPMENT					
30 JUNE 2009					
Reconciliation of Carrying Value	Land and Buildings	Infrastructure	Community	Other	Total
	R	R	R	R	R
Carrying value at 1 JULY 2008	8 787 959	58 145 704	21 155 497	16 315 157	104 404 317
Cost	8 787 959	58 145 704	21 155 497	16 315 157	104 404 317
Original Cost	8 787 959	58 145 704	21 155 497	16 497 753	104 586 913
Change in Accounting Policy - Note 31.05	-	-	-	(182 596)	(182 596)
Acquisitions	1 995 609	15 058 484	564 228	1 407 472	19 025 793
Carrying value of disposals/transfers/im- pairments	-	-	-	(1 852 497)	(1 852 497)
Cost	-	-	-	(1 852 497)	(1 852 497)
Carrying value at 30 JUNE 2009	10 783 569	73 204 188	21 719 725	15 870 132	121 577 613
Cost					
Original Cost	10 783 569	73 204 188	21 719 725	15 870 132	121 577 613
30 JUNE 2008					
Reconciliation of Carrying Value	Land and Buildings	Infrastructure	Community	Other	Total
	R	R	R	R	R
Carrying value at 1 JULY 2007	8 338 212	52 912 181	18 920 976	14 850 490	95 021 859
Cost	8 338 212	52 912 181	18 920 976	14 850 490	95 021 859
Original Cost	8 338 212	52 912 181	18 920 976	15 120 980	95 292 350
Change in Accounting Policy - Note 31.05	-	-	-	(270,491)	(270,491)
Acquisitions	449 747	5 233 522	2 234 521	1 802 678	9 720 469
Carrying value of disposals	-	-	-	(338 010)	(338 010)
Cost	-	-	-	(338 010)	(338 010)
Carrying value at 30 JUNE 2008	8 787 959	58 145 704	21 155 497	16 315 157	104 404 317
Cost					
Original Cost	8 787 959	58 145 704	21 155 497	16 315 157	104 404 317

120 | SENQU MUNICIPALITY

The Municipality identified other properties, plant and equipment, with opening balances and adjustments during the year.

Refer to Appendix A for more detail on property, plant and equipment, including those in the course of construction.

Exemptions taken for according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 46

The Municipality has taken advantage of the transitional provisions set out in Directive 4. The Municipality is in the process of identifying and itemizing all infrastructure and community assets and other property, plant and equipment and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2011. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets and other property plant and equipment using global or other historical costs recorded in the accounting records.

- Review of useful life of item of PPE recognised in the annual financial statements. [Paragraphs 59-61] and 77]
- Review of the depreciation method applied to PPE recognised in the annual financial statements. [Paragraphs 62 and 77]
- Impairment of non-cash generating assets. [Paragraphs 64-69 and 75(e)(v) (vi)]
- Impairment of cash generating assets. [Paragraphs 63 and 75(e)(v) (vi)]

TAXES	2009	200
	R	
VAT Payable	-	
VAT Receivable	2 553 974	701 56

10

8

Non-current assets held for sale at beginning of year - at book value -

Additions for the year	1 844 498	-
	1 844 498	-
Non-current assets sold/written off during the year	-	-
Non-current assets held for sale at end of year - at book value	1 844 498	-

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 46

11 INVESTMENT PROPERTY

Investment property as at 30 June

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 46

12 INTANGIBLE ASSETS

Net Carrying amount at 1 July	182 596	270 491
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	2009	2008
Change in Accounting Policy - Transfer from Property, Plant and Equipment -	R	R
Cost	182 596	270 491
Acquisitions	197 485	11 964
Disposals	-	(99 859)

Net Carrying amount at 30 June	380 081	182 596
Cost	380 081	182 596

13 LONG TERM RECEIVABLES

Staff Housing Loans - At amortised cost	45 588	59 304
Less: Current portion transferred to current receivables		
Staff Housing Loans - At amortised cost	(15 221)	(13 716)
	30 367	45 588
Less: Provision for Impairment of Long Term Receivables	-	-
Total Long Term Receivables	30 367	45 588
	k	

14 INVENTORY

Total Inventory	-	-

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 46

15 TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

Electricity	1 782 849	1 135 729
Housing Rentals	129 649	102 393
Refuse	1 627 808	1 031 998
Other Arrears	7 241 597	3 227 161
Ukhahlamba Distrct Municipality (Water Services Authority)	6 052 718	2 406 087
Gariep Municipality (R 700 000 Short-term operating loan including interest)	650 903	779 131
Payments in advance	521 877	-
Other	16 098	41 944
Total: Trade receivables from exchange transactions (before provision)	10 781 902	5 497 281
Provision for Impairments	(2 470 466)	(1 132 584)
Total: Trade receivables from exchange transactions (after provision)	8 311 436	4 364 697

The fair value of other receivables approximate their carrying value.

The loan to Gariep Municipality at the prime lending rate - 1,5% at the date of the loan is payable within 1 year. All indications are that this will be redeemed in the next financial year. The lending rate is deemed market related and no discounting had been performed.

(Electricity): Ageing

Current (0 - 30 days)	576 236	612 414
31 - 60 Days	244 895	229 317

	2009	9 2008	
	F	R R	
61 - 90 Days	166 48	4 100 301	\leq
+ 90 Days	795 234	4 193 697	

1 782 849 1 135 729

(Housing): Ageing

Total

Current (0 - 30 days)	7 916	102 393
31 - 60 Days	24 205	-
61 - 90 Days	2 947	-
+ 90 Days	94 581	- \

Total	129 649	102 393	
-------	---------	---------	--

(Refuse): Ageing

Current (0 - 30 days)	155 560	103 48
31 - 60 Days	77 127	43 998
61 - 90 Days	53 855	36 394
+ 90 Days	1 341 266	848 358
Total	1 627 808	1 031 998

(Other): Ageing

Current (0 - 30 days)	6 052 718	3 019 207
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	667 001	-
Total	6 719 720	3 019 207

(Total): Ageing

Current (0 - 30 days)	6 792 430	4 046 946
31 - 60 Days	346 227	357 381
61 - 90 Days	223 286	207 382
+ 90 Days	2 898 082	2 509 518
Total	10 260 025	7 121 227

Reconciliation of Provision for Bad Debts

Balance at beginning of year	1 132 584	834 164
Contribution to provision	1 337 881	298 420
Bad Debts (written off)	-	-
Balance at end of year	2 470 466	1 132 584

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment. In general, receivables outstanding for more than 90 days is considered to be bad debts.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

16 O	THER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS	2009	2008
		R	R
	Rates	2 874 616	1 937 229
	Other Debtors - Fruitless and wasteful expenditure - Note 35.02	335 786	-
		3 210 402	1 937 229
	Less: Provision for bad debts	(2 755 731)	(1 785 109)
	Total Other Receivables from non-exchange transactions	454 671	152 120

The fair value of other receivables approximate their carrying value.

(Rates): Ageing

Current (0 - 30 days)	41 603	34 103
31 - 60 Days	77 282	62 347
61 - 90 Days	44 108	55 670
+ 90 Days	2 711 623	1 785 109

Reconciliation of Provision for Bad Debts

Balance at beginning of year	1 785 109	1 087 983
Contribution to provision	970 622	697 126
Bad Debts (written off)	-	-
Balance at end of year	2 755 731	1 785 109

The total amount of this provision consist of:

Rates	2 755 731	1 785 109
Other	-	-
Total Provision for Bad Debts on Trade Receivables from non-exchange transactions	2 755 731	1 785 109

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

17 OPERATING LEASE ARRANGEMENTS

17.01 The Municipality as Lessee

 Balance on 30 June
 9,889
 8,190

At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:

2009	2008 🧹
R	R
46 462	42 533
74 198	120 661
-	
120 661	163 194
	R 46 462 74 198

Reconciliation

Balance 1 July	8 190	-
Amount previously recorded	-	L.
Change in accounting policy - Note 31.09	-	5 502
Movement during the year	1 698	2 688
Balance on 30 June	9 889	8 190

17.02 The Municipality as Lessor

Balance on 30 June	42 378	36 610
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At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	124 621	69 266
2 to 5 Years	305 968	182 942
More than 5 Years	37 727	90 459
Total Operating Lease Arrangements	468 316	342 667

Reconciliation

Balance 1 July	36 610	-
Amount previously recorded	-	-
Change in accounting policy - Note 31.08	-	29 562
Movement during the year	5 768	7 048
Balance on 30 June	42 378	36 610

18 CASH AND CASH EQUIVALENTS

Assets

Call and short-term Investments Deposits	67 094 621	62 405 513
Primary Bank Account	2 011 290	906 757
Cash Floats	900	900
Total Cash and Cash Equivalents - Assets	69 106 810	63 313 170

Call Investments Deposits are held to fund the Unspent Conditional Grants .

A letter of credit to the value of \$ 123 500 (R 1 038 358) in favour of Zhangjiang City Machinery for the purchase of equipment was issued. The amount was paid on 13 July 2009.

The municipality has the following bank accounts:

Current Accou	unts	2009	2008
		R	R
	Standard Bank - Lady Grey Branch - Account Number 28 063 130 8	2 011 290	906 757
		2 011 290	906 757

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

Cash book balance at beginning of year	906 757	1 366 700
Cash book balance at end of year	2 011 290	906 757
Bank statement balance at beginning of year	909 098	1 302 209
Bank statement balance at end of year	1 966 292	909 098

19 PROPERTY RATES

Actual

Rateable Land and Buildings	3 148 474	2 653 246
Residential Property	976 260	974 725
Commercial Property	408 949	365 674
Industrial Property	-	-
Public Benefits Organisations	-	-
Agricultural Purposes	1 031 857	615 111
State - National / Provincial Services	444 898	397 819
Municipal Property	-	43 725
Vacant Property	286 510	256 192
Less: Rebates	(1 804)	(755 796)
Total Assessment Rates	3 146 669	1 897 450

Valuations - 1 JULY 2008

Rateable Land and Buildings	467 445 880	467 445 880
Residential Property	86 536 060	86 536 060
Commercial Property	21 637 500	21 637 500
Industrial Property	-	-
Public Benefits Organisations	5 494 000	5 494 000
Agricultural Purposes	291 176 650	291 176 650
State - National / Provincial Services	29 424 500	29 424 500
Municipal Property	25 597 520	25 597 520
Vacant Property	7 579 650	7 579 650
Less: Income Forgone-		-

Total Assessment Rates	467,445,880	467,445,880
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A General Valuation was performed during the year effective from 1 July 2009. No interim valuations were performed. Total building plan fees amounted to R 7 313 for the year.

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 2005.

A rate in the rand for all developed properties of R 0.0189 was charged on the total valuation of the property. Vacant erven were charged at a rate in the rand of R 0.0378 on the total valuation of the property.

Rates of Indigent Households are subsidized in full, whilst agriculture receives a rebate of 75%.

Rates are levied monthly and payable by the 7th of the following month. Interest is levied at the prime rate plus 1% on outstanding monthly instalments.

20 GOVERNMENT GRANTS AND SUBSIDIES

	2009	2008
	R	R
Equitable Share	40 290 326	30 087 268
Other Grants	25 614 430	13 906 416
Total Government Grants and Subsidies	65 904 756	43 993 684

The municipality does not expect any significant changes to the level of grants. No grants had been withheld.

