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Glossary of terms

AG	Auditor-General
AIDS	Acquired-immuno deficiency syndrome
CAPEX	Capital Expenditure
CFO	Chief Financial Officer
CLLR	Councilor
CPF	Community Policing Forum
DC	District Council
DPLG	Department of Provincial and Local Government
EE	Employment Equity
HIV	Human Immunodeficiency Virus
GAMAP	Generally Accepted Municipal Accounting Practice
GRAP	Generally Recognized Accounting Practice
GDP	Growth and Development Strategy
HOD	Head of Department
IDP	Integrated Development Plan
ITP	Integrated Transport Plan
KPA	Key Performance Area
KPI	Key Performance Indicator
LDA	Lejwe le putswa Development Agency
LED	Local Economic Development
MFMA	Municipal Finance Management Act
MM	Municipal Manager
MMC	Member of Mayoral Committee
MSA	Municipal Systems Act No.32 of 2000
NSDP	National Spatial Development Perspective
OPEX	Operating Expenditure
PMS	Performance Management System

SDBIP	Service Delivery and Budget Implementation Plan
SCM	Supply Chain Management
SDF	Spatial Development Framework

Chapter 1

Background and Overview

1.1. Foreword of the Executive Mayor

This was indeed a challenging year for the institution especially in the third and fourth quarter of the financial year due to the global financial crisis. In response to the global financial crisis, the State President, Jacob Zuma instructed government departments and the municipalities to cut implement cost cutting measures. We acceded to the call by the President with success.

The fourth National Democratic Elections also had, to some extent, an impact on the smooth running of the programmes of the municipality. This was a year when an institution had to deal with complex challenges of institutional transformation and many other political challenges. However, we managed to survive with the commitment of both our Councillors and administrative officials to serve our people.

Subsequent to the National Elections, the institution aligned itself with the new mandate of the new regime. The Premier's State of the Province's Address and the subsequent Provincial Government Lekgotla attended by government departments and all municipalities in the province in the last quarter of the financial year set the tone for us to fast track the delivery of services to our communities. Amongst other injunctions by the Premier to the municipalities is the revival of Agencies to help develop and grow the economies of the municipalities.

Throughout the financial year our basis of operation was on **Five Year Local Government Strategic Agenda** and we had to ensure that we continue to perform our functions as per the following key performance areas:

- Good Governance and Public Participation.
- Municipal Financial Viability and Management

- Local Economic Development
- Municipal Transformation and Institutional Development, and
- Basic Service Delivery and Infrastructure Investment

In compliance with the above performance areas as well as legislations regulating the existence of local government sphere, we have made great strides both politically and administratively. Furthermore, we have developed and started implementing Performance Management Policy as required by section 38 of the Municipal Systems Act, Act 33 of 2000. The Act provides that the municipality must establish a performance management system and find a linkage between the system and integrated development plan. This performance management system must measure the extent to which the objectives as set out in the integrated development plan are achieved.

In meeting one of the key performance areas, basic service delivery and infrastructure investment, expanded public works program was employed on two projects, ie, Phumlani Cemetery and T14/2 projects. Local people were employed for the whole duration of the project.

We wish to compliment all those who participated in our programs in which they decided on a definite path towards delivering services to our communities. We have managed to face challenges together with all stakeholders in the district and therefore call on all our people to be involved in all matters of the municipality in the ensuing financial year.

The Executive Mayor

Cllr. Sebenzile Ngangelizwe

1.2. Introduction

The emergence of a local developmental framework is one of the tenets of democratic dispensation in the era of consultative and all-inclusive process of service delivery. In this type of a democratic set-up, it is peremptory that government prioritizes programme implementation on the basis of a consultation process that begins to implement Ch. 4 of the Municipal Systems Act, Act 32 of 2000. The implementation of the Systems Act gives impetus to the nature of demand that preceded the institutionalization and formalization of local government as a sphere of government at the coal face of service delivery.

Again, the South African political scenario requires that the leadership at this level is recommended by the concerned constituency for effective consultation and incumbent institutional formation where the needs of the constituency are observed and implemented as per the mandate. The strategic position of local government sphere presupposes well defined relations among number stakeholders at local government for a smooth service delivery programme. This report provides testimony to all programmes that have been budgeted for the year.

In terms of section 46 of the Local Government: Municipal Systems Act, Act 32 of 2000 the municipality as well as entities belonging, is required to prepare an annual report for each financial year. The report as drafted should indicate the extent of performance of the municipality as well as the inputs that were made by external service providers by way of comparing the targets with the actual deliverables in the preceding financial year as well as to indicate in the same report measures to be undertaken to improve on the state of service delivery performance.

The compilation of this report is therefore in observation of circular 11 that deals with annual performance which has been issued in terms of the MFMA to provide guidance in the preparation of the annual report.

This report is a reflection of the integrated development plan that was adopted by council for implementation in the 2008/09 financial as well as the budget component thereof. Apart from the above circular reference, the annual report is compiled in compliance with the following annual reporting requirements as reflected in the MFMA:

- *121(3)(a) Annual report with consolidated financial statements or Annual financial statements of the municipality, and, in addition, if Section 122(2) applies, consolidated annual financial statements, as submitted to the Auditor-General for audit in terms of Section 126(1)*
- *121(3)(b) Auditor-General's audit report which is in terms of Section 126(3) on those financial statements*
- *121(3)(c) Annual performance report- Annual performance report of the municipality prepared by the municipality in terms of Section 46 of the Municipal Systems Act*

- 121(3)(d) Auditor-General's performance audit report-Auditor-General's audit report in terms of Section 45(b) of the Municipal Systems Act
- 121(3)(e) Accounting Officer's assessment on arrears-Assessment by the municipality's accounting officer of any arrears on municipal taxes and service charges.
- 121(3)(f) Accounting Officer's assessment of performance on each vote of the budget.
- Assessment by the municipality's accounting officer of the municipality's performance against the measurable performance objectives referred to in Section 17(3)(b) for each vote in the municipality's approved budget for the relevant financial year.
- 121(3)(g) Audit corrective actions Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports referred to in paragraphs (b) and (d)
- 121(3)(h) Explanatory notes to clarify financial statements- Explanations that may be necessary to clarify issues in connection with the financial statements
- 121(3)(i) Other information as determined by the municipality
- 121(3)(j) Audit Committee recommendations- Recommendations of the municipality's Audit Committee

1.3. Planning process

The Integrated Development Plan that was implemented and assessed followed a particular process of consultation which has to be noted here. All identified role players played their respective part in ensuring that council ultimately adopted a credible IDP.

LEJWELEPUTSWA DISTRICT MUNICIPALITY			
KEY DEADLINES-PREPARATION, TABLING & APPROVAL OF IDP & BUDGET 2008/2009			
	ACTION	RESPONSIBILITY	ACTION DATE
1	IDP to be reviewed	MM and Executive Mayor	01 Sept 2007 to 28 February 2008
2	District wide workshop on framework and process plan development	District IDP Manager, Local IDP Managers	Sept 07
3	Formation of IDP committees	Municipal Manager and s57 Managers	Sept 07
4	Submission of process plan for adoption by council	Municipal Manager	Sept 07

5	Rep Forum meeting to present the process plan and IDP progress report	Executive Mayor, Municipal Manager and MMC LED & Planning	07-Oct
6	Start community consultation process to ensure public participation	Executive Mayor and MM, etc	1 OCT 2007 to 15 Oct 2007
7	IDP Steering Committee quarterly performance review- Municipal SDBIP	Municipal Manager and s57 Managers	07 October 2007
8	Estimate available resources and provide guidance for way forward for budgeting	CFO and Budget Control Officer	Oct-07
9	IDP analysis phase draft review report to Steering Committee	IDP Manager and Municipal Manager	Oct-07
10	Submit budget instructions to all relevant persons	CFO and Budget Control Officer	15-Nov-07
11	Review key objectives, strategies and projects	Municipal Manager, IDP Manager, IDP Steering Com	07-Nov-07
12	Submit 2008/2009 budget framework to all relevant persons (Budget framework to include salary, operational and capital related information).	CFO and Budget Control Officer	15-Nov-07
13	Preparation of a summary of available funds from: Internal funds, e.g. CDF and External funding ,e.g. FM grant	CF and Budget Control Officer	30-Nov-07
14	Prioritization of reviewed project list for 2008/9 from the baseline IDP		07-Dec-07
15	Submission of detailed estimates by MM, HODs and	MM, HODs & Political Offices	14-Dec-07

	Political Offices to CFO.		
16	Assess financial feasibility of proposed new projects based on existing and potential funds	All HODs and Budget Control Officer	08-Jan-08
17	Meeting with relevant officials (First draft Budget meeting)	CFO,Budget Control Officer	15-Jan-08
18	Meeting with relevant officials (Second draft Budget meeting)	CFO,Budget Control Officer	17-Jan-08
19	Meeting with relevant officials (Third draft Budget meeting)	CFO,Budget Control Officer	22-Jan-08
20	Considering of Draft Budget by Finance Portfolio Committee	CFO	07-Feb-08
21	Considering of Draft Budget by Mayoral Committee	CFO	28-Feb-08
22	Table a draft reviewed IDP to MAYCO for consideration.		28-Feb-08
23	Tabling of MTEF Budget in Council meeting	CFO	28-Mar-08
24	Tabling of draft IDP to council for approval as first draft	MM	28-Mar-08
25	Publicise tabled budget within 5 Days after tabling on website & media	Manager Corporate Services	03-Apr-08
26	Submit copies of IDP and budget to National /Provincial	MM, CFO and Budget Control Officer	03-Apr-08

	Treasury		
27	Second leg of IDP and Budget Participation process starts. Comments, additions and proposals by stakeholders	MM, CFO, Budget Control Office & Political Offices	02- 07 April 2008
28	Finalise IDP and Budget, prepare and submit report for inclusion in Council agenda. Consider stakeholders input	MM, CFO and Budget Control Officer	21-Apr-08
29	Mayoral Committee finalise the 2007/2008 IDP and budget	CFO	08-May-08
30	Submission of IDP and budget for 2007/2008 for approval by council	MM & CFO	22-May-08
31	Prepare Budget in the required format and submission thereof to both Provincial National Treasury	CFO, Budget Control Officer	11-Jun-08
32	Submit the approved IDP to provincial departments		
33	Submit draft SDBIP to Mayor within 14 days after approval of the budget	MM, HODs & Political Offices	11-Jun-08
34	Set up expenditure, revenue and asset management system, incorporating budget.	CFO, Budget Control Officer	13-Jun-08

1.4. Adopted key priorities and targets for implementation-2008/09

In the consultation process that was indicated above, the following key priority areas were aligned with those of the Local Government Strategic Agenda. The process also included the amendments, confirmation as well as inclusion of new objectives, strategies as well as key performance indicators and targets in line with revised community community-based mandates for service delivery. These mandates were then located within the political mandates of the ruling government as follows:

1.4.1. Good Governance and Community Participation

IDP Objective	IDP Strategy	Key Performance Indicator	Annual target
To improve performance accountability by all Departments of the District Municipality for the 2008/9 financial year.	Implement and maintain a performance management system for 2008/9	Generation of monthly computerized institutional reports	12
	Quarterly monitor and evaluate PMS	Generate 4 quarterly performance assessment reports	4
	Audit reports of senior managers in compliance with adopted Departmental SDBIP and implementation plans.	Number of audited reports	12
To implement an Integrated planning for the district that fully provides information for basis of planning.	Implement and promote community consultation and needs assessment as an essential part of the IDP process where all stakeholders participate in planning the IDP(including Local Municipalities)	Number of consultation meetings	4
	Align all development efforts of the District Municipality with provincial and national priorities by the end of May 2008.	3 IDP representative forum meetings to be held in the financial year	3
Promote and enhance public participation and awareness	Facilitate review of functional structures to assist in the	3 structures reviewed (Public Participation	3

	development, review and monitoring of municipal programmes.	Forum, Ward committees and Speakers forum	
To develop and build a conducive working environment for all staff members of the District.	To conduct awareness campaigns in respect of national and provincial calendar of existing campaigns for women, differently abled, and children in the district	4 Awareness campaigns held	4
	Implement a Code of Conduct for Councilors and municipal staff members (community to have access to the Codes of Conduct)	Conduct 3 internal consultation meetings with staff to promote the code of conduct policy.	3
	To implement and review a sexual harassment policy for the municipality	Conduct 3 internal consultation meetings with staff to promote the sexual harassment policy.	3
	Develop and implement workplace skills plan for the municipality	1 workshop held with staff members	1
	To institutionalize and induct employees on wellness programme on all municipal staff members.	Employee wellness programme workshops	4
	Develop an HIV/AIDS policy for the employees of the municipality.	HIV/Aids policy developed and approved	1
	Conduct workshops on the HIV/Aids policy	Number of workshop	1
To keep a register and account on a continuous basis on all municipal assets.	Regular Updating of comprehensive asset registers and inventory	Monthly update	12
	Develop and/or implement a Municipal fleet utilization management policy	Policy on fleet management	1

	1 meeting to be held to promote fleet management policy	1 meeting	1
	Develop and/or update a car maintenance plan.	Car maintenance plan	1
To improve the corporate image of the Institution	Continuously update the municipal website on a monthly basis with latest developments per municipal Department.	Website updated	12
	To produce 4 editions of municipal newsletters in a year.	Newsletter	4
	Produce 12 sets of new products for the municipality per year.	Municipal branded products	12
	To develop a pauper's policy for the district as a whole.	Pauper's policy	1
To promote intergovernmental relations among stakeholders within the district municipality.	Facilitate conducting of 4 IGR Municipal Managers forum sittings per year on service delivery areas	4 IGR MMs Forum sittings	4
	Facilitate hosting of 4 IGR Mayors forum sittings per year on service delivery areas	4 IGR Mayor's Forum sittings	4
	Facilitate hosting of 4 IGR Speakers forum sittings per year on service delivery areas	4 IGR Speakers Forum sittings	4

1.4.2. Municipal Transformation and Institutional Development

IDP Objective	IDP Strategy	Key Performance Indicator	Annual target
To create and improve the needed skills of inhabitants of the district for better service delivery within its jurisdiction.	Provide financial assistance to all local municipalities to develop their IDPs, PMS and SDFs and other municipal programmes on the basis of need.	Number of areas that received financial support.	R735,000
	To give learnership to deserving individuals within the district for a period of 1 year.	Number of training sessions provided	9
	Identify and allocate bursaries to indigent and deserving pupils to study at tertiary institutions.	10 pupils supported	8
	Provide funding to internal staff for further capacity building.	Dependent on number and amounts requested	Dependent on amounts and money requested
	Expand the office building to accommodate the archive section of the municipality.	Expansion of Archive section completed	1
To adhere to employment equity targets as set by the municipality.	Develop and implement Employment equity plan for the municipality.	1 Employment Equity Plan developed and implemented	1

1.4.3. Municipal Financial Viability and Management

IDP Objective	IDP Strategy	Key Performance Indicator	Annual target
To ensure performance of high level assessment of financial management and financial risk	Ensure performance of risk based internal Financial audits with corrective governance procedures and approaches.	Quarterly risk based internal financial audits	4
	Ensure compliance with GAMAP/GRAP policy	90% compliance	90%
		90% compliance to systems put in place	90%
	Review and sustain a sound debt and credit control policy	Debt and credit control policy reviewed	1
To assist municipalities to improve accountability and financial management	Continuous coordination and support with the implementation of budget & other financial reforms (GRAP).	Generate quarterly report	4
	Coordinate compliance with applicable MFMA sections.	50% improvement towards unqualified audits	50%
	Rendering of a technical finance support service to local municipalities based on intergovernmental requests	50% improvement towards unqualified audits.	50%
		Develop quarterly reports	4
		Develop monthly reports	12

1.4.4. Local Economic Development

IDP Objective	IDP Strategy	Key Performance Indicator	Annual target
To Grade 20 guest Houses and Bed & Breakfast establishments by the end of the financial year.	Prioritize small business entities and link them in the main stream economy.	Graded guest houses and B&B facilities (quality assurance)	20
To develop and print LDM CD-DVD and brochures for distribution.	Print and distribute all materials printed in major strategic places.	Number of brochures printed for distribution	5000
To promote tourism support in the district	Facilitate entering into service Level agreement with mining houses for the establishment of an entertainment and tourism mall in Matjhabeng Local Municipality.	2 service level agreements entered with Beatrix and Harmony Gold mines	2
To review and Implement District Growth and Development Strategy	Convene all stakeholders before the end of the financial year.	Adopted GDS with an implementation plan in place	3
	Develop an implementation plan linked to the GDS for the next 5 years to be reviewed annually.	5 year GDS Implementation Plan developed.	1
	To revise the District wide Spatial Development Framework for purposes of informing the next review of the	Reviewed and adopted SDF in place before the end of the 2008/9 financial year.	1

	IDP		
Revive LED infrastructure to promote economic development and sustainability.	Renovate Matjhabeng showground for local economic activities.	Matjhabeng Showground infrastructure renovated	1
	Undertake feasibility studies to develop the Welkom Airport into an international cargo facility.	Feasibility study undertaken	1
	Support the expansion of Phakisa facility to accommodate a multi-purpose complex.	Enter into a service level agreement for Phakisa infrastructure expansion	1SLA
	Undertake feasibility Studies on the profitability of titanium mining activity in the district.	A feasibility study report developed	1
	Undertake feasibility study on the profitability of Salt Pans in the district	A feasibility study report developed	1
	To facilitate the establishment of a convention centre in the Phakisa area.	Progress report submitted	4
	To provide financial support to the LDA for creating conducive environments for more investment	R2 m disbursed in accordance to performance agreement signed with LDA CEO	R2m

	and employment opportunities.		
To establish partnerships with other economic players to grow the economy of the district.	Monitor the development of the of the Bio-Fuel Energy policy framework	Quarterly monitoring of legislative developments.	4
	To facilitate the establishment of essential oils project in the district.	Project launch report written and submitted	1
	To coordinate DTI 'Project Khulis'umnotho' LED capacity building programme to fast track growing economy of the district.	Quarterly reports on the LED capacity building programme	4
	Facilitate training and registration of community based co-operatives in the district.	Number of co-operatives registered and trained	5
Ensure that sustainable benefits of economic growth accrue to previously disadvantaged communities, groups and individuals	No of hectares of well Located land acquired for housing developments, industrial and economic development as would be prescribed by the policy framework agreed upon with DPLG and DoH.	Number of hectares earmarked for housing developments throughout the district	1000ha
	To assist office of the Land Claims Commissioner in facilitating	Number of meetings facilitated on behalf of Land Claims	4

resettlement of beneficiaries through provision of infrastructure and basic services.

Commissioner

1.4.5. Basic Service Delivery and Infrastructure Investment

IDP Objective	IDP Strategy	Key Performance Indicator	Annual target
To alleviate all forms of discrimination against women, youth and differently-abled people.	To develop a policy on youth development in the district.	1 youth policy developed and adopted	1
To improve accessibility and safety of staff and members of the community in the municipal building	Install electrical device for detecting dangerous weapons.	Electrical device installed and monitored on a monthly basis at 2 main entrances	2
	Provide extension to the new office block by the end of the new financial year.	Extension to new office block	1
To facilitate the roll-out of the indigent policy throughout the district.	To assist local municipalities to conduct awareness campaigns on Free Basic Services	Awareness campaign	1
To assist local municipalities in the implementation of infrastructure projects in the district.	To support the provision of adequate potable water in Tokologo Local Municipality.	Full bulk water reticulation	1
	To develop a shared services framework that will assist municipalities in accessing ICT initiatives throughout the district.	Commissioning of a service provider and completion of business plan	1
	Facilitate and upgrade existing access roads in all farming areas of the local Municipalities.	4 kilometer access road graveled throughout the district. Progress towards building a plant in Matjhabeng.	4km

	Conduct a review of the District Municipal Integrated Transport Plan.	Reviewed and adopted ITP	1
To foster an integrated partnership environment for the delivery of primary health care in the district.	To provide continuous support to LMs in the eradication of buckets by the end of March 2009.	Number of meetings held	9
	Convene 4 District Aids Council sessions during the 2008/2009 financial year.	4 sessions	4
	Host HIV/AIDS training workshops in association with the Department of Health in the district.	4 training workshops	4
	To support Local Municipalities in the implementation of property rates tax	Number of Local Municipalities assisted.	4
To establish a comprehensive fire fighting and rescue services.	Purchase of 2 Unimoc fire fighting vehicles for Masilonyana and Tswelopele Local Municipalities.	1 fire engine pump purchased	1
	Purchase 1 rescue equipment	1 set of rescue equipment purchased	1
	Employ trained fire fighters.	Number of fire fighters employed	5
	Purchase of protective clothing	Protective clothing available	5
	Purchase equipment for the disaster management centre.	Equipment purchased as required	Sets as required
To promote arts and sporting, cultural activities in the district.	Coordinate cultural and sporting activities throughout the district	Progress report on coordination of cultural activities	1
To contribute towards the reduction of crime in the district by entering into agreements with	To plan, organize CPF and conduct anti-crime awareness campaigns in the district with	4 awareness campaigns per year for 5years	4

existing policing institutions and forums.	collaboration from local Municipalities and interest groups.		
Establish a Disaster Management Centre that suits the requirements of the District and Local municipalities.	Erect the second phase of the Centre within the jurisdiction of Matjhabeng Local Municipality in Welkom.	Progress report compiled monthly	12
To provide for Emergency relief for distressed and indigent families during disaster	Avail funding for <ul style="list-style-type: none"> • Food relief. • Blankets and clothing. • Repairs of structural damage. 	Emergency relief fund available on request	When required
	To develop and maintain a comprehensive public awareness and community	Awareness campaigns	4
To facilitate the implementation of a greening plan by the Local Municipalities for the entire area that will contribute to protection of the natural environment and to ensure the effective management of environmentally sensitive areas and natural resources.	Develop waste management master plan for the district.	Waste management master plan	1
To promote arts and sporting, cultural activities in the district.	Coordinate cultural and sporting activities throughout the district	Progress reports	1

1.5. Overview of the municipality

The area of jurisdiction of Lejweleputswa District Municipality includes the following five municipalities:

- Masilonyana
- Tokologo
- Tswelopele
- Matjhabeng
- Nala



Map 1 - Lejweleputswa District

The following maps indicate spatial locations of each of the municipalities and can be compared to map 1 as shown above.

Masilonyana	Tokologo	Tswelopele	Matjhabeng	Nala
Theunissen	Dealesville	Bultfontein	Welkom	Bothaville

Verkeerdevlei	Boshof	Hoopstad	Ventersburg	Wesselsbron
Brandfort	Hertzogville		Hennenman	
Soutpan			Virginia	
Winburg			Allanridge	
			Odendaalsrus	

A brief description of each of the local municipalities is provided below.

Masilonyana Local Municipality

The Masilonyana area of jurisdiction is located in the Southern part of Lejweleputswa District Municipality's area of jurisdiction and is surrounded by local municipalities of Matjhabeng, Tswelopele, Tokologo, Mangaung, Mantsopa and Setsoto. The municipal area comprises the towns of Winburg, Theunissen, Brandfort, Verkeerdevlei and Soutpan. There are no major centres within the municipal area and the closest cities are Bloemfontein, Welkom and Kroonstad.

The area has been identified as having contested areas that Municipal Demarcation Board intends to incorporate into Mangaung Local Municipality through processes of boundary re-determination. The most important occurrence over the past two years was the erection of the tollgate on the N1, in the vicinity of Verkeerdevlei.

Tokologo Local Municipality

The area of jurisdiction in the Tokologo Local Municipality is situated in the Lejweleputswa District Municipality region. The former Dealesville, Boshof, Herzogville Transitional Local Councils and sections of the former Western, Central South and Bloemfontein District TRCs are included in the regions. The residential areas include the following areas: Hertzogville/Malebogo, Boshof/Kareehof/ Seretse and Dealesville/ Tswaranang and covers an area of approximately 11 933.24 km².¹

Tswelopele Local Municipality

The Tswelopele Local Municipality was established in terms of section 14 of the Local Government: Municipal Structures Act, Act No 117 of 1998) and was published in Provincial

¹ Tokologo Municipality-SDF 2005

Gazette no 109 dated 28 September 2000 and came into being on 06 December 2000. The new Local Municipality is a category B Municipality with a plenary executive system as contemplated in Section 3(b) of the determination of types of Municipality Act, 2000 (Act No 1 of 2000). Tswelopele is situated in the north western part of the Free State within the regional boundaries of the Lejweleputswa District Municipality. The Local Municipality comprises two urban areas/ centres namely Hoopstad/ Tikwana and Bultfontein/ Phahameng, which are 60 km from each other, as well as their surrounding commercial farmland, and rural areas as demarcated by Municipal Demarcation Board².

Matjhabeng Local Municipality

Economic factors also played a role and a number of towns originated as service centres for the surrounding farming community of the town resulted in a fast growing city where economies of scale started to play a role.

The mining sector has been in a process of restructuring for some years and is still retrenching staff, which is particularly affecting the mining towns of Welkom, Virginia, Odendaalsrus and Allanridge. The sudden surge in petrol prices nationwide would indeed exacerbate the already negative economic growth in the area in terms of employment opportunities. It is also estimated that most of the retrenched labour, mainly unskilled, remains in the region and adds to the social problems associated with declining economic conditions. As local municipalities plan, it is incumbent upon all of us to ensure that we take into account estimated figures of retrenched staff to project future service delivery demands. This will be reinforced by the development of an indigent policy and implementation of the same.

Nala Local Municipality

Wesselsbron and Bothaville function as individual administrative unit with the bulk of the administration being done from Bothaville, which is also the seat of the Council in the area. Technical expertise in all fields of local government, including town planning, engineering, financial, legal and health services is either available from in-house professionals or from specialist consultants in these fields, located either locally or in nearby towns.

² Tswelopele Municipality-SDF 2004

1.6. Political leadership of the institution



**Executive Mayor: Lejweleputswa District Municipality
Councillor Sebenzile Ngangelizwe**



**Speaker: Lejweleputswa District Municipality
Councillor Thanduxolo Khalipha**

1.6.1. Members of the Mayoral Committee of Lejweleputswa District Municipality



Cllr A Mbana
MMC: Finance



Cllr E Lande
MMC: LED & Planning



Cllr S Mabitle
MMC: Corporate Services



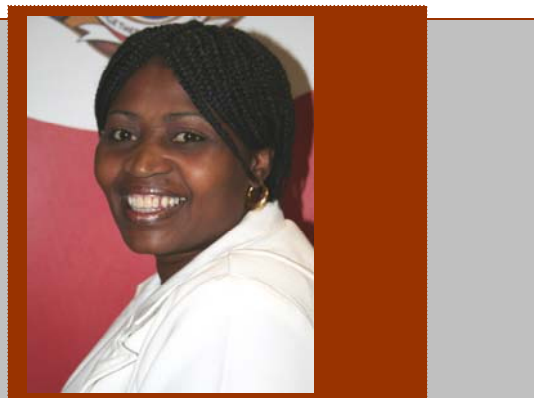
Cllr J. Pereko
MMC: Special Programmes



Cllr K Menyatso
MMC: Technical Services



Cllr S Tshabangu
MMC: Community Services



Cllr D Kotzee
MMC: Social Development

Executive Management



Municipal Manager:
Mr. M M Sefantsi



Ms. NE Aaron
Executive Manager Corporate Services



Mr. T Bofelo
Chief Financial Officer



Mr. LI Mokgathe
Executive Manager: LED & Planning



Mr. J Heunis
Acting Executive Manager Municipal Support



Mr. M Mthombeni
Acting Executive Manager Social Services

Chapter 2

*Organizational priorities for 2008/09
and high level performance highlights*

2.1. Introduction

Council of Lejweleputswa adopted a performance management framework during the 2008/09 financial year with the sole purpose of ensuring that programmes are measurable and gaps as identified in the process of implementation are solved.

