

**LEKWA TEEMANE  
LOCAL MUNICIPALITY  
“NW396”**



**2006/2007**

**ANNUAL REPORT**

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**LEKWATEEMANE LOCAL MUNICIPALITY  
ANNUAL REPORT: 2006/2007**

**CHAPTER : 1: INTRODUCTION AND OVERVIEW**

**1.1 Foreword by the Mayor**

It is a privilege to present the Annual Report for the Lekwa-Teemane Local Municipality for the review period of 2006/2007.

A number of achievements and challenges during the period under review have been captured in this report with the aim of bettering the lives of our people.

The Annual Report also clearly outlines how we have performed in relation to our strategic plan objectives for the financial year 2006/2007 as captured in our Top Layer SDBIP. And this happened within the context of scarce resources like, skilled labor, capital and machinery.

Financial management remains a very big challenge to us and this is confirmed by our previous Audit Reports, however we have put measures in place to address the matter and one of the key steps we have taken for the following year is the appoint of the Chief Financial Officer.

The second challenge is on shortage of technical skill and old infrastructure but strategies are continuously being explored to bridge the shortage.

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

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

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

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

The past financial year of 2005/2006 has been a learning curve to most of our new councilors with challenges such as lack of internal funding for capital projects. Despite the shortcomings,

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

.....  
**Councilor K.L. Modise**

## 1.2 Overview of the Municipality

### 1.2.1 Municipal Profile

Lekwa-Teemane Local Municipality was established on 6 December 2000 and is made up of the disestablished municipalities of Christiana and Bloemhof. It is a Category B Municipality with a plenary executive system combined with a ward participatory system consisting of six wards. There are eleven councilors in total of which six are ward councilors and five PR councilors. The Lekwa- Teemane Local Municipality is also known as “NW 396” Local Municipality in the North West Province within the Bophirima District. It is neighboring Mamusa, Maquassi Hills, Pokwane and Magareng Municipalities and it covers an area of approximately 3 681km<sup>2</sup>.

### 1.2.2 Demographics

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

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

#### Population by gender

<b>GENDER</b>	<b>NUMBER</b>	<b>%</b>
Female	22773	53%
Male	20194	47%

#### Population by age group

<b>Age</b>	<b>Number</b>	<b>%</b>
0-1	1711	
2-5	3179	
6-14	8361	
15-17	2680	
18-35	13594	
36-65	11226	
66+	2216	
<b>TOTAL</b>	<b>42967</b>	

## Household Size

Type of Unit	Number of Units
Caravan/Tent Private Boats	43
Room/Flat let / Shared Property	59
Informal dwelling not in Back yard	2914
Informal Dwelling / Shack in Back yard	246
House/Flat/Room in Back yard	109
Town/Cluster/ Semi Detached House	117
Flat in Block of Flats	42
Traditional Dwelling	339
House /Brick Structure separate stand/yard	6860
<b>TOTAL</b>	<b>10629</b>

It is estimated that each household has about 4.1 people

## Level of Education

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

## Monthly House Hold Income

Monthly Income	Number of House Holds
0-R800	6000
R801- R 3200	3495
R3200 +	1134
<b>TOTAL</b>	<b>10629</b>

## Employment Statistics within the Municipality

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

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

## Occupation

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

## **1.3 Executive Summary**

### **1.3.1 Vision and Mission**

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

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

#### **MISSION**

##### **Mission**

##### **Supporting Developmental Local Government**

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

##### **Providing effective, Affordable and Sustainable Service Delivery**

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

##### **Creating a Safe Environment**

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

##### **Enhancing Community Participation**

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

## **1.3.2 External and internal challenges facing the municipality**

### **1.3.2.1 Internal Challenges**

The Municipality managed to integrate the two offices, the Bloemhof and Christiana office but there is still a challenge to make sure make sure that the municipal ICT is fully integrated to make administration manageable and have all systems integrated.