21 PUBLIC CONTRIBUTIONS AND DONATIONS

Development Bank of South Africa	-	150 000
	-	150 000

22 SERVICE CHARGES

Electricity	5 062 248	4 996 172
Service Charges	7 829 960	6 822 647
Less: Rebates	(2 767 712)	(1 826 475)
Refuse Removal	1 533 245	1 071 534
Service Charges	3 543 976	2 647 727
Less: Rebates	(2 010 731)	(1 576 193)
Other Service Charges - Private Works	-	-
Total Service Charges	6 595 493	6 067 706

Electricity statistics

Kwh purchased	23 253 858	21 588 749
Kwh sold	13 839 434	14 495 551
Kwh losses	9 414 424	7 093 198
Kwh cost	0 324	0 395
% Losses - Notes 41 and 35.02	40.49%	32.86%
Amount of loss considered fruitless expenditure above a norm of average 10%	2,744,399	2,521,632

OTHER INCOME	200	9 2008
		R R
Administration Charges;		- 13 997
Sundry Income;	798 64	441 267
Building Plan & Inspection F	7 31	3 20 540
Road Worthy's;	23 29	2 18 279
Electr. Re-Connection Fees;	25 41	0 25 114
Cemetery Fees;	24 60	0 18 820
Pound Fees;	12 95	3 20 586
Total Other Income	892 20	8 558 602

24 EMPLOYEE RELATED COSTS

23

Employee Related Costs - Salaries and Wages	13 265 021	10 693 307
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	2 314 789	1 793 651
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	47 228	825 841
Housing Benefits and Allowances	23 698	19 759
Overtime Payments	297 155	184 972
Bonuses	1 783 922	1 261 833
Provision for leave	447 423	233 540
Provision for compensation for injuries on duty	169 615	-
Contribution to provision - Long Service Awards - Note 5	160 374	70 462
Contribution to provision - Post Retirement Medical - Note 5	1 217 675	766 432
Total Employee Related Costs	19 726 900	15 849 797

KEY MANAGEMENT PERSONNEL

Key mangement personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager

Annual Remuneration	908 411	793 923
Traveling Allowance	82 800	82 800
Performance Bonus	165 255	165 255
Contributions to UIF, Medical and Pension Funds	1 497	1 456
Total	1 157 963	1 043 434

Remuneration of the Chief Finance Officer

Annual Remuneration	839 308	687 209
Performance Bonus	149 466	140 466
Contributions to UIF, Medical and Pension Funds	1 497	1 456
		-
Total	990 271	829 131

Remuneration of Director : Technical Services	2009	2008
	R	R
Annual Remuneration	762 952	509 688
Car Allowance	93 832	94 295
Performance Bonus	130 182	130 182
Contributions - UIF, Medical, Pension	1 497	1 456
Total	988 463	735 621

Remuneration of Director : Community and Social Services

Annual Remuneration	580 024	452 909
Car Allowance	48 000	48,000
Performance Bonus	29 137	29 317
Contributions - UIF, Medical, Pension	1 497	1 456
Total	658 658	531 682

Remuneration of Director : Corporate and Support Services

Annual Remuneration	524 398	428 909
Car Allowance	-	72 000
Restructuring agreement	600 000	
Performance Bonus	14 943	14 943
Contributions - UIF, Medical, Pension	1 123	1 456
Total	1 140 464	517 308

25 REMUNERATION OF COUNCILLORS

Mayor	520 677	508 556
Speaker	305 814	394 328
Executive Committee Members	1 069 918	994 471
Councillors	3 939 122	3 710 991
Other Councillors' contributions and allowances	403 182	278 041
	L	
Total Councillors' Remuneration	6 238 713	5 886 387

In-kind Benefits

The Executive Mayor, Executive Deputy Mayor, Speaker and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.

Certification by the Municipal Manager

I certify that the remuneration of Councillors and in-kind benefits 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.

Signed: Municipal Manager

26	DEBT IMPAIRMENT	2009	2008
			R
	Trade Receivables from exchange transactions - Note 15	1 337 881	298 009
	Long-term Receivables - Note 13	-	-
	Other Receivables from non-exchange transactions - Note 16	970 622	697 126
	Total Contribution to Bad Debts Provision	2 308 504	995 135

27 IMPAIRMENTS

Property, Plant and Equipment - Cost	7 999	-
	7 999	-

The item impaired is for the disappearence of a computer of a deceased employee - Note 35.02

28 BULK PURCHASES

Electricity	7 362 124	5 522 173
Total Bulk Purchases	7 362 124	5 522 173

29 GRANTS AND SUBSIDIES PAID

Grants-in-aid and Donations	560 337	300 155
Institutions	-	699 000
Total Grants and Susidies	560 337	999 155

30 GENERAL EXPENSES

General Expenses 11 269 154 7 660 040

General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This include items such as telecommunications, travelling, legal fees, auditing fees and consulting fees.

31 CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3 - IMPLEMENTATION OF GRAP

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP:

31.01 Statutory Funds

Balance previously reported:		-
Revolving fund	-	6 473 471
Total	-	6 473 471

Implementation of GRAP

Transfer to the Capital Replacement Reserve	-	(30 000 000)
Transfer to Accumulated Surplus/(Deficit) - Note 31.07	-	23 526 529
Total	-	(6 473 471)

		2009	2008	
31.02	Loans Redeemed and Other Capital Receipts	R	R	
	Balance previously reported:		95 292 350	
			33 232 330	
	Implementation of GRAP	- 1		
	Transfer to Accumulated Surplus/(Deficit) - Note 31.07	-	95 292 350)	
	Total	-	-	
31.03	Reserves			
	Balance previously reported:	-		
	Working capital reserve	-	1 232 139	
	Disaster	-	144 506	
	Audit fees	-	482 690	
	Total	-	1 859 335	
	Implementation of GRAP			
	Transfer to Accumulated Surplus/(Deficit) - Note 31.07	-	(1 859 335)	
	Total	-	(1 859 335)	
31.04	Non-Current Employee Benefits			
	Balance previously reported	-	-	
	Implementation of GRAP		-	
	Transfer to Accumulated Surplus/(Deficit) - Note 31.07	-	5 039 708	
	Post-Employment Medical Benefit Fund - Note 3	-	4 606 368	
	Long-Service - Note 3	-	433 340	
	Total	-	5 039 708	
31.05	Property, Plant and Equipment - GRAP 17			
	Balance previously reported	-	95 292 350	
	Implementation of GRAP	-	-	
	Transfer to Intangible assets at cost - Note 31.06	-	(270 491)	
	Total		05 021 050	
	ισται	-	95 021 859	

31.06 Intangible Assets - GRAP 102

Balance previously reported	-	-
Implementation of GRAP		
Transfer from Property, Plant and Equipment at cost - Note12	-	270 491
Total	-	270 491

31.07	Accumulated Surplus/(Deficit)	2009	2008
	Implementation of GRAP		R
	Transfer from Statutory Funds - Note 31.01	-	(23 526 529)
	Transfer from Loans Redeemed and Other Capital Receipts - Note 31.02	-	95 292 350
	Transfer from provisions and reserves - Note 31.03	-	1 859 335
	Non-current provisions recognised for the first time - Note 31.04	-	(5 039 708)
	Operating lease liability not previously recognised debited to Accumulated Surplus - Note 33.10	-	(5 502)
	Operating lease asset not previously recognised credited to Accumulated Surplus - Note 3	1.08 -	29 562
	Total	-	68 609 508

31.08 Operating Lease Assets

Balance previously reported	-	-
		-
Implementation of GRAP	-	-
		-
Leases previously not recognised - Note 17	-	29 562
Total	-	29 562

31.09 Operating Lease Liabilities

Balance previously reported	-	-
		-
Implementation of GRAP	-	-
		-
Leases previously not recognised - Note 17	-	5 502
	· · · ·	
Total	-	5 502

CORRECTION OF ERROR IN TERMS OF GRAP 3 32

32.01 Trade Payables

Balance previously reported	-	1 175 803
		-
Payables over provided 2006/2007 - Note 32.05	-	(9 164)
Vat on grants not previously transfered to revenue - Note 32.05	-	(157 862)

-1 008 777

32.02 Unspent Conditional Government Grants and Receipts

Balance previously reported	-	15 401 683
Unauthorised interest paid since 2004/2005 reversed - Note 32.05	-	(946 136)
	-	14 455 547

32.03

				_
3	Current Employee Benefits	2009	2008	
		R	R	
	Performance bonus reversed - Mr Lumka - Note 32.05	-	(78 345)	
		-	1 586 294	

32.04 Transfer of water and sanitation services to Ukhahlamba District Municipality

A technical opinion from the office of the Auditor General determined that the provision of water and sanitation services is regarded as an agency function and all assets, liabilities, revenue and expenses relating to these services must be transferred to the Ukhahlamba District Municipality.

32.04.1	Trade receivables from exchange transactions		
	Balance previously reported - 1 July 2007 (net of provision)	-	1 567 938
Transfer	of debtors to Ukhahlamba District Municipality		
	- Water	-	(157 450)
	- Sewerage	-	(200 802)
	- Ukhahlamba Distrct Municipality (Water Services Authority)	-	358 252

Restated balance - 1 July 2007

Net Movement over period 2007/2008

Transfer of debtors to Ukhahlamba District Municipality

- Water	-	1 315
- Sewerage	-	(7 500)
- Ukhahlamba Distrct Municipality (Water Serrvices)	-	(12 127)
Net Movement in trade receivables from exchange transactions (refer note 34.04.2)	-	(18 312)

32.04.2 Changes to statement of financial performance

Balance previously reported - 30 June 2008	-	16 802 963
Transfer of surplus/(deficit) derived from water an sanitation services		
- Water	-	(156 83)
- Sewerage	-	138 171

Restated balance - 30 June 2008 - 16 784 651	Restated balance - 30 June 2008	-	16 784 651
--	---------------------------------	---	------------

32.05 Accumulated Surplus/(Deficit)

Payables over provided 2006/2007 - Note 32.01		-	9 164
Performance bonus reversed - Mr Lumka - Note 32.03		-	78 345
Vat on grants not previously transfered to revenue - Note 32.01		-	157 862
Unauthorised interest paid since 2004/2005 reversed - Note 32.02		-	946 136

1 191 508

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1 567 938

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33 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS

Surplus for the year				23 752 315	16 784 651
----------------------	--	--	--	------------	------------

for:	2009	2008
	R	
Loss on disposal of property, plant and equipment	-	415 913
Impairments	7 999	-
Contribution from/to provisions - Non-Current	1 378 049	984 337
Contribution from/to provisions - Non-Current - Expenditure incurred	(58 902)	(147 443)
Contribution from/to provisions - Non-Current - Actuarial losses	-	370 964
Contribution from/to provisions - Non-Current - Actuarial gains	(222 758)	-
Contribution to provisions – current	2 219 130	900 940
Contribution to provisions – current - Expenditure incurred	(157 731)	(771 612)
Contribution to provisions – Bad debt	2 308 504	1 309 359
Operating lease income accrued	(5 768)	(7 048)
Operating lease expenses accrued	1 698	2 688
Investment income	(7 732 615)	(5 110,979)
Operating Surplus before changes in working capital	21 489 921	14 731 771
Changes in working capital	(4 228 634)	(1 052 306)
Decrease in Trade and Other Payables	(73 470)	(447 530)
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	4 457 738	(2 164 584)
Increase/(Decrease) in Taxes	(1 852 408)	998 969
(Increase)/Decrease in Trade Receivables from exchange transactions	(5 284 621)	1 290 969
Increase in Other Receivables from non-exchange transactions	(1 273 173)	(730 130)
Increase in Unpaid Conditional Government Grants and Receipts	(202 700)	
Cash generated by operations	17 261 287	13 679 465

34 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Call Investments Deposits - Note 18	67 094 621	62 405 513
Cash Floats - Note 18	900	900
Bank - Note 18	2 011 290	906 757
Total cash and cash equivalents	69 106 810	63 313 170

35 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

35.01 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	-	-
Unauthorised capital expenditure current year	187 247	
Unauthorised operating expenditure current year	2 122 450	-
Approved by Council or condoned	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	2 309 697	-

Incident

Over expenditure of approved budget on votes

35.02 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

	R	R
Opening balance	2 521 632	-
Fruitless and wasteful expenditure current year	3 353 225 2 521 6	632
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	(335 786)	-
Fruitless and wasteful expenditure awaiting condonement	5 539 071 2 521 6	632

2009

2008

Incident:

External Party Internet Fraud

Electricty losses higher than the norm - Note 22

Double payment to ESCOM - June 2009

Lost computer of deceased employee

35.03 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	-	-
Irregular expenditure current year	1 006 588	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting condonement	1 006 588	-

Incident

Non-compliance with supply chain policy

36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

36.01 Contributions to organised local government - [MFMA 125 (1)(b)]

Opening balance	36 169	-
Council subscriptions	146 184	85 048
Amount paid - current year	(146 184)	(48 879)
Amount paid - previous years	(36 169)	-

Balance unpaid (included in creditors)	-	36 169

36.02 Audit fees - [MFMA 125 (1)(b)]

	Opening balance	-	482 690
nt year a	audit fee		

Current y

Audit Fees	1 332 827	494 225
Amount paid - current year	(1 32 827)	(494 225)
Change in accounting policy - Note 31.03		(482690)

В	alance unpaid (included in provisions)	-	-	
			JJ	

VAT - [MFMA 125 (1)(b)]	2009	2008
	R	R
Opening balance	(1 92,747)	-
Amounts received - current year	1 579 373	1 478 507
Amounts claimed - current year (payable	e) (6 424 301)	(3 626 649)
Amount paid - current year	1 192 747	955 394
Amount paid - previous year	1 911 602	
Closing balance Cr/(Dt)	(2 933 326)	(1 192 748
Vat in suspense due to cash basis of ac	counting 379 353	491 182

36.04 PAYE , Skills Development and UIF - [MFMA 125 (1)(b)]

Opening balance		
Current year payroll deductions	3 480 673	3 254 570
Amount paid - current year	(3 480 673)	(3 254 570)
Balance unpaid (included in creditors)	-	

36.05 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]

Opening balance	-	-
Current year payroll deductions and Council Contributions	4 593 414	4 015 125
Amount paid - current year	(4 593 414)	(4 015 125)
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	-	-

36.06 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]

No Councillors had arrear accounts for more than 90 days as at 30 JUNE 2009: No Councillors had arrear accounts outstanding for more than 90 days during the year:

36.07 Non-compliance with Chapter 14 of the Municipal Finance Management Act

Non-compliance to the Supply Chain Management Regulations were identified on the following categories:

Methola Funeral Home Douglas & Botha Kirchmanns Inc Douglas & Botha Umtali Country Inn Bloem Spa Lodge Pitseng TDK Training Kirchmanns Inc Minaar Niehaus Attorneys Fish River Sun Dibanani Consulting Sektor Consulting Engineers NTF Tent Hire Setplan Setplan

CAPITAL COMMITMENTS 37

Commitments in respect of capital expenditure: 2009 Approved and contracted for: 2 702 913 064 417 Infrastructure 2 702 913 1 064 417 Other 2 702 913 1 064 417 Total

This expenditure will be financed from:

Capital Replacement Reserve	570 000	-
Government Grants	2 132 913	-
Own Resources	-	1 064 417

2 702 913 1 064 417

2008

38 **RETIREMENT BENEFIT INFORMATION**

Council employees contribute to the Cape Joint Municipal Pension Fund, SALA and SAMWU National Provident Fund which is a defined contribution fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs. Full actuarial valuations are performed at least every five years. The last valuations was done on 30 June 2008.

39 FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Interest Rate Risk

The Municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

This risk is managed on an ongoing basis.

(c) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.

For banks and financial institutions, only independently rated parties with a minimum rating of 'B+' are accepted. Grants are receivable from higher order levels of government. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. This increases the credit risk in respect of consumer debtors. The risk of non- payment is managed on an ongoing basis and where practical, services are terminated and procedures applied to recover outstanding amounts owing and an appropriate level of impairment provision for default is maintained.

(d) Liquidity Risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities.

The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.

(e) Other Risks

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the CFO and authorised by the Municipal Council.

Consumer debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt.

In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The maximum credit and interest risk exposures in respect of the relevant financial instruments are as follows:

	2009	2008
	R	
Investments	-	-
Long Term Receivables	30 367	45 588
Trade receivables from exchange transactions	10 781 902	5 497 281
Other receivables from non-exchange transactions	3 210 402	1 937 229
Other Debtors	3 278 550	701 565
Current Portion of Long-term Receivables	15 221	13 716
Short-term Investment Deposits	67 094 621	62 405 513
Bank and Cash Balances	2 012 190	907 657
Maximum Credit and Interest Risk Exposures	86 423 252	71 508 550

40 FINANCIAL INSTRUMENTS

In accordance with IAS 39.09 the financial assets of the municipality are classified as follows:

Financial Assets

Long-term Receivables

eceivables	2009	2008
	R	
Staff Loans	30 367	45 588
Receivables		
Trade receivables from exchange transactions	10 781 902	5 497 281
Other receivables from non-exchange transactions	3 210 402	1 937 229
Other Debtors		
Payments made in Advance	521 877	-
VAT	2 553 974	701 565
Government Subsidies and Grants	202 700	_
Current Portion of Long-term Receivables		
Staff Loans	15 221	13 716
Short-term Investment Deposits		
Call Deposits	67 094 621	62 405 513
Bank Balances and Cash		
Bank Balances	2 011 290	906 757

SUMMARY OF FINANCIAL ASSETS

Held to maturity:

Short-term Investment Deposits	67 094 621	62 405 513
Bank Balances	2 011 290	906 757
Cash Floats and Advances	900	900
	1	

69 106 810 63 313 170

◆ || || || (

Loans and Receivables

Long-term Receivables	30 367	45 588
Consumer Debtors	10 781 902	5 497 281
Consumer Debtors	3 210 402	1 937 229
Other Debtors	521 877	-
Other Debtors	202 700	-
Current Portion of Long-term Receivables	15 221	13 716
VAT	2 553 974	701 565
	17 316,442	8 195 380
Total Financial Assets	86 423 252	71 508 550

41 EVENTS AFTER THE REPORTING DATE

The Municipality budgeted R 5 000 000 to implement measures to reduce the electricity losses significantly - Note 22

42 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

43 COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexure "D".

44 CONTINGENT LIABILITY

None

45 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

45.01 Related Party Transactions Other utstanding Balances Year ended 30 JUNE 2009

Councillors	-	-
Municipal Manager and Section 57 Employees	-	-

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

45.02 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 13 to the Annual Financial Statements.

45.03 Compensation of key management personnel

The compensation of key management personnel is set out in note 24 to the Annual Financial Statements.

45.04 Other related party transactions

The following purchases were made during the year where Councillors or Sect 57 Managers have an interest:

	2009	2008
Councillor/Sect 57 Manager	R	R
Z I Dumzela	1,116,987	-
M A Theron	1,132,401	-

46

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities.

46.1 GRAP 19 -Provisions, Contingent Liabilities and Contingent Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise the following provisions, contingent liabilities or contingent assets relating to Property, Plant and Equipment:

Refuse tip-sites financed by way of a provision;

The municipality is currently in a process of identifying all provisions which must be measured in terms of GRAP 19 and it is expected that this process will be completed for inclusion in the 2010 financial statements.

Since the previous reporting date the following provisions were measured in accordance with GRAP 19 and restated retrospectively:

	2009	2008
	R	
Refuse tip-sites financed by way of a provision;	-	- \
Post retirement benefits	-	4,606,368
Long service awards	-	433,340

5,039,708

46.2 GRAP 100 -Non-current assets and discontinued operations

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise non-current assets held for sale and discontinued operations relating to Inventories, Investment Properties, Property, Plant and Equipment, Agriculture and Intangible Assets which are not recognised in terms of the transitional provisions relating to those standards:

46.3 GRAP 16 - Investment Properties

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise all the Investment Properties:

The municipality is currently in a process of identifying all Investment Properties and have it valued in terms of GRAP 16 and it is expected that this process will be completed for inclusion in the 2010 financial statements.

46.4 GRAP 102 - Intangible Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure all the Intangible Assets in accordance with the standard, including the following:

Computer Software;

Intangible assets financed by way of finance leases;

Intangible assets transferred as a result of the transfer of functions; and

Servitudes.

The municipality is currently in a process of identifying all Intangible Assets and have it valued in terms of GRAP 102 and it is expected that this process will be completed for inclusion in the 2010 financial statements. It is possible that certain intangible assets are currently being recognised as Property, Plant and Equipment.

Since the previous reporting date the following Intangible Assets were measured in accordance with GRAP 102 and restated retrospectively:

	2009	2008
	R	R
Computer software;	-	270,491
Accumulated amortisation on computer software	-	-

Total not previously recognised now restated retrospectively	-	270,491
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46.5 GRAP 12 - Inventories

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure the following inventories:

Water;

Land held for sale; and Other (list).

The municipality is currently in a process of identifying all inventory which must be measured in terms of GRAP 12 and it is expected that this process will be completed for inclusion in the 2010 financial statements.

47 Process to comply fully with the implementation of General Recognised Accounting Practices (GRAP)

The municipality adopted a phased-in approach in order to comply fully with the implementation of GRAP. The municipality is classified by the National Treasury as a medium capacity municipality and must comply with GRAP by 30 June 2009. The municipality, however, took advantage of the transitional provisions in Directive 4 from the Accounting Standards Board and aims to comply fully with GRAP by 30 June 2011.