The Municipal Systems Act of 2000 and the Local Government: Municipal Planning and Performance Management Regulations of 2001 require that municipalities must adopt a performance management system that is commensurate with their resources. In line with the adoption of the system, municipalities are then required with regards to their resource availability, comply with Circular 13 on the development of the service delivery and budget implementation plans (SDBIP). The contents of the municipality's SDBIP is that it includes set objectives, strategies, key performance indicators and targets for the month, quarter and the year. All these are linked to the adopted IDP and budget of the municipality.

LDM has adopted both the IDP and budget within the set time frames and had as well developed municipal SDBIP which in this regard is the responsibility of the accounting officer of the municipality. Essentially, this report on performance is a reflection of work completed by the accounting officer of the municipality as mandated by council when passing the budget and IDP for implementation in the 2008/09 financial year.

This chapter deals mainly with the municipal SDBIP targets as well as indication of progress against targets that were set for the in-year as well as the end of the year especially with regard to the resources that were prioritised for such activities. In particular, it highlights progress on set activities as are reflected in the main five key priority areas of local government.

2.2. Key performance areas

2.2.1 Good governance and community participation

IDP Objective	Strategy/ SDBIP Objective	Key Performance Indicator	Annual Target	Actual	Achievements
To improve performance accountability by all Departments of the District Municipality for the 2008/9 financial year.	Implement and maintain a performance management system for 2008/9	Generation of monthly computerized institutional reports	12	4	<p>Only 41% of the target was realized for the whole year.</p> <p>The software could not be utilized for this purpose as there were new managers who needed to be introduced to the system.</p> <p>Reports were that were consolidated included:</p> <ul style="list-style-type: none"> ○ 1st quarterly report ○ The section 72 report ○ The third quarterly report ○ The Annual performance report.
	Quarterly monitor and evaluate PMS	Generate 4 quarterly performance assessment reports	4	2	<p>Only 50% of the target was met.</p> <p>Although the intention was to ensure that all the informal assessments as well as the formal ones get compiled, the municipality could unfortunately not sit for the informal assessments due to time constraints.</p>

IDP Objective	Strategy/ SDBIP Objective	Key Performance Indicator	Annual Target	Actual	Achievements
	Audit reports of senior managers in compliance with adopted Departmental SDBIP and implementation plans.	Number of audited reports	12	0	<p>No report was audit except in the manner that has been used in the past.</p> <p>The municipality set aside money for purposes of auditing validity and verifiability of captured information through the use of the internal audit unit but this could happen as the Internal Auditor employed in the 2007-08 financial year resigned.</p> <p>Instead of using this unit, we relied on the use of assessment panel verification process where information provided needed to be evidenced.</p>
To implement an Integrated planning for the district that fully provides information for basis of planning.	Implement and promote community consultation and needs assessment as an essential part of the IDP process where all stakeholders participate in planning the IDP(including Local Municipalities)	Number of consultation meetings	4	8	<p>More than 200% of consultation meetings were held.</p> <ul style="list-style-type: none"> ○ The IDP Representative Forum meeting sat twice in the year. ○ The budget consultation meetings also sat twice for the year. ○ The LDM Steering Committee meeting sat once for the year. ○ The provincial IDP engagements sat once in the year. ○ The provincial IDP Forum was convened three times for the year. ○ The IDP Managers' Forum also sat for more than four times in the year.
	Align all development efforts of the District Municipality with provincial	3 IDP representative forum meetings to be held in the financial year	3	2	<p>Only 67% of IDP Representative Forum meetings sat in the year.</p> <ul style="list-style-type: none"> ○ In particular, the IDP Representative Forum sat twice in the year.

IDP Objective	Strategy/ SDBIP Objective	Key Performance Indicator	Annual Target	Actual	Achievements
	and national priorities by the end of May 2008.				
Promote and enhance public participation and awareness	Facilitate review of functional structures to assist in the development, review and monitoring of municipal programmes.	3 structures reviewed (Public Participation Forum, Ward committees and Speakers forum	3	9	300% of the set targets were met for the year. <ul style="list-style-type: none"> ○ 2 Public participation forum meetings were organized for the year and in line with the budget hearing processes organized under the Office of the Speaker of the municipality. ○ 2 Ward Committee training sessions were held for the year and a budget of R100, 000 was made for the activity in which case only an adjusted R150, 000 was spent. ○ On the 26th June 2009 a ward committee forum was established for purposes of, among others, profiling of wards, addressing service delivery issues and improving participation of communities in matters of governance. ○ Speakers' Forum meetings were organized three times in the year.
To develop and build a conducive working environment for all staff members of	To conduct awareness campaigns in respect of national and provincial calendar of existing	4 Awareness campaigns held	4	4	100% of activities have been met. <ul style="list-style-type: none"> ○ A budget of R180,000 was budgeted in the Office of the Executive Mayor and was spent as follows: <ul style="list-style-type: none"> ○ R120, 000 was spent on women's day celebration in Boshof.

IDP Objective	Strategy/ SDBIP Objective	Key Performance Indicator	Annual Target	Actual	Achievements
the District.	campaigns for women, differently abled, and children in the district				<ul style="list-style-type: none"> ○ R60, 000 was spent on women empowerment workshop. ○ Organized youth in all our local municipalities and bussed them to youth day celebration in Kroonstad. ○ Assisted in the development of 2 cultural groups from the district who then went and participated in the Macufe, as well as; ○ Entering a competition which was held in Qwaqwa.
	Implement a Code of Conduct for Councilors and municipal staff members (community to have access to the Codes of Conduct)	Conduct 3 internal consultation meetings with staff to promote the code of conduct policy.	3	2	67% completed. Of the three only two meetings were held where a service provider, who developed the Code of Conduct policy on behalf of the municipality conducted workshops in order to orientate employees on the policy.
	To implement and review a sexual harassment policy for the municipality	Conduct 3 internal consultation meetings with staff to promote the sexual harassment policy.	3	1	34% of the planned target was met. The municipal staff members were also convened for the workshop on sexual harassment.
	Develop and implement	1 workshop held with	1	3	300% of the planned activities were completed.

IDP Objective	Strategy/ SDBIP Objective	Key Performance Indicator	Annual Target	Actual	Achievements
	workplace skills plan for the municipality	staff members			<p>A service provider was contracted by the municipality to develop and align our workplace skills plan in consultation with staff members.</p> <p>The service provider held meetings; first with management and subsequently with a committee established that represented the needs of staff members as well as a meeting with the rest of staff members of Lejweleputswa.</p> <p>The outcome of the sessions was submitted to national department on behalf of the municipality within a set time frame.</p>
	To institutionalize and induct employees on wellness programme on all municipal staff members.	Employee wellness programme workshops	4	1	25% of the targets were met for the year.
	Develop an HIV/AIDS policy for the employees of the municipality.	HIV/Aids policy developed and approved	1	1	<p>100% completed for the year.</p> <p>A draft policy has been developed for the municipality.</p>
	Conduct workshops on the HIV/Aids policy	Number of workshop	1	1	<p>100% completed for the year.</p> <p>A workshop was organized for the municipal staff.</p>
To keep a register and	Regular Updating of	Monthly update	12	12	100% completed for the set targets.

IDP Objective	Strategy/ SDBIP Objective	Key Performance Indicator	Annual Target	Actual	Achievements
account on a continuous basis on all municipal assets.	comprehensive asset registers and inventory				<ul style="list-style-type: none"> ○ This activity was performed by finance officials where assets in offices get verified on a monthly basis. ○ During the beginning of the year, new tags were put in all municipal assets.
	Develop and/or implement a Municipal fleet utilization management policy	Policy on fleet management	1	1	<p>100% of the activity has been done for the year.</p> <p>A policy on fleet management has been developed. It still awaits to be taken through consultation and engagement process: portfolio committee, MAYCO and council as draft working document before it gets submitted for public consultation where it would then be submitted to council for approval.</p>
	1 meeting to be held to promote fleet management policy	1 meeting	1	0	<p>0% of work was done on the fleet management policy.</p> <p>No meeting was held in the year for that purpose</p>
	Develop and/or update a car maintenance plan.	Car maintenance plan	1	0	<p>0% of work was done on the car maintenance policy.</p> <p>No policy was developed in the year for that purpose</p>
To improve the corporate image of the Institution	Continuously update the municipal website on a monthly basis with latest developments per municipal Department.	Website updated	12	12	<p>100% done.</p> <p>Although the target is 12, there were instances when more updates were required to factored in the website.</p> <p>Among other issues that were updated:</p> <ul style="list-style-type: none"> ○ Final IDP 2008/09

IDP Objective	Strategy/ SDBIP Objective	Key Performance Indicator	Annual Target	Actual	Achievements
					<ul style="list-style-type: none"> ○ Tenders and quotations required to be on the websites as per legislative requirement. ○ Public participation meetings on annual reports.
	To produce 4 editions of municipal newsletters in a year.	Newsletter	4	4	<p>100% was done of the targets set.</p> <p>Although a newspaper was not established for the municipality, it was agreed that this target be changed as it would require a lot of money and we only had R105, 000.</p> <ul style="list-style-type: none"> ○ For all required publications, we prioritized local newspapers for all our media requirements especially the Free State Sun. ○ We also enrolled on a quarterly issue of Prosperity magazine. The amount that was required was R115, 000.
	Produce 12 sets of new products for the municipality per year.	Municipal branded products	12	12	<p>100% completed as part of ensuring that we place the municipality at the forefront of community development.</p> <p>The following were realized in terms of the target as set for the year:</p> <ul style="list-style-type: none"> ○ Three municipal boards were branded with municipal information ○ Sets of flip chart stands, banners were produced for the municipality ○ Diaries for the 2008/09 financial were developed. ○ Branded annual report, IDP, PMS

IDP Objective	Strategy/ SDBIP Objective	Key Performance Indicator	Annual Target	Actual	Achievements
					<ul style="list-style-type: none"> ○ Adverts in the Prosperity magazine of the province ○ Tourism brochures were developed for information dissemination among tourism communities in the district. ○ Branded the municipality through producing T-shirts and brochures for the disaster awareness campaigns.
	To develop a pauper's policy for the district as a whole.	Pauper's policy	1	1	<p>100% of the target was achieved.</p> <p>A pauper's policy was developed but still had to undergo internal consultation process before it is adopted for implementation.</p>
To promote intergovernmental relations among stakeholders within the district municipality.	Facilitate conducting of 4 IGR Municipal Managers forum sittings per year on service delivery areas	4 IGR MMs Forum sittings	4	4	<p>100% of the meetings as scheduled were held.</p> <p>The format of the planned was altered to give individual interaction a priority.</p> <ul style="list-style-type: none"> ○ The MM had several meetings with the Municipal Manager of Masilonyana Local Municipality in particular on request from her in order for the district to assist here municipality. ○ A few meetings were held with the Municipal Manager of Tokologo Local Municipality regarding the water project in Boshof. ○ The Acting Municipal Manager of the district also had a meeting with the Municipal Manager of Matjhabeng Local Municipality regarding Airport renovation project.

IDP Objective	Strategy/ SDBIP Objective	Key Performance Indicator	Annual Target	Actual	Achievements
					On the main the forum did not sit as a forum where all Municipal Managers of the district discussed issues but individual issues were discussed with respective Municipal Managers.
	Facilitate hosting of 4 IGR Mayors forum sittings per year on service delivery areas	4 IGR Mayor's Forum sittings	4	2	50% of the meetings were held for the year. <ul style="list-style-type: none"> Two reports out of the planned projects were developed in line with the meetings that were held.
	Facilitate hosting of 4 IGR Speakers forum sittings per year on service delivery areas	4 IGR Speakers Forum sittings	4	5	125% of the forum meetings were held.
To create and improve the needed skills of inhabitants of the district for better service delivery within its jurisdiction.	Provide financial assistance to all local municipalities to develop their IDPs, PMS and SDFs and other municipal programmes on the basis of need.	Number of areas that received financial support.	R735,000		Women and youth have been capacitated or trained in all the towns of Tokologo, Tswelopele, Masilonyana and Nala Local Municipalities. We have trained them on issues pertaining to how to establish business, tendering, business management, financial management and cooperatives management. The only outstanding municipality for training on LED is Matjhabeng Municipality.
	To give learnership to deserving individuals	Number of training sessions provided	9	9	100% of sessions were held for the year. Lejweleputswa District Municipality and LG Seta entered into an agreement where learners from the district were engaged in LED learnership for a

IDP Objective	Strategy/ SDBIP Objective	Key Performance Indicator	Annual Target	Actual	Achievements
	within the district for a period of 1 year.				<p>period of twelve months starting from the 2007/08 financial year.</p> <p>The other intention of this learnership was to ensure that job opportunities are prioritized for the team. From a team that was located in the municipality, 1 graduate was retained in the municipality's LED department. The other applied for a post that existed in the municipality and was given priority and have been hired in July 2009.</p>
	Identify and allocate bursaries to indigent and deserving pupils to study at tertiary institutions.	10 pupils supported	8	20	<p>250% success has been achieved.</p> <p>Of the planned 8 students for the year, there are twenty students who are receiving financial support from the municipality.</p> <p>A range of career opportunities have been prioritized for the bursaries including information technology and financial accounting.</p> <p>The challenge with the programme is for the municipality to draw some contract terms with all sponsored students to ensure that they assist the district in some form of manner when they finish their studies.</p>
	Provide funding to internal staff for further capacity building.	Dependent on number and amounts requested	Dependent on amounts and money requested	Officials in strategic positions underwent training for	<p>A number of capacity building initiatives were undertaken for the year.</p> <ul style="list-style-type: none"> ○ The secretaries of both the Offices of the Municipal Manager and Technical Department went for training in Cape Town. ○ Batho Pele Coordinator went for training in Pretoria during the financial year. ○ The Manager in the Office of the Municipal Manager went for a training workshop on Performance audit training in Durban in 2008.

IDP Objective	Strategy/ SDBIP Objective	Key Performance Indicator	Annual Target	Actual	Achievements
				various amounts.	<ul style="list-style-type: none"> Me. Nontsikelelo Aaron went to training workshop in Cape Town.
	Expand the office building to accommodate the archive section of the municipality.	Expansion of Archive section completed	1	1	<p>100% was done for the year.</p> <ul style="list-style-type: none"> Since the project inception in the 2007/08 financial year, architectural designs have been completed. There were design complications that were not identified in the earlier project phase which were eventually clarified. The building was said to require own structure and therefore some alterations would have been necessary. The other issue was that the budgeted amount was far below than what was required coming from the bills of quantities from the designers. Additional was then expected for the project in the next financial year in order to start with the project.
To adhere to employment equity targets as set by the municipality.	Develop and implement Employment equity plan for the municipality.	1 Employment Equity Plan developed and implemented	1	1	<p>100% of the deliverable has been done as a draft employment equity plan exists.</p> <ul style="list-style-type: none"> An employment equity plan has been developed for the municipality in consultation with departments in the municipality. It was not yet taken through council as expected and remains a draft.

2.2.1.1. Summary of performance of the key performance area.

Objective	Project Name	Key Performance Indicator	Annual Targets	Actual	Performance analysis	Deviation
To improve performance accountability by all Departments of the District Municipality for the 2008/9 financial year	Monthly computerized institutional reports	12	12	4	33.3%	8
	Generate 4 quarterly performance assessment reports	4	4	2	50%	2
	Number of audited reports	12	12	0	0%	12
To implement an Integrated planning for the district that fully provides information for basis of planning.	Number of consultation meetings	4	4	8	200%	0

	3 IDP representative forum meetings to be held in the financial year	3	3	2	67%	1
Promote and enhance public participation and awareness	3 structures reviewed (Public Participation Forum, Ward committees and Speakers forum)	3	3	9	300%	0
To develop and build a conducive working environment for all staff members of the District.	4 awareness campaigns held.	4	4	4	100%	0
	Conduct 3 internal consultation meetings with staff to promote the code of conduct policy.	3	3	2	67%	1
	Conduct 3 internal consultation meetings with staff to promote the sexual harassment	3	3	1	34%	2

	policy.					
	1 workshop held with staff members	1	1	3	300%	0
	Employee wellness programme workshops	4	4	1	25%	3
	HIV/Aids policy developed and approved	1	1	1	100%	0
	Number of workshop	1	1	1	100%	0
To keep a register and account on a continuous basis on all municipal assets.	Monthly update	12	12	12	100%	0
	Policy on fleet management	1	1	1	100%	0
	1 meeting	1	1	0	0%	1
	Car maintenance plan	1	1	0	0%	1
To improve the corporate image of the Institution	Website updated	12	12	12	100%	0

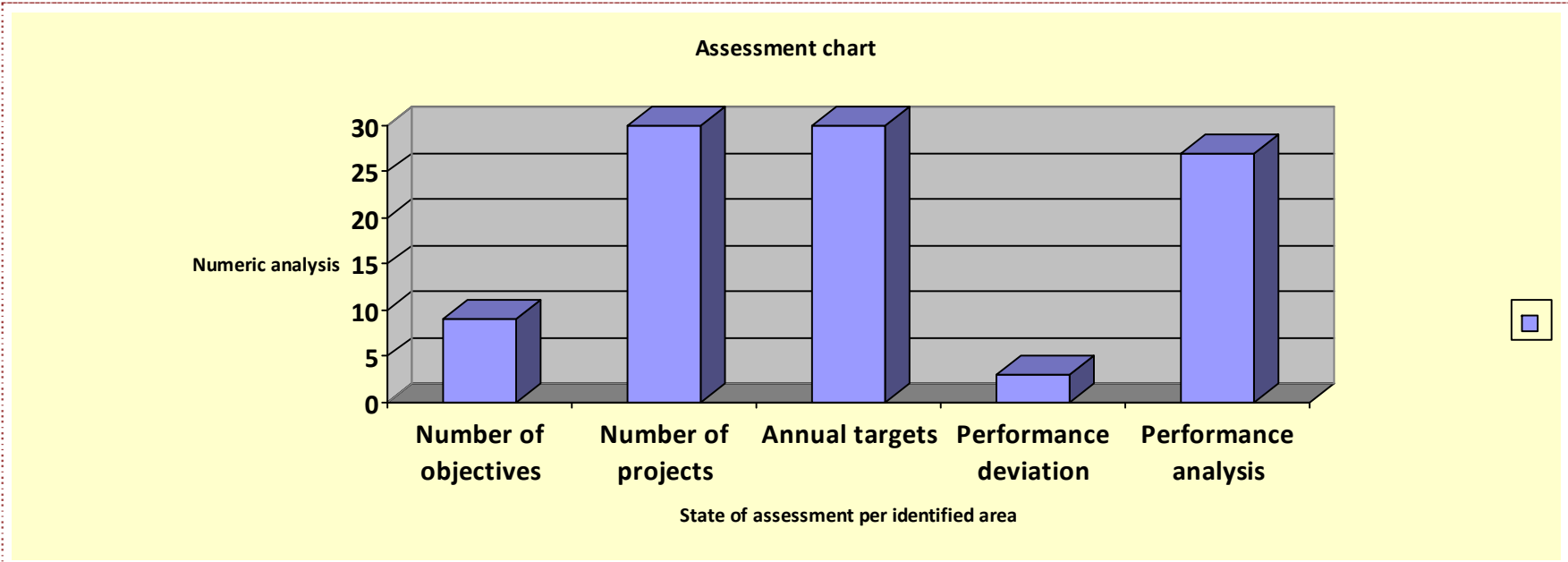
	Newsletter	4	4	4	100%	0
	Municipal branded products	12	12	12	100%	0
	Pauper's policy	1	1	1	100%	0
To promote intergovernmental relations among stakeholders within the district municipality.	4 IGR MMs Forum sittings	4	4	4	100%	0
	4 IGR Mayor's Forum sittings	4	4	2	50%	0
	4 IGR Speakers Forum sittings	4	4	5	125%	0
To create and improve the needed skills of inhabitants of the district for better service delivery within its jurisdiction.	Number of areas that received financial support.	R735,000	R735,000	R500,000	67%	R250,000
	Number of training sessions provided	9	9	9	100%	0

	10 pupils supported	8	8	20	250%	0
	Dependent on number and amounts requested	Dependent on amounts and money requested	Dependent on amounts and money requested	4	100% of requests satisfied	0
	Expansion of Archive section completed	1	1	1	100%	0
To adhere to employment equity targets as set by the municipality.	1 Employment Equity Plan developed and implemented	1	1	1	100%	0

2.2.1.2. Overall assessment of the KPA

KPA	Number of objectives	Number of projects	Annual targets	Performance deviation	Performance analysis	Success rate
	9	30	30	3	27	90%

2.2.1.3. Graphic representation of the performance of the above KPA-below



2.2.2. Municipal Financial viability and Financial Management

IDP Objective	Strategy	Key Performance Indicator	Annual Target	Actual	Achievements
To ensure performance of high level assessment of financial management and financial risk	Ensure performance of risk based internal Financial audits with corrective governance procedures and approaches.	Quarterly risk based internal financial audits	4	-	<p>0% was performed for the task.</p> <ul style="list-style-type: none"> ○ The challenge we had with the task was that we did not have Internal Auditor for the remainder of the year. ○ We have advertised for the services of an internal audit function and the task was performed beyond the required time frames due to internal challenges.
	Ensure compliance with GAMAP/GRAP policy	90% compliance	90%	99%	<p>A draft AFS has been developed for 2008/09 financial year.</p> <p>More than 68 AG queries were submitted as responses by both Finance and other offices that were requested to respond.</p>
		90% compliance to systems put in place	90%	100%	<p>111% was achieved for the activity.</p> <p>Supply Chain Management Staff members were afforded the opportunity to attend training in order to capacitate themselves with relevant policies on supply chain management.</p> <p>Other members of staff were also given the opportunity to attend these meetings.</p>

IDP Objective	Strategy	Key Performance Indicator	Annual Target	Actual	Achievements
					<p>In particular, two members of the finance department have completed a CPMD course organized by National Treasury and University of the Witwatersrand-Business School; Mr. Me. Noloyiso Gqoli and Mr. Mafika Mashinini.</p> <p>We attended the provincial CFO meetings as and when convened by the provincial Treasury department to discuss matters of municipal and provincial financial interest.</p>
	Review and sustain a sound debt and credit control policy	Debt and credit control policy reviewed	1	0	<p>0% was done.</p> <p>No policy was reviewed for the financial year.</p>
To assist municipalities to improve accountability and financial management	Continuous coordination and support with the implementation of budget & other financial reforms (GRAP).	Generate quarterly report	4	4	<p>100% of this was done.</p> <p>Of importance here was the role that the district municipality played in ensuring that our presence had positive spin-offs in the deteriorating financial conditions of Masilonyana Local Municipality.</p> <p>The reports that were provided were not specifically about the assistance provided but were submitted as part of the requirements for progress done in a quarter.</p> <p>The municipality provided two accountants to Masilonyana whose role was to assist finance personnel in Masilonyana on finance matters.</p>
	Coordinate compliance with applicable MFMA sections.	50% improvement towards unqualified audits	50%	-	<p>A measure of success has been identified.</p> <p>The difficulty with the intervention has been that whilst assistance was given to improve on MFMA compliance, the next a visit is undertaken, the same wrong</p>

IDP Objective	Strategy	Key Performance Indicator	Annual Target	Actual	Achievements
					methods get applied and it then became difficult for the team to assist, hence it was not sure if the 50% improvement was registered for the year.
	Rendering of a technical finance support service to local municipalities based on intergovernmental requests	50% improvement towards unqualified audits.	50%	-	The same as above is the case here. The team did not have total control of the finance environment of the municipality. Future engagement must be struck that enables the team to play a meaningful role in the municipality.
		Develop quarterly reports	4	4	100% compliance. Four quarterly reports were developed for submission by the department.
		Develop monthly reports	12	16	134% compiled reports for finance technical support <ul style="list-style-type: none"> ○ Monthly reports were submitted by the Finance Technical Support before they were amalgamated to one Municipal Support Department. ○ Skills challenges and commitment of officials a major concern.

2.2.2.1. Summary of performance of the key performance area

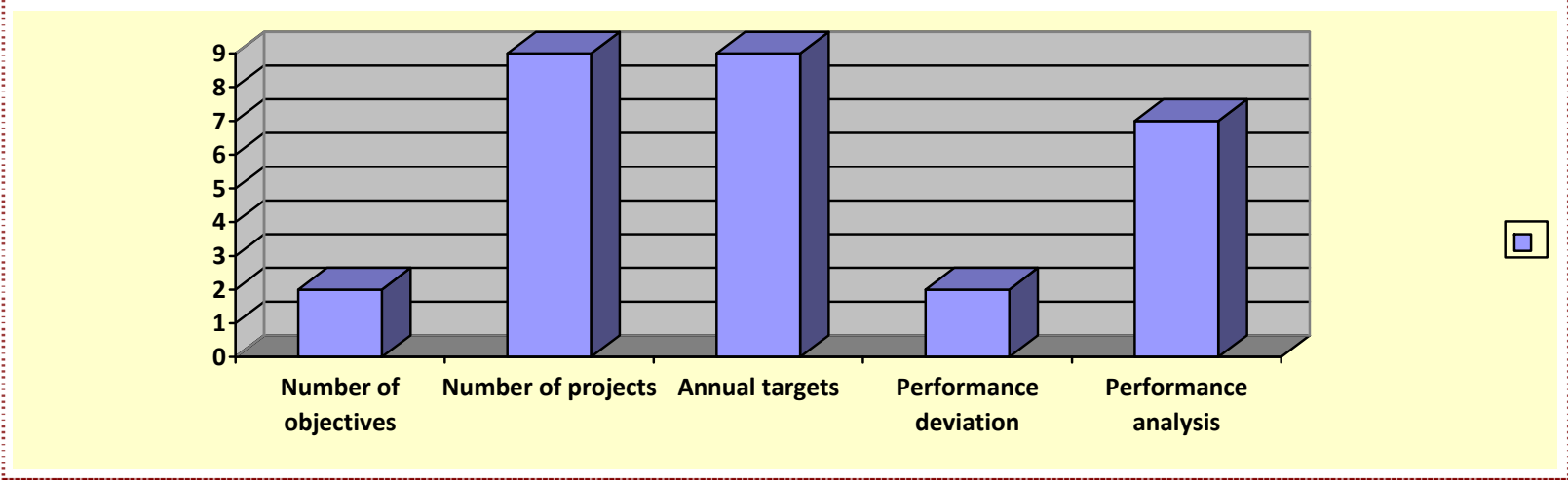
Objective	Project Name	Key Performance Indicator	Annual Targets	Actual	Performance analysis	Deviation
To ensure performance of high level assessment of financial management and financial risk	Quarterly risk based internal financial audits	4	4	0	0%	4
	90% compliance	90%	90%	99%	110%	0
	90% compliance to systems put in place	90%	90%	100%	111%	0
	Debt and credit control policy reviewed	1	1	0	0%	1
To assist municipalities to improve accountability and financial management	Generate quarterly report	4	4	4	100%	0
	50% improvement towards unqualified audits	50%	50%	50%	100%	0

50% improvement towards unqualified audits.	50%	50%	50%	100%	0
Develop quarterly reports	4	4	4	100%	0
Develop monthly reports	12	12	16	134%	0

2.2.2.2. Overall assessment of the key performance area

KPA	Number of objectives	Number of projects	Annual targets	Performance deviation	Performance analysis	Success rate
Municipal Financial viability and management	2	9	9	2	7	78%

2.2.2.3. Graphic representation of the performance of the above KPA-below



2.2.3. Local Economic Development

IDP Objective	Strategy	Key Performance Indicator	Annual Target	Actual	Achievements
To Grade 20 guest Houses and Bed & Breakfast establishments by the end of the financial year.	Prioritize small business entities and link them in the main stream economy.	Graded guest houses and B &B facilities (quality assurance)	20	0	0% grading done for the year. Although there was a plan to grade all the 20 guest houses in the district, the only figures in our database is the 16 guest houses that were graded in February 2008.
To develop and print LDM CD-DVD and brochures for distribution.	Print and distribute all materials printed in major strategic places.	Number of brochures printed for distribution	5000	3000+ 1000cds	80% of the work has been completed for the year. <ul style="list-style-type: none"> ○ Although a plan was to print 5000 copies of tourism brochures for the year, only 3000 were printed. ○ They were distributed to a number of places including during the Macufe show. ○ We have also marketed our products as a district in places such as Durban International Tourism Indaba as well as the Get Away Tourism Show in Midrand.
To promote tourism support in the	Facilitate entering into service Level agreement with	2 service level agreements entered with Beatrix and Harmony	2	0	0% The planned service level agreements to be entered into between the municipality and the two mining houses did not materialize as envisaged.