### **1.3.2.2 External Challenges**

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

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

## **CHAPTER 2: PERFORMANCE HIGHLIGHTS**

### **2.1 Performance highlights**

The following functions are provided by the municipality to all the residents within its area of jurisdiction: Water, Sanitation, Electricity, Refuse Removal, Roads and Storm water etc.

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

### **2.2 Performance on Developmental Priorities Identified in the IDP**

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

2.2.1 The municipality made sure that communities are involved in identifying the projects through community meetings. Meetings were also held with the IDP representative Forum as well as elected ward committees to discuss strategies for the implementation of the projects. The following projects were identified for implementation in the 2005/2006 IDP:

## **BACKLOGS**

### **Electricity**

The biggest backlogs is found in the municipal infrastructure, roads, water and electricity. The municipality experiences a lot of electricity drips during winter due to old electricity infrastructure. The transformers are also very old and this problem will take some time to resolve due to financial problems faced by the municipality.

### **Water**

There is about 3000 households without access to water on stand these people are still fetching water within 200m from their homes this matter will however be addressed with the application for new RDP houses in the financial year 2008/2009. Apart from the 3000 households which have no access to water on stand, all other households have access to water on stand except for the 500 informal settlements in Boitumelong.

### **Sanitation**

The municipality will be in a position to meet the 2007 target for the eradication of the bucket system for those households as identified by government. We will however still be having about 500 on bucket system by the end of financial year 2007/2008 due to the mushrooming of new informal settlements. The other problem has been old and insufficient sewerage infrastructure. This problem is however being addressed through the construction and upgrading of the sewer treatment plant in Bloemhof and

Christiana. In Christiana there are about 336 households with pat latrine without ventilation. This situation will also not be addressed anytime soon due to lack of funds.

## **Roads**

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

## **Housing**

The total housing backlog is 5000 with a budget need of R178.8 m. An allocation of R161 m has been made for the building of 4600 houses in the 2007/2008 financial year to reduce the backlog.

## **Waste Management**

The municipality does not have proper and landfill sites the two that are available are too small and not regulated. Waste is not properly managed at this point and there no by –laws regulating this.

### **2.3 Level and standard of service**

#### **2.3.1 Free Basic Services**

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

#### **2.3.2 Revenue Collection**

The municipality has established a debt collection unit which is fully functional. The level of outstanding debtors is however still very high as most of the people in the municipal area of jurisdiction are indigent. The payment level stand at 76% for Christiana and 72% for Bloemhof which makes the total of 60% of payment level for the whole municipality.

### **Payment Level in %**

<b>Area</b>	<b>2003/2004</b>	<b>2004/2005</b>	<b>2005/2006</b>	<b>2006/2007</b>
<b>Bloemhof</b>	93	95	91	72
<b>Christiana</b>	72	92	93	80
<b>Utlwanang</b>	28	40	53	35
<b>Boitumelong</b>	57	47	48	

## 2.4 Relating Backlogs to Municipal Spending on Service Delivery Infrastructure

Water backlogs	2004/2005			2005/2006			2006/2007		
	Required	budget	actual	required	Budget	actual	required	budget	actual
No. of households not receiving minimum standards	R200 000	R0	R0	R250 000	R250 000	R250 000	0	0	0
% households identified as backlogs	6%	6%	6%	5%	5%	5%	4.3%	4.3%	4.3%
Spending on new infrastructure to eliminate backlogs	R1 000 000	R0	R0	R0	R0	R0	R250 000	R250 000	R250 000
Spending on renewal of existing infrastructure to eliminate backlogs	R750 000	R0	R0	R0	R0	R0	R0	R0	R0
Total spending to eliminate backlogs	R200 000	R0	R0	R0	R0	R0	R250 000	R250 000	R250 000
Spending on maintenance to ensure no new backlogs created	R400 000	R290 000	R210 000	R300 000	R265 000	R200 000	R500 000	R470 000	R400 000
<b>Sanitation Backlogs</b>									
No. of households not receiving minimum standards		R0	R0	R0	R0	R0	R0	R0	R0
% households identified as backlogs	19.5%	19%	19%	19%	19%	19%	19%	19%	19%
Spending on new infrastructure to eliminate backlogs	R16 000 000	R13 000 000		R18 000 000	R13 000 000	R13 000 000	R30 000 000	R0	R0
Spending on renewal of existing infrastructure to eliminate backlogs	R20 000 000	R0	R-	R25 000 000	R20 000 000	R0	R35 000 000	R0	R0