Sand MNURDIATTY: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT SAT 30 UNE 2004 Confrictemention Conf					APPENDIX A	٩				
Activity CostRiversitation CostRiversit CostRi		SEN	NQU MUNICIPALITY:	: ANALYSIS OF	PROPERTY PLAN	IT AND EQUIPME	NT AS AT 30 JUNE	: 2009		
Dpennig Additions Discosate Transfer Discosate Bained Control Control Control 876 1/2 877 1/2 1700 0000000 878 1/2 7700 00000 818 1/2 2000000 9000 876 1/2 877 1/2 877 1/2 970 0000 817 1/2 9000 9000 876 1/2 1965 000 1965 000 900 400 9000 9000 9000 9000 9000 877 1/2 1965 000 1965 000 1965 000 1965 000 9000			Cost/Reval	uation			Accumulated	Depreciation		Carrying Value
1 1		Opening Balance	Additions	Disposals/ Transfers	Closing Balance	Opening Balance	Additions	Disposals/ Transfers	Closing Balance	
878 120 987 120 987 120 987 120 987 120 990 540 990 540 990 540 990 540 990 540 990 540 990 540 990 540 990 540 990 540 990 540 990 540 990 540 990 540 990 540 990 560 990 560 990 560 990 560 990 560 990 560 990 560 990 560 990 560 990 560 990 560 990 560 990 560 990 560 990 560 990 560 990 560 990 560 990 560 990 500 99	Land and Buildings									
7 7 900 1 900 40 90 </td <td>Land</td> <td>878 129</td> <td>-</td> <td>1</td> <td>878 129</td> <td>1</td> <td>1</td> <td>1</td> <td>1</td> <td>878 129</td>	Land	878 129	-	1	878 129	1	1	1	1	878 129
8 787 950 1 905 600 - 1 073 560 - 1 073 560 - 1 073 560 - 1 073 560 - - 1 073 500 - - - - 1 073 500 0 40 349 260 1 48 25 337 0 - 5 417 650 0 - 5 417 650 0 - 0 - 0 - 0 - 6 417 500 0 54 160 2 333 18 0 - 5 418 801 0 - 5 418 801 0 - 0 - 0 - 0 - 0 - 0 - 6 417 500 0 -<	Buildings	7 909 830	1 995 609	1	9 905 440	1	1	1	1	9 905 440
(4) (4) <td></td> <td>8 787 959</td> <td>1 995 609</td> <td>1</td> <td>10 783 569</td> <td>1</td> <td>I</td> <td>1</td> <td>I</td> <td>10 783 569</td>		8 787 959	1 995 609	1	10 783 569	1	I	1	I	10 783 569
49 349 280 14 8.26 337 0 64 17 6.26 0 <th0< td=""><td>Infrastructure</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></th0<>	Infrastructure									
ment 2 41 618 23 3148 2 67 47 65 5 6 5 6 5 6 5 6 5 6 5 6 5 6 5 7 5 6 5 7	Main: Roads	49 349 289	14 825 337	1	64 174 626	1	I	1	I	64 174 626
5 418 801 5 418 801 <t< td=""><td>Main: Waste Management</td><td>2 441 618</td><td>233 148</td><td>1</td><td>2 674 765</td><td>1</td><td>I</td><td>1</td><td>I</td><td>2 674 765</td></t<>	Main: Waste Management	2 441 618	233 148	1	2 674 765	1	I	1	I	2 674 765
935 996 9.35 996 935 996 935 996 935 996 935 996 935 996 935 996 935 996 935 996 935 996 935 932 732 04 188 732 04 188 732 04 188 732 04 186 732 048	Main: Electricity	5 418 801	I	1	5 418 801	1	I	1	I	5 418 801
58 145 704 15 068 434 73 204 188 73 204 188 73 204 188 73 20 5 827 77 335 372 5 623 148 6 66 6 66 5 62 5 888 270 335 372 5 623 148 6 66 6 66 6 66 6 66 6 66 6 66 6 66 6 66 6 66 6 66 6 66 6 66 6 66 6 66 6 66 6 66 6 66 6 66 6 66 6 66	Taxi Ranks	935 996	1	1	935 996	1	I	1	I	935 996
5 5		58 145 704	15 058 484	1	73 204 188	1	1	1	I	73 204 188
5 287 177 335 372 5 623 148 - - - - 5 62 6 868 270 -	Community Assets									
0 0	Recreation Grounds	5 287 777	335 372	1	5 623 148	1	I	1	I	5 623 148
5 146 5 146 5 146	Civil Buildings	6 868 270	I	1	6 868 270	1	I	1	I	6 868 270
83024 83024 83024 83024 3972524 3972524 3972524 3972524 3972524 1347301 228856 3972524 3972524 3972524 1487457 3451301 228856 360157 3680157 3680157 1487456 1487456 3680157 3680157 3680157 3680157 1487456 1487456 1487456 1487457 3680157 3680157 1487457 564228 21719725 1487456 2171972 2171972 12155497 564228 21148745 2116769 21 2171972 12155497 564228 2171972 2171972 2171972 2171972 12155497 56428 2171972 2171972 2171972 2171972 12155497 56428 2101748 2171972 2171972 2171972 12155497 56428 21057648 21057648 21057648 21057648 21057649	Libraries	5 146	1	1	5 146	1	I	1	I	5 146
3972 524 3972 524 3972 52 3451 301 23866 3680 157 3680 157 1487 455 21487 455 3680 157 3680 157 3680 157 1487 455 21487 455 3680 157 3680 157 3680 157 1487 455 215 497 228 856 1487 455 3680 157 2115 497 564 228 21719 725 21719 729 21719 729 2115 497 564 228 21719 725 21719 729 21719 729 2115 497 564 228 2119 725 21719 729 21719 729 2116 20 21719 725 21719 729 21719 729 2116 20 21719 725 21719 729 21719 729 2111 2102 20 2110 725	Parks & Gardens	83 024	1	1	83 024	1	I	1	I	83 024
3 451 301 228 856 - 3 680 157 - - - - 3 680 157 1 487 455 1 487 455 1 487 455 1 487 455 - 1 487 455 - 1 487 455 - - - 3 680 157 2 1 155 497 564 228 - 2 1 719 725 - - - - - 2 1 719 721 2 1 719 721 2 1 719 725 2 1 719 725 - 2 1 719 721 - - 2 1 719 721 2 1 719 721 2 1 719 725 2 1 719 725 - 2 1 719 721 - 2 1 719 721 2 1 719 721 2 1 719 725 - 2 1 719 725 - - - 2 1 719 721 es - - - - - - - - - - - 2 1 719 721 es - - - - - - - - - - - - - - - - - -	Preschools	3 972 524	1	1	3 972 524	1	I	1	I	3 972 524
1 1 1 4 5 1 4 7 5 1 4 7 5 1 4 7 5 1 4 7 5 1 4 7 5 1 4 7 1 4 7 5 1 4 7 5 1 4 7 1 4 7 1 4 7 1 4 7 1	Cemetery	3 451 301	228 856	1	3 680 157	I	I	1	I	3 680 157
21 155 497 564 228 21 719 72 21 719 72 1 2 21 155 497 564 228 21 719 72 1 2 2 2 2 2 2 1 2 2 2 2 2 2 2 2	Clinics	1 487 455	1	1	1 487 455	1	I	1	I	1 487 455
es -		21 155 497	564 228	1	21 719 725	I	I	I	I	21 719 725
es -	Heritage Assets									
es - 105 707 48 - - - 105 707 48 - - 105 707 48 - - 105 707 48 - - 105 707 48 - - 105 707 48 - - 105 705 49 - - 105 705 49 <td>Historical Buildings</td> <td>1</td> <td>I</td> <td>I</td> <td>I</td> <td>I</td> <td>I</td> <td>I</td> <td>I</td> <td>I</td>	Historical Buildings	1	I	I	I	I	I	I	I	I
- -	Painting & Art Galleries	1	I	1	I	1	I	1	I	1
88 089 160 17 618 321 - 105 707 481 - <t< td=""><td></td><td>1</td><td>I</td><td>I</td><td>I</td><td>1</td><td>I</td><td>1</td><td>I</td><td></td></t<>		1	I	I	I	1	I	1	I	
104 586 913 4 124 025 1 852 497 121 957 694 - - -	Total carried forward	88 089 160	17 618 321	I	105 707 481	I	I	1	I	105 707 481
104 586 913 4 124 025 1 852 497 121 957 694										
	Total	104 586 913	4 124 025	1 852 497	121 957 694	I	I	'	1	121 957 694

				APPENDIX B	~				
	SE	SENQU MUNICIPALITY : AN	LY : ANALYSIS OF	ALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009	NT AND EQUIPME	INT AS AT 30 JUN	E 2009		
	Opening Balance	Additions	Disposals/ Transfers	Closing Balance	Opening Balance	Additions	Disposals/ Transfers	Closing Balance	Carrying Value
Total brought forward	88 089 160	17 618 321		105 707 481					105 707 481
Other Assets									
Motor Vehicles	3 376 134	830 422	185 265	4 021 291	1		1	1	4 021 291
Plant & Equipment	1 515 137	119 116	106 454	1 527 798	I	1	I	I	1 527 798
Office Equipment	862 113	251 858	12 340	1 101 630	I	1	1	I	1 101 630
Furniture & Fittings	652 147	64 462	I	716 608	I	I	I	I	716 608
Loose Equipment	757	I	I	757	I	I	I	I	757
Computer Equipment	1 297 936	141 615	94 075	1 345 476	I	1	I	I	1 345 476
Specialised Vehicles	8 559 542	I	1 454 362	7 105 180	I	I	I	I	7 105 180
Security Items	51 391	I	I	51 391	I	1	I	I	51 391
Non-Capital	I	I	I	I	I	I	I	I	I
	16 315 157	1 407 472	1 852 497	15 870 132	I	I	I	I	15 870 132
Total Property, Plant and Equipment	104 404 317	19 025 793	1 852 497	121 577 613	I	1	I	I	121 577 613
Intangible Assets									
Computer Software	182 596	197 485	I	380 081	I	I	I	I	380 081
	182 596	197 485	I	380 081	I	1	I	I	380 081
Total	104 586 913	4 124 025	1 852 497	121 957 694	I	1	I	I	121 957 694

		SE	SENQU MUNICIPALITY		APPENDIX B (1) SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT	DERTY, PLANT A	ND EQUIPMENT			
	Cost				Accumulated Depreciation	preciation			Carrying	
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value	
Council & Executive	10 356 519	288 409	552 625	10 092 302	I	I	I	I	10 092 302	0.00
Corporate & Sup- port Services	1 001 781	6 889	8 771	006 666	1	I	I	I	006 666	
Budget & Treasury Services	1 945 560	99 839	85 212	1 960 186	I	I	I	I	1 960 186	
Technical & Engineering Services	67 016 431	892 389	1 171 513	81 501 189	1	I	1	1	81 501 189	
Community & So- cial Services	24 266 622	2 836 500	34 375	27 404 118	1	I	1	1	27 404 118	00.00
	104 586 913	4 124 025	1 852 497	121 957 694.39	31 305 463.24	7 185 665.31	1 140 748.14	37 350 380.41	84 607 313.98	
Total	104 586 913	4 124 025	1 852 497	121 957 694	I	I	I	I	121 957 694	

	SEG	SEGMENTAL ANALYSI GEN	APPEN SIS OF PROPERT NERAL FINANCE	APPENDIX B (2) GFS S OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009 IERAL FINANCE STATISTICS CLASSIFICATION	S SUIPMENT AS AT SSIFICATION	30 JUNE 2009			
	Cost/Revaluation				Accumulated Depreciation	preciation			Carrying
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals Income	Closing Balance	Value
Even tive & Council	8 736 860	224 806	<u>α 771</u>	010 081					8 010 084
Eudget & Treasury Office	1 803 838	75 782	85 212	1 794 408					1 794 408
Corporate Services	13 158 332	1 427 489	8 771	14 577 050	1	1	1	1	14 577 050
Planning & Development	1 619 659	66 513	543 854	1 142 318	1	1	1	1	1 142 318
Community & Social Services	3 758 637	234 930	3 661	3 989 906	I	1	1	1	3 989 906
Public Safety	1	445 530	I	445 530	I	I	1	I	445 530
Sport & Recreation	5 679 048	335 372	1	6 014 419	1	1	1	1	6 014 419
Waste Management	2 630 640	735 439	30 714	3 335 365	I	1	1	1	3 335 365
Waste Water Management *	267 383	I	I	267 383	1	1	1	I	267 383
Road Transport	60 142 297	15 410 396	1 016 962	74 535 730	1	1	1	1	74 535 730
Water *	265 985	I	154 185	111 800	1	1	1	1	111 800
Electricity	6 482 488	269 932	366	6 752 054	1	1	I	1	6 752 054
Other	41 746	I	I	41 746	1	I	I	1	41 746
Total	104 586 913	19 223 279	1 852 497	121 957 694	I	1	1	I	121 957 694
* - Assets listed for Waste Water Management and Water are utilised for multi purposes and are registered in Sengu Municipality's name	ement and Water ar	e utilised for multi	purposes and are	registered in Send	lu Municipality's n	ame.			