IDP Objective	Strategy	Key Performance Indicator	Annual Target	Actual	Achievements
district	mining houses for the establishment of an entertainment and tourism mall in Matjhabeng Local Municipality.	Gold mines			
To review and Implement District Growth and Development Strategy	Convene all stakeholders before the end of the financial year.	Adopted GDS with an implementation plan in place	3	-	<p>Although there was no meeting convened for the review, the GDS was not reviewed as anticipated in the year. Instead, an implementation plan was developed and adopted. Among a number of related activities, the following were noted:</p> <ul style="list-style-type: none"> ○ A marketing and tourism strategy for the district was developed. ○ An implementation plan for the GDS was developed and adopted by council for implementation. ○ Part of the GDS projects that were implemented in the year included: <ul style="list-style-type: none"> ○ Phakisa Major Sports events which were held in September 2008 ○ FIFA Confederations Cup fan parks that embraced Sports Tourism ○ In association with Free State Tourism Authority, hosted international tourists who toured and showcased our mines to

IDP Objective	Strategy	Key Performance Indicator	Annual Target	Actual	Achievements
					national media. <ul style="list-style-type: none"> Facilitated the meetings where Winnie Mandela Museum is being planned in Brandfort.
	Develop an implementation plan linked to the GDS for the next 5 years to be reviewed annually.	5 year GDS Implementation Plan developed.	1	1	100% done. An implementation plan linked to the GDS was developed.
	To revise the District wide Spatial Development Framework for purposes of informing the next review of the IDP.	Reviewed and adopted SDF in place before the end of the 2008/9 financial year.	1	1	100% A process of ensuring that the SDF was reviewed was followed within the procurement policy provisions of the municipality. <ul style="list-style-type: none"> A draft SDF exists for 2008/09 financial year. A process of adopting the document was not completed.
Revive LED infrastructure to promote economic development and sustainability.	Renovate Matjhabeng showground for local economic activities.	Matjhabeng Showground infrastructure renovated	1	0	0% The intention to renovate Matjhabeng showground was not fulfilled. The infrastructure remains as was in the past. There is however constant cleaning around the area by local municipal workers.
	Undertake feasibility studies to	Feasibility study undertaken	1	0	0% <ul style="list-style-type: none"> No feasibility studies were conducted for this purpose. No report could

IDP Objective	Strategy	Key Performance Indicator	Annual Target	Actual	Achievements
	develop the Welkom Airport into an international cargo facility.				<p>be developed.</p> <ul style="list-style-type: none"> ○ However, a standing committee was established between the district and Matjhabeng Local Municipality with a rotating chairpersonship between the two MMs. ○ Service providers were already identified by Matjhabeng for payment in order to start with the project. The last meeting was held in December 2008 in anticipation that future meetings would spell out the financial requirements for completing the project.
	Support the expansion of Phakisa facility to accommodate a multi-purpose complex.	Enter into a service level agreement for Phakisa infrastructure expansion	1 SLA	0	0% No SLA was entered into as anticipated between the two entities.
	Undertake feasibility Studies on the profitability of titanium mining activity in the district.	A feasibility study report developed	1	-	0% No feasibility study report was developed as there was no study conducted on the titanium mining activity.
	Undertake feasibility study on the profitability of	A feasibility study report developed	1	-	0% No feasibility study report was developed as there was no study conducted on the salt pan activity.

IDP Objective	Strategy	Key Performance Indicator	Annual Target	Actual	Achievements
	Salt Pans in the district				
	To facilitate the establishment of a convention centre in the Phakisa area.	Progress report submitted	4	-	0% No reports were developed throughout the year for establishment of the centre as well as engagement of departmental staff members in this regard.
	To provide financial support to the LDA for creating conducive environments for more investment and employment opportunities.	R2 m disbursed in accordance to performance agreement signed with LDA CEO	R2m	R2m	100% Money was provided to the LDA for purposes of conducting feasibility studies on identified projects as well as for administrative purposes.
To establish partnerships with other economic players to grow the economy of the district.	Monitor the development of the of the Bio-Fuel Energy policy framework	Quarterly monitoring of legislative developments.	4	0	0% The reports on this project were not compiled as there were moves in terms of the initial moratorium. No lifting or prospects of lifting the moratorium were visible and therefore there was nothing to write about as the status quo remained through the year.
	To facilitate the establishment of	Project launch report	1	0	0%

IDP Objective	Strategy	Key Performance Indicator	Annual Target	Actual	Achievements
	essential oils project in the district.	written and submitted			The project was never launched in the year.
	To coordinate DTI 'Project Khulis'umnotho' LED capacity building programme to fast track growing economy of the district.	Quarterly reports on the LED capacity building programme	4	6	150% The first meeting was held in Lejweleputswa and conducted by the service provider-Urban Econ. Subsequent meetings were conducted in specific municipalities. Progress report was developed and delivered.
	Facilitate training and registration of community based co-operatives in the district.	Number of co-operatives registered and trained	5	8	160% Although the initial number was to target 5 cooperatives and register them, it was evident that each local municipality had to be targeted. The following are projects that were identified and groomed to develop as cooperatives throughout the district: <ul style="list-style-type: none"> ○ Crop farming project in Hertzogville ○ Itumeleng Poultry Farming Cooperative in Phomolong. ○ Sigoniwe Recycling Cooperative in Matjhabeng

IDP Objective	Strategy	Key Performance Indicator	Annual Target	Actual	Achievements
					<ul style="list-style-type: none"> ○ Lejweleputswa District Financial Cooperative in Welkom ○ Free State Leather Youth Cooperative in Thabong ○ Bompodi Arts and Crafts Cooperative in Virginia ○ Thusang Basadi Wool Manufacturing Cooperative ○ Bokgabane Agriculture Cooperative ○ Baitshepi Agricultural Cooperative in Nala
Ensure that sustainable benefits of economic growth accrue to previously disadvantaged communities, groups and individuals	No of hectares of well Located land acquired for housing developments, industrial and economic development as would be prescribed by the policy framework agreed upon with DPLG and DoH.	Number of hectares earmarked for housing developments throughout the district	1000 ha	-	<p>In process.</p> <ul style="list-style-type: none"> ○ Although the target was set for the financial year, it was established that this must be an on-going process as it involves all the local municipalities. ○ The first meeting was held on the 19 September 2008. ○ A land audit process was commissioned by the district municipality with a view of establishing available land for this and other related purposes. ○ The report has been completed and must then be discussed by stakeholders.
	To assist office of the Land Claims Commissioner in facilitating resettlement of	Number of meetings facilitated on behalf of Land Claims Commissioner	4	-	<p>0%</p> <p>No meeting was held in this regard and could have been facilitated by the Land Claims Commission in the Free State.</p>

IDP Objective	Strategy	Key Performance Indicator	Annual Target	Actual	Achievements
	beneficiaries through provision of infrastructure and basic services.				

2.2.3.1. Summary of performance of the key performance area

Objective	Project Name	Key Performance Indicator	Annual Targets	Actual	Performance analysis	Deviation
To Grade 20 guest Houses and Bed & Breakfast establishments by the end of the financial year.	Guest houses and B &B facilities	Graded guest houses and B &B facilities (quality assurance)	20	0	0%	20
To develop and print LDM CD-DVD and brochures for distribution.	Brochures	Number of brochures printed for distribution	5000	3000+ 1000cds	80%	1000
To promote tourism support in the district	2 service level agreements	2 service level agreements entered with Beatrix and Harmony Gold mines	2	0	0%	2
To review and Implement District Growth and Development Strategy	GDS implementation plan	Adopted GDS with an implementation plan in place	3	0	0%	3
	GDS Implementation Plan	5 year GDS Implementation Plan developed.	1	1	100%	0
	Reviewed and adopted SDF	Reviewed and adopted SDF in place before the	1	1	100%	0

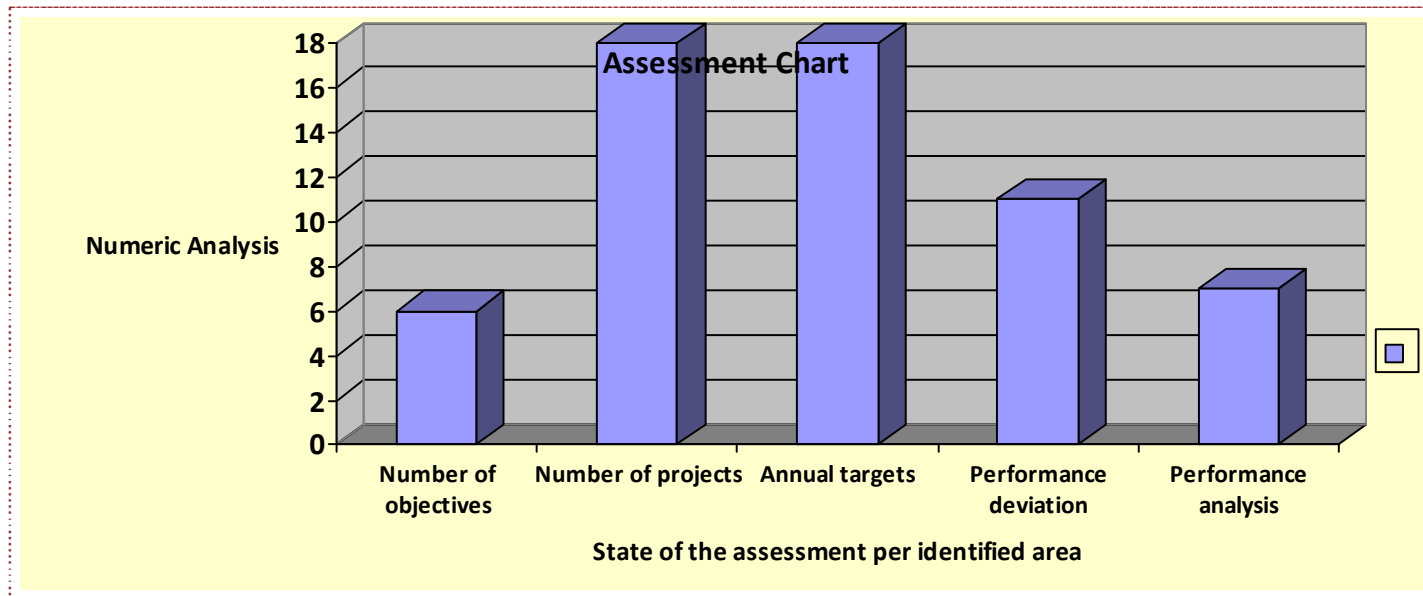
			end of the 2008/9 financial year.				
Revive infrastructure to promote economic development and sustainability.	LED	Matjhabeng Showground	Matjhabeng Showground infrastructure renovated	1	0	0%	1
		Welkom Airport	Feasibility study undertaken	1	0	0%	1
		Phakisa multi-purpose complex.	Enter into a service level agreement for Phakisa infrastructure expansion	1	0	0%	1
		Titanium mining	A feasibility study report developed	1	0	0%	1
		Salt Pans	A feasibility study report developed	1	0	0%	1
		Phakisa Convention centre.	Progress report submitted	4	4	0%	4
		LDA	R2 m disbursed in accordance to performance agreement signed with LDA CEO	R2m	R2m	100%	0

To establish partnerships with other economic players to grow the economy of the district.	Quarterly reports.	Quarterly reports on the LED capacity building programme	4	6	150%	0
	Project launch	Project launch report written and submitted	1	0	0%	1
	co-operatives registration and training	Number of co-operatives registered and trained	5	8	160%	0
	Land Acquisition	Number of hectares earmarked for housing developments throughout the district	1000 ha	0	0%	1000ha
	Provincial Land Claims Commission	Number of meetings facilitated on behalf of Land Claims Commissioner	4	0	0%	4

2.2.3.2. Overall assessment of the key performance area

KPA	Number of objectives	Number of projects	Annual targets	Performance deviation	Performance analysis	Success rate
Local Economic Development	6	18	18	11	7	39%

2.2.3.3. Graphic representation of the performance of the above KPA



2.2.4. Basic Service delivery and Infrastructure Investment

IDP Objective	Strategy	Key Performance Indicator	Annual Target	Actual	Achievements
To alleviate all forms of discrimination against women, youth and differently-abled people.	To develop a policy on youth development in the district.	1 youth policy developed and adopted	1	1	100% <ul style="list-style-type: none"> ○ A youth policy has been developed for the municipality. ○ It still needs to be taken through internal processes until it gets adopted by council.
To improve accessibility and safety of staff and members of the community in the municipal building	Install electrical device for detecting dangerous weapons.	Electrical devise installed and monitored on a monthly basis at 2 main entrances	2	2	100% <ul style="list-style-type: none"> ○ Control entrances have been introduced and security improved. ○ Security personnel have a manual system of detecting dangerous weapons.
	Provide extension to the new office block by the end of the new financial year.	Extension to new office block	1	0	0% <p>No extension was done in the new office block for the year.</p>
To facilitate the roll-out of the indigent policy throughout	To assist local municipalities to conduct awareness campaigns on	Awareness campaign	1	0	0% <ul style="list-style-type: none"> ○ No report was compiled in the year for this purpose. ○ It is however the responsibility of local municipalities to conduct

IDP Objective	Strategy	Key Performance Indicator	Annual Target	Actual	Achievements
the district.	Free Basic Services				awareness campaigns on free basic services.
To assist local municipalities in the implementation of infrastructure projects in the district.	To support the provision of adequate potable water in Tokologo Local Municipality.	Full bulk water reticulation	1	In process	0% The project was not completed in the financial year as anticipated.
	To develop a shared services framework that will assist municipalities in accessing ICT initiatives throughout the district.	Commissioning of a service provider and completion of business plan	1	1	100% A service provider was commissioned by the municipality to establish feasibility of a shared service centre concept in the district in areas such as ICT. A meeting was convened with the service provider where the initial findings were presented to stakeholders. A report was then submitted to the municipality with recommendations.
	Facilitate and upgrade existing access roads in all farming areas of the local Municipalities.	4 kilometer access road graveled throughout the district. Progress towards building a plant in Matjhabeng.	4km	116.8km	100%+ Road construction machinery procured and delivered....116.8km graded in area an Matjhabeng Land has been secured and tender processes have been followed to ensure that all equipments to be housed there are safe.
		Completed Phumlani Cemetery	1	ongoing	31% completed <ul style="list-style-type: none"> ○ Last payment was done on 25/06/2009. ○ Project was stalled due to certain contractual issues not met by appointed Service Provided. Council had to appoint another contractor late in the financial year.

IDP Objective	Strategy	Key Performance Indicator	Annual Target	Actual	Achievements
	Conduct a review of the District Municipal Integrated Transport Plan.	Reviewed and adopted ITP	1	0	0% No review was done in the financial year.
To foster an integrated partnership environment for the delivery of primary health care in the district.	To provide continuous support to LMs in the eradication of buckets by the end of March 2009.	Number of meetings held	9	6	67% o 6 Bi – monthly meetings were attended mainly for facilitation, coordination and supporting role. Project is continuing .
	Convene 4 District Aids Council sessions during the 2008/2009 financial year.	4 sessions	4	5	125% o R132, 000 was set aside for the District Aids council activities and the whole amount was spent for the year. o Five local Aids Council meetings were held to prepare for all activities of HIV/AIDS. o A District Coordinator was appointed in order to improve the running of council matters.
	Host HIV/AIDS training workshops in association with the Department of Health in the district.	4 training workshops	4	5	125% R200, 000 was budgeted for the HIV/AIDS awareness in the year. Of the planned 4 campaigns, five were actually conducted. That was possible when these activities included the honouring of World Aids Day event.

IDP Objective	Strategy	Key Performance Indicator	Annual Target	Actual	Achievements
To establish a comprehensive fire fighting and rescue services.	Purchase of 2 Unimoc fire fighting vehicles for Masilonyana and Tswelopele Local Municipalities.	1 fire engine pump purchased	1	0	
	Purchase 1 rescue equipment	1 set of rescue equipment purchased	1		
	Employ trained fire fighters.	Number of fire fighters employed	5		
	Purchase of protective clothing	Protective clothing available	5		
	Purchase equipment for the disaster management centre.	Equipment purchased as required	Sets as required		
To promote arts and sporting, cultural activities in the district.	Coordinate cultural and sporting activities throughout the district	Progress report on coordination of cultural activities	1		
To contribute towards the reduction of	To plan, organize CPF and conduct anti-crime	4 awareness campaigns per year for 5years	4	4	100% done

IDP Objective	Strategy	Key Performance Indicator	Annual Target	Actual	Achievements
crime in the district by entering into agreements with existing policing institutions and forums.	awareness campaigns in the district with collaboration from local Municipalities and interest groups.				
Establish a Disaster Management Centre that suits the requirements of the District and Local municipalities .	Erect the second phase of the Centre within the jurisdiction of Matjhabeng Local Municipality in Welkom.	Progress report compiled monthly	12	1	In process A report has been submitted by the contractors regarding progress achieved.
To provide for Emergency relief for distressed and indigent families during disaster	Avail funding for <ul style="list-style-type: none"> • Food relief. • Blankets and clothing. • Repairs of structural damage. 	Emergency relief fund available on request	When required	1	Done A number of families were assisted when fires razed their shacks. Priority was given for buying of blankets, cutlery and other requirements for rebuilding of razed informal structures.
	To develop and maintain a comprehensive public awareness and community participation	Awareness campaigns	4		

IDP Objective	Strategy	Key Performance Indicator	Annual Target	Actual	Achievements
	programme.				
To facilitate the implementation of a greening plan by the Local Municipalities for the entire area that will contribute to protection of the natural environment and to ensure the effective management of environmentally sensitive areas and natural resources.	Develop waste management master plan for the district.	Waste management master plan	1		
	Develop and implement a waste information system	Waste information system	1		
	To ensure microbiological physical and chemical food safety within the formal and informal food sector.	Quarterly spot checks	40		
	Coordinate the sampling of potable water in local municipalities for quality	Quarterly sampling	4		
	Ensure that increased	Progress reports	4		

IDP Objective	Strategy	Key Performance Indicator	Annual Target	Actual	Achievements
	manifestation of rodents in the Matjhabeng area is continuously minimized.				
To promote arts and sporting, cultural activities in the district.	Coordinate cultural and sporting activities throughout the district	Progress reports	1		

2.2.4.1. Summary of performance of the key performance area

Objective	Project Name	Key Performance Indicator	Annual Targets	Actual	Performance analysis	Deviation
To alleviate all forms of discrimination against women, youth and differently-abled people.	Youth Development Policy	1 youth policy developed and adopted	1	1	100%	0
To improve accessibility and safety of staff and members of the community in the municipal building	Electrical installation	Electrical devise installed and monitored on a monthly basis at 2 main entrances	2	2	100%	0
To facilitate the roll-out of the indigent policy throughout the district.	Office block	Extension to new office block	1	0	0%	1
To assist local municipalities in the implementation of infrastructure projects in the district.	Campaign	Awareness campaign	1	0	0%	1
	Bulk Potable Water	Full bulk water reticulation	1	0	0%	1

	Business Plan	Commissioning of a service provider and completion of business plan	1	1	100%	0
	Access Road	4 kilometer access road graveled throughout the district. Progress towards a Disaster Management Plant in Matjhabeng.	4km	116.8 km	100%+	0
	Cemetery	Completed Phumlani Cemetery	1	0	0%	1
	ITP	Reviewed and adopted ITP	1	0	0%	1
	Meetings	Number of meetings held	9	6	67%	3
	Meetings	4 sessions	4	5	125%	0
	Workshops	4 training workshops	4	5	125%	0
To establish a comprehensive fire fighting and rescue services.	Fire engine pump	1 fire engine pump purchased	1	1	100%	0

	Rescue equipment	1 set of rescue equipment purchased	1	0	0%	1
	Fire fighters	Number of fire fighters employed	5	0	0%	5
	Protective Clothing	Protective clothing available	5	0	0%	5
	Equipment	Equipment purchased as required	Sets as required	0	0%	Sets as required
To promote arts and sporting, cultural activities in the district.	Cultural Activities	Progress report on coordination of cultural activities	1	1	100%	0
To contribute towards the reduction of crime in the district by entering into agreements with existing policing institutions and forums.	Campaigns	4 awareness campaigns per year for 5years	4	4	100%	0
Establish a Disaster Management Centre that suits the requirements of the District and Local	Progress Reports	Progress report compiled monthly	12	1	8%	11

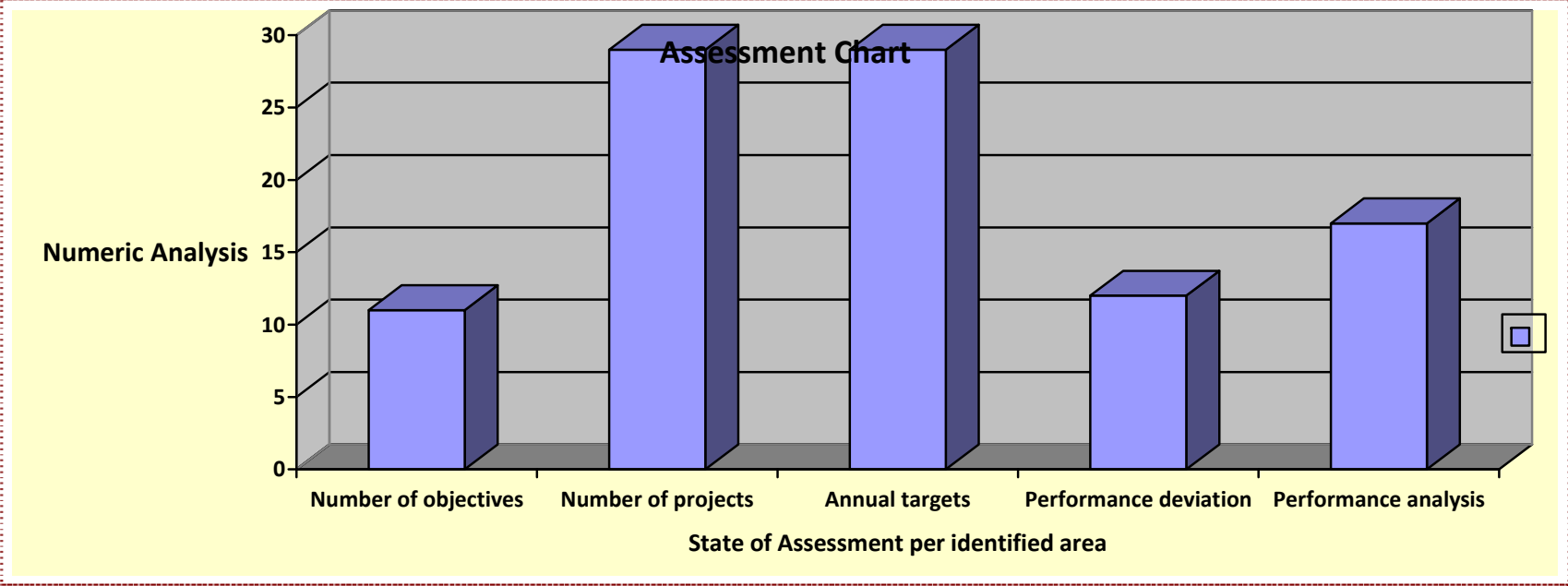
municipalities.						
To provide for Emergency relief for distressed and indigent families during disaster	Emergency Relief Fund	Emergency relief fund available on request	When required	1	100%	0
	Awareness campaigns	Awareness campaigns	4	4	100%	0
To facilitate the implementation of a greening plan by the Local Municipalities for the entire area that will contribute to protection of the natural environment and to ensure the effective management of environmentally sensitive areas and natural resources.	Waste Management Master Plan	Waste management master plan	1	0	0%	1
	Waste Information System	Waste information system	1	0	0%	1
	Spot Checks	Quarterly spot checks	40	40+	100%+	0
	Sampling	Quarterly sampling	4	4+	100%+	0

	Progress reports	Progress reports developed	4	1	100%	0
To promote arts and sporting, cultural activities in the district.	Progress reports	Progress reports developed	1	1	100%	0

2.2.4.2. Overall assessment of the key performance area

KPA	Number of objectives	Number of projects	Annual targets	Performance deviation	Performance analysis	Success rate
Basic Service Delivery and Infrastructure Investment	11	29	29	12	17	59%

2.2.4.3. Graphic representation of the performance of the above KPA- see below



2.2.5. Municipal transformation and Institutional Development

IDP Objective	Strategy	Key Performance Indicator	Annual Target	Actual	Achievements
To create and improve the needed skills of inhabitants of the district for better service delivery within its jurisdiction.	To give learnership to deserving individuals within the district for a period of 1 year.	Number of training sessions provided	9	9	<p>100% of sessions were held for the year.</p> <p>Lejweleputswa District Municipality and LG Seta entered into an agreement where learners from the district were engaged in LED learnership for a period of twelve months starting from the 2007/08 financial year.</p> <p>The other intention of this learnership was to ensure that job opportunities are prioritized for the team. From a team that was located in the municipality, 1 graduate was retained in the municipality's LED department. The other applied for a post that existed in the municipality and was given priority and have been hired in July 2009.</p>
	Identify and allocate bursaries to indigent and deserving pupils to study at tertiary institutions.	10 pupils supported	8	20	<p>250% success has been achieved.</p> <p>Of the planned 8 students for the year, there are twenty students who are receiving financial support from the municipality.</p> <p>A range of career opportunities have been prioritized for the bursaries including information technology and financial accounting.</p> <p>The challenge with the programme is for the municipality to draw some contract terms with all sponsored students to ensure that they assist the district in some form of manner when they finish their studies.</p>

	Provide funding to internal staff for further capacity building.	Dependent on number and amounts requested	Dependent on amounts and money requested		<p>A number of capacity building initiatives were undertaken for the year.</p> <ul style="list-style-type: none"> ○ The secretaries of both the Offices of the Municipal Manager and Technical Department went for training in Cape Town. ○ Batho Pele Coordinator went for training in Pretoria during the financial year. ○ The Manager in the Office of the Municipal Manager went for a training workshop on Performance audit training in Durban in 2008. ○ Me. Nontsikelelo Aaron went to training workshop in Cape Town.
	Expand the office building to accommodate the archive section of the municipality.	Expansion of Archive section completed	1	1	<p>100% was done for the year.</p> <ul style="list-style-type: none"> ○ Since the project inception in the 2007/08 financial year, architectural designs have been completed. ○ There were design complications that were not identified in the earlier project phase which were eventually clarified. ○ The building was said to require own structure and therefore some alterations would have been necessary. ○ The other issue was that the budgeted amount was far below than what was required coming from the bills of quantities from the designers. Additional was then expected for the project in the next financial year in order to start with the project.
To adhere to employment equity targets as set by the municipality.	Develop and implement Employment equity plan for the municipality.	1 Employment Equity Plan developed and implemented	1	1	<p>100% of the deliverable has been done as a draft employment equity plan exists.</p> <ul style="list-style-type: none"> ○ An employment equity plan has been developed for the municipality in consultation with departments in the municipality.

- It was not yet taken through council as expected and remains a draft.