Total spending to eliminate backlogs	R20 000 000	R13 000 000	R-	R25 000 000	R20 000 000	R-	R35 000 000	R-	R-
Spending on maintenance to ensure no new backlogs created	R500 000	R20 000	R20 000	R550 000	R118500	R118500	R560 000	R285 000	R285 000
<b>Refuse Removal Backlogs</b>									
No. of households not receiving minimum standards	R0	R0	R0	R0	R0				
% households identified as backlogs	R0								
Spending on new infrastructure to eliminate backlogs									
Spending on renewal of existing infrastructure to eliminate backlogs	R1500 000								
Total spending to eliminate backlogs									
Spending on maintenance to ensure no new backlogs created		R35 000	R35 000	R40 000	R35 000	R35 000	R45 000	R16 500	R16 500
<b>Electricity Backlogs</b>									
No. of households not receiving minimum standards									
% households identified as backlogs									
Spending on new infrastructure to eliminate backlogs	R25 000 000								
Spending on renewal of existing infrastructure to eliminate		R145711.5	R145711.5		R160612	R160612		R820 000	R820 000

backlogs									
Total spending to eliminate backlogs									
Spending on maintenance to ensure no new backlogs created	R200 000	R145711.5	R145711.5	R250 000	R160612	R160612	R255 000	R820 000	R820 000
<b>Roads Backlogs</b>									
No. of households not receiving minimum standards	0	0	0	0	0	0	0	0	0
% households identified as backlogs	-	-	-	-	-	-	-	-	-
Spending on new infrastructure to eliminate backlogs	R 10 000 000	R300 000	R75 000	R4 000 000	R725 000	R725000	R4500 000	R3168 000	R2000 000
Spending on renewal of existing infrastructure to eliminate backlogs	R5 000 000	R0	R0	R0	R500 000	R500 000	R4500 000	R3075 000	R1500 000
Total spending to eliminate backlogs									
Spending on maintenance to ensure no new backlogs created	R1 000 000	R250 000	R250 000	R500 000	R375 000	R375 000	R650 000	R300 000	R300 000
<b>TOTALS</b>	<b>R101'750'000</b>	<b>R27'186'42</b>	<b>R881'423</b>	<b>R73'890'000</b>	<b>R55'589'724</b>	<b>R15'424'724</b>	<b>R111'015'000</b>	<b>R9'454'500</b>	<b>R6'641'500</b>

## 2.5 Building and Zoning Plans

<b>Applications outstanding 1 July 2006</b>	<b>Category</b>	<b>Number of new applications received 2006/2007</b>	<b>Total value of applications received in Rands</b>	<b>Applications outstanding 30 June 2007</b>
-	Residential new	62		-
-	Residential additions	24	34456500	-
-	Commercial	2	2 26 8000	-
-	Industrial	0	832 500	-
-	Other	-	-	-

## **CHAPTER 3: HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT ISSUES**

### **3.1 Introduction**

This chapter will concentrate on the municipality's human resources and other organizational management issues including the political wing of the municipality. It will look at the municipality's Skills Development as well as the Employment Equity.

With the appointment of managers directly accountable to the Municipal Manager, the placement of staff was completed and there is now stability within the municipal administration. The relationship between councilors and officials improved since 2004. All Council meetings and portfolio committee meetings take place without problems.