	SE	SEGMENTAL STATEMENT OI	APPENDIX C (1) INT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009 MUNICIPAL VOTES CLASSIFICATION	JED 30 JUNE 2009		
2008	2008	2008		2009	2009	2009
Actual Income	Actual Expenditure	Surplus/ (Deficit)		Actual Income	Actual Expenditure	Surplus/ (Deficit)
Ľ	Ľ	Ľ		Ľ	Ľ	Ľ
13 597 381	(8 096 567)	5 500 814	Finance & Administration	23 072 805	(11 578 534)	11,494,271
7 061 694	(7 143 001)	(81 307)	Council	7 721 830	(8 224 290)	(502,460)
2 625 998	(2 967 200)	(341 202)	Executive	2 339 263	(4 013 694)	(1,674,431)
575 468	(436 850)	138 618	Health	512 005	(494 657)	17,348
623 631	(465 327)	158 304	Comm & Soc (Libraries)	400	(389 534)	(389,134)
2 039 592	(1 654 002)	385 590	Comm & Soc (Halls & Faciliti	3 693 421	(2 304 983)	1,388,438
1 212 918	(48 892)	1 164 026	Comm & Soc (Cemeteries)	299 756	(60 274)	239,482
3 520 411	(3 355 745)	164 666	Housing	9 882 882	(9 615 238)	267,644
880 239	(581 274)	298 965	Public Safety	614 983	(1 835)	613,148
1 612 114	(1 041 433)	570 680	Planning & Development	4 514 296	(4 259 780)	254,516
717 836	(45 519)	672 317	Sport & Recreational	238 290	(20 928)	217,362
5 254 693	(180 613)	5 074 081	Waste Water (Storm Water)	4 972 317	(426 750)	4,545,567
1	1	1	Waste Water (Sewerage)	I	I	I
4 451 338	(3 861 217)	590 121	Waste Management (Refuse)	6 003 330	(5 193 335)	809,995
5 710 382	(3 853 052)	1 857 330	Road Transport	12 420 648	(5 493 242)	6,927,406
1	I	1	Water	I	I	I
9 781 834	(9 029 412)	752 422	Electricity (Distribution)	10 644 126	(11 177 685)	(533,559)
372 073	(387 635)	(15 562)	Electricity (Street Lighting	512 000	(481 828)	30,172
541 474	(000 669)	(157 526)	Other	1	1	1
						1
60 579 076	(43 846 740)	16 732 336	Sub Total	87 442 353	(63 736 588)	23,705,765
1	52 315	52 315	Less Inter-Departmental Charges	I	46 550	46,550
60 579 076	(43 794 425)	16 784 651	Total	87 442 353	(63 690 038)	23,752,315

		SEGMEN	APPENDIX C (2) SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009 GENERAL FINANCE STATISTIC CLASSIFICATIONS	C (2) ANCE FOR THE YEA	rr ended 30 JUNE ; s	6003	
2008	2008	2008		2009	2009	2009	
Actual Income	Actual Expenditure	Surplus/ (Deficit)		Actual Income	Actual Expenditure	Surplus/ (Deficit)	
Ľ	Я	R		R	R	R	
9 687 692	(10 110 202)	(422 510)	Executive & Council	10 061 093	(12 237 985)	(2 176 891)	Post employment adjusted prior year
8 879 499	(3 214 207)	5 665 292	Budget & Treasury	17 209 342	(6 247 583)	10 961 759	Operating lease assets ad- justed prior year
3 892 955	(4 252 528)	(359 574)	Corporate Services	5 720 450	(5 038 575)	681 875	
2 153 588	(1 740 433)	413 154	Planning & Development	4 514 296	(4 259 780)	254 516	
575 468	(436 850)	138 618	Health	512 005	(494 657)	17 348	
3 391 894	(1 525 722)	1 866 173	Community & Social Services	1 899 744	(1 532 451)	367 293	Operating lease liability ad- justed prior year
3 520 411	(3 355 745)	164 666	Housing	9 882 882	(9 615 238)	267 644	
880 239	(581 274)	298 965	Public Safety	614 983	(1 835)	613 148	
717 836	(45 519)	672 317	Sport & Recreation	238 290	(20 928)	217 362	
4 451 338	(3 861 217)	590 121	Waste Management	6 003 330	(5 193 335)	809 995	
I	I	I	Waste Water Management	1	I	1	
12 274 249	(5 305 996)	6 968 254	Road Transport	19 629 811	(7 434 708)	12 195 104	
I	I	I	Water	I	I	I	
10 153 907	(9 417 047)	736 861	Electricity	11 156 126	(11 659 513)	(503 387)	
60 579 076	(43 846 740)	16 732 336	Sub Total	87 442 353	(63 736 588)	23 705 765	
1	52 315	52 315	Less Inter-Departmental Charges		46 550	46 550	
60 579 076	(43 794 425)	16 784 651	Total	87 442 353	(63 690 038)	23 752 315	

AC	TUAL VERSUS B		XPENDÍTURE		009
	2009	2009	2009	2009	Explanation of Significant Vari- ances
	Actual (R)	Budget (R)	Variance (R)	Variance (%)	greater than 10% versus Budget
REVENUE					
Property Rates	3 146 669	2 785 875	360 794	12.95%	
Government Grants and Subsi- dies	65 904 756	66 710 840	(806 084)	-1.21%	All capital projects not implement- ed - Budgeted for full revenue
Fines	86 448	50 000	36 448	72.90%	Increased fines by provincial authorities
Actuarial Gains	222 758	-	222 758	0.00%	Not budgeted - first implementa- tion of retirement benefits i.t.o. GRAP
Service Charges	6 595 493	17 583 260	(10 987 767)	-62.49%	Income foregone budgeted as ex- penditure - must be offset against revenue i.t.o. GRAP
Water Services Authority Contri- bution	-	5 936 785	(5 936 785)	-100.00%	
Rental of Facilities and Equip- ment	301 361	165 000	136 361	82.64%	Re-allocation i.t.o. GRAP
Interest Earned - External Invest- ments	7 732 615	2 500 000	5 232 615	209.30%	Interest on special funds now included i.t.o. GRAP
Interest Earned - Outstanding Debtors	555 897	640 915	(85 018)	-13.27%	Increase in interest rates
Licences and Permits	1 614 250	855 000	759 250	88.80%	Re-allocation i.t.o. GRAP
Agency Services	389 897	512 000	(122 103)	-23.85%	Re-allocation i.t.o. GRAP
Other Revenue	892 208	1 737 935	(845 727)	-48.66%	Re-allocation i.t.o. GRAP
Total Revenue	87 442 353	99 477 610	(12 035 257)	-12.10%	
EXPENDITURE					
Finance & Administration	(11 578 534)	(14 685 460)	3 106 926	-21.16%	
Council	(8 224 290)	(8 463 400)	239 110	-2.83%	
Executive	(4 013 694)	(2 338 175)	(1 675 519)	71.66%	Contributions to retirement ben- efits not budgeted for.
Health	(494 657)	(512 000)	17 343	-3.39%	
Comm & Soc (Libraries)	(389 534)	(407 830)	18 296	-4.49%	
Comm & Soc (Halls & Facilities)	(2 304 983)	(2 425 480)	120 497	-4.97%	
Comm & Soc (Cemeteries)	(60 274)	(58 300)	(1 974)	3.39%	
Housing	(9 615 238)	(16 798 425)	7 183 187	-42.76%	
Public Safety	(1 835)	(16 500)	14 665	-88.88%	
Planning & Development	(4 259 780)	(10 702 360)	6 442 580	-60.20%	
Sport & Recreational	(20 928)	(238 290)	217 362	-91.22%	
Waste Water (Storm Water)	(426 750)	(500 000)	73 250	-14.65%	
Waste Water (Sewerage)	-	(6 391 590)	6 391 590	-100.00%	
Waste Management (Refuse)	(5 193 335)	(7 229 070)	2 035 735	-28.16%	
Road Transport	(5 493 242)	(5 048 285)	(444 957)	8.81%	
Water	-	(5 018 035)	5 018 035	-100.00%	
Electricity (Distribution)	(11 177 685)	(13 904 010)	2 726 325	-19.61%	

Electricity (Street Lighting)	(481 828)	(612 000)	130 172	-21.27%	
Less Internal Charges	46 550	-	46 550	0.00%	
		-			
Total Expenditure	(63 690 038)	(95 349 210)	31 659 172	-33.20%	
SURPLUS / (DEFICIT) FOR THE YEAR	23 752 315	4 128 400	19 623 915		

		ACTUAL VERSU			NDED 30 JUNE 2009 IC CLASSIFICATIONS
GENERAL FINAN	2009	2009	2009	2009	Explanation of Significant Vari- ances
	Actual (R)	Budget (R)	Variance (R)	Variance (%)	greater than 10% versus Budget
REVENUE					3
Property Rates	3 146 669	2 785 875	360 794	12.95%	
Government Grants and Subsidies	65 904 756	66 710 840	(806 084)	-1.21%	All capital projects not implement- ed - Budgeted for full revenue
Fines	86 448	50 000	36 448	72.90%	Increased fines by provincial authorities
Actuarial Gains	222 758	-	222 758	0.00%	Not budgeted - first implementa- tion of retirement benefits i.t.o. GRAP
Service Charges	6 595 493	17 583 260	(10 987 767)	-62.49%	Income foregone budgeted as ex- penditure - must be offset against revenue i.t.o. GRAP
Water Services Authority Contribution	-	5 936 785	(5 936 785)	-100.00%	
Rental of Facilities and Equip- ment	301 361	165 000	136 361	82.64%	Re-allocation i.t.o. GRAP
Interest Earned - External Investments	7 732 615	2 500 000	5 232 615	209.30%	Interest on special funds now included i.t.o. GRAP
Interest Earned - Outstanding Debtors	555 897	640 915	(85 018)	-13.27%	Increase in interest rates
Licences and Permits	1 614 250	855 000	759 250	88.80%	Re-allocation i.t.o. GRAP
Agency Services	389 897	512 000	(122 103)	-23.85%	Re-allocation i.t.o. GRAP
Other Revenue	892 208	1 737 935	(845 727)	-48.66%	Re-allocation i.t.o. GRAP
Total Revenue	87 442 353	99 477 610	(12 035 257)	-12.10%	
EXPENDITURE					
	(40.007.005)	(40.004.575)	(4,400,440)	40.000/	
Executive & Council	(12 237 985)	(10 801 575)	(1 436 410)	13.30%	
Budget & Treasury	(6 247 583)	(8 772 760)	2 525 177 874 125	-28.78%	
Corporate Services	(5 038 575)	(5 912 700)		-14.78%	
Planning & Development	(4 259 780)	(10 702 360)	6 442 580 17 343	-60.20% -3.39%	
Health	(494 657)	(512 000)			
Community & Social Services	(1 532 451)	(2 891 610)	1 359 159	-47.00%	
Housing	(9 615 238)	(16 798 425)	7 183 187	-42.76%	
Public Safety	(1 835)	(16 500)	14 665	-88.88%	
Sport & Recreation	(20 928)	(238 290)	217 362	-91.22%	
Waste Management	(5 193 335)	(7 229 070)	2 035 735	-28.16%	
Waste Water Management	-	(6 891 590)	6 891 590	-100.00%	
Road Transport	(7 434 708)	(5 048 285)	(2 386 423)	47.27%	
Water	-	(5 018 035)	5 018 035	-100.00%	
Electricity	(11 659 513)	(14 516 010)	2 856 497	-19.68%	
Less: Interdepartmental Charges	46 550	-	46 550	0.00%	
Total Expenditure	(63 690 038)	(95 349 210)	31 659 172	-33.20%	
SURPLUS / (DEFICIT) FOR	23 752 315	4 128 400	19 623 915		

	UAL VERSUS BU DN OF PROPERT MUNIC		YÈAR ENDED 3 QUIPMENT & IN		ETS
	2009 Actual	2009 Budget	2009 Variance	2009 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	%	
Council	8,579	8,580	(1)	-0.01%	
Executive	213,317	1,346,000	(1,132,683)	-84.15%	
Planning & Development	66,513	80,000	(13,487)	-16.86%	
Finance & Administration	649,747	462,500	187,247	40.49%	
Road Transport	85,512	11,944,620	(11,859,108)	-99.28%	
Waste Water Management (Storm Water)	-	8,886,735	(8,886,735)	-100.00%	
Electricity (Distribution)	269,932	300,000	(30,068)	-10.02%	
Community & Social (Halls & Facilities)	1,420,600	1,802,435	(381,835)	-21.18%	
Community & Social (Cemeteries)	228,856	243,340	(14,484)	-5.95%	
Public Safety	445,530	448,650	(3,120)	-0.70%	
Sport & Recreational	-	450,000	(450,000)	-100.00%	
Waste Management	735,439	833,150	(97,711)	-11.73%	
			(00.004.07-7)		
Total	4,124,025	26,806,010	(22,681,985)	-84.62%	