2.2.5.1. Summary of performance of the key performance area

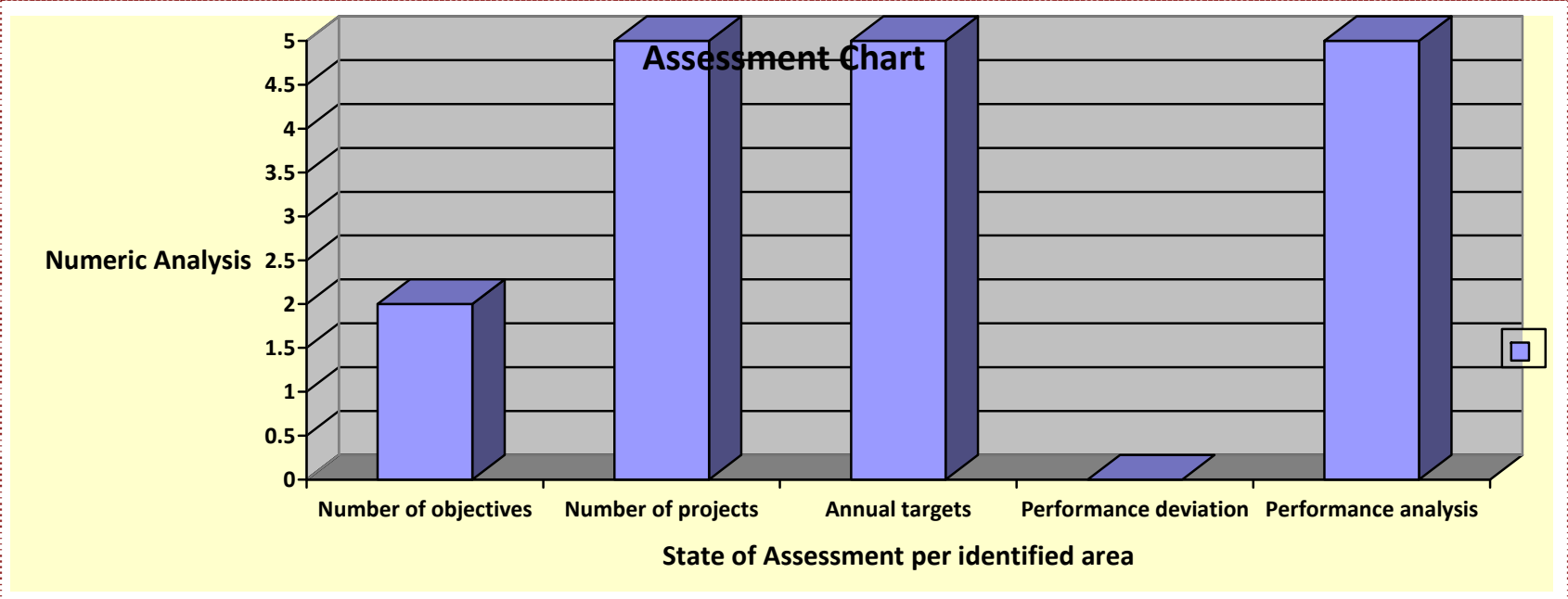
Objective	Project Name	Key Performance Indicator	Annual Targets	Actual	Performance analysis	Deviation
To create and improve the needed skills of inhabitants of the district for better service delivery within its jurisdiction.	Training sessions	Number of training sessions provided	9	9	100%	0
	Bursaries	10 pupils supported	8	20	250%	0
	Capacity Building	Dependent on number and amounts requested	Dependent on amounts and money requested	-	100% done as per the requests and amounts requested	0
	Archive	Expansion of Archive section completed	1	1	100%	0

To adhere to employment equity targets as set by the municipality.	Employment Equity Plan	1 Employment Equity Plan developed and implemented	1	1	100%	0
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2.2.5.2. Overall assessment of the key performance area

KPA	Number of objectives	Number of projects	Annual targets	Performance deviation	Performance analysis	Success rate
Municipal Transformation and Institutional Development	2	5	5	0	5	100%

2.2.5.3. Graphic representation of the performance of the above KPA



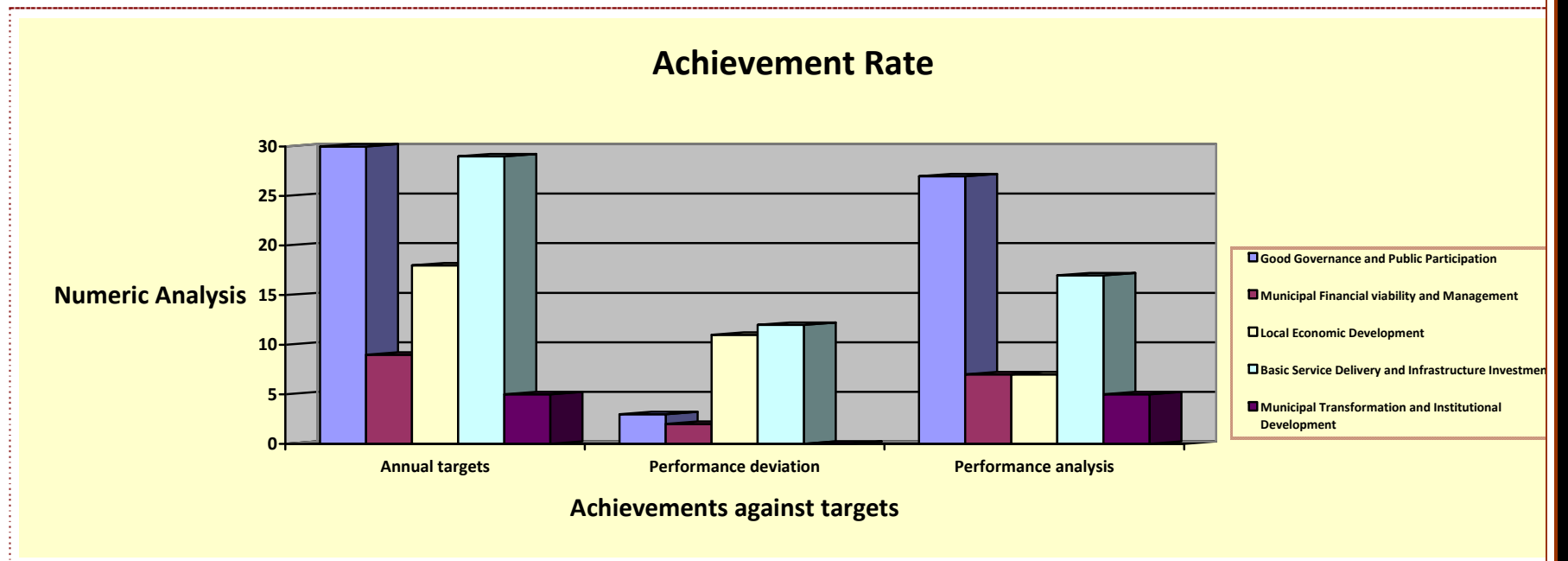
2.3. Overall municipal performance assessment summary

The table reflects all the key performance areas as reflected in the adopted IDP of the municipality for implementation in the 2008/09 financial year. All targets, objectives and key performance indicators were set in both the IDP as well as the SDBIP of the municipality.

KPA	Number of objectives	Number of projects	Annual targets	Performance deviation	Performance analysis	Success rate
Good Governance and Public Participation	9	30	30	3	27	90%
Municipal Financial viability and Management	2	9	9	2	7	78%
Local Economic Development	6	18	18	11	7	39%
Basic Service Delivery and Infrastructure Investment	11	29	29	12	17	59%
Municipal Transformation and Institutional	2	5	5	0	5	100%

Development						
Aggregate Municipal Performance	31	91	91	28	63	73.2%

The graph below depicts a summary of achievement against targets that were set for each KPA and the rate of success that has been derived from the activities that were reported on for the whole year.



2.4. Annual performance report of Lejweleputswa Development Agency for 2008/09

2.3.1. Background

Lejweleputswa Development Agency (LDA) was established as an initiative of the Lejweleputswa District Municipality to project manage the economic regeneration of the district with a view of promoting the economy, industrial development, tourism development, agriculture ect.

The LDA was established by a council resolution of December 2005. In its establishment the LDA was funded by both the LDM and IDC to kick start the pre-establishment phase. The total amount committed by this institution in 2006 was R1.6 million of which R600 000.00 came from the IDC and this amount was to be used for:

- Development of the business plan for pre-establishment phase
- Policies and procedures
- Purchasing of office furniture, computer equipment stationery and photocopying machine
- Payment of salaries of Secretary, CEO and the cleaner

The CEO was appointed on the 4th September 2006 and was suspended by the board on the 29th October 2008 for an unauthorized expenditure. LDM council appointed Mr. L.I Mokgatlhe as the Acting CEO.

2.3.2. Progress since LDA Establishment

Since the establishment of LDA there were number of developments that took place:

- Ernst and Young was appointed to develop a business plan for LDA to access funding from IDC. See attached.
- A pre-feasibility study was developed for jewellery making.
- Pre-feasibility study for refurbishing of the Welkom Showground.
- Feasibility study and business plan for hydroponics technique.
- LDA website was developed in February 2008.
- We have partnered with Phakisa Major Sports Events for the FIFA Confederations Cup in June and contributed an amount of R400,000 for the event.

- Reviewed policy and procedures for LDA including Supply Chain and HR policies.
- Submitted a business plan to IDC to request funding for the operations of the agency.

2.3.3. General Expenditure

On operational issues and General expenditure we managed to cover refreshments during board and management meetings as well as the following items mentioned below:

- Procured stationery
- Paid for the webside together with internet service
- Payment for Board member allowance and subcommittees
- Traveling allowances
- Audit fees
- Cleaning services and rental
- Telkom bills and bank charges
- Professional fees and legal fees
- Insurance
- Repairs and maintenance

Chapter 3

Audited Annual Financial Statements

LEJWELEPUTSWA DISTRICT MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS

30 JUNE 2009

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GENERAL INFORMATION

EXECUTIVE MAYOR

Cllr. S Ngangelizwe

SPEAKER Cllr. T D Khalipha

MEMBERS OF THE MAYORAL COMMITTEE

Cllr. K J Menyatso

Cllr M E Lande

Cllr M J Pereko

Cllr. S J Mabitle

Cllr. M A Mbana

Cllr. S E Tshabangu

Cllr D Kotzee

GRADING OF LEJWELEPUTSWA DISTRICT MUNICIPALITY

Grade 9

AUDITORS

The Auditor-General

BANKERS

ABSA BANK

REGISTERED OFFICE

Tempest road

Tel. 057 - 353 3094/5/8/9

PO Box 2163

Fax 057 - 353 3382

WELKOM

9460

ACTING MUNICIPAL MANAGER

Ms N.E. Aaron

CHIEF FINANCIAL OFFICER

Mr. J.T.K. Bofelo

CONSTITUTION OF THE COUNCIL

LOCAL BODIES

NUMBER OF REPRESENTATIVES

Local Councils

Masilonyana	2
Matjhabeng	15
Nala	3
Tswelopele	1
Tokologo	1
Directly elected	<u>15</u>
	<u>37</u>

APPROVAL OF FINANCIAL STATEMENTS

The preparation of the annual financial statements set out on pages 4 to 28, is the responsibility of the Municipal Manager in terms of Section 126(1) of the Municipal Finance Management Act and the statements are signed on behalf of the municipality.

I certify that salaries, allowances and benefits of Councillors disclosed in note 10 of these annual financial statements are, not within the determination of 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, however the matter is receiving Council's attention.

Acting Municipal Manager

Ms N E Aaron

Date

FOREWORD

I take pleasure and express my gratitude to the constituency of Lejweleputswa District Municipality as we present 2008/2009 Financial statements.

This is a legal requirement contributing towards sound financial management and accounting. It also reinforces the provision of the constitution of the Republic of South Africa, (Act No. 108 of 1996), Municipal Systems Act (Act No. 32 of 200) and Municipal Finance Management Act (No. 56 of 2003).

These are Acts giving effect to the realization of the mandate contained in the objects of local government, such as

- To provide for a democratic and accountable government for local Municipalities
- To ensure sustainable provision of services.
- To promote social and economic development.
- To promote a safe and healthy environment.
- To encourage public involvement in the affairs of local government.

It is through our thorough consideration and adoption of our 2008/09 IDP and budget, we sought to practically give realization of these important objects of local government which essence about good governance and service delivery.

We should stress that all the necessary projects and programs emanating from above, are done within the availability of constrained resources. So we had to do our best to accommodate critical areas of service delivery needed by the community. We cannot achieve all of them in financial year.

More resources could help to finance infrastructural development and amongst other things, HIV aids, youth development and women empowerment.

This annual financial statements will reflect the extent of our successes, our account on finances and their utilization.

I look forward on behalf of our executive and administrative collectives, for a positive 2009/10, a financial year that will represent further progress towards perfecting our systems of accounting and service delivery. All this will continue to be done to foster total transformation and change. We will prove ourselves as a **“Perfect partner in service excellence by 2014”**.

S. Ngangelizwe
EXECUTIVE MAYOR

CHIEF FINANCIAL OFFICER'S REPORT

1. INTRODUCTION

The following report is a concise summary of the financial results of the past year. The prevailing economic climate coupled with the abolishment of levies at 1 July 2006 has a negative effect on council's income. Operating expenses were kept well within the set parameters.

2. OPERATING RESULTS

Details of the operating results relating to the classification and type of income or expenditure are reflected in appendices D and E. General statistics appear in appendix F. The overall operating results for the year ended 30 June 2009 are as follows:

	ACTUAL	ACTUAL	DIFFERENCE	ESTIMATES	DIFFERENCE
	2007/2008	2008/2009	2008/2009	2008/2009	ACTUAL / BUDGET
	R	R	%	R	%
INCOME					
Surplus brought forward	27,204,368	33,556,129	23.3	-	-
Income for the year	73,380,261	87,222,626	18.9	89,512,600	2.6
Receipts i.r.o. previous year	(6,684,116)	(29,476,301)		-	
	<u>93,900,513</u>	<u>91,302,454</u>		<u>89,512,600</u>	
EXPENDITURE					
Administrative Costs	55,921,846	67,783,614	21.2	82,177,081	17.5
Projects	4,422,538	5,345,123	20.9	6,800,000	21.4
Closing surplus	33,556,129	18,173,717	(45.8)	535,519	
	<u>93,900,513</u>	<u>91,302,454</u>		<u>89,512,600</u>	

Regional Services Levies were discontinued from 1 July 2006. Total income increased by 18.9% due to higher interest than expected as well as an increase in the unconditional Government Grants.

3. CAPITAL EXPENDITURE AND FINANCING

Total amount of R 45.9 million was made available to local authorities during the year and the amount was applied as follows:

<u>Available amount:</u>	R
Transferred from previous years	-
Amount allotted for the year	45,966,358
Income	6,800,000
Capital Development Fund	35,000,689
Municipal Infrastructure Grant	1,734,654
Department Sports and Recreation	80,190
District Aids Council	282,475
Integrated Development Plan	21,038
Municipal Systems Improvement Grant	245,461
Department Water and Forestry	751,883
Financial Management Grant	1,049,968
Total amount available	45,966,358
<u>Expended to provide for:</u>	
Land and buildings	2,455,675
Community hall	1,317,532
Loan charges	2,936,966
Capacity building	236,418
Land Audit	246,886
Revenue enhancement	876,421
Earth moving equipment	13,223,062
Local Development agency	2,000,000
Budget and other reforms	328,889
IDP Review	21,038
DAC Grant	147,998
Roads	1,504,970
Cemetries	408,157
Total	25,704,012
<u>Unspent monies:</u>	
Forfeited for reallocation	20,262,346
Carried forward to next financial year	-

4. EXTERNAL LOANS, INVESTMENTS AND CASH

External loans on 30 June 2009 amounted to R 22 439 511. (R 23 474 226 on 30 June 2008). More details about the external loans are disclosed in appendix B. Whilst the Council holds R 52 407 598 net in cash and investments, R 1 186 686 of these funds will be required to fund the payment of long term liabilities that fall due within the new financial year. The balance of cash and investments are adequate to cover the short -term commitments on 30 June 2009.

5. FUNDS, RESERVES AND PROVISIONS

A capital development fund was utilised during the year based on the budget. More details about the funds, reserves and provisions are disclosed in notes 1 and 8 and appendix A.

6. EXPRESSION OF APPRECIATION

I am grateful to the Executive Mayor, members of the Mayoral Committee, Councillors, Municipal Manager, Management and staff for their assistance in the preparation of these annual financial statements.

J. T. K. Bofelo

CHIEF FINANCIAL OFFICER

ACCOUNTING POLICIES

1. BASIS OF PRESENTATION

These Annual Financial Statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Practice for Local Authorities (1997) and the Report on the Standardisation of Financial Statements for Local Authorities (2nd Edition 1996, as revised).

The Annual Financial Statements are prepared on the historical cost basis, adjusted for capital expenditure as detailed in note 2. The accounting policies are consistent with those applied in the previous year, except if indicated otherwise.

The Annual Financial Statements are prepared on the accrual basis:

- Revenue is acknowledged when collectable and measurable. Direct revenue is acknowledged when received.
- Expenditure is acknowledged in the year it is incurred.

2. CONSOLIDATION

The balance sheet includes all funds and services. All interdepartmental transactions are settled against each other.

3. FIXED ASSETS

3.1 Fixed assets are stated:

- At historical cost, or
- At valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation,
- While they are in existence and fit for use, except in the case of bulk assets, which are written off at the end of their estimated life as determined by the Chief Financial Officer.

3.2 Depreciation

The balance shown against the heading "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation. Apart from advances from the various council funds, assets may also be acquired through:

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

3.3 Sale of fixed assets

The net proceeds from the sale of fixed property are credited to the fund from which the asset was purchased or the Capital Development Fund, as the case may be.

3.4 Financing of fixed assets

Capital assets are financed from internal sources.

4. FUNDS AND PROVISIONS

4.1 Capital Development Fund

A Capital Development Fund was established in terms of Section 5(2) of the Financial Regulations for District Councils to render financial assistance to participating local bodies or communities. Transfers from accumulated surplus were utilised.

4.2 Provisions

Provisions are established to meet obligations or contingencies which are known at the date of the balance sheet, but for which the amounts cannot be determined with substantial accuracy.

4.3 Reserves

The reserves consist of projects funded by various sources, namely:

- Lejweleputswa District Municipality,
- Municipal Infrastructure Programme,
- Department Water and Forestry,
- Consolidated Development Fund,
- Municipal Systems Improvement Grant,
- Integrated Development Plan Review Grant,
- Financial Management Grant,
- District Aids Council Reserve,

- Local Economic Development Capacity Building Reserve, and
- Department of Sports, Arts, Culture, Science and Technology.

The unspent grants in respect of the past two financial years are contained in the reserves. Unspent grants are expensed to the reserve by means of a journal to provide for projects already started but not yet completed in the year budgeted for.

5. RETIREMENT BENEFITS

The personnel are members of the Free State Municipal Pension Fund, the Free State Municipal Provident Fund, SAMWU National Provident Fund and the Local Government Pension Fund. The retirement benefit plan is subject to the Pensions Funds Act, 1956, with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income on the basis of current service costs.

6. INVESTMENTS

Investments are shown in the Annual Financial Statements at original cost and are invested in the securities prescribed in Section 168, read with Section 13 and 99 (2) (g), of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

7. PREPAID GRANTS

The balance outstanding in respect of the costs incurred in raising loans from the Development Bank of Southern Africa, are recovered from the allocations made to the specific Council over the period of the loans involved.

8. INCOME RECOGNITION

Regional Services Levies and Regional Establishment Levies were discontinued effectively from 1 July 2006.

BALANCE SHEET AT 30 JUNE 2009

	Notes	2008/2009 R	2007/2008 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES			
RESERVES	1	32,576,594	22,132,704
RETAINED SURPLUS / (ACCUMULATES DEFICIT)		18,173,717	33,556,129
		50,750,311	55,688,833
LONG - TERM LIABILITIES	4	21,252,826	22,439,511
		72,003,137	78,128,344
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	2	-	-
LONG-TERM DEBTORS	5	-	5,012
PREPAID GRANTS	7	22,439,511	23,474,225
		22,439,511	23,479,237
NETT CURRENT ASSETS / (LIABILITIES)		49,563,626	54,649,107
CURRENT ASSETS			
Debtors	6	4,423,245	2,679,634
Investments	3	52,000,000	56,872,134
Cash	20	407,598	2,070,157
Short-term portion of long term debtors	5	5,012	10,401
		(7,272,229)	(6,983,219)
CURRENT LIABILITIES			
Short-term portion of long-term liabilities	4	(1,186,685)	(1,034,714)
Provisions	8	(2,723,556)	(1,863,040)
Creditors	9	(3,361,988)	(4,085,465)
		72,003,137	78,128,344

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009							
2007/2008 Actual Income	2007/2008 Actual Expenditure	2007/2008 Surplus (deficit)		2008/2009 Actual Income	2008/2009 Actual Expenditure	2008/2009 Surplus (deficit)	2008/2009 Budget Surplus (deficit)
R	R	R		R	R	R	R
			GENERAL SERVICES				
73,380,261	(55,921,846)	17,458,415	Administration	87,222,626	(67,783,614)	19,439,012	7,335,519
-	(4,422,538)	(4,422,538)	Regional Services	-	(5,345,123)	(5,345,123)	(6,800,000)
73,380,261	(60,344,384)	13,035,877	TOTAL / TOTAAL	87,222,626	(73,128,737)	14,093,889	535,519
		(6,684,116)	Appropriations for the year (Note 13)			(29,476,301)	
		6,351,761	Net surplus for the year			(15,382,412)	
		27,204,368	Accumulated surplus at the beginning of the year			33,556,129	
		33,556,129	UNAPPROPRIATED SURPLUS AT THE END OF THE YEAR			18,173,717	

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2008/2009 R	2007/2008 R
CASH RETAINED FROM OPERATING ACTIVITIES			
Cash generated by operations	14	(5,104,388)	9,127,255
Investment income	12	7,695,382	6,214,040
(Increase)/Decrease in working capital	15	(2,895,573)	624,737
		(304,579)	15,966,032
External interest earned	12	771,772	1,748,335
External interest paid	12	(3,598,751)	(3,741,216)
Cash available from operations		(3,131,558)	13,973,151
Net proceeds from the sale of fixed assets		100,466	-
CASH UTILISED IN INVESTING ACTIVITIES			
Investment in fixed assets	13	(2,468,890)	(1,851,508)
NET CASH FLOW		(5,499,982)	12,121,643
CASH EFFECTS OF FINANCING ACTIVITIES			
(Increase)/decrease in cash investments	16	4,872,134	(12,872,134)
(Increase)/decrease in cash on hand	17	1,662,559	1,642,738
Increase/(decrease) in long - term liabilities	18	(1,034,711)	(892,247)
NET CASH (GENERATED)		5,499,982	(12,121,643)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2008/2009 R	2007/2008 R
1 RESERVE		
CMIP/MIG Reserve	1,188,825	1,734,654
DWAF Reserve	751,883	751,883
MSIG Reserve	45,834	245,461
FM Grant reserve	911,667	1,049,968
CDF Reserve	28,444,397	17,967,035
DSR Reserve	1,099,511	80,190
IDP Review Grant	-	21,038
DAC Reserve	134,477	282,475
	<u>32,576,594</u>	<u>22,132,704</u>
2 FIXED ASSETS		
Fixed assets at the beginning of the year	17,284,764	14,525,777
Fixed assets acquired or received during the year	18,896,752	2,339,958
	<u>36,181,516</u>	<u>16,865,735</u>
Assets written off, transferred or disposed of during the year	(881 608)	419,029
Total Fixed Assets	<u>35,299,908</u>	<u>17,284,764</u>
Loans redeemed and other capital receipts	<u>(35 299 908)</u>	<u>(17 284 764)</u>
Net Fixed Assets	<u>-</u>	<u>-</u>
3 INVESTMENTS		
Unlisted		
Cash Deposit	<u>52,000,000</u>	<u>56,872,134</u>
Market Value / Management valuation	<u>52,000,000</u>	<u>56,872,134</u>
Unlisted Investments	<u>52,000,000</u>	<u>56,872,134</u>
Average rate of return (gross)	11.62%	10.62%
Investments were made at approved financial institutions in accordance with Section 6 of the Financial Regulations for District Councils promulgated under Government Notice No. R 1524 of 28 June 1991 as amended.		
Above Investments is invested as follow:		
ABSA Bank	14,500,000	14,500,000
African Bank	19,500,000	17,372,134
First National Bank	6,500,000	12,500,000
Standard Bank	<u>11,500,000</u>	<u>12,500,000</u>
	<u>52,000,000</u>	<u>56,872,134</u>
4 LONG-TERM LIABILITIES		
External loans on behalf of local authorities	22,439,511	23,474,225
Current portion transferred to Current Liabilities	<u>(1,186,685)</u>	<u>(1,034,714)</u>
	<u>21,252,826</u>	<u>22,439,511</u>
5 LONG-TERM DEBTORS		
Car loans	-	-
Housing loans	5,012	15,413
Short-term portion of long term debtors	<u>(5,012)</u>	<u>(10,401)</u>
	<u>-</u>	<u>5,012</u>
HOUSING LOANS		

General workers were entitled to housing loans which attract interest at 12% per annum and which are repayable over a maximum period of 6 years. These loans are repayable in the year 2010.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (Continued)

	2008/2009	2007/2008
	R	R
6 DEBTORS		
Sundry Debtors	11,928,028	9,745,531
Deposits	4,700	4,700
	<u>11,932,728</u>	<u>9,750,231</u>
Provision for bad debts	(7,509,482)	(7,070,597)
	<u>4,423,246</u>	<u>2,679,634</u>
The following councillor were owing due to non submission of Credit Card vouchers.		
Clr TD Khalipha	14,998	11,228
7 PREPAID GRANTS		
Repayable loans	<u>22,439,511</u>	<u>23,474,225</u>
	<u>22,439,511</u>	<u>23,474,225</u>
Costs incurred in raising loans from the Development Bank of Southern Africa made to the specific local authorities over the period of loans involved, for subsidy purpose.		
8 PROVISIONS		
Provision for leave payments	<u>2,723,556</u>	<u>1,863,040</u>
	<u>2,723,556</u>	<u>1,863,040</u>
Bad debts written off during the year	-	62,019
Bad debts as percentage of operating income	-	-
9 CREDITORS		
Sundry	3,293,987	4,085,465
Retention creditors	68,001	-
	<u>3,361,988</u>	<u>4,085,465</u>
10 COUNCILLORS REMUNERATION		
Salaries	4,393,316	4,171,283
Allowances	1,563,642	1,735,181
Benefits	902,791	695,172
Total Councillors' Remuneration	<u>6,859,749</u>	<u>6,601,636</u>

Disclosure on the Councillors remuneration is corrected to be in line with the MFMA. The salaries, allowances and benefits of Councillors are, not within the determination of the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of the Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act, however the matter is receiving Council's attention.