### **3.2 Organisational Structure**

#### **3.2.1 Political Structure**

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

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

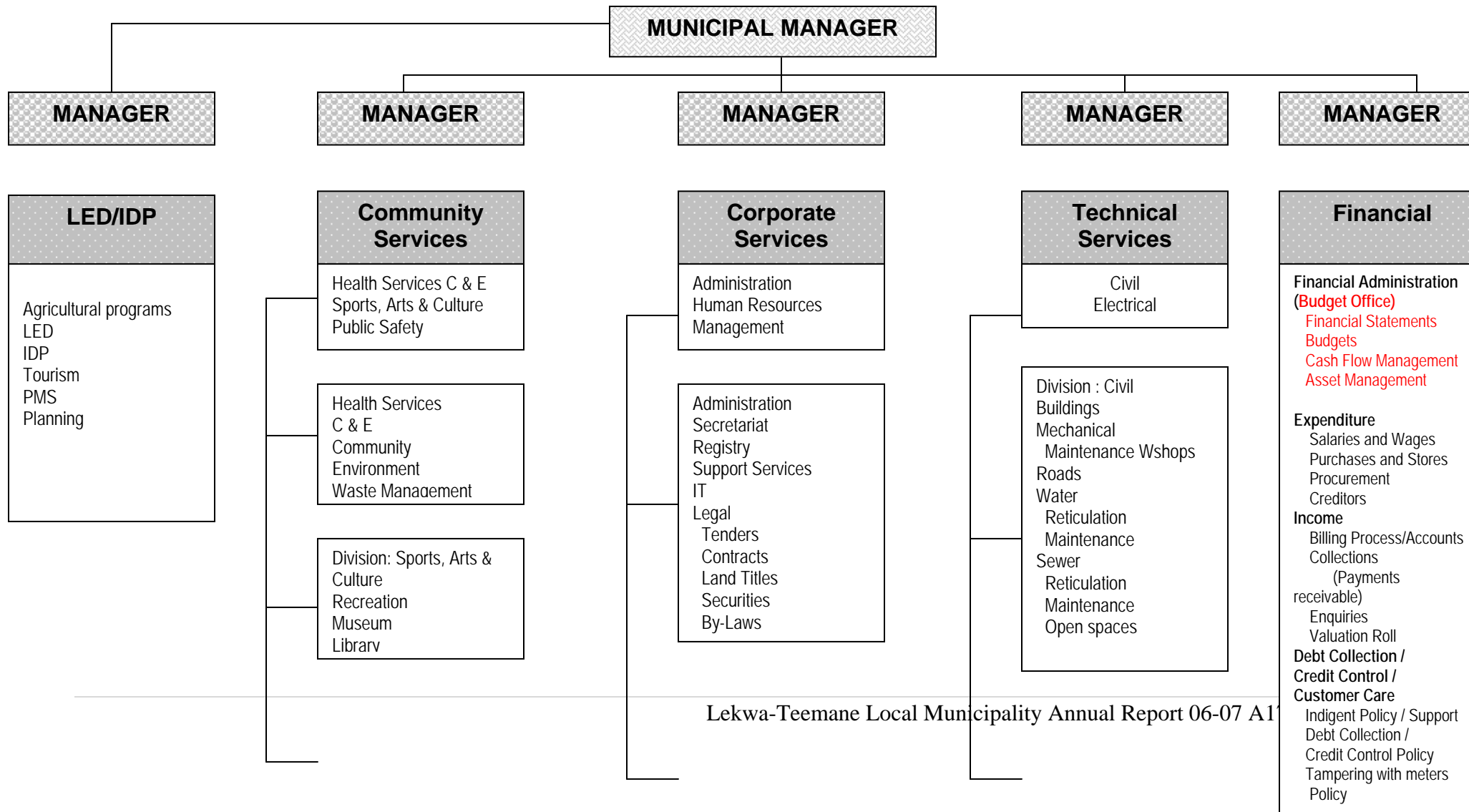
#### **3.2.2 Administrative Structure**

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

The Municipal Organisation Structure was reviewed and linked to the IDP and budget in 2006

The Lekwa-Teemane municipality organisational structure is made up as follows:

**FUNCTIONAL ORGANOGRAM**



### 3.2.3 Staff composition

The total staff component for the municipality is 258 with 228 filled positions and