ACGUISITION OF F	APPENI ERSUS BUDGET FOR PROPERTY, PLANT AN NERAL FINANCE STAT	THE YEAR ENDED 30	ANGABLE ASSETS	
	2009	2009	2009	2009
	Actual	Budget	Variance	Variance
	R	R	R	%
Executive & Council	221 896	1 354 580	(1 132 684)	-83.62%
Budget & Treasury	99 839	212 500	(112 661)	-53.02%
Corporate Services	6 889	250 000	(243 111)	-97.24%
Planning & Development	66 513	80 000	(13 487)	-16.86%
Community & Social Services	1 655 530	2 045 775	(390 245)	-19.08%
Public Safety	445 530	448 650	(3 120)	-0.70%
Sport & Recreation	-	450 000	(450 000)	-100.00%
Waste Management	735 439	833 150	(97 711)	-11.73%
Waste Water Management	-	8 886 735	(8 886 735)	-100.00%
Road Transport	622 457	11 944 620	(11 322 163)	-94.79%
Electricity	269 932	300 000	(30 068)	-10.02%
Total	4 124 025	26 806 010	(22 681 985)	-84.62%

	DISCLOSURI	AP DISCLOSURES OF GRANTS AND SUBSIDIE	PPENDIX E es in terms of section 123 of MFMA, 56 OF 2003	123 OF MFMA, 56 OF 20	003	
Grant Description	Balance 1 JULY 2008	Correction of error/ Transfers	Restated balance 1 JULY 2008	Contributions during the year	Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2009
	Ъ			Я	Ц	Ľ
TRUST FUNDS						
Performance Agreements		85 995	85 995		44 665	41 330
Equitable Share		- 1		40 290 326	40 290 326	1
Peach & Vegetable Processing		155 707	155 707		147 406	8 301
Holo Hlahatsi Agricultural Project		370 735	370 735			370 735
Commonage Management Plan		61 796	61 796		1 670	60 126
Surveying / Land Audit	7	423 692 500 000	923 692		342 697	580 995
Heritage Management			229 912			229 912
DEAT Brickmaking		- 69 445	69 445		93 682	-24 237
Co-op's Development		- 134 186	134 186		131 194	2 992
LED (Lady Grey)		116 216	116 216		114 275	1 941
Prov Gov - Housing (Lady Grey)		- 666 449	666 449	3 322 950	2 444 418	1 544 981
Prov Gov - Housing (Hillside)		140 372	140 372	5 770 214	6 077 829	-167 243
Municipal Finance Management		457 532	457 532	200 000	633 204	324 328
Municipal Support Programme		249 322	249 322			249 322
Prov Gov - Valuation Roll				400 000	400 000	
Spatial Development Framework		674 200 (500 000)	174 200		174 200	1
Disabled Project BE		102 378	102 378		97 895	4 483
Drought Relief Water	7	409 100	409 100		409 100	I
Valuation Roll		136 159	136 159		147 378	-11 219
Municipal Infrastructure Grant	7	495 485	495 485	14 722 000	12 136 664	3 080 821
Implementation Ownership	7	498 293	498 293		93 415	404 878
Traffic Test Station (Sterkspruit)		104 879	104 879			104 879
Rossouw Agricultural Project		260 624	260 624		37 046	223 578
Municipal Systems Improvement		1		400 000	77 330	322 670
Herschel People's Housing	6	6 343 952	6 343 952	446 701	212 040	6 578 613
Internet/Communication Systems		104 533	104 533		20 402	84 131
Health Subsidy		1		512 005	512 005	-
I.E.C - Elections		1	1	180 598	180 598	-
Ukhahlamba DM - Plastic Products		- 1		3 000 000	680 702	2 319 298
Ukhahlamba DM - District Call Centre		1		565 000	354 613	210 387
Ukhahlamba DM - IDP		1		50 000	50 000	
Total	12.2	- 12 290 962	12 290 962	70 159 794	65 904 756	16 546 000

	Total			3 148 473.67	(1 804.35)	65 904 756.11	1	86 448.00	I	I	222 758.00		11 373 936.00	(4 778 443.40)		301 360.80	7 732 615.29
	Electricity	-15-		1	I	5 754 170.00	T	I	1	1	1	•	7 829 959.58	(2 767 712.02)	I	I	1
	Wa- ter	-14-		1	I	1	1	1	ı	1	I	1	I	1	I	1	I
EPORT)	Road Trans-	-13-		1	1	17 515 060.09	T	86 448.00	1	1	1	1	1	T	T	1	1
εΥ RE	Waste Water Man- age- ment	-12-		1	I	1	1	I	1	1	T	1	T	1	1	1	I
DITURE BY FUNCTIONAL CLASSIFICATION (SUMMARY REPORT) ACTUAL 2008/2009 AL FINANCE STATISTIC CLASSIFICATIONS	Waste Man- agement	-11-		1	I	4 205 252.75	1	I	1	1	1		3 543 976.42	(2 010 731.38)	I	I	1
ATIOI	Envi- ron- men- tal Pro- tec- tion	-10-		1	I	1	1	I	1	1	1	1	1	1	I	I	I
ASSIFIC/	Sport & Recreation	-6-		1	1	238 290.00	1				1	1		1	I	I	1
NAL CL 09 CLASSIFIC	Public Safety	φ		I	1	602 030.45	1		I	I	I	ı	I	1	1	1	1
E BY FUNCTION/ ACTUAL 2008/2009 NCE STATISTIC CL ^ø	Housing	-7-				9 875 568.97		I				1					1
XPENDITURE BY FUNCTIONAL CLASSIFI ACTUAL 2008/2009 GENERAL FINANCE STATISTIC CLASSIFICATIONS	Community & Social Services	-9-		T		1 571 326.19		1	I	T			I			261 869.80	1
& EXPENI Gener	Health	-2-		1	I	512 005.00	1	I	I	I	1	1	1	1	1	1	1
INCOME	Planning & Development	4				4 514 295.76		1	1								1
A4 - OPERATING INCOME & EXPEN GENER	Corporate Services	-ů-		1	1	5 628 130.25	T	I	1	1	1	1	1	T	T	39 491.00	1
A4 - 0	Budget & Treasury	-2-		3 148 473.67	(1 804.35)	5 650 291.19	T	I	1	1	1	1	1	T	T	1	7 732 615.29
	Executive & Council	- - -				9 838 335.46		I	I	I	222 758.00		I			1	
	DETAIL		INCOME	Property Rates	Less: Income Foregone - Rates	Government Grants and Subsidies	Public Contri- butions and Donations	Fines	Third Party Payments	Stock Adjust- ments	Actuarial Gains	Prop- erty Rates - Penalties & Collection Charges	Service Charges	Less: Income Foregone - Services	Water Serv- ices Authority Contribution	Rental of Facilities and Equipment	Interest Earned - External Investments
			-	7	e	4	2J	9	7	œ	6	10	<u>+</u>	12	13	4	15

Licences and Permits Agency -															
	'	T	1	1	1	I		1		1	•	1 614 250.45	1		1 614 250.45
90 S	1 620.13	1	1	1	1	1	1	1	1	1	I	388 276.95	1	I	389 897.08
Other Rev-	379 926.80	52 828.39	1	1	66 547.90	7 313.25	12 953.00	1	1	150 000.00	1	25 775.71	1	196 863.36	892 208.41
Unamortised Discount - Interest	1	1	I	1	I	1	1	1	1		1	I	1	1	I
Dividends Received	1	I	1	1	I	I	1	1	1	1	'	1		1	I
Contributed -	1	1	1	1	1	1	1	1	1	1	1	1	1	1	I
Gains on Disposal of PPE	1	1	I	I	1	1	1	1	1	1	1	I	1	1	I
TOTAL REV- 10 061 093.46 ENUE	17 209 342.33	5 720 449.64	4 514 295.76	512 005.00	1 899 743.89	9 882 882.22	614 983.45	238 290.00	9	6 003 329.89	'	19 629 811.20	1	11 156 125.97	87 442 352.81
EXPENDI- TURE															
Employee Re- (3 018 331.87) lated Costs	(850 976.85)	(2 726 291.54)	(1 055 155.84)	(352 551.08)	(1 167 590.07)	(455 018.66)	1	1		(4 095 967.71)	•	(3 596 273.64)	- (2	(2 408 742.49)	(19 726 899.75)
Remuneration (6 238 713.46) of Councillors	I	1	1	I	I	I	1	I	1	1	1	1	'		(6 238 713.46)
Collection Costs	1	T	1	1	1	1		1	1	1		1	'	1	T
Depreciation and Amortisa- tion			I	1	1	'	1	1	1	1	I	1	1		
Debt Impair-	(970 622.41)	I	I	1	(23 096.76)	I	1	I	-	(546 762.77)		1	1	(768 021.81)	(2 308 503.75)
Asset Impair-	1	(7 999.00)	I	I	I	I	1	I	1	1	'	I	1	1	(7 999.00)
Repairs and (40 912.75) Maintenance	(15 496.57)	(77 673.81)	(16 392.51)	(3 618.55)	(31 938.89)	I	(1 141.53)	(13 025.07)	,	(71 320.74)	•	(1 085 301.49)	1	(462 101.42)	(1 818 923.33)
Finance Charges	1	1	I	1	T	1	1	1	1	1	'	1			
Unamortised Discount - Inrerest	1		1	1	1	1	1		1	1		1	1		•
Actuarial Losses	'	I	1	1		T	1	1	1	1		ŀ		-	
Bulk Pur- chases	1	I	1	1	1	I		1	1			'	-	(7 362 124.11)	(7 362 124.11)

	I	(560 336.50)	(14 397 383.41)	(11 269 154.43)	I	(63 690 037.74)	(46 550.00)	-63 736 588	46 550.00	(63 690 037.74)	23 752 315.07	T	I	23 752 315.07	I	23 752 315.07
	I	I		(658 523.03)	1	(11 659 512.86)		-11 659 513	1	(11 659 512.86)	(503 386.89)	1	1	(503 386.89)	I	(503 386.89)
ED	1	1	I		1	I	1	0	1	1	1	1	1	1	1	1
) CONTINU	1	1	(1 251 452.01)	(1 501 680.52)	I	(7 434 707.66)	T	-7 434 708	T	(7 434 707.66)	12 195 103.54	T	I	12.195 103.54	1	12 195 103.54
ORT	I	T	1	1	1	I	1	0	1	1	1	1	1	I	1	I
E BY FUNCTIONAL CLASSIFICATION (SUMMARY REPORT) CONTINUED	1	1	1	(479 283.76)	1	(5 193 334.98)	1	-5 193 335	1	(5 193 334.98)	809 994.91	1	I	809 994.91	I	809 994.91
SUM	1	1	1	'	1	I	1	0	1		1	1	1	1	'	1
CATION (I	I		(7 902.45)	1	(20 927.52)		-20 928	1	(20 927.52)	217 362.48	1	1	217 362.48		217 362.48
(LASSIFI		1	I	(693.87)	I	(1 835.40)	1	-1 835	I	(1 835.40)	613 148.05	T	T	613 148.05		613 148.05
TIONAL C	I	I	(9 116 841.37)	(43 377.77)	1	(9 615 237.80)	1	-9 615 238	T	(9 615 237.80)	267 644.42	T	1	267 644.42		267 644.42
E BY FUNC	I	I	I	(309 825.52)	1	(1 532 451.24)	1	-1 532 451	T	(1 532 451.24)	367 292.65	T	I	367 292.65		367 292.65
ENDITURI	I		1	(91 937.86)	1	(448 107.49)	(46 550.00)	-494 657	1	(494 657.49)	17 347.51	1	1	17 347.51		17 347.51
ME & EXP	I	I	(2 318 863.56)	(869 367.90)	1	(4 259 779.81)		-4 259 780		(4 259 779.81)	254 515.95	1		254 515.95		254 515.95
ING INCO	I	I	I	(2 226 610.62)	1	(5 038 574.97)	1	-5 038 575	I	(5 038 574.97)	681 874.67	I	1	681 874.67		681 874.67
A4 - OPERATING INCOME & EXPENDITUR	1	I	(1 710 226.47)	(2 700 261.03)	1	(6 247 583.33)	1	-6 247 583	46 550.00	(6 201 033.33)	11 008 309.00	1	1	11 008 309.00		11 008 309.00
A	I	(560 336.50)	1	(2 379 690.10)	1	(12 237 984.68)	1	-12 237 985	1	(12 237 984.68)	(2 176 891.22)	1	1	(2 176 891.22)	1	(2 176 891.22)
	Contracted Services	Grants and Subsidies	Operat- ing Grant Expenditure	General Expenses	Loss on Disposal of PPE	DIRECT OPERATING EXPENDI- TURE	Internal Charges (Debits)	TOTAL	Internal Charges (Credits)	TOTAL EX- PENDITURE	SURPLUS / (DEFICIT)	Transfers Recognised - Capital	Contribu- tions to/from Reserves	SURPLUS / (DEFICIT) AFTER CAPITAL TRANSFERS & CONTRI- BUTIONS	Taxation	OPERATING SURPLUS / (DEFICIT) - AFTER TAXATION
	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52