In-kind Benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at Council's cost. The Executive Mayor has the use of a Council owned vehicle for official duties as well as two drivers.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (Continued)

	2008/2009	2007/2008
	R	R
11 AUDITORS REMUNERATION		
Audit Fees		
Regulatory Audit	1,103,817	833,528
Forensic Audit	-	-
	<u>1,103,817</u>	<u>833,528</u>
12 FINANCIAL TRANSACTIONS		
External interest earned		
Other interest	373,078	664,759
Interest late payments	-	301,766
Interest car loans	-	628
Interest housing loans	1,257	2,859
Interest bank account	397,437	778,323
Investment income	<u>7,695,382</u>	<u>6,214,040</u>
	<u>8,467,154</u>	<u>7,962,375</u>
External interest paid	<u>3,598,751</u>	<u>3,741,216</u>
13 APPROPRIATIONS		
Appropriation Account		
Unappropriated surplus at the beginning of the year	33,556,129	27,204,368
Operating surplus(defecit) for the year	14,093,889	13,035,877
Appropriations for the year	(29,476,301)	(6,684,116)
Prior year adjustments	(105,065)	70,677
Contribution to CDF	(29,371,236)	(7,043,032)
Over collection on levy debtors	-	141,887
Undeclared income i.r.o. previous years recognised	-	146,352
Unappropriated surplus/(deficit) at the end of the year	<u>18,173,717</u>	<u>33,556,129</u>
Operating Account		
Fixed Assets	2,468,890	1,851,508
Contributions to	<u>32,716,252</u>	<u>10,167,770</u>
Provision for leave	1,678,751	1,410,981
Contribution to FM GRANT RESERVE	190,588	87,374
Contribution to DSR RESERVE	1,000,000	-
Contribution to MSIG RESERVE	36,791	252,915
Contribution to CDF	29,371,236	7,043,032
Provision for bad debts	438,886	1,373,468
	<u>35,185,142</u>	<u>12,019,278</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (Continued)

	2008/2009	2007/2008
	R	R
14 CASH GENERATED BY OPERATIONS		
Operating surplus(deficit) for the year	14,093,889	13,035,877
Adjustments in respect of previous years' operating transactions	(29,476,301)	(6,684,116)
Appropriations charged against operating income	35,185,142	12,019,278
Provisions and Reserves	32,716,252	10,167,770
Fixed Assets	2,468,890	1,851,508
Investment Income (operating)	(8,467,154)	(7,962,375)
Capital charges		
Interest adjustment on external loans	-	-
Interest paid		
- of external loans	3,598,751	3,741,216
Redemption		
- of external loans	1,034,711	892,247
Prior year adjustments to reserves	204,164	300,605
Non-operating expenditure debited to:		
Net proceeds sale of assets	(100 466)	
Provisions and Reserves	(21,177,124)	(6,215,477)
	<u>(5,104,388)</u>	<u>9,127,255</u>
15 (INCREASE) / DECREASE IN WORKING CAPITAL		
(Increase) / Decrease in debtors	(2,182,497)	(842,505)
Increase / (Decrease) in creditors	(723,477)	1,424,041
(Increase) / Decrease in long term debtors	10,401	43,201
	<u>(2,895,573)</u>	<u>624,737</u>
16 (INCREASE) / DECREASE IN CASH INVESTMENTS		
Investments made	(137,000,000)	(136,872,134)
Investments realised	141,872,134	124,000,000
	<u>4,872,134</u>	<u>(12,872,134)</u>
17 (INCREASE) / DECREASE IN CASH ON HAND		
Cash balance beginning of year	2,070,157	3,712,895
Cash balance end of year	(407 598)	(2 070 157)
	<u>1,662,559</u>	<u>1,642,738</u>
18 INCREASE / (DECREASE) IN LONG - TERM LIABILITIES		
Loans raised	-	-
Loans repaid	(1,034,711)	(892,247)
	<u>(1,034,711)</u>	<u>(892,247)</u>
19 EMPLOYEE RELATED COSTS		
Employee related costs: Salaries and Wages	21,209,342	18,914,406
Employee related costs: Contributions for UIF, pensions and medical aid	4,507,971	3,957,116
Travel, motor car and other allowances	3,416,052	2,778,684
Housing benefits and allowances	382,758	318,295
Overtime benefits	146,075	154,504
Employees costs included in other expenditures	262,602	121,238
	<u>29,924,800</u>	<u>26,244,243</u>

There were no advances to employees. Loans to employees are set out in note 5.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (Continued)

	2008/2009 R	2007/2008 R
Remuneration of the Municipal Manager		
Annual remuneration	591,937	485,645
Car allowance	244,338	208,128
Acting Allowance as Municipal Manager	-	-
Performance bonus	-	-
Contributions to Medical and Provident Funds	-	-
	<u>836,275</u>	<u>693,773</u>
Remuneration of the Chief Financial Officer		
Annual remuneration	420,058	345,308
Car allowance	169,324	149,015
Backpay	-	-
Performance bonus	-	-
Contributions to Medical and Provident Funds	-	66,017
	<u>589,382</u>	<u>560,340</u>
Remuneration of Strategic Managers:		
<i>Corporate Services</i>		
Annual remuneration	424,985	392,036
Car allowance	143,517	179,044
Acting Allowance as Municipal Manager	21,972	-
Backpay	-	-
Performance bonus	-	-
Contributions to Medical and Provident Funds	86,745	72,280
	<u>677,218</u>	<u>643,360</u>
<i>Social Services</i>		
Annual remuneration	353,396	324,921
Car allowance	116,544	84,465
Acting as Social Services - June 2009	54,292	-
Performance bonus	-	-
Contributions to Medical and Provident Funds	19,424	75,046
	<u>543,655</u>	<u>484,432</u>
<i>Technical Services</i>		
Annual remuneration	205,867	362,450
Car allowance	78,674	139,582
Backpay	-	-
Performance bonus	-	-
Contributions to Medical and Provident Funds	31,038	59,929
	<u>315,579</u>	<u>561,961</u>
Acting as Technical Services Manager from July 2008 to January 2009		
<i>Economic Development</i>		
Annual remuneration	379,309	311,920
Car allowance	119,715	94,948
Performance bonus	-	-
Contributions to Medical and Provident Funds	77,221	54,971
	<u>576,245</u>	<u>461,839</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (Continued)

	2008/2009	2007/2008
	R	R
20 BANK, CASH AND OVERDRAFT BALANCES		
The municipality has the following bank account:		
Current Account (Primary bank account)		
ABSA Bank Limited - Welkom Branch		
Account Number 134 0000 117		
Cash book balance at the beginning of the year	2,070,157	3,712,895
Cash book balance at the end of the year	<u>407,598</u>	<u>2,070,157</u>
Bank statement balance at the beginning of the year	3,857,209	6,427,939
Bank statement balance at the end of the year	<u>1,499,948</u>	<u>3,857,209</u>
21 GOVERNMENT GRANTS AND SUBSIDIES		
Financial Management Grant (FMG)	500,000	500,000
Municipal Systems Improvement Grant (MSIG)	735,000	1,000,000
DSR Grant	1,000,000	-
IDP Review Grant	-	-
Total Government Grant and Subsidies	<u>2,235,000</u>	<u>1,500,000</u>
21.1 MIG		
Balance unspent at the beginning of the year	1,734,654	1,735,483
Written back	-	21,000
Conditions met	(545,829)	(21,829)
Conditions still to be met	<u>1,188,825</u>	<u>1,734,654</u>
This grant was used to construct sewerage and water infrastructure.		
21.2 DWAF		
Balance unspent at the beginning of the year	751,883	751,883
Current year receipts	-	-
Conditions met	-	-
Conditions still to be met	<u>751,883</u>	<u>751,883</u>
This grant was used to fund the bucket eradication programme.		
21.3 Financial Management Grant		
Balance unspent at the beginning of the year	1,049,968	994,291
Current year receipts	500,000	500,000
Conditions met	(638,301)	(444,323)
Conditions still to be met	<u>911,667</u>	<u>1,049,968</u>
This grant was used to promote and support reforms to financial management practices, the modernisation of budgeting, financial management, accounting, monitoring systems and implementation of the Municipal Finance Management Act.		
21.4 DSR		
Balance unspent at the beginning of the year	80,190	87,423
Current year receipts	1,000,000	-
Written back: Creditor not paid	19,321	-
Conditions met	-	(7,233)
Conditions still to be met	<u>1,099,511</u>	<u>80,190</u>
This grant was used for promotion of sport and recreation in disadvantaged communities through upgrading and new facilities. The grant received during 2008/2009 is intended for the Winnie Mandela Museum in Masilonyana.		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (Continued)

	2008/2009	2007/2008
21.5 MSIG		
Balance unspent at the beginning of the year	245,461	946,617
Current year receipts	735,000	1,000,000
Written back: Creditor not paid	-	-
Corrections - AG 2006/2007	-	74,529
Conditions met	(934,627)	(1,775,685)
Conditions still to be met	45,834	245,461

This grant was used to assist in building capacity in the district and local municipalities to ensure that the new developmental system of local government is fully implemented.

21.6 IDP Review Grant		
Balance unspent at the beginning of the year	21,038	147,038
Current year receipts	-	-
Conditions met	(21,038)	(126,000)
Conditions still to be met	-	21,038

21.7 DAC Reserve		
Balance unspent at the beginning of the year	282,475	289,075
Current year receipts	-	-
Conditions met	(147,998)	(6,600)
Conditions still to be met	134,477	282,475

This grant was used for HIV and Aids awareness.

22 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

22.1 Contributions to organised local government		
Opening balance	-	-
Council subscriptions	-	-
Amount paid - current year	157,925	-
Amount paid - in respect of previous years	169,527	-
Amount paid - current year	(327,452)	-
Balance unpaid (included in creditors)	-	-

22.2 Audit Fees		
Opening balances	-	-
Current year audit fees	1,103,817	909,528
Amount paid - current year	(1,103,817)	(909,528)
Balance unpaid (included in creditors)	-	-

22.3 VAT
All VAT returns have been submitted by the due date throughout the year.

22.4 PAYE and UIF		
Opening balance	-	-
Current year payroll deductions	6,159,574	5,112,735
Amount paid - current year	(6,159,574)	(5,112,735)
Balance unpaid (included in creditors)	-	-

22.5 Pension and Medical Aid Deductions		
Opening balance	-	-
Current year payroll deductions and council contributions	6,189,199	5,473,776
Amount paid - current year	(6,189,199)	(5,473,776)
Balance unpaid (included in creditors)	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (Continued)

	2008/2009	2007/2008
	R	R
22.6 Lejwe Le Putswa Development Agency (Pty) Ltd		
The Municipality owns 100% of the 100 issued shares of the above-mentioned Agency.		
Amount paid - current year included in general expenditure	2,000,000	1,450,000
	<u>2,000,000</u>	<u>1,450,000</u>
23 RETIREMENT BENEFITS		
The personnel are members of the Free State Joint Municipal Pension Fund, the Free State Municipal Provident Fund, Local Government Pension Fund and S A M W U National Provident Fund. According to a recent actuarial valuation all funds reflected an actuarial surplus. The Council's and members contribution to the abovementioned funds for the financial year amounted to R 3 924 080 (R3 458 605 in 2007/2008).		
The Councillors are members of the Municipal Councillors Pension Fund. The Council's and members contribution to the abovementioned fund for the financial year amounted to R 1 264 350 (R1 218 338 in 2007/2008).		
24 DOUBTFUL DEBT		
The recovery of the following debt of former employees is doubtful:		
(a) Mr. T.E. Tengeni: Vehicle/study loan and other debtors	449,624	419,878
(b) Dikgolabolokwe Sanitation	5,626,704	5,335,963
(c) Sundry debtors	706,640	702,173
(d) Sundry debtors	726,514	612,583
	<u>7,509,483</u>	<u>7,070,597</u>
25 CONTINGENT LIABILITY		
25.1 Employee costs		
CCMA cases involving one current and one former employee.	693,218	658,128
25.2 Creditors		
Legal case between Lehlasedi Technology and Council.	44,660	25,433
Dispute between Fixtrade and Council relating to Monyakeng Roads.	-	228,899
Business Zone 36 CC relating to the Matjhabeng Indoor Sport Centre.	1,300,000	520,908
25.3 Employees placement		
During August 2006 all employees were placed according to the policy. The results is finalised and was paid during 2008/2009.	-	546,248
	<u>2,037,879</u>	<u>1,979,616</u>
26 IRREGULAR, UNAUTHORISED, FRUITLESS AND WASTEFUL EXPENDITURE		
26.1 Irregular Expenditure		
Reconciliation of irregular expenditure		
Opening balance	11,100,862	9,657,405
Current year irregular expenditure	2,960,445	1,443,457
Condoned by Council - 27 November 2008	(4,178,274)	
Condoned by Council - 25 March 2009	(5,479,131)	-
	<u>4,403,902</u>	<u>11,100,862</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (Continued)

	2008/2009	2007/2008
	R	R
26.2 <u>Unauthorised Expenditure</u>		
Reconciliation of unauthorised expenditure		
Opening balance	2,187,959	1,306,077
Current year unauthorised expenditure	258,218	881,882
Condoned by Council - 25 March 2009	(1,306,077)	-
	1,140,100	2,187,959
26.3 <u>Fruitless and Wasteful Expenditure</u>		
Reconciliation of fruitless and wasteful		
Opening balance	637,704	561,704
Current year fruitless and wasteful expenditure	184,015	76,000
Condoned by Council - 25 March 2009	(561,704)	-
	260,015	637,704

Irregular, unauthorised, fruitless and wasteful expenditure pertaining to the prior year was restated to disclose expenditures not yet condoned by Council and to distinguish between irregular, unauthorised, fruitless and wasteful expenditure.

27 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Disaster Management centre	6,494,825	-
Total	6,494,825	-

This expenditure is financed from:

Own resources - Capital Development Fund	6,494,825	-
Total	6,494,825	-

28 NON-COMPLIANCE WITH THE MUNICIPAL FINANCE MANAGEMENT ACT

28.1 Chapter 4, Section 17 (3)

Lejwe Le Putswa Development Agency (Pty) Ltd, budget not submitted with the annual budget and the entity's board members and senior employees salaries, allowances and benefits not submitted.

28.2 Chapter 4, Section 32 (2)

No recovery of irregular, unauthorised, fruitless and wasteful expenditures.

28.3 Chapter 7, Section 53 (3)

Revenue and Expenditure projections were not made public within 14 days after the SDBIP's approval. Performance agreements not send to the MEC for Corporate Governance, Traditional Affairs and Human Settlement.

28.4 Chapter 8, Section 65 (2)(e)

Not all creditor payments made within 30 days of the receipt of invoices.

28.5 Chapter 8, Section 72 (1)

Lejwe Le Putswa Development Agency (Pty) Ltd, not taken into account in the mid-year budget and performance assessment of the Municipality.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (Continued)

28.6 **Chapter 8, Section 75 (1)**

Not all necessary information required by the above section published on the website of the Municipality.

28.7 **Chapter 10, Section 101 (1)**

The required cash flow reports relating to the Lejwe Le Putswa Development Agency (Pty) Ltd, was not tabled at a Council meeting.

28.8 **Chapter 12, Section 132 (2)**

Annual and oversight reports of the Municipality and the Lejwe Le Putswa Development Agency (Pty) Ltd, not timely submitted to the provincial legislature.

28.9 **Chapter 14, Section 165 (2) (a) and (b)**

The Internal audit section were not effectively functioning during the 2008/2009 financial year.

28.10 **Chapter 14, Section 166 (1) and (2)**

The Audit Committee were not effectively functioning during the 2008/2009 financial year.

Appendix A: Statutory funds, Trust funds and Reserves

	Balance at 2008.07.01	Contributions during the year	Other income transfer	Expenditure during the year	Balance at 2009.06.30
RESERVES	R	R	R	R	R
MIG Reserve	1,734,654		-	545,829	1,188,825
DWAF	751,883		-	-	751,883
MSIG Reserve	245,461	36,791	-	236,418	45,834
FM Grant	1,049,968	190,588	-	328,889	911,667
CDF Reserve	17,967,035	29,371,236	184,843	19,078,717	28,444,397
DSR Reserve	80,190	1,000,000	19,321		1,099,511
IDP Review Grant	21,038			21,038	-
DAC Reserve	282,475			147,998	134,477
	22,132,704	30,598,615	204,164	20,358,889	32,576,594
PROVISIONS					
Leave payment	1,863,040	1,678,751	-	818,235	2,723,556
	1,863,040	1,678,751	-	818,235	2,723,556

Appendix B: External loans

EXTERNAL LOANS				Balance at 2008.07.01	Received during the year	Redeemed or written off	Balance at 2009.06.30
				R	R	R	R
LOANS - DBSA							
<i>Loan raised</i>	<i>Interest rate</i>	<i>Loan number</i>	<i>Redeemable</i>				
1,993	10%	1	2,013	1,797,485	-	293,052	1,504,433
9,249							
1,999	15%	2 (a)	2,019	3,192,924	-	153,254	3,039,670
10,942							
1,999	15%	2 (b)	2,019	623,532	-	29,927	593,605
10,893							
1,999	15%	2 (c)	2,019	473,252	-	20,690	452,562
10,891							
1,999	15%	2 (d)	2,019	121,109	-	5,813	115,296
10,892							
1,999	15%	2 (e)	2,019	1,212,223	-	52,996	1,159,227
10,894							
1,999	16.50%	3 (a)	2,020	10,805,880	-	326,541	10,479,339
13,403							
1,999	15.75%	3 (b)	2,020	2,971,063	-	86,303	2,884,760
13,619							
1,999	15.75%	3 (c)	2,020	2,276,758	-	66,135	2,210,623
13,620							
				23,474,226	-	1,034,711	22,439,515

Appendix C: Analysis of fixed assets

Expenditure	SERVICE	Budget	Balance at	Expenditure	Written off or transferred	Balance at
2007/2008		2008/2009	2008.07.01	2008/2009	2008/2009	2009.06.30
R		R	R	R	R	R
	GENERAL SERVICES					
50,089	Administration	76,500	503,715	69,394		573,109
	Inventory items		419,029			419,029
7,000	Information Technology	10,500	7,000	8,386		15,386
91,620	Financial Department	152,500	2,516,714	143,315		2,660,029
532,195	Council General	17,470,000	8,950,201	14,642,105	(881,608)	22,710,698
13,473	Technical	10,500	362,986	1,578		364,564
17,082	Finance Technical Support	30,000	118,245	26,906		145,151
	Municipal support	15,000	-	-		-
	Skills Development Facilitator	5,000	-	-		-
37,290	Executive Mayor	50,000	791,142	57,316		848,458
-	Speaker	31,000	182,578	30,131		212,709
36,724	Municipal Manager	62,880	1,492,042	61,188		1,553,230
12,571	Mayoral Committee	20,000	208,115	-		208,115
24,965	Economic Development	31,500	156,066	30,842		186,908
1,080,693	Disaster Management	8,902,500	1,080,693	2,468,834		3,549,527
429,106	Environmental Health	430,500	429,106	76,404		505,510
7,150	Social Services	30,000	67,132	26,000		93,132
	Fire Services	2,000,000	-	372,073		372,073
	Roads	1,000,000	-	882,280		882,280
2,339,958	TOTAL FIXED ASSETS	30,328,380	17,284,764	18,896,752	(881,608)	35,299,908
	LESS:					
	Loans redeemed and other capital receipts	30,328,380	17,284,764	18,896,752	(881,608)	35,299,908
	Contributions from income	4,878,380	9,124,742	2,468,890	(881,608)	10,712,024
	Other sources	-	4,339,469	66,286		4,405,755
	CDF	25,450,000	3,820,553	16,361,576		20,182,129
	NET FIXED ASSETS					

Appendix D: Analysis of operating income and expenditure for the year ended 30 June 2009			
Actual 2007/2008		Actual 2008/2009	Budget 2008/2009
R		R	R
65,372,720	INCOME	78,567,508	80,601,000
7,318,000	Government grants - DCD	12,433,000	12,433,000
56,360,955	Government grants - Levy Replacement	63,405,383	63,405,000
500,000	Government grants - FM	500,000	500,000
-	Government grants - DSR	1,000,000	3,000,000
193,765	LGWSeta	494,125	450,000
1,000,000	Government grants - MSIG	735,000	735,000
-	Spatial Planning Support Programme	-	78,000
7,962,375	Interest earned	8,467,154	8,881,600
6,214,040	On investments	7,695,382	8,100,000
301,766	Arrear levies	-	-
664,759	Other interest	373,078	380,000
628	Car loans	-	-
2,859	Housing loans	1,257	1,600
778,323	Interest bank account	397,437	400,000
45,166	Other income	187,964	30,000
-	Proceeds sale of assets	100,466	-
45,166	Sundry	87,498	30,000
73,380,261		87,222,626	89,512,600

Actual 2007/2008		Actual 2008/2009	Budget 2008/2009
R		R	R
	EXPENDITURE		
26,123,004	Salaries and allowances	29,662,198	34,037,401
25,513,104	General expenses	32,555,870	41,647,540
912,626	MSIG	698,209	735,000
197,966	FMG	309,412	500,000
-	Spatial Planning Support Programme	-	78,000
-	DSR	-	3,000,000
19,979,974	General	26,203,126	30,534,540
4,422,538	Grants to local bodies	5,345,123	6,800,000
472,035	Repairs and maintenance	902,186	2,197,417
4,633,463	Capital charges	4,633,463	4,633,463
1,851,508	Contributions to fixed assets	2,468,890	4,878,380
1,751,270	Contributions	2,906,130	1,582,880
60,344,384	Net expenditure	73,128,737	88,977,081

Appendix E: Detailed income statement for the year ended 30 June 2009							
2007/2008 Actual Income	2007/2008 Actual Expenditure	2007/2008 Surplus (deficit)	SERVICE - Section of Act. No. 109 of 1985	2008/2009 Actual Income	2008/2009 Actual Expenditure	2008/2009 Surplus (deficit)	2008/2009 Budget Surplus
R	R	R		R	R	R	R
7,318,000	-	7,318,000	Government grants - DCD	12,433,000	-	12,433,000	12,433,000
56,360,955	-	56,360,955	Government grants - Levy replacement	63,405,383	-	63,405,383	63,405,000
500,000	197,966	302,034	Government grants - FM	500,000	309,412	190,588	-
-	-	-	Government grants - DSR	1,000,000	-	1,000,000	-
1,000,000	912,626	87,374	Government grants - MSIG	735,000	698,209	36,791	-
193,765	-	193,765	LGWSeta	494,125	-	494,125	450,000
8,007,541	54,738,669	(46,731,128)	Administration 12(6)(c)	8,655,118	66,775,993	(58,120,875)	(68,952,481)
-	72,585	(72,585)	Levies 12(1)	-	-	-	-
-	4,422,538	(4,422,538)	Local bodies 12(6)(b)	-	5,345,123	(5,345,123)	(6,800,000)
73,380,261	60,344,384	13,035,877	TOTAL/TOTAAL	87,222,626	73,128,737	14,093,889	535,519
		(6,684,116)	Appropriations for the year (Refer to note 13)			(29,476,301)	
		6,351,761	Net surplus(deficit) for the year			(15,382,412)	
		27,204,368	Unappropriated surplus (accumulated deficit) at the beginning of the year			33,556,129	
		33,556,129	UNAPPROPRIATED SURPLUS / (ACCUMULATED DEFICIT) AT THE END OF THE YEAR			18,173,717	

Appendix F: Statistical information

	2008/2009	2007/2008
GENERAL STATISTICS		
<u>Population</u>	657,012	657,012
Urban areas	568,704	568,704
Rural areas	88,308	88,308
Registered voters	36,355	36,355
<u>Number of local bodies</u>		
Local authorities	5	5
<u>Number of Employees</u>	110	108

REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF LEJWELEPUTSWA DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009
REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Lejweleputswa District Municipality which comprise the balance sheet as at 30 June 2009, and the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 100 to 121.

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

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion the financial statements of the Lejweleputswa District Municipality as at 30 June 2009 have been prepared, in all material respects, in accordance with the basis of accounting as set out in accounting policy note 1 to the financial statements and in the manner required by the MFMA.

Emphasis of matters

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

Basis of accounting

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

Unauthorised, irregular and fruitless and wasteful expenditure

9. As disclosed in note 26.2 to the financial statements, unauthorised expenditure of R258 218 was incurred due to inadequate budget control measures.
10. As disclosed in note 26.1 to the financial statements, irregular expenditure of R2 960 445 was incurred as a result of:
 - Payments amounting to R419 390 were made contrary to the supply management policy for assets that were not received
 - Contrary to the supply chain management regulations adequate quotations were not obtained for expenditure amounting to R1 889 394.
 - Allowances paid to councillors exceeded the limits prescribed according to section 167 of the MFMA by R1 071 051 due to the incorrect grading used for the payment of the allowances.
11. As disclosed in note 26.3 to the financial statements fruitless expenditure of R184 015 was incurred, as a proper human resource management process had not been followed resulting in the payment of a salary to an official during leave that the official was not entitled to.

Other matters

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

Unaudited supplementary schedules

12. The supplementary information set out on pages 122 to 122 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

Non-compliance with applicable legislation

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

13. Contrary to section 65(2)(e) of the MFMA, invoices amounting to R137 757 were not paid within 30 days of receipt of the invoice.

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

14. Contrary to section 57(1)(b) of the MSA, I could not be provided with signed performance agreements in respect of section 57 managers for the financial year under review.
15. Several members of the council and municipal employees did not declare their financial interest for the year under review, as required by item 7 of schedule 1 and item 5(A) of schedule 2 of the MSA.

Governance framework

16. 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 key governance responsibilities addressed below:

Key governance responsibilities

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

No.	Matter	Y	N
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.	X	
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		X
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	X	
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines in section 126 of the MFMA.	X	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	X	
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	<ul style="list-style-type: none"> The municipality had an audit committee in operation throughout the financial year. 	X	
	<ul style="list-style-type: none"> The audit committee operates in accordance with approved, written terms of reference. 	X	
	<ul style="list-style-type: none"> The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA. 		X
7.	Internal audit		
	<ul style="list-style-type: none"> The municipality had an internal audit function in operation throughout the financial year. 		X
	<ul style="list-style-type: none"> The internal audit function operates in terms of an approved internal audit plan. 		X
	<ul style="list-style-type: none"> The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA. 		X
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		X
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		X
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	X	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section		X

No.	Matter	Y	N
	62(1)(c)(i) of the MFMA.		
12.	Powers and duties have been assigned as set out in section 79 of the MFMA.	X	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.	X	
14.	SCOPA have been substantially implemented.		X
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		X
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		X
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Lejweleputswa District Municipality against its mandate, predetermined objectives, outputs, indicators and targets section 68 of the MFMA.	X	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	X	

Overall reflections on the governance framework based on other key governance requirements

18. The [fact that the](#) financial statements were subject to material corrections resulting from the audit [is attributed](#) to the accounting officer not developing and implementing adequate control measures to ensure that financial statements and [financial](#) reporting information are [properly](#) reviewed before [submission to the Auditor-General](#). The chief financial officer and audit committee also did not adequately review the financial statements before submission to the Auditor-General. These weaknesses indicate a serious lack of oversight over financial reporting in the municipality.
19. Owing to the non-functioning of the internal audit function and the audit committee that did not substantially fulfilled its responsibilities for the year a risk assessment that includes a fraud prevention plan as required in terms of the MFMA was not conducted. The accounting officer did not implement any alternative measures to ensure that a risk assessment was done.
20. The accounting officer did not actively monitor the implementation of the SCOPA resolutions and the action plan to correct prior year audit findings, [which](#) resulted in matters [previously](#) reported [regarding](#) the audit committee, internal audit and irregular expenditure not being addressed.
21. A lack of compliance with the supply chain management (SCM) policy contributed to a [significant](#) increase in the amount of irregular expenditure disclosed in the 2008-09 annual financial statements. The [non-compliance is attributed to the](#) lack of adequate training to address skills deficiencies and developmental needs of personnel responsible for the proper implementation of the supply chain management policy.
22. The non-compliance with laws and regulatory requirements is a result of the accounting officer failing to implement adequate policies and procedures and to monitor the compliance with laws and regulations.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

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

The accounting officer's responsibility for the performance information

24. 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 MSA.

The Auditor-General's responsibility

25. 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.

26. 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.

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

Findings on performance information

Non-compliance with regulatory requirements

Content of integrated development plan ([IDP](#))

28. The key performance indicators set by the municipality did not include four general key performance indicators applicable to the municipality, as prescribed in terms of section 43(1) of the MSA.
29. The financial plan reflected in the district municipality's IDP does not include a budget projection for at least the next three years, as required by section 26(h) of the MSA and regulation 2(3) of the Municipal Planning [and](#) Performance Regulations, 2001.
30. Evidence could not be obtained that the municipal manager submitted to the MEC for Cooperative Governance and Traditional Affairs a copy of the IDP as adopted by the council of the municipality and any subsequent amendment to the plan within 10 days of adoption or amendment of the plan, as required by section 32(1)(a) of the MSA.
31. Although the municipal council reviewed the IDP, evidence regarding the involvement of the community or other organs of state, as required by section 29(1)(b) of the MSA, could not be obtained.
32. The output and outcome indicators in respect of the development priorities and objectives set out in the IDP are not adhered to, as required by section 26(c) of the MSA and regulation 9 of the Municipal Planning and Performance Management Regulations, 2001.
33. Evidence that the municipality ensured that the annual performance objectives and indicators for the Lejwe Le Putswa Development Agency were established in agreement with the municipal entity's multi-year business plan as required by section 87(5)(d) of the MFMA could not be obtained.
34. The municipality did not include performance targets in their IDP, as required by regulation 12(1) and 12(2)(e) of the Municipal Planning and Performance Management Regulations, 2001.

35. No comparison between the current year's performance and that of the prior year was included in the annual performance report, as required by section 46(1)(a) of the MSA.
36. The measures implemented to improve the performance of the district municipality was not reflected in the annual performance report of the district municipality, as required by section 46(1)(a) of the MSA.

Existence and functioning of a performance audit committee

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

Internal auditing of performance measurements

38. The municipality did not develop and implement mechanisms, systems and processes for auditing the results of performance measurement as part of its internal audit processes, as required by regulation 14(1) of the Municipal Planning and Performance Management Regulations, 2001 and section 45 of the MSA.

No mid-year budget and performance assessments

39. Due to the municipality not effectively monitoring the performance of the Lejwe Le Putswa Development Agency (Pty) Ltd evidence could not be obtained that the mid-year budget and performance of the Lejwe Le Putswa Development Agency (Pty) Ltd was assessed by the municipality, in [accordance with](#) section 72 of the MFMA.

The non-compliance with laws and regulatory requirements is a result of the accounting officer failing to implement adequate policies and procedures and to monitor the compliance with laws and regulatory requirements in respect of performance information.

Usefulness and reliability of reported performance information

40. The following criteria were used to assess the usefulness and reliability of the information on the municipality's performance with respect to the objectives in its IDP:
- Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved IDP?
 - Relevance: Is the performance information as reflected in the indicators and targets clearly linked to the predetermined objectives and mandate. Is this specific and measurable, and is the time period or deadline for delivery specified?
 - Reliability: Can the reported performance information be traced back to the source data or documentation and is the reported performance information accurate and complete in relation to the source data or documentation?

The following audit findings relate to the above criteria:

Inconsistently reported performance information

41. As the accounting officer did not prioritise the development and implementation of appropriate systems to facilitate the preparation of accurate and complete performance information, the following inconsistencies were noted in respect of development priorities/objectives reported in the integrated development plan and the annual performance report:
- Fourteen objectives reported in respect of key performance areas in the IDP could not be traced to the annual performance report.

- Two objectives reported in respect of the key performance area relating to good governance and community participation in the annual performance report could not be traced to the IDP.
- A difference was also noted between the content of objective of grading guest houses and bed and breakfast establishments included in the IDP and the annual performance plan in respect of the key performance area relating to local economic development.

APPRECIATION

42. The assistance rendered by the staff of the Lejweleputswa District Municipality during the audit is sincerely appreciated.

Auditor General

Bloemfontein

30 November 2009



**AUDITOR - GENERAL
SOUTH AFRICA**

Auditing to build public confidence

LEJWELEPUTSWA DISTRICT MUNICIPALITY

**ACTION PLAN IN RESPECT OF UNQUALIFIED AUDIT OPINION FOR THE REGULARITY AUDIT PERFORMED AT
THE LEJWELEPUTSWA DISTRICT MUNICIPALITY FOR THE 2009/10 FINANCIAL YEAR**

LEJWELEPUTSWA DISTRICT MUNICIPALITY

ACTION PLAN IN RESPECT OF AUDITOR GENERAL REPORT TO THE FREE STATE PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS OF THE LEJWELEPUTSWA DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

AUDIT COMMENT / FINDING	RECOMMENDATION MADE BY THE AUDITORS	ACTION TO BE DONE	RESPONSIBLE PERSON	START DATE	END DATE	PROGRESS	STATUS
			INTERNAL				
<p>Unauthorised, irregular and fruitless and wasteful expenditure</p> <p>9. As disclosed in note 26.2 to the financial statements, unauthorised expenditure of R258 218 was incurred due to inadequate budget control measures.</p> <p>10. As disclosed in note 26.1 to the financial statements, irregular expenditure of R2 960 445 was incurred as a result of:</p> <ul style="list-style-type: none"> • Payments amounting to R419 390 were made contrary to the supply management policy for assets that were not received • Contrary to the supply chain management 	<p>Monitoring controls to ensure adherence to prescribed policies and procedures should be applied at all times.</p>	<p>A draft report has been compiled to be presented to council for consideration. And also procedure will be introduced to ensure that all orders and tenders are budgeted for and that budget is not excluded at the point of execution. Reports comparing budget to actual expenditure to be prepared on the monthly basis and Revised by management when</p>	<p>MM</p>	<p>11 January 2010</p>	<p>30 June 2010</p>		

AUDIT COMMENT / FINDING	RECOMMENDATION MADE BY THE AUDITORS	ACTION TO BE DONE	RESPONSIBLE PERSON	START DATE	END DATE	PROGRESS	STATUS
			INTERNAL				
<p>regulations adequate quotations were not obtained for expenditure amounting to R1 889 394.</p> <ul style="list-style-type: none"> • Allowances paid to councillors exceeded the limits prescribed according to section 167 of the MFMA by R1 071 051 due to the incorrect grading used for the payment of the allowances. <p>11. As disclosed in note 26.3 to the financial statements fruitless expenditure of R184 015 was incurred, as a proper human resource management process had not been followed resulting in the payment of a salary to an official during leave that the official was not entitled to.</p>	<p>Control measures should be implemented to ensure that fruitless and wasteful expenditure is identified and dealt with appropriately</p>	<p>payments are made, the person who prepare and the one who authorize the payments will ensure that valid and completed supporting documents are presented before the payment is made.</p> <p>The matter relating to councillors' salaries will be dealt with before the end of the year.</p> <p>The R184 051 will form part of the report to be tabled in council. Regular monitoring mechanism of leave register will be introduced</p>					

AUDIT COMMENT / FINDING	RECOMMENDATION MADE BY THE AUDITORS	ACTION TO BE DONE	RESPONSIBLE PERSON	START DATE	END DATE	PROGRESS	STATUS
			INTERNAL				
<p>Unaudited supplementary schedules</p> <p>12. The supplementary information set out on pages [XX] to [XX] does not form part of the financial statements and is presented as additional information. I have not audited this schedule and accordingly I do not express an opinion thereon</p>							

AUDIT COMMENT / FINDING	RECOMMENDATION MADE BY THE AUDITORS	ACTION TO BE DONE	RESPONSIBLE PERSON	START DATE	END DATE	PROGRESS	STATUS
			INTERNAL				
<p>Non-compliance with applicable legislation</p> <p>Municipal Finance Management Act, 2003 (Act No. 56 of 2003)</p> <p>Contrary to section 65(2)(e) of the MFMA, invoices amounting to R137 757 were not paid within 30 days of receipt of the invoice.</p>							
	<p>Corrective steps should be Implemented to ensure that creditors are processed or paid within 30 days of the invoice date e.g. invoiced should be date stamped when received and stamped "Paid" when processed or</p>	<p>A register will be introduce of all invoices received and as they are revised they will be stamped with a date stamp to indicate date of receipt .The register will be checked every months end to ensure that all received</p>	MM	Jan 2010	31 March 2010		

AUDIT COMMENT / FINDING	RECOMMENDATION MADE BY THE AUDITORS	ACTION TO BE DONE	RESPONSIBLE PERSON	START DATE	END DATE	PROGRESS	STATUS
			INTERNAL				
	paid.	invoices are paid timeously.					
14. Contrary to section 57(1)(b) of the MSA, I could not be provided with signed performance agreements in respect of section 57 managers for the financial year under review.	The matter should be investigated and explained.	Performance agreements in respect of all section 57 managers will be prepared	MM	Jan 2010	31 March 2010		

AUDIT COMMENT / FINDING	RECOMMENDATION MADE BY THE AUDITORS	ACTION TO BE DONE	RESPONSIBLE PERSON	START DATE	END DATE	PROGRESS	STATUS
			INTERNAL				
15. Several members of the council and municipal employees did not declare their financial interest for the year under review, as required by item 7 of schedule 1 and item 5(A) of schedule 2 of the MSA.	<p>(a) The mentioned councillors should declare their financial interests.</p> <p>(b) Any change in the nature or detail of the financial interests of a councillor must be declared in writing to the municipal manager annually.</p> <p>(c) Gifts received by a councillor above the prescribed amount must also be declared.</p> <p>(d) The municipal council must determine which of the financial interests must be made public having regard to the need for confidentiality and the public interest for disclosure.</p> <p>(e) Council should declare their</p>	Regular monitoring and updates of the Declaration of interest register will be done and all employees and councillors will be required to declare their interest on an annual basis. Memoranda will be issued to remind both councillors and officials about this matter.	MM	25 January 2010	31 May 2010		

AUDIT COMMENT / FINDING	RECOMMENDATION MADE BY THE AUDITORS	ACTION TO BE DONE	RESPONSIBLE PERSON	START DATE	END DATE	PROGRESS	STATUS
			INTERNAL				
	<p>spouse's, partner's or business associate's direct or indirect personal or private business interests.</p> <p>(f) A register for declaration of financial interest should be implemented and maintained.</p> <p>(g) All staff members should declare their interests as required by SCOPA resolution 50/2005.</p>						

<i>AUDIT COMMENT / FINDING</i>	<i>RECOMMENDATION MADE BY THE AUDITORS</i>	<i>ACTION TO BE DONE</i>	<i>RESPONSIBLE PERSON</i>	<i>START DATE</i>	<i>END DATE</i>	<i>PROGRESS</i>	<i>STATUS</i>
			<i>INTERNAL</i>				
3. Overall reflections on the governance framework based on other key governance requirements							

<i>AUDIT COMMENT / FINDING</i>	<i>RECOMMENDATION MADE BY THE AUDITORS</i>	<i>ACTION TO BE DONE</i>	<i>RESPONSIBLE PERSON</i>	<i>START DATE</i>	<i>END DATE</i>	<i>PROGRESS</i>	<i>STATUS</i>
			<i>INTERNAL</i>				
<p>18. The fact that the financial statements were subject to material corrections resulting from the audit is attributed to the accounting officer not developing and implementing adequate control measures to ensure that financial statements and financial reporting information are properly reviewed before submission to the Auditor-General. The chief financial officer and audit committee also did not adequately review the financial statements before submission to the Auditor-General. These weaknesses indicate a serious lack of oversight over financial reporting in the municipality.</p>		<p>Adequate control measures will be developed and implemented to ensure that financial statements and financial reporting information are properly revised before submission to the auditor general</p>	MM	15 August 2010	26 August 2010		

AUDIT COMMENT / FINDING	RECOMMENDATION MADE BY THE AUDITORS	ACTION TO BE DONE	RESPONSIBLE PERSON	START DATE	END DATE	PROGRESS	STATUS
			INTERNAL				
19. Owing to the non-functioning of the internal audit function and the audit committee that did not substantially fulfilled its responsibilities for the year a risk assessment that includes a fraud prevention plan as required in terms of the MFMA was not conducted. The accounting officer did not implement any alternative measures to ensure that a risk assessment was done.		Risk assessment to be performed before end of financial year. Internal audit	MM	Jan 2010	26 February 2010		
20. The accounting officer did not actively monitor the implementation of the PROPAC resolutions and the action plan to correct prior year audit findings, which resulted in matters previously reported regarding the audit committee, internal audit and irregular expenditure not being addressed.	Accounting officer did not actively monitor the implementation of the PROPAC resolutions and the action plan to correct prior year audit findings, which resulted in matters previously reported regarding the audit committee, internal audit and irregular expenditure not being addressed.	Action plan will be drafted to ensure the implementation of the SCOPA resolutions as a matter of agency	MM	January 2010	31 March 2010		
21. A lack of compliance with the supply chain management (SCM) policy contributed to a significant increase in the amount of irregular expenditure disclosed in the 2008-09 annual financial statements. The non-compliance is attributed to the lack of adequate training to address skills	The non-compliance is attributed to the lack of adequate training to address skills deficiencies and developmental needs of personnel responsible for the proper implementation of the supply chain	Supply chain employees will be trained to execute their responsibility properly.	CFO	01 February 2010	Ongoing		

AUDIT COMMENT / FINDING	RECOMMENDATION MADE BY THE AUDITORS	ACTION TO BE DONE	RESPONSIBLE PERSON	START DATE	END DATE	PROGRESS	STATUS
			INTERNAL				
deficiencies and developmental needs of personnel responsible for the proper implementation of the supply chain management policy.	management policy						
22. The non-compliance with laws and regulatory requirements is a result of the accounting officer failing to implement adequate policies and procedures and to monitor the compliance with laws and regulations.	The non-compliance with laws and regulatory requirements is a result of the accounting officer failing to implement adequate policies and procedures and to monitor the compliance with laws and regulations.	Audit of the adequacy of policies and procedures will be performed once and those which are not adequate will be revised and those which are non-existent will be developed and implemented.	MM	04 January 2010	Ongoing		
Non-compliance with regulatory requirements Content of integrated development plan (IDP)							

AUDIT COMMENT / FINDING	RECOMMENDATION MADE BY THE AUDITORS	ACTION TO BE DONE	RESPONSIBLE PERSON	START DATE	END DATE	PROGRESS	STATUS
			INTERNAL				
28. The key performance indicators set by the municipality did not include four general key performance indicators applicable to the municipality, as prescribed in terms of section 43(1) of the MSA.	Controls should be put in place to ensure adherence to section 43 of the Municipal Systems Act.	For missing relevant general key performance indicator to be introduced.	MM	04 January 2010	31 May 2010		
29. The financial plan reflected in the district municipality's IDP does not include a budget projection for at least the next three years, as required by section 26(h) of the MSA and regulation 2(3) of the Municipal Planning and Performance Regulations, 2001.	Controls should be put in place to ensure adherence to section 43 of the Municipal Systems Act.	Three year budget projection to be included in the IDP.	MM	04 January 2010	31 May 2010		
30. Evidence could not be obtained that the municipal manager submitted to the MEC for Cooperative Governance and Traditional Affairs a copy of the IDP as adopted by the council of the municipality and any subsequent amendment to the plan within 10 days of adoption or amendment of the plan, as required by section 32(1)(a) of the MSA.	Management should investigate this matter and provide explanations. Management should ensure that the IDP is submitted to the MEC within 10 days of adoption.	Evidence of the submission of IDP to the Government to be obtained through acknowledgement letters.	MM	31 May 2010	10 June 2010		

<i>AUDIT COMMENT / FINDING</i>	<i>RECOMMENDATION MADE BY THE AUDITORS</i>	<i>ACTION TO BE DONE</i>	<i>RESPONSIBLE PERSON</i>	<i>START DATE</i>	<i>END DATE</i>	<i>PROGRESS</i>	<i>STATUS</i>
			<i>INTERNAL</i>				
31. Although the municipal council reviewed the IDP, evidence regarding the involvement of the community or other organs of state, as required by section 29(1)(b) of the MSA, could not be obtained.		Minutes of the meetings for the review of the IDP will be kept and registered for the participants will be introduced.	MM	August 2009	30 June 2010		
32. The output and outcome indicators in respect of the development priorities and objectives set out in the IDP are not adhered to, as required by section 26(c) of the MSA and regulation 9 of the Municipal Planning and Performance Management Regulations, 2001.		The output and outcomes indicators in respect of the development priorities and objectives set out in the IDP are going to be adhered to.	MM	January 2010	30 June 2010		

<p>33. Evidence that the municipality ensured that the annual performance objectives and indicators for the Lejwe Le Putswa Development Agency were established in agreement with the municipal entity's multi-year business plan as required by section 87(5)(d) of the MFMA could not be obtained.</p>		<p>Will be developed and presented to the auditor in the next audit.</p>	<p>MM and CEO</p>	<p>January 2010</p>	<p>31 March 2010</p>		
<p>34. The municipality did not include performance targets in their IDP, as required by regulation 12(1) and 12(2)(e) of the Municipal Planning and Performance Management Regulations, 2001.</p>		<p>The municipality will include targets in their IDP for the 2009/2010 financial, as required by regulation 12(1) and 12(2)(e) of the Municipal Planning and Performance Management Regulations</p>	<p>MM</p>	<p>31 March 2010</p>	<p>31 May 2010</p>		
<p>35. No comparison between the current year's performance and that of the prior year was included in the annual performance report, as required by section 46(1)(a) of the MSA.</p>		<p>Comparison between the current year's performance and that of the prior year will included in the annual performance report, as required</p>	<p>MM</p>	<p>July 2010</p>	<p>26 August 2010</p>		

		by section 46(1)(a) of the MSA For the 2009/2010 financial year.					
36 The measures implemented to improve the performance of the district municipality was not reflected in the annual performance report of the district municipality, as required by section 46(1)(a) of the MSA.		The measures implemented to improve the performance of the district municipality will be reflected in the annual performance report of the district municipality, as required by section 46(1)(a) of the MSA For the 2009/2010 financial year. Monthly and quarterly reports	MM	04 January 2010	26 August 2010		
Existence and functioning of a performance audit committee. 37. The municipality did not appoint and budget for a performance audit committee, nor was another audit committee utilised as the performance audit committee, as required by	Factor in more added responsibility for audit committee	The municipality will appoint and budget for a performance audit committee, for the 2009/2010 financial year, as required by	MM	Jan 2010	June 2010		

<p>regulation 14(2) of the Municipal Planning and Performance Management Regulations, 2001.</p>		<p>regulation 14(2) of the Municipal Planning and Performance Management Regulations, 2001.</p>					
<p>Internal auditing of performance measurements 38. The municipality did not develop and implement mechanisms, systems and processes for auditing the results of performance measurement as part of its internal audit processes, as required by regulation 14(1) of the Municipal Planning and Performance Management Regulations, 2001 and section 45 of the MSA.</p>		<p>The municipality will develop and implement mechanisms, systems and processes for auditing the results of performance measurement as part of its internal audit processes, as required by regulation 14(1) of the Municipal Planning and Performance Management Regulations, 2001 and section 45 of the MSA for the 2009/2010 financial year.</p>	<p>MM</p>	<p>01 March 2010</p>	<p>30 June 2010</p>		

<p>No mid-year budget and performance assessments</p> <p>39. Due to the municipality not effectively monitoring the performance of the Lejwe Le Putswa Development Agency (Pty) Ltd evidence could not be obtained that the mid-year budget and performance of the Lejwe Le Putswa Development Agency (Pty) Ltd was assessed by the municipality, in accordance with section 72 of the MFMA. The non-compliance with laws and regulatory requirements is a result of the accounting officer failing to implement adequate policies and procedures and to monitor the compliance with laws and regulatory requirements in respect of performance information.</p>	<p>Due to the municipality not effectively monitoring the performance of the Lejwe Le Putswa Development Agency (Pty) Ltd evidence could not be obtained that the mid-year budget and performance of the Lejwe Le Putswa Development Agency (Pty) Ltd was assessed by the municipality, in accordance with section 72 of the MFMA. The non-compliance with laws and regulatory requirements is a result of the accounting officer failing to implement adequate policies and procedures and to monitor the compliance with laws and regulatory requirements in respect of performance information.</p>	<p>Evidence could not be obtained that the mid-year budget and performance of the Lejwe Le Putswa Development Agency (Pty) Ltd was assessed by the municipality, in accordance with section 72 of the MFMA</p>	<p>MM</p>	<p>04 January 2010</p>	<p>25 January 2010</p>		
<p>Usefulness and reliability of reported performance information</p> <p>40. The following criteria were used to assess the usefulness and reliability of the information on the municipality's performance with respect to the objectives in its IDP:</p> <ul style="list-style-type: none"> • Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and 							

<p>targets in its approved IDP?</p> <ul style="list-style-type: none"> • Relevance: Is the performance information as reflected in the indicators and targets clearly linked to the predetermined objectives and mandate. Is this specific and measurable, and is the time period or deadline for delivery specified? • Reliability: Can the reported performance information be traced back to the source data or documentation and is the reported performance information accurate and complete in relation to the source data or documentation? <p>The following audit findings relate to the above criteria:</p>							
<p>Inconsistently reported performance information</p> <p>41. As the accounting officer did not prioritise the development and implementation of appropriate systems to facilitate the preparation of accurate and complete performance information, the following inconsistencies were noted in respect of development</p>	<p>A difference was also noted between the content of objective of grading guest houses and bed and breakfast establishments included in the IDP and the</p>	<p>Accounting officer will prioritise the development and implementation of appropriate systems to facilitate the</p>	<p>MM</p>	<p>04 January 2010</p>	<p>30 June 2010</p>		

<p>priorities/objectives reported in the integrated development plan and the annual performance report:</p> <ul style="list-style-type: none"> ▪ Fourteen objectives reported in respect of key performance areas in the IDP could not be traced to the annual performance report. ▪ Two objectives reported in respect of the key performance area relating to good governance and community participation in the annual performance report could not be traced to the IDP. <p>A difference was also noted between the content of objective of grading guest houses and bed and breakfast establishments included in the IDP and the annual performance plan in respect of the key performance area relating to local economic development.</p>	<p>annual performance plan in respect of the key performance area relating to local economic development</p>	<p>preparation of accurate and complete performance information for the 2009/2010 financial year.</p>					
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Lejweleputswa Development Agency (Proprietary)
Limited

Registration Number 2005/011144/07

Annual Financial Statements for the year ended 30 June
2009

**Statement of Financial Performance for the year ended 20 June
2009**

Figures in Rand	Notes	2009	2008
Revenue	8	2,000,000	1,450,000
Other Income		-	-
Operating expenses		2,235,630	(1,558,418)
Operating (deficit) surplus	9	(235,630)	(108,418)
Investment revenue	10	-	-
Finance costs	11	-	(197)
Surplus (deficit) for the period		(235,630)	(108,615)

Lejweleputswa Development Agency (Proprietary) Limited

Registration Number 2005/011144/07

Annual Financial Statements for the year ended 30 June 2009

Statement of Changes In Net Assets for the year ended 30 June 2009

Figures in Rand	Contribution from controlling entity	Accumulated Deficit	Total net Assets
Balance at 01 July 2007	100	(21,888)	(21,788)
Changes in net assets			
Surplus for the year		(108,615)	(108,615)
Total changes	-	(108,615)	(108,615)
Balance at 01 July 2008	100	(130,503)	(130,403)
Changes in net Assets			
Deficit for the year		(235,630)	(235,630)
Total changes	-	(235,630)	(235,630)
Balance at 30 June 2009	100	(366,133)	(366,033)
Note	5		

Lejweleputswa Development Agency (Proprietary) Limited

Registration Number 2005/011144/07

Annual Financial Statements for the year ended 30 June 2009

Cash Flow Statement for the year ended 30 June 2009

Figures in Rand	Notes	2009	2008
Cash flows from operating activities			
Cash receipts of subsidies and other income		2,000,000	1,450,000
		-	-
Cash paid to suppliers and employees		(1,807,322)	(1,259,435)
Cash generated from operating activities	13	192,678	190,565
Interest income		-	-
Finance costs		-	(-197)
		192,678	190,368
<u>Net cash from operating activities</u>			
<i>Cash Flows from investing activities</i>			
Purchase of property, plant and equipment	2	-	3,420
Total cash movement for the period		192,678	186,948
Cash at the beginning of the period		188,872	1,923
Total cash at end of the period	4	3,806	188,872

Lejweleputswa Development Agency (Proprietary) Limited

Registration Number 2005/011144/07

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1 Presentation of Annual Financial Statements

The financial Statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practices (GAAP), including any interpretations of such statements issued by the Accounting Practice Board, with the effective Standard of Generally Recognised Accounting Practices (GRAP) issued by the accounting Standards Board replacing the equivalent GAAP statements, and the Companies Act of South Africa, 1973. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below.

Standard of GRAP	Replaced Statement of GAAP
GRAP 1: Presentation of financial statements	AC101: Presentation of financial statements
GRAP 2: Cash Flow statements	AC118: Cash Flow Statements
GRAP 3: Accounting policies, changes in accounting estimates and errors	AC103: Accounting policies, changes in accounting estimates and errors

Currently the recognition and measurements principles in the above GRAP and GAAP statements do not differ or results in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1,2 and 3 has resulted in the following changes in the presentation of the financial statements:

1.1.1 Terminology differences

Standard of GRAP	Replaced Statement of GAAP
Statement of financial performance	Income Statements
Statement of financial position	Balance Sheet
Statement of changes in net assets	Statement of changes in equity
Net Assets	Equity
Surplus/Deficit	Profit/Loss
Accumulated surplus/deficit	Retaining earnings
Contribution from owners	Share Capital
Distribution to owners	Dividends

1.1.2 The cash flow statement can only be prepared in accordance with the direct method

Paragraph 11-15 of GRAP 1 has not been implemented due to the affect that the budget reporting standard has no been developed by the local standard setter and the international standard is not effective for the financial period. Although the inclusions of budget information would enhance the usefulness of the financial statements, non-disclosure way not affect the objective of the financial statements.

1.1 Property, plant and equipment

The cost of an item of property , plant and equipment is recognised as an asset when:

It is probable that future economic benefits associated with the item will flow to the company; and
the cost of the item can be measure reliably.

Lejweleputswa Development Agency (Proprietary) Limited

Registration Number 2005/011144/07

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

**1.1 Property, plant and equipment
(continued)**

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Item	Average useful life
Office Equipment	5 to 7 years
Computer Equipment	3 years

The residual value and the useful life of each asset are reviewed at each financial period-end.

Each component part of property plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.2 Financial Instruments

Initial recognition

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liabilities or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Trade and other receivables

Trade receivables do not carry any interest and are stated at their amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. The estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

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Lejweleputswa Development Agency (Proprietary) Limited

Registration Number 2005/011144/07

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements for the year ended 30 June 2009

Cash and cash Equivalents

Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.3 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases. Operating lease payment are recognised as an expense on a straight-line basis over the lease term,

1.4 Employee benefits

Short-term employee benefits.

The cost of short-term employee benefits, are recognised in the period in which the service is rendered and are not discounted.

1.5 Revenue

Revenue is recognised to the extent that it is probable tha the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.6 Currency

The financial statement is presented in South African Rand.

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Lejweleputswa Development Agency (Proprietary) Limited

Registration Number 2005/011144/07

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements for the year ended 30 June 2009

Figures in Rand 2009 2008

2 Property, plant and equipment

	2009			2008		
	Cost	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value.
Office equipment	292,594	(-172,628)	119,966	292,594	(-123,836)	168,758
Computer equipment	85,234	(-82,954)	2,280	85,234	(-70,287)	14,947
	377,828	(-255,582)	122,246	377,828	(-194,123)	183,705

Reconciliation of property, plant and equipment - 2009

	Opening Balance	Additions	Depreciation	Total
Office equipment	168,758	-	(-48,792)	119,966
Computer equipment	14,947	-	(-12,667)	2,280
	183,705	-	(-61,459)	122,246

Reconciliation of property, plant and equipment - 2008

	Opening Balance	Additions	Depreciation	Total
Office equipment	217,550	-	-48,792	168,758
Computer equipment	38,796	3,420	-27,269	14,947
	256,346	3,420	-76,061	183,705

3. Trade and other receivables

Trade receivables		23,717		23,717
Deposits		6,400		6,400
		30,117		30,117
Provision for Bad Debts		(26,317)		-
		3,800		30,117

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances		3,806		188,872
---------------	--	-------	--	---------

The bank balance comprises a current account at Standard Bank Welkom Branch.