					A4 - OPE	RATING INC	OME & EXP	A	ACTUAL 2008	/2009	SSIFICATIO	ON (SUMMA	RY REPORT)							
DETAIL	Finance & Administration	Council	Executive	Health	Comm & Soc (Libraries)	Comm & Soc (Halls & Faciliti	Comm & Soc (Cemeteries)	Housing		ASSIFICATION Planning & Development	Sport & Rec- reational	Waste Water (Storm Water)	Waste Water (Sewerage) Ma	Waste anagement (Refuse)	Road Trans- port		lectricity ribution) (S	Electricity (treet Light- ing	Other	Total
									<u> </u>											17 🚬
	-1-	-2-	-3-	-4-	-5-	-6-	-7-	-8-	-9-	-10-	-11-	-12-	-13-	-14-	-15-	-16-	-17-	-18-	-19-	
INCOME																			-+	0.440.470.07
Property Rates Less: Income Fore-	3 148 473.67 (1 804.35)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3 148 473.67
gone - Rates			-	-	_		-	-					-	-		-	-	-		
Government Grants and Subsidies	11 155 023.69	7 721 830.46	2 116 505.00	512 005.00	-	3 653 930.25	275 156.19	9 875 568.97	602 030.45	4 514 295.76	238 290.00	4 972 316.72	- 42	205 252.75	0 308 380.87	- 5242	2 170.00 5	512 000.00	-	65 904 756.11
Public Contribu- tions and Donations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines	-	-	-	-	-	-	-	-	-	-	-	-	-	-	86 448.00	-	-	-	-	86 448.00
Third Party Pay- ments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock Adjustments	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Actuarial Gains	-	-	222 758.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	222 758.00
Property Rates - Penalties & Collec- tion Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service Charges	-	-	-			-	-		-	-	-	-	- 35	543 976.42	-	- 7 829	959.58	-	-	11 373 936.00
Less: Income Fore- gone - Services	-	-	-	-	-	-	-	-	-	-	-	-	- (2 0	010 731.38)	-	- (2 767	712.02)	-	-	(4 778 443.40)
Water Services Au- thority Contribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of Facilities and Equipment	261 869.80	-	-	-	-	39 491.00	-	-	-	-	-	-	-	-	-	-	-	-	-	301 360.80
Interest Earned - External Invest-	7 732 615.29	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7 732 615.29
ments Interest Earned - Outstanding Debtors	298 219.60	-	-	-	-	-	-	-	-	-	-	-	- 1	114 832.10	-	- 142	845.05	-	-	555 896.75
Licences and Permits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 614 250.45	-	-	-	-	1 614 250.45
Agency Services	1 620.13	-	-	_	-	-	-	-	-	-	-	-	-	-	388 276.95	-	-	-	-	389 897.08
Other Revenue	476 787.24	-	-	-	400.00	-	24 600.00	7 313.25	12 953.00	-	-	-	- 1	150 000.00	23 291.56	- 196	863.36	-	-	892 208.41
Unamortised Dis- count - Interest	-	-	-	-	-	-	-	-	_	-	-	-	-	-	-	-	-	-	-	-
Dividends Received	-	-	-	_	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Contributed PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Gains on Disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUE	23 072 805.07	7 721 830.46	2 339 263.00	512 005.00	400.00	3 693 421.25	299 756.19	9 882 882.22	614 983.45	4 514 295.76	238 290.00	4 972 316.72	- 60	003 329.89	12 420 647.83	- 10 644	125.97 5	512 000.00	-	87 442 352.81
EXPENDITURE																				
Employee Related Costs	(3 566 867.90)	-	(3 018 331.87)	(352 551.08)	(293 167.96)	(1 496 102.31)	-	(455 018.66)	-	(1 055 155.84)	-	-	-	(4 095 967.71)	(2 984 993.93)	- (2 408	742.49)	-	-	(19 726 899.75)
Remuneration of Councillors	-	(6 238 713.46)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6 238 713.46)
Collection Costs	-	-	-		-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
Depreciation and Amortisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Impairment	(993 719.17)	-	-		_	-	-		-	-	-	-	- (54	546 762.77)	-	- (768	021.81)	-	_	(2 308 503.75)
Asset Impairment	(7 999.00)	-	-	_	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(7 999.00)
Repairs and Main- tenance	(115 921.48)	(40 912.75)	-	(3 618.55)	(4 511.25)	(44 550.45)	(3 520.23)	-	(1 141.53)	(16 392.51)	(13 025.07)	(426 749.73)	- ()	(71 320.74)	(615 157.62)	- (236	516.49) (2	25 584.93)	-	(1 818 923.33)
Finance Charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unamortised Dis- count - Inrerest	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-

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		A4 - OPERATING INCOME & EXPENDITURE BY FUNCTIONAL CLASSIFICATION (SUMMARY REPORT)																			
										ACTUAL 2008	/2009		,		,						
35	Actuarial Losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
36	Bulk Purchases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	- (7	362 124.11)	-	-	(7 362 124.11)
37	Contracted Serv- ices	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
38	Grants and Sub- sidies	-	(560 336.50)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(560 336.50)
39	Operating Grant Expenditure	(2 263 094.48)	-	-	-	-	-	-	(9 116 841.37)	-	(2 318 863.56)	-	-	-	-	(698 584.00)	-	-	-	-	(14 397 383.41)
40	General Expenses	(4 630 932.20)	(1 384 327.48)	(995 362.62)	(91 937.86)	(91 855.25)	(764 330.48)	(56 753.53)	(43 377.77)	(693.87)	(869 367.90)	(7 902.45)	-	-	(479 283.76)	(1 194 506.23)	- (4	(402 280.33)	(256 242.70)	-	(11 269 154.43)
41	Loss on Disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
42	DIRECT OPERAT- ING EXPENDI- TURE	(11 578 534.23)	(8 224 290.19)	(4 013 694.49)	(448 107.49)	(389 534.46)	(2 304 983.24)	(60 273.76)	(9 615 237.80)	(1 835.40)	(4 259 779.81)	(20 927.52)	(426 749.73)	-	(5 193 334.98)	(5 493 241.78)	-	(11 177 685.23)	(481 827.63)	-	(63 690 037.74)
43	Internal Charges (Debits)	-	-	-	(46 550.00)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(46 550.00)
	TOTAL Internal Charges	-11 578 534.23 46 550.00	-8 224 290.19	-4 013 694.49	-494 657.49	-389 534.46	-2 304 983.24	-60 273.76	-9 615 237.80	-1 835.40	-4 259 779.81	-20 927.52	-426 749.73	-	-5 193 334.98	-5 493 241.78	11 -	177 685.23	-481 827.63	-	-63 736 587.74 46 550.00
	(Credits) TOTAL EXPENDI- TURE	(11 531 984.23)	(8 224 290.19)	(4 013 694.49)	(494 657.49)	(389 534.46)	(2 304 983.24)	(60 273.76)	(9 615 237.80)	(1 835.40)	(4 259 779.81)	(20 927.52)	(426 749.73)	-	(5 193 334.98)	(5 493 241.78)	-	(11 177 685.23)	(481 827.63)	-	(63 690 037.74)
47	SURPLUS / (DEFI- CIT)	11 540 820.84	(502 459.73)	(1 674 431.49)	17 347.51	(389 134.46)	1 388 438.01	239 482.43	267 644.42	613 148.05	254 515.95	217 362.48	4 545 566.99	-	809 994.91	6 927 406.05	- ((533 559.26)	30 172.37	-	23 752 315.07
48	Transfers Recog- nised - Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
49	Contributions to/ from Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	SURPLUS / (DEFICIT) AFTER CAPITAL TRANS- FERS & CONTRI- BUTIONS	11 540 820.84	(502 459.73)	(1 674 431.49)	17 347.51	(389 134.46)	1 388 438.01	239 482.43	267 644.42	613 148.05	254 515.95	217 362.48	4 545 566.99	-	809 994.91	6 927 406.05	- (!	533 559.26)	30 172.37	-	23 752 315.07
51	Taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
52	OPERATING SURPLUS / (DEFI- CIT) - AFTER TAXATION	11 540 820.84	(502 459.73)	(1 674 431.49)	17 347.51	(389 134.46)	1 388 438.01	239 482.43	267 644.42	613 148.05	254 515.95	217 362.48	4 545 566.99	-	809 994.91	6 927 406.05	- ((533 559.26)	30 172.37	-	23 752 315.07
53	Attributable to Minorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
54	SURPLUS / (DEFICIT) AT- TRIBUTABLE TO MUNICIPALITIY	11 540 820.84	(502 459.73)	(1 674 431.49)	17 347.51	(389 134.46)	1 388 438.01	239 482.43	267 644.42	613 148.05	254 515.95	217 362.48	4 545 566.99	-	809 994.91	6 927 406.05	- ((533 559.26)	30 172.37	-	23 752 315.07
	Share of Surplus / (Deficit) of As- sociate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	SURPLUS / (DEFI- CIT) FOR THE YEAR	11 540 820.84	(502 459.73)	(1 674 431.49)	17 347.51	(389 134.46)	1 388 438.01	239 482.43	267 644.42	613 148.05	254 515.95	217 362.48	4 545 566.99	-	809 994.91	6 927 406.05	- ((533 559.26)	30 172.37	-	23 752 315.07
57	IMFO - Contribu- tion to capital from Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
58	IMFO - Contribution to Special Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
59	IMFO - Internal Interest Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
60	IMFO - Internal Redemption	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
61	IMFO - External Redemption	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	SURPLUS / (DEFI- CIT) FOR THE YEAR	11 540 820.84	(502 459.73)	(1 674 431.49)	17 347.51	(389 134.46)	1 388 438.01	239 482.43	267 644.42	613 148.05	254 515.95	217 362.48	4 545 566.99	-	809 994.91	6 927 406.05	- (533 559.26)	30 172.37	-	23 752 315.07

		TA	BLE A5.1 P	AST YEAR /	TABLE A5.1 PAST YEAR AND FUTURE PROJECTED LIABILITY	Z		
	30-Jun-08	30-Jun-09	30-Jun-10	30-Jun-11				
Post Employment Healthcare					JOURNALS			
Opening Accrued Liability	4,606,368	5,705,722	6,757,537	7,920,972		Vote	DT	КT
Current-service Cost	496,748	612,866	677,697	738,816	Accumulated Surplus	9250-9980-0	6,247,566.00	
Interest Cost	373,162	604,809	604,212	708,735	Provisions - Post Employment Healthcare	9250-9480-0		-5,705,723.00
Contributions (benefits paid)	-103,478	-58,902	-118,474	-127,618	Provisions - Long Service Awards	9250-9490-0		-541,843.00
Total Annual Expense	766,432	1,158,773	1,163,435	1,319,933	First time recognition of Employment Ben- efits		6,247,566.00	-6,247,566.00
Actuarial Loss / (Gain)	332,923	-106,978						
Closing Accrued Liability	5,705,723	6,757,517	7,920,972	9,240,905	Expenditure - Medical - Pensioners	1101-1008-0 ? (NEW)	1,158,773.00	
					Expenditure - Long Service Bonusses		160,374.00	
					Revenue - Actuarial Gains			-222,758.00
					Provisions - Post Employment Healthcare	9250-9480-0		-1,051,795.00
Long Service Awards					Provisions - Long Service Awards	9250-9490-0		-44,594.00
	39,629	39,994	40,359	40,724	Contribution to Employment Benefits 08/09		1,319,147.00	-1,319,147.00
							-6,757,518	
Opening Accrued Liability	433,340	541,843	586,437	638,837	836,894		-586,437	-7,343,955
Current-service Cost	79,529	104,955	96,907	105,638	5,039,708			
Interest Cost	34,898	55,419	48,730	55,904	766,432		37,521,819	
Contributions (benefits paid)	-43,965		-93,237	-37,596	108,503			
Total Annual Expense	70,462	160,374	52,400	123,946	1,207,858			
Actuarial Loss / (Gain)	38,041	-115,780			1,096,389			
Closing Accrued Liability	541,843	586,437	638,837	762,783	0			
					1,096,389			
						-58,902.00		

REPORT OF THE AUDITOR GENERAL

REPORT OF THE AUDITOR GENERAL TO EASTERN CAPE PROVINCIAL LEGISLATURE AND MUNICIPAL COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF SENQU LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Senqu Local Municipality which comprise the statement of financial position as at 30 June 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 101 to 142.