Account number: 040209393

Branch code: 055535

5. Share Capital

Authorised	1,000	1000
1000 Ordinary shares of R1 each		

Issued		
Ordinary	100	100

6. Trade and other payables

Trade Payables	329,131	(317,574)
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Lejweleputswa Development Agency (Proprietary) Limited

Registration Number 2005/011144/07

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements for the year ended 30 June 2009

Figures in Rand 2009 2008

7. Provisions

	Opening Balance	Additions	Total
Reconciliation of provision 2009	48,768	(-48,768)	-

8. Revenue

Subsidies received from Lejwe le Putswa District Municipality	2,000,000	1,450,000
---	-----------	-----------

9. Operating (deficit) surplus

Operating surplus for the year is stated after accounting for the following:

Operating lease charges

Premises

Contractual amounts	63,152	58,490
---------------------	--------	--------

Depreciation on property, plant and equipment	61,459	76,060
Employee costs	512,085	824,324

10. Investment revenue

Interest revenue		
Standard Bank of South Africa Limited	-	-

11. Finance costs

Standard Bank of South Africa Limited	-	197
---------------------------------------	---	-----

12. Auditors remuneration

Fees	159,113	42,481
------	---------	--------

13. Cash generated from (used in) operations

(Deficit) surplus for the year	(235,630)	(108,615)
--------------------------------	-----------	-----------

Adjustments for:

Depreciation	61,459	76,060
Interest received	-	-
Finance costs	-	197

Movements in provisions	-	48,768
Changes in working capital:		
Trade and other receivables	26,317	- 22,280
Trade and other payables	340,532	196,435
	192,678	190,565

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Lejweleputswa Development Agency (Proprietary) Limited

Registration Number 2005/011144/07

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements for the year 30 June 2009

Figures in Rand	2009	2008
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14. Contingencies

Claims submitted by Third Parties

There is a legal concern between Development Agency and Waltons, which is currently dealt with by our legal representation. The total outstanding claim amount to R6 420.00

15. Related parties

Relationships

Directors and Senior Manager are related parties.

Shareholder

Lejweleputswa District Municipality

Related party transaction

Subsidies received from related party

Lejweleputswa District Municipality	2,000,000	1,450,000
-------------------------------------	-----------	-----------

16. Directors emoluments

Non - executives

For services as directors	110,220	230,596
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17. Risk management

Liquidity risk

The company's risk to liquidity is a result of the funds, available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Interest rate risk

The company's income and operating cash flows are substantially independent of changes in market interest rates. The company has no interest-bearing assets.

Credit risk

Credit risk in respect of receivables is limited.

17.1 Irregular expenditure

Expenses incurred in contravention of SCM policy	346,162	10,877
--	---------	--------

17.2 Fruitless and wasteful expenditure

Input Value Added Taxation not claimed back	135,660	-
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18. Salary paid to senior manager

Salary	427,733	674,685
--------	---------	---------

Lejweleputswa Development Agency (Proprietary) Limited

Registration Number 2005/011144/07

Annual Financial Statements for the year ended 30 June 2009

Detailed Statement of Financial Performance for the year ended 30 June 2009

Figures in rand	Notes	2009	2008
Revenue			
Subsidies received	15	2,000,000	1,450,000
Other income			
Other Income		-	-
Interest received	9	-	-
		2,000,000	1,450,000
Operating expenses			
Accounting Fees		53,580	51,300
Advertising		38,130	64,600
Auditors remuneration		159,113	42,481
Bank Charges		5,743	5,139
Catering and refreshments		1,602	13,615
Bad Debts		45,474	-
Computer expenses		-	2,155
Consulting and professional fees		528,829	

			91,219
Depreciation		61,459	76,060
Directors emoluments	16	110,220	230,596
Employee costs	18	512,085	824,324
Insurance		20,023	6,941
Interest paid		129	
Lease rentals on operating lease		63,152	58,490
Legal Fees		48,568	-
Postage		270	254
Internet Expense		811	-
Printing and Stationery		640	1,919
Operating Costs		400,000	-
Repairs and Maintenance		963	-
Telephone and fax		61,996	61,551
Travel and Accommodation		-	4,378
Website Development costs		122,843	23,396
		2,235,630	1,558,418
Operating profit (loss)		(-235,630)	(108,418)
Finance costs		-	197
Surplus (deficit) for the period		(-235,630)	(108,615)

LEJWELEPUTSWA DEVELOPMENT AGENCY (PTY) LTD

(Reg. No. 2005/011144/07)

Annual Financial Statements for the year ended 30 June 2009

Directors' Report

The directors present their annual report, which forms part of the audited financial statements of the company for the year ended 30 June 2009.

1. Nature of business

There were no changes in the nature of the company's business during the year under review. The current business operations of the company are tendering projects.

2. Financial Results

The results of the development agency are disclosed in the annual financial statements.

The grant by Lejweleputswa District Municipality amounted to R 2,000,000.00 during the year under review.

3. Objectives of the Agency

The objectives of the agency are; marketing, promotion, public and community relation, creation of supportive development environment for business investment, and project development and facilitation.

4. Contracts

No contracts in which directors and officials of the Agency had an interest in were entered into during the year under review.

5. Review of activities

The company wishes to attract investors to the district, grants to the agency and implementation of economic development and growth resolutions of the local municipalities. The agency was proudly involved financial (R 400,000.00) during the FIFA fun park in Welkom staged at

Phakisa Major Sport Event and Development Corporation. The agency will embark on improving financial management, hence the appointment of financial management support service provider.

6. Directors

The directors of the company during the year and of the date remained the same until it was dissolved. **Note:** the CEO and his secretary resigned. The Agency moved offices and will be operating from the District Municipality offices. Hence LED Director Mr. Lekgetho was assigned to become the Acting-CEO.

7. Secretary

No secretary

8. Auditors

Auditor-General

**REPORT OF THE AUDITOR-GENERAL TO THE PROVINCIAL LEGISLATURE AND THE COUNCIL OF
LEJWELEPUTSWA DISTRICT MUNICIPALITY ON THE FINANCIAL STATEMENTS AND
PERFORMANCE INFORMATION OF THE LEJWE LE PUTSWA DEVELOPMENT AGENCY (PTY) LTD
FOR THE YEAR ENDED 30 JUNE 2009**

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Lejwe Le Putswa Development Agency (Pty) Ltd 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, and the directors' report, as set out on pages 131 to 153.

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) and the Companies Act of South Africa and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 30 of the Companies Act of South Africa, 2008, 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 Lejwe Le Putswa Development Agency (Pty) Ltd 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.

Basis for qualified opinion

Trade and other payables

8. Adequate audit assurance could not be obtained as to the valuation of income tax of R166 755 payable to the South African Revenue Service, as indicated in the statement of financial position, due to several discrepancies being reported during the 2005-06 financial year relating to grants, expenditure, provisions as well as trade and other payables that were incorrectly stated. Documents were not available to permit the performance of alternative audit procedures regarding the income tax liability. Consequently, I did not obtain all the information and explanations considered necessary to determine the valuation of the income tax liability. Adequate audit assurance as to the valuation of the accumulative surplus could therefore also not be obtained.

Expenditure

9. Supporting documentation for expenditure payments amounting to R83 040 and directors emoluments of R75 979 could not be obtained. There were no satisfactory audit procedures that I could perform to obtain adequate audit assurance as to the occurrence and accuracy of expenditure. Documents were not available to permit the performance of alternative audit procedures regarding the payments made. Consequently, I did not obtain all the information and explanations considered necessary to determine the occurrence and accuracy of expenditure.

Qualified opinion

10. In my opinion, except for the effects of the matters described in the Basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Lejwe Le Putswa Development Agency (Pty) Ltd as at 30 June 2009 and its financial performance and 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, the Companies Act of South Africa.

Emphasis of matter

I draw attention to the following matters on which I do not express a qualified opinion:

Irregular and fruitless and wasteful expenditure

11. As disclosed in note 17.1 to the financial statements, irregular expenditure to the amount of R346 162 was incurred, as a result of non-compliance with the Municipal Supply Chain Management Regulations.
12. As disclosed in note 17.2 to the financial statements, fruitless and wasteful expenditure to the amount of R135 660 was incurred, as the agency was not registered in terms of the Value Added Tax Act, 1991 (Act No. 89 Of 1991) and could not claim input Value-Added Tax on expenditure paid.

Other matters

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

Non-compliance with applicable legislation

Municipal Finance Management Act

13. Payments amounting to R649 091 were not made within 30 days of receipt of the invoice, as required in terms of section 99(2)(b) of the MFMA.
14. In terms of section 122(3) of the MFMA, the annual financial statements must be prepared in accordance with generally recognised accounting practice as determined by the Accounting Standards Board. The municipal entity has not provided supplementary information in the financial statements on whether resources were obtained and used in accordance with the legally adopted budget, as prescribed by GRAP 1 *Presentation of Financial Statements*.

Municipal Systems Act

15. In terms of section 93L of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) read with the code of conduct for councillors contained in schedule 1 to the act, directors – when elected or appointed – are required to declare their financial interests within 60 days to the chief executive officer. The required declarations were not made by all the directors.
16. In terms of section 93L of the MSA read with the code of conduct for staff contained in schedule 2 to the act, a person appointed in terms of section 56 of the act, are

required to declare their financial interests within 60 days to the chairperson of the council. The CEO or acting CEO did not make the required declarations.

Companies Act

17. Minutes of board and management committee meetings for the financial year under review were not duly signed, as required by section 73(6) of the Companies Act, 2008. Minutes and attendance registers could not be submitted for all board and management committee meetings. Consequently, I was unable to determine if a quorum was present at the meetings, as required by section 64(1)(b) of the Companies Act.

Governance framework

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

Internal control deficiencies

19. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipal entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the deficiencies in the system of internal control, which led to the qualified opinion. The root causes are categorised according to the five components of an effective system of internal control. (The number listed per component can be followed with the legend below the table.) In some instances deficiencies exist in more than one internal control component.

Par. no.	Basis for qualified opinion	CE	RA	CA	IC	M
8.	Trade and other payables					1
9.	Expenditure			4,5,6		

Legend	
CE = Control environment	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting officer/accounting authority does not exercise oversight responsibility over financial reporting and internal control.	5
Management’s philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
RA = Risk assessment	
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3
The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5

CA = Control activities	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7
IC = Information and communication	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3
M = Monitoring	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Neither reviews by internal audit or the audit committee nor self -assessments are evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3

Key governance responsibilities

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

No.	Matter	Y	N
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.	X	
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		X
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	X	
Timeliness 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.	X	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	X	

No.	Matter	Y	N
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	<ul style="list-style-type: none"> The municipal entity had an audit committee in operation throughout the financial year. 	X	
	<ul style="list-style-type: none"> The audit committee operates in accordance with approved, written terms of reference. 		X
	<ul style="list-style-type: none"> The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA. 		X
7.	Internal audit		
	<ul style="list-style-type: none"> The municipal entity had an internal audit function in operation throughout the financial year. 		X
	<ul style="list-style-type: none"> The internal audit function operates in terms of an approved internal audit plan. 		X
	<ul style="list-style-type: none"> The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA. 		X
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		X
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		X
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	X	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in 95(c)(i) of the MFMA.		X
12.	Powers and duties have been assigned, as set out in section 106 of the MFMA.	X	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.		X
14.	SCOPA resolutions have been substantially implemented.		X
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		X
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		X
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the municipal entity against its mandate, predetermined objectives, outputs, indicators and targets section 87 of the MFMA.	X	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.		X

Overall reflections on the governance framework based on other key governance requirements

21. A skills shortage in financial management and the instability of leadership contributed towards the qualification and material adjustments being affected in the financial statements. Although the audit outcomes compared with that of the previous year indicates an improvement, this improvement can be attributed to the adjustments that were made on the financial statements during the audit.
22. Although the accounting officer failed to develop and implement an action plan to appropriately address the findings of the previous year the necessary actions were taken to correct the majority of the findings.
23. An adequate filing system for documents supporting financial transactions was not maintained by the accounting officer and resulted in a qualification.
24. Oversight of financial transactions by internal audit and the audit committee was not evident and contributed to the shortcomings and errors listed in the report.
25. Systems that were implemented by the accounting officer were inappropriate to facilitate the preparation of accurate and complete performance information due to a lack of effective and efficient systems and internal controls regarding performance management.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

26. I was engaged to review the performance information.

The accounting officer's responsibility for the performance information

27. In terms of section 121(4)(d) of the MFMA, the annual report of a municipal entity must include an assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives, set in terms of the service delivery agreement or other agreement between the entity and its parent municipality.

The Auditor-General's responsibility

28. 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.
29. 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.

30. 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

No reporting of performance information

31. The annual report of the agency did not include an assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives, set in terms of the service delivery agreement between the entity and its parent municipality, as required by section 121(4)(d) of the MFMA.

Monitoring and review of performance information

32. No mid-year assessment of the entity's performance has been done, as required in terms of section 88 of the MFMA.

33. Monthly budget statements were not prepared and submitted to the district municipality on a monthly basis, as required in terms of section 87 of the MFMA.

Existence and functioning of a performance audit committee

34. The performance audit committee did not:

- meet at least twice during the financial year
- review the quarterly reports of the internal auditors on their audits of the performance measurements of the municipality
- review the agency's performance management system and make recommendations in this regard to the council of the agency
- submit an auditor's report to the agency regarding the performance management system at least twice during the financial year.

Internal auditing of performance measurements

35. The internal audit processes and procedures did not include assessments of the functionality of the agency's performance management system and whether the system complied with the requirements of the MSA.

APPRECIATION

36. The assistance rendered by the staff of the Lejwe Le Putswa Development Agency (Pty) Ltd during the audit is sincerely appreciated.

Auditor-General

Bloemfontein

30 November 2009



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Chapter 4

Human Resources and Performance Management

4.1. Municipal Performance Management System

Institutionalisation of performance management has kick started a process where all senior managers have acknowledged the importance of a performance environment. All the above information that has been reflected as achievements for the municipality in the 2008/09 financial year have been as a result of this performance environment. It must be acknowledged here that the municipality has only started with performance assessments in the 2007/08 financial year after a tender was given to a company to assist in the development of the performance management policy as a requirement in order to streamline performance. The first outcome of the process was noted in the 2008/08 financial year's annual report where it was indicated that a senior manager has scored in the region where a performance bonus became due.

The IDP encapsulates all key performance areas as would be assessed by the performance. These key delivery areas form part of the organizational score card which is the sole responsibility of the accounting officer to ensure that it gets implemented. The score card is then cascaded into Departmental scorecards. The performance process ensures that the municipal programmes are aimed at ensuring that the organization is strategy driven and that key systems such as planning, budgeting and performance management are integrated. The approach enables the municipality to improve on its annual planning and budgeting, monitoring and measurement of performance more effectively, and report on achievements in a transparent manner.

The current practice in the municipality is that performance is measured two-fold:

Council requires quarterly reports which are consolidated by the Municipal Manager in order to update council on progress as well as challenges that the municipality is facing regarding service delivery. The municipal Manager was never assessed in the 2008/09 financial year in terms of the policy as adopted by council.

All senior managers (s57 managers) were assessed in compliance with the policy of the municipality. We have been able to consolidate performance in terms of the first three quarters where we then subjected all senior managers to a panel of assessors as per the policy requirement.

All other non-section 57 employees are not being assessed as per our policy because of lack of resources to deal with the demands to be presented by the implementation process.

In addition to the above process, the municipality has since appointed an audit committee comprising of capable and experienced people who have been meeting as and when there are issues to be discussed.

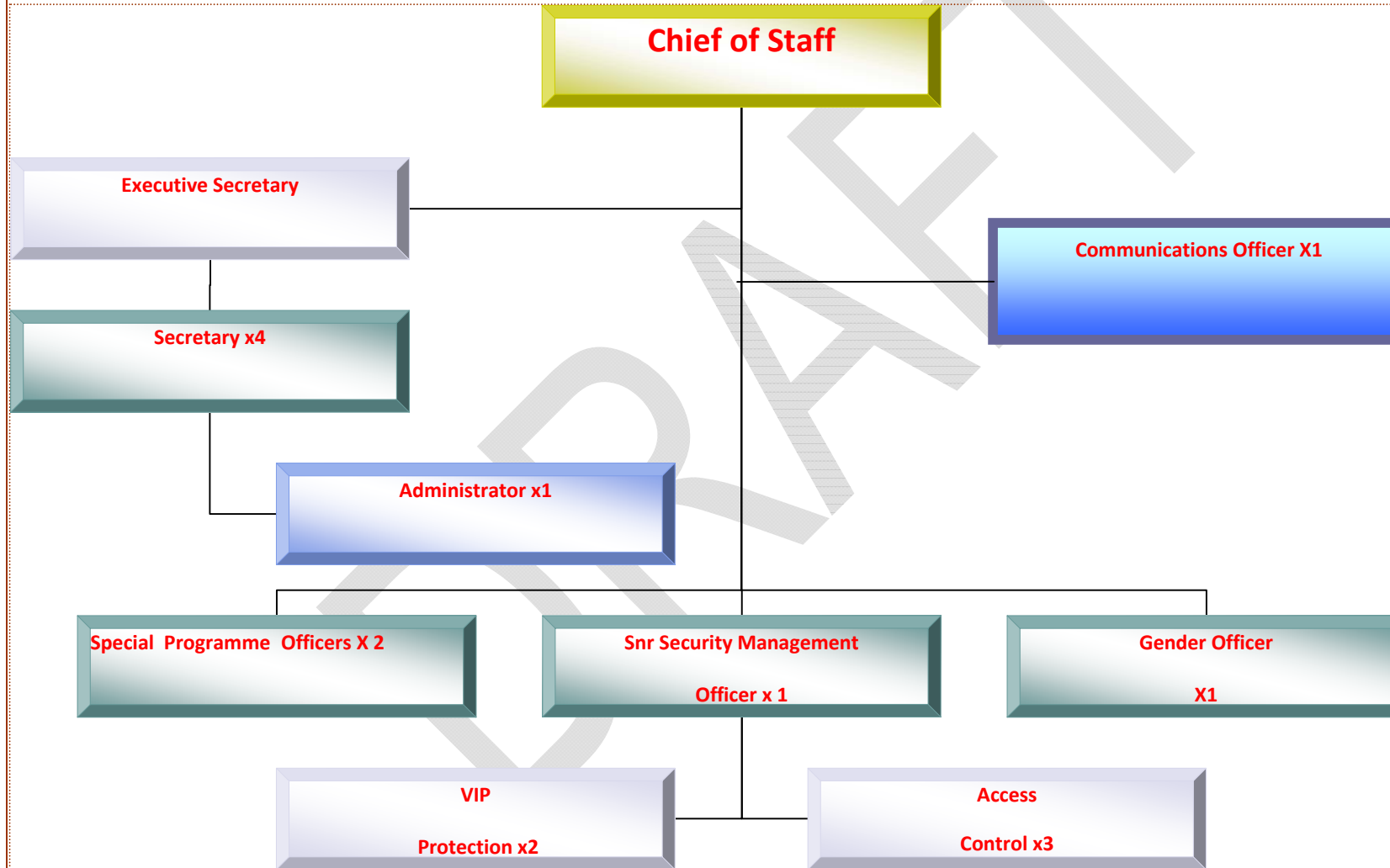
4.2. Performance calculations for the year reported

All senior managers were subjected to performance assessment twice in a year but the assessments were planned in a way that included details of targets planned by respective departmental heads for implementation throughout the four quarters. Calculations are made in line with the calculator as reflected in the performance management framework. All due performance bonuses are calculated and paid after the final report has been adopted by council and there is an item with specific details regarding the calculations and % achievements by identified senior managers.

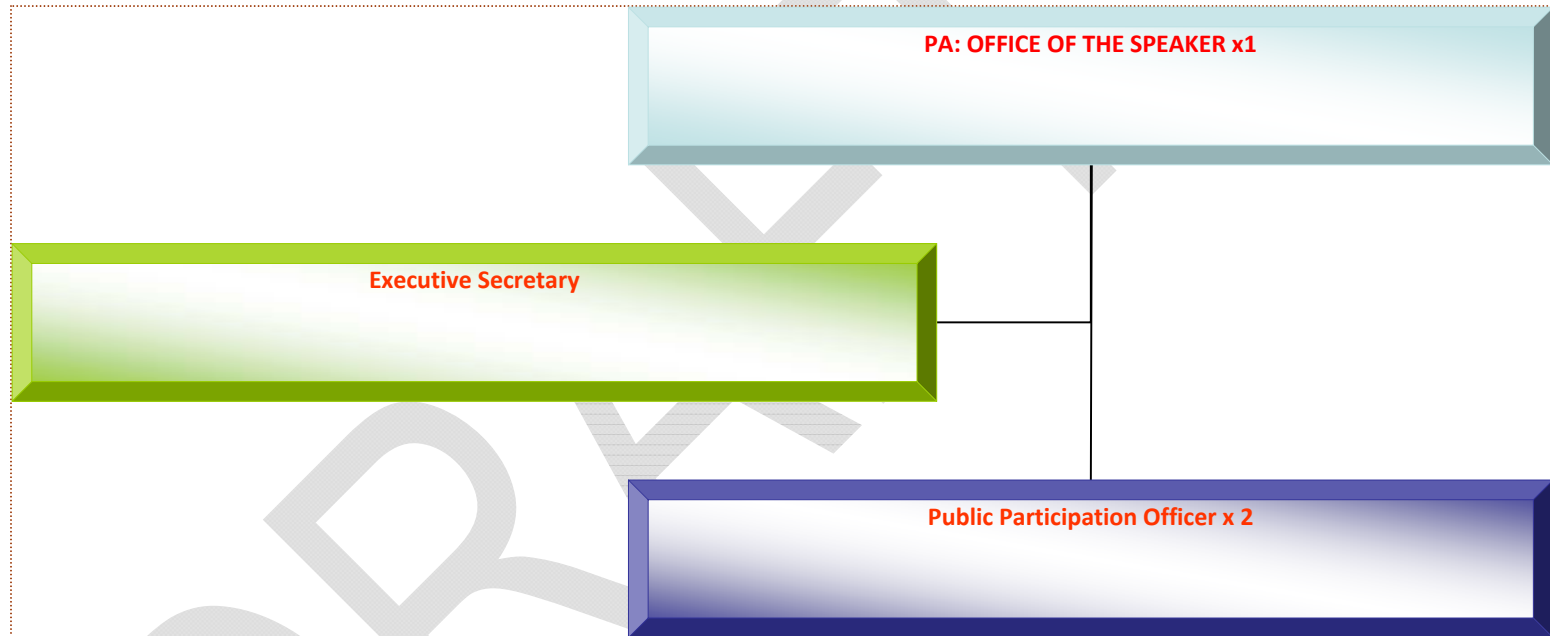
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4.3. Organizational structures- Political Offices