The Accounting Officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury as set out in accounting policy note 1 and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), Division of Revenue Act (Act No. 1 of 2007) (DoRA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

- 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 read with *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 about 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
- 6. Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1 Presentation of Financial Statements requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Senqu Local Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
- 7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

8. In my opinion the financial statements present fairly, in all material respects, the financial position of Senqu Local Municipality as at 30 June 2009 and its financial performance and its cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the MFMA and DoRA.

Emphasis of matters

Without qualifying my opinion, I draw attention to the following matters:

Highlighting critically important matters presented or disclosed in the financial statements

9. As disclosed in note 22 to the financial statements, the municipality suffered a significant electricity loss of 9 million kilowatts amounting to R3 million.

- 10. Unauthorised expenditure of R2,3 million is disclosed in note 35.01 to the financial statements. The unauthorised expenditure was incurred as a result of management's failure to effectively monitor the implementation of internal controls designed to prevent, detect and correct instances where expenditure exceeds the budget approved by the council.
- 11. As disclosed in note 34 to the financial statements, fruitless and wasteful expenditure to the amount of R5,5 million was incurred largely due to the excessive distribution loss experienced by the municipality.
- 12. Furthermore, note 35 to the financial statements disclosed irregular expenditure to the amount of R1 million relating to supply chain processes and procedures not being followed.

Other Matters

Without qualifying my opinion, I draw attention to the following matters that relates to my responsibilities in the audit of the financial statements:

Unaudited supplementary schedules

13. The supplementary information set out on pages 143 - 159 does not form part of the financial statements and is presented as additional information. I have not audited these schedule(s) and accordingly I do not express an opinion thereon.

Non compliance with applicable legislation Non compliance with MFMA

14. Payments to suppliers were delayed beyond the 30 day receipt of invoice period as required by section 65(2)(b) and (c) of the MFMA.

Governance framework

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

Key governance responsibilities

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

NUMBER	MATTER	YES	NO
Clear trail	of supporting documentation that is easily available and provided in a timely manner		
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		\checkmark
Quality of	financial statements and related management information		
2.	The financial statements were not subject to any material amendments resulting from the audit.		\checkmark
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.		\checkmark
Timelines	s of financial statements and management information		
4.	The annual financial statements were submitted for auditing as per the legislated deadlines section 126 of the MFMA.	~	
Availability	y of key officials during audit		
5.	Key officials were available throughout the audit process.		\checkmark
Developm	ent and compliance with risk management, effective internal control and governance practices	,	
6.	Audit committee		
	The municipality had an audit committee in operation throughout the financial year.	\checkmark	
	The audit committee operates in accordance with approved, written terms of reference.	\checkmark	
	• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.	~	
7.	Internal audit		
	The municipality had an internal audit function in operation throughout the financial year.	~	

	The internal audit function operates in terms of an approved internal audit plan.	\checkmark		
	• The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.		~	
l.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	X	V	
).	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		V	
0.	The information systems were appropriate to facilitate the preparation of the financial statements.	47		
1.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(c)(i) of the MFMA.		\checkmark	1
2.	Delegations of responsibility are in place, as set out in section 79 of the MFMA.	~		
ollow-up	of audit findings	 		1
3.	The prior year audit findings have been substantially addressed.		\checkmark	-
4.	Oversight resolutions have been substantially implemented.		\sim	
ssues rela	ting to the reporting of performance information			\mathbf{h}
5.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		\checkmark	
6.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		~	
7.	A strategic plan was prepared and approved for the financial year under review for purposes of monitor- ing the performance in relation to the budget and delivery by the Senqu Local Municipality against its mandate, predetermined objectives, outputs, indicators and targets section 68 of the MFMA.	~		
8.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.		~]

- 17. Key governance responsibilities, including the development and compliance with risk management and effective internal control have substantially not been implemented as reflected in the table above as the municipality had not timeously implemented the required systems to ensure adherence to key governance responsibilities.
- 18. The capacity of the finance department is inadequate to effectively support, manage and perform the required financial functions as reliance is placed on specific individuals in the municipality. The impact of this was that material adjustments were effected to the financial statements submitted for audit purposes.
- 19. The unavailability of key staff during the audit was due to various governmental and training seminars being held during the critical stages of the audit resulting in delays in obtaining and resolving audit issues.
- 20. The internal audit function was not effective due to the following:
 - The internal audit function did not perform frequent and adequate risk assessments and advise management on performance management and compliance with laws and regulations.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

21. I was engaged to review the performance information.

The Accounting Officer's responsibility for the performance information

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

The Auditor-General's responsibility

- 23. 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.
- 24. 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.
- 25. 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

- 26. 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.
- 27. During the audit of performance information, it would appear that the municipality did not comply with the following regulations:

• Municipal Supply Chain Management, Regulation. 8 - The council should adopt the Performance Management System before or at the same time as the commencement by the municipality of the process of setting Key Performance Indicator's and targets in accordance with its Integrated Development Plan.

• Section 40 of the Municipal Systems Act (No. 32 of 2000) - The municipality must establish mechanisms to monitor and review the Performance Management System.

• 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.

• Municipal Systems Act, section 41; Regulation. 13 - Actual performance is monitored, measured and reviewed on a quarterly basis by council with regards to each of the development priorities and objectives and against the Key Performance Indicator's and targets.

APPRECIATION

28. The assistance rendered by the staff of Senqu Local Municipality during the audit is sincerely appreciated.

Auditor General

East London 31 March 2010



SENQU MUNICIPALITY'S RESPONSE TO THE AUDITOR GENERAL'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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 the audit report, be included in the annual report of the Municipality.

This report will provide detail regarding the issues that are required to be addressed in terms of the Auditor General's Report. Notwithstanding the fact that Senqu Municipality received an unqualified report, certain issues relating mostly to internal controls and risk management were identified as requiring remedial action.

Accordingly, the response to the Auditor General's Report may be summarized as follows:

- Every reasonable and practical effort will be made to address the issues raised within the Audit Report and commitment is made to regard this as a matter of priority.
- Efforts to address the deficiencies raised will be detailed through the development of an Audit Plan and these issues in the broadest sense will incorporate issues relating to:
 - o Internal controls
 - o Risk Management
 - o Assignment of roles and responsibilities to ensure reporting compliance and;
 - o Compliance to legislative prescriptions.

Detailed below are the more specific comments in response to the Auditor General's Report, with specific reference to the numbering that appears within the Auditor General's Report (detailing the appropriate action that has or will be taken).

EMPHASIS OF MATTERS

- 9. Investigations are ongoing to determine the reasons for electricity losses so that appropriate action can be taken.
- 10. Internal controls will be reworked and more strictly monitored and applied so as to ensure that unauthorized expenditure is eradicated.
- 11. Investigations into distribution losses are required in order to be able to minimize these and this remains an ongoing issue.
- 12. Supply Chain Management processes and procedures will be strictly enforced.

OTHER MATTERS Non-Compliance with MFMA

- 14. Payments to suppliers will be made within the 30 day period.

GOVERNANCE FRAMEWORK

Key Governance responsibilities:

- 16 The following MFMA responsibility issues are highlighted and will be addressed accordingly(refer to numbering as per table):
 - 1. Information will be provided as required and timeously.

- 2. The financial statements will be amended as per audit requirements.
- 3. The Annual Report must be submitted prior to the tabling of the Auditor's Report.

4&5. Key officials will be made available, and this availability will be treated as a matter of extreme urgency.

- 6. The Audit Committee will be required to be fully operational, working strictly in compliance with their terms of reference, and meeting responsibilities as per s.166 (2) of the MFMA.
- 7. The audit functions as per s.165 (2) of the MFMA will be strictly monitored by the Municipal Manager, and every effort will be made to ensure that the internal audit function is managed regarding its process and responsibilities. The Audit Committee will take responsibility for ensuring that the internal audit function occurs in the manner prescribed and this in turn is monitored by the Municipal Manager in order to ensure compliance.
- 8&9 Every effort will be made to address design issues as they appear within the internal controls in order to minimize risk and non-compliance with principles of financial and risk management, and all applicable by-laws and regulations.
- 11. Risk assessments will be conducted regularly as scheduled and the Risk Assessment Strategy will be applied and include the Fraud Prevention Plan.

FOLLOW UP OF AUDIT FINDINGS

- 13. The prior years audit findings will be suitably addressed where suitable action has not been taken, and this will be reported on.
- 14. Oversight Resolutions will be strictly addressed.

ISSUES RELATING TO THE REPORTING OF INFORMATION

- 15. The information systems (SDBIP reporting and Sebata) are being addressed (administratively and in terms of the Sebata module for performance management) in order to ensure accuracy of reporting.
- 16. Control processes will be strictly applied and designed and implemented as required.
- 18. Attention will be applied to the operation of the performance management system. However, in terms of policy it must be noted that Senqu Municipality has applied the system correctly in terms of performance agreements, assessments and the formal assessment. Bonuses were paid only with strict adherence to system prescriptions. The only area requiring attention is the phasing to lower levels and the implementation of the personal development planning areas for development.

KEY GOVERNANCE RESPONSIBILITIES CONTINUED

- 17. Risk management compliance and internal controls will be implemented as detailed.
- 18. Efforts will be made to capacitate staff.
- 19. As detailed key staff will be made available to assist audit personnel.
- 20. Strict monitoring of performance will be conducted to ensure that the Audit Section action in accordance with all prescriptions.
- 26. The Performance Report will be submitted as required and timeously in future.
- 27. The PMS system will, in future, be adopted prior or during the same time that KPI's and targets relating to the IDP are being set.

- Here non-compliance is queried as Senqu Municipality does indeed have mechanisms in place to monitor and review the PMS.
- As indicated the SDBIP issue is currently being addressed and any revisions must be approved by Council following the approved adjustment budget.
- Performance is being reviewed by various systems and incorporated into the SDBIP's quarterly. This
 can be improved, but in essence, this reporting is being completed.

In conclusion it must be stated (as already indicated) that it is our intention to address the issues raised at our earliest opportunity. It is to be noted that the audit section will be responsible for developing the respective Audit Plan as part of the Audit Committees Report and this will be included in Chapter 4 of this Annual Report. With this Plan formally approved and required to be implemented, the areas required to be addressed will occur in a more coordinated and effective manner.

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 2009.

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	4
Mr. J Hattingh	4

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 s 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 report 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 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 concurs, accepts the Auditor General conclusions on the annual financial statements, and is of the opinion that the audited financial statements be accepted and read together with the report of the Auditor-General.

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.

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