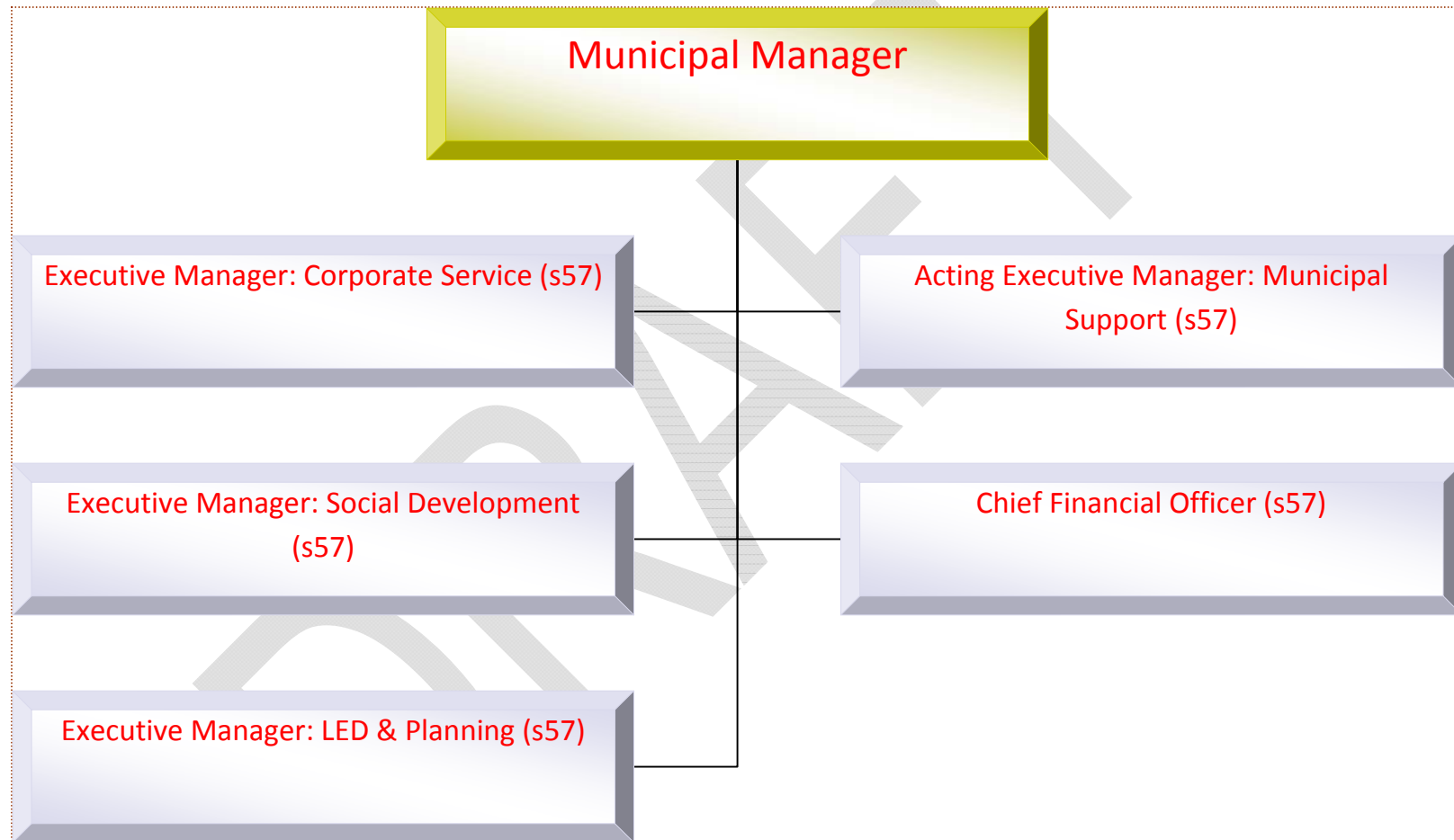
EXECUTIVE MAYOR'S OFFICE



SPEAKER'S OFFICE



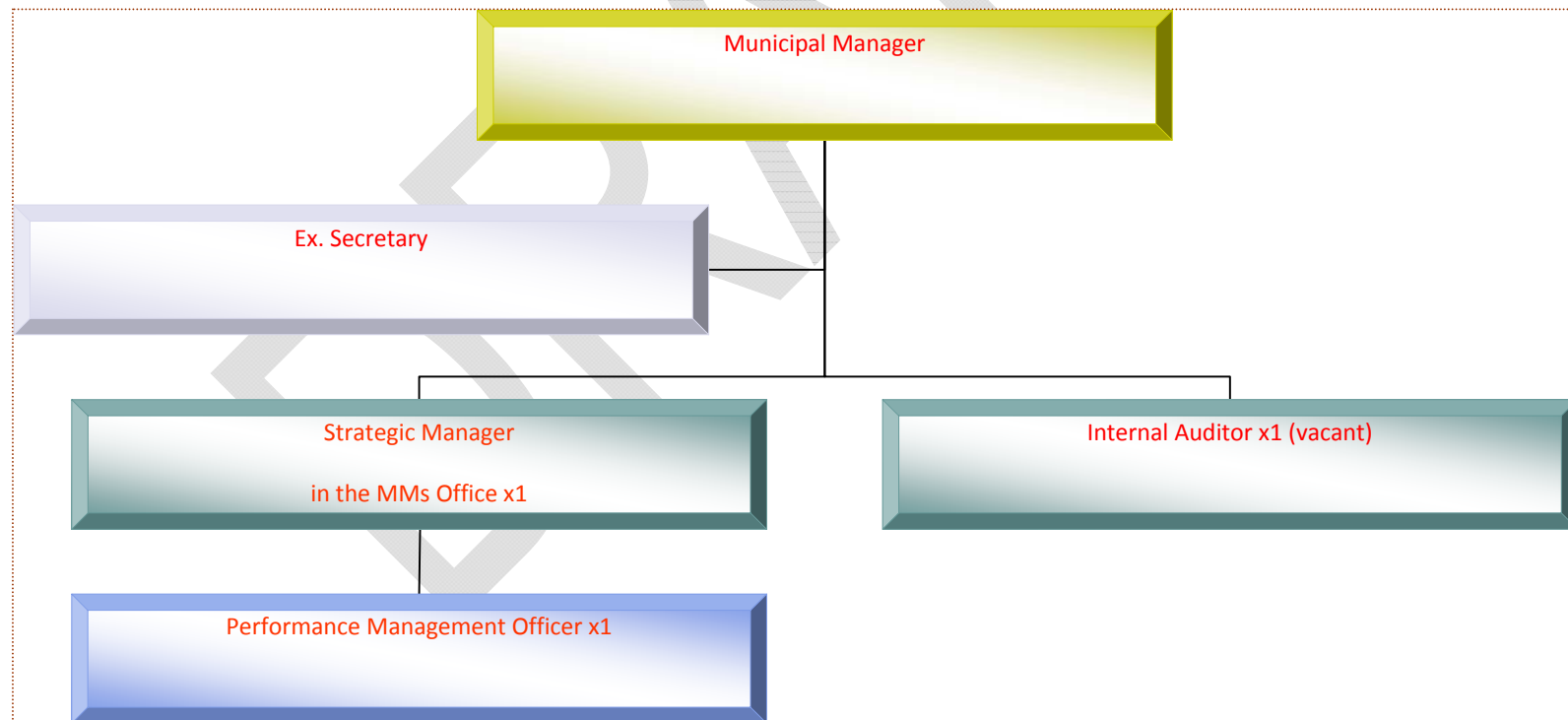
4.4. Executive Management Structure



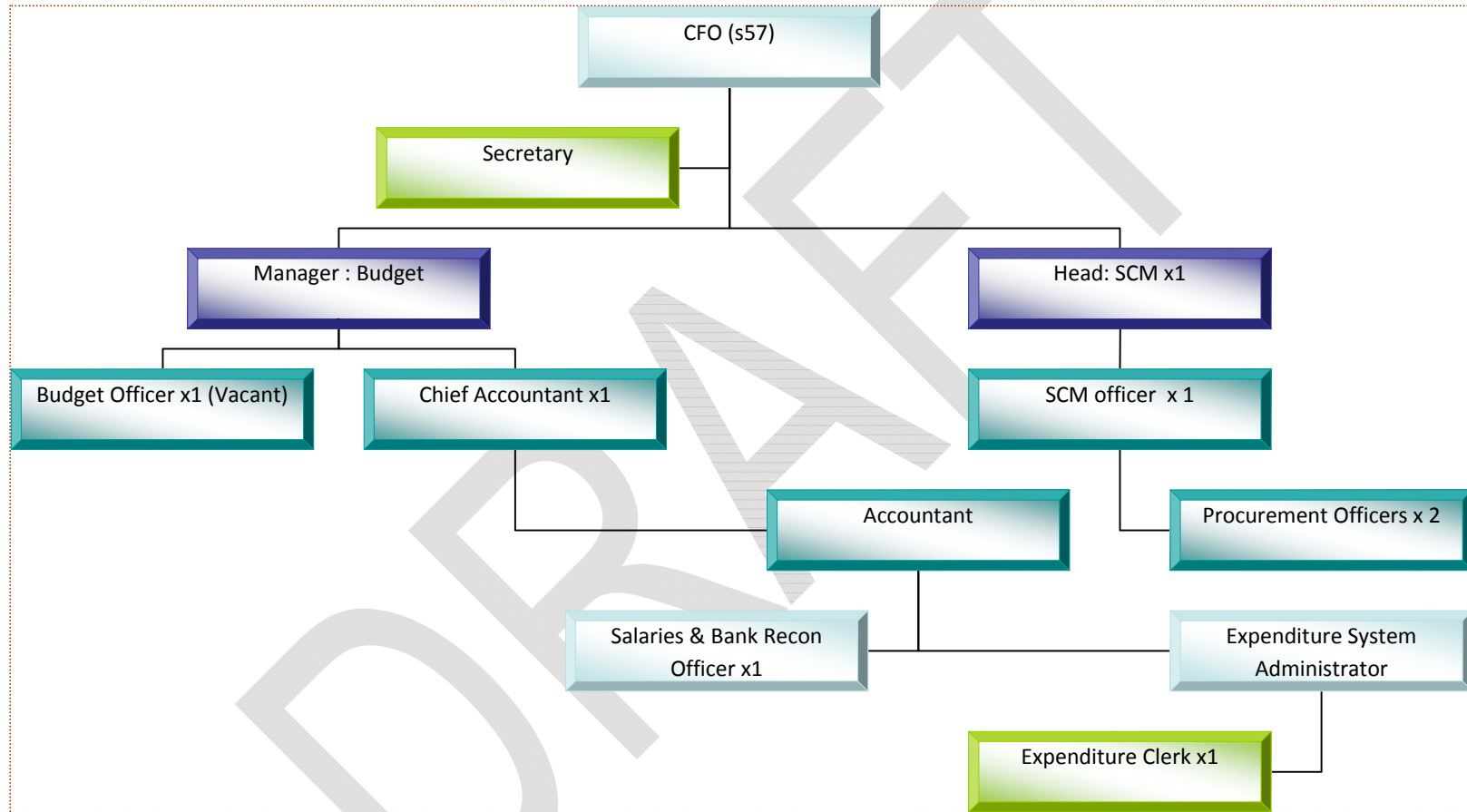
4.5. Departments

DEPARTMENTAL CONFIGURATIONS

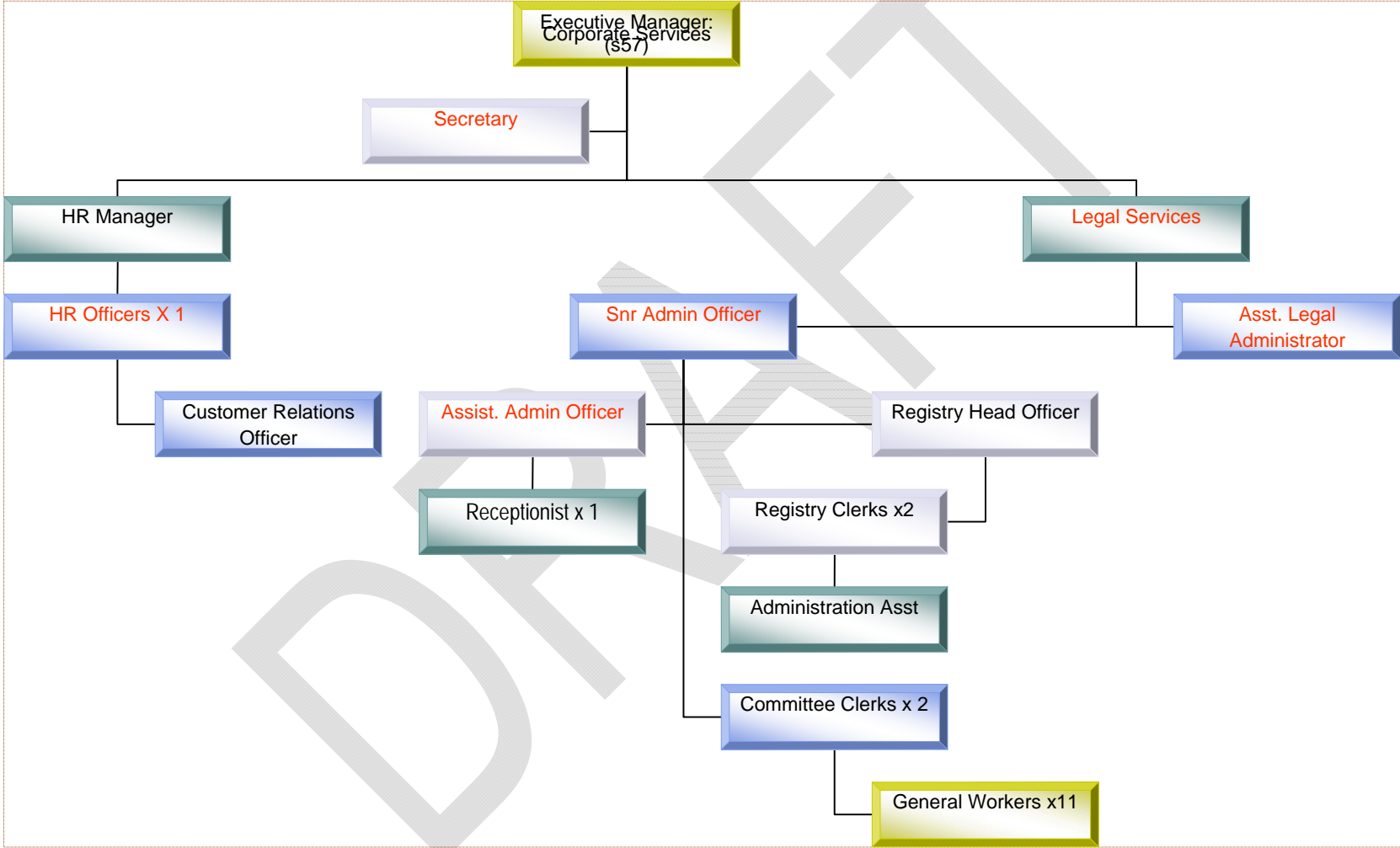
MUNICIPAL MANAGER'S OFFICE



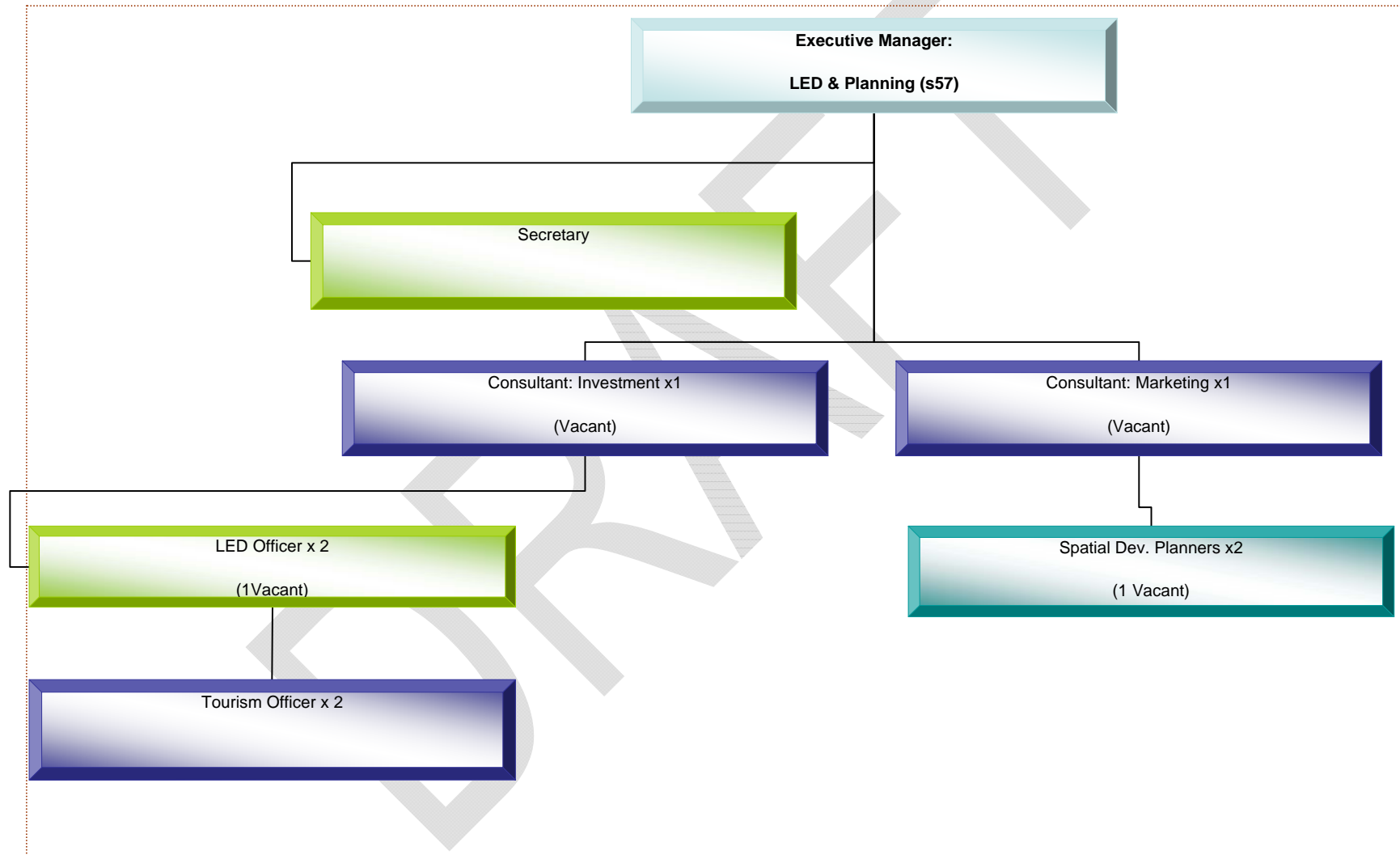
CHIEF FINANCIAL OFFICER



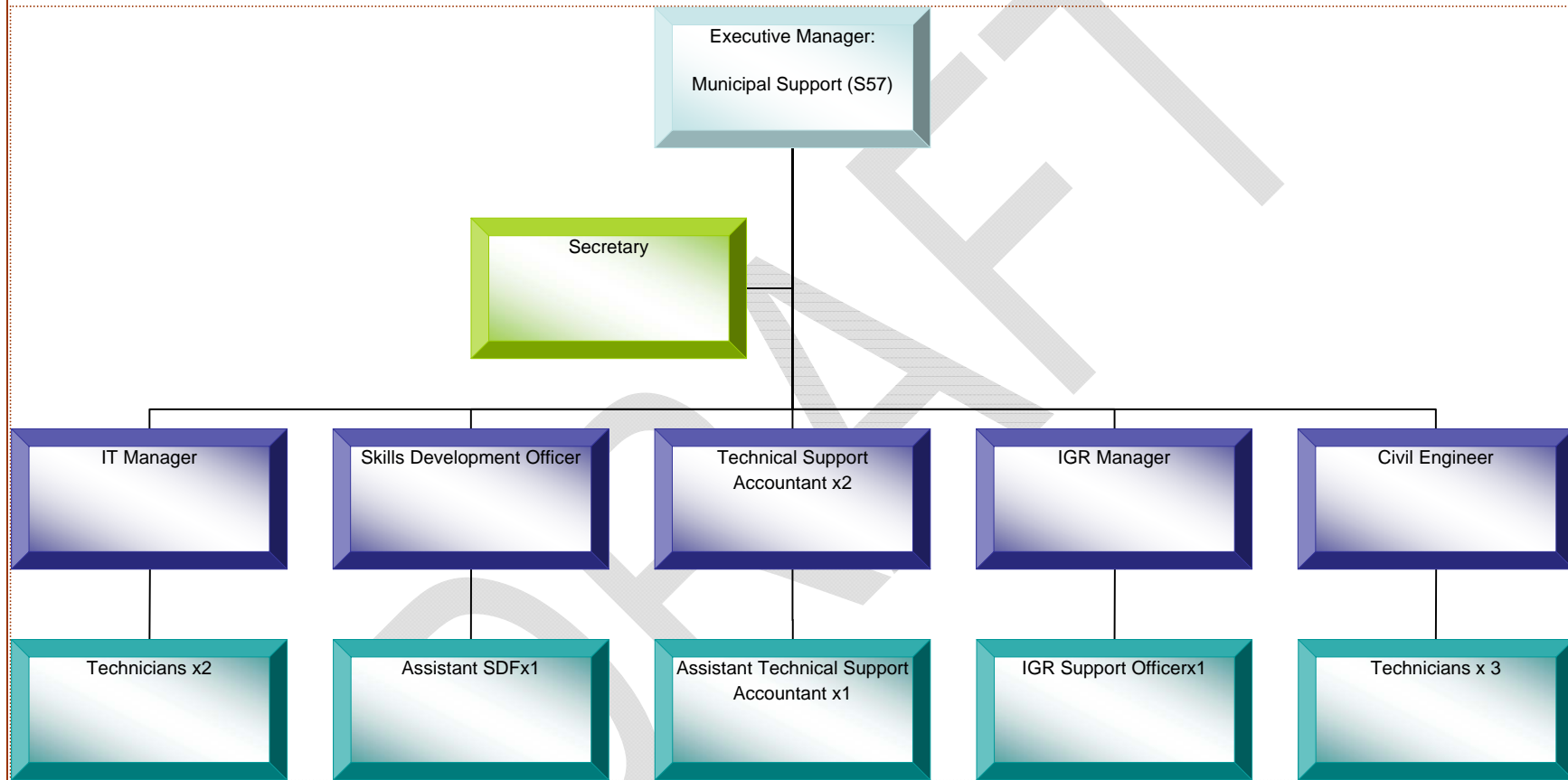
CORPORATE SERVICES



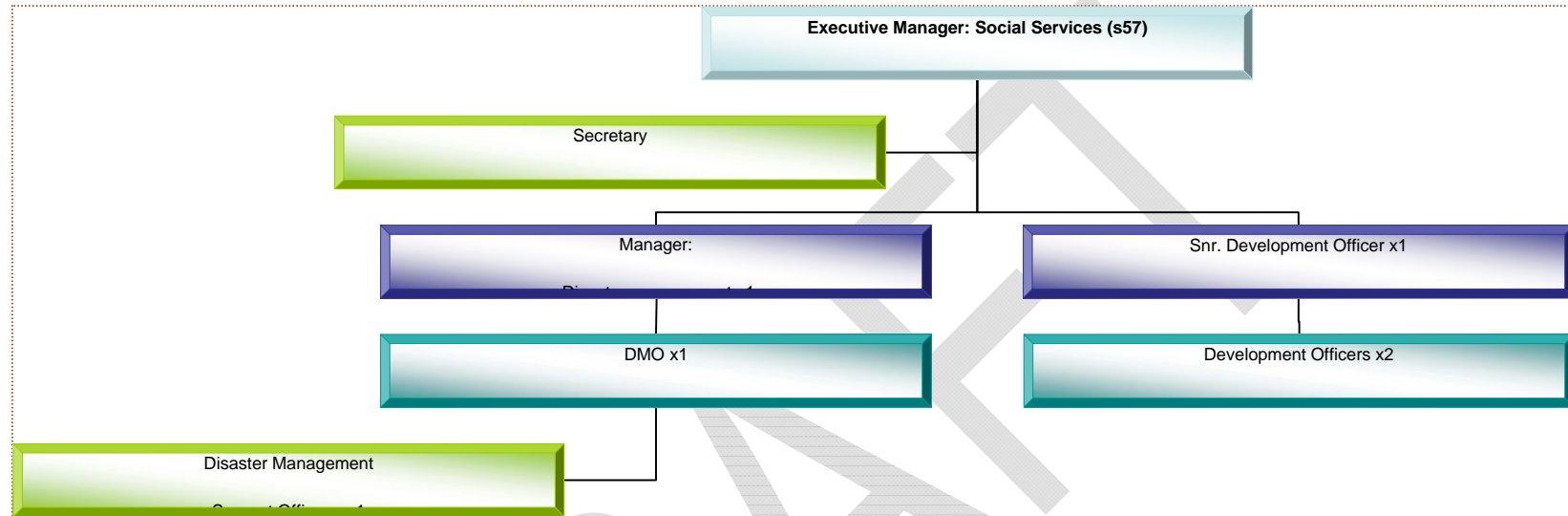
LED and PLANNING



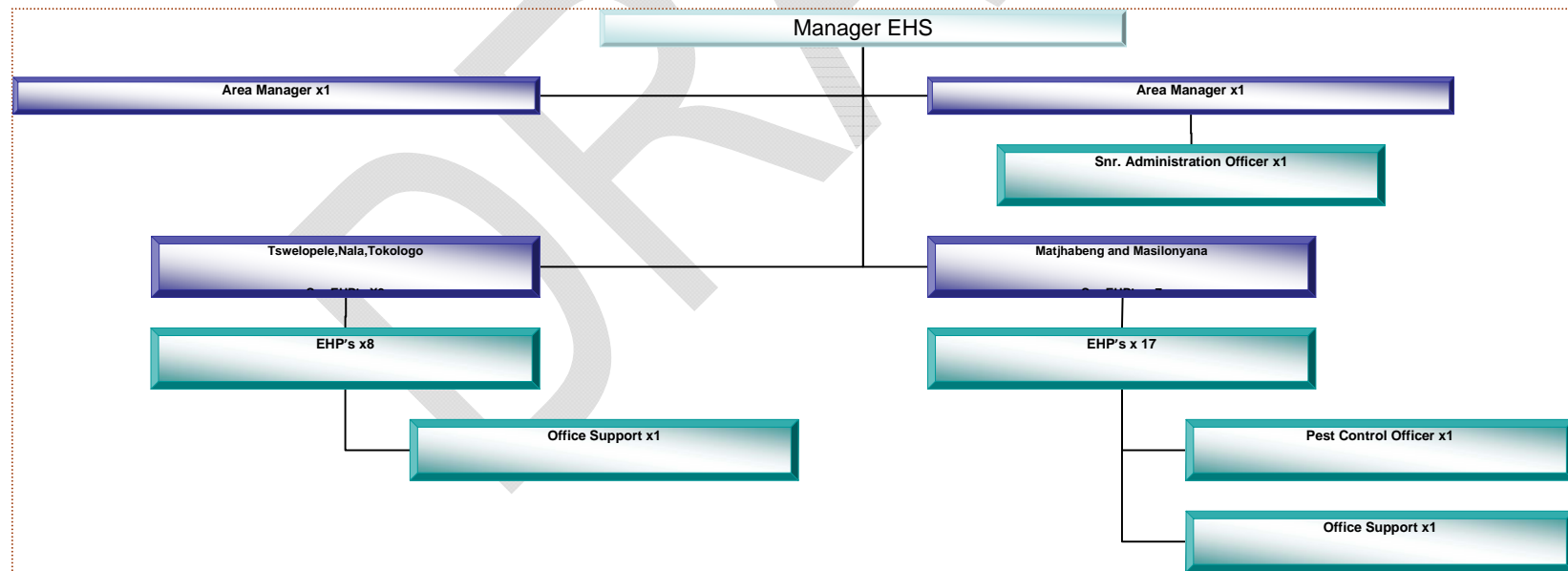
MUNICIPAL SUPPORT



SOCIAL SERVICES



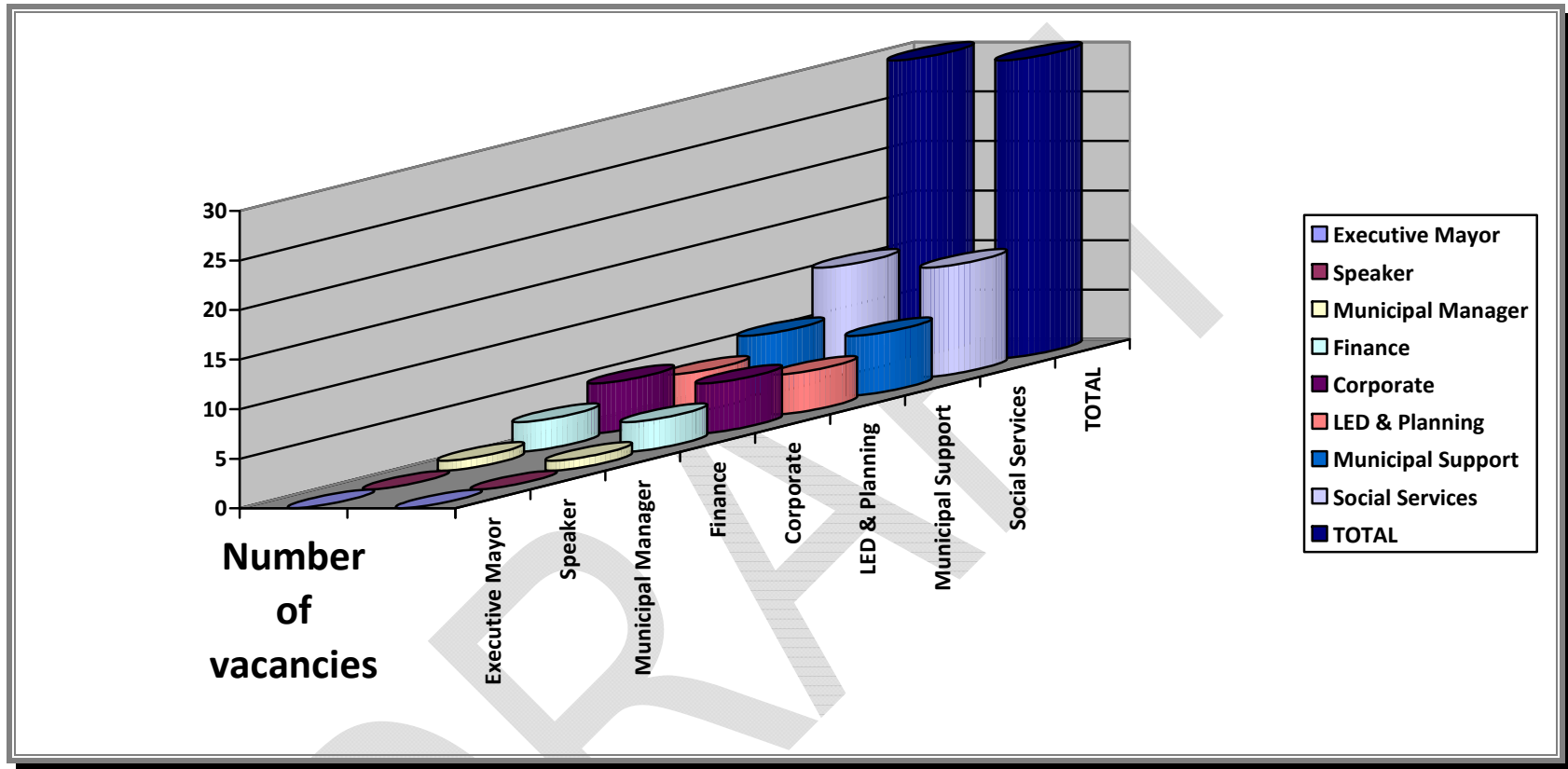
ENVIRONMENTAL HEALTH



4.5.1. Summary of vacancies as at end of June 2009

Department	Number of vacancies	Funded	Not funded
Executive Mayor	0	0	0
Speaker	0	0	0
Municipal Manager	1	1	0
Finance	3	3	0
Corporate	5	5	0
LED & Planning	4	4	0
Municipal Support	6	6	0
Social Services	11	11	0
TOTAL	30	30	0

Please see a graphic representation of the above vacancy scenario below



Chapter 5

Conclusion

5.1. Concluding remarks

The implementation of the IDP for the 2008/09 financial year has been smooth and has given progression from programmes that were planned a year earlier. Most of the projects were infrastructure related and therefore the extent of implementation has thus been very complementary.

Infrastructure Investment

A number of infrastructure projects have been completed in that year including the upgrading of a 116.8km of network. It must also be noted here that whilst there were programmes earmarked for implementation for the year, there were challenges regarding implementing other projects throughout the district.

Basic Service Delivery Investment

The municipality purchased a number of machinery to ensure that we fully take over our mandated functions throughout the district.

Local Economic Development

Cooperative development is one of the key service delivery areas that the municipality has excelled for the past financial year. Training and registration as entities were provided cooperatives in the district.

Governance

The capacity of the institution to deal with community participation processes has been observable on quite a number of programmes implemented in the municipality. In addition, the use of policy on community participation is improving but there is unavoidable need for us to review the policy.

The implementation of policy requirements on areas relating to governance requires improvement. Specifically, it was established that whilst we are able to make submissions within required timeframes, we are not able to provide proof that we indeed have submitted such requirements within specified time and this therefore requires that we establish a mechanism to effect improvements on this.

2009 FIFA Confederation Cup

The municipality has had a resounding success when we managed to play an active part in ensuring that the FIFA Confederation Cup is enjoyed not only nationally but also by our communities locally. It is a known fact and has been reported that we were able to procure necessary facilities for our communities during games broadcast when South Africa's Bafana Bafana national squad was playing.

The success has therefore paved a way for us to improve on what we have done during the next FIFA Soccer World Cup 2010.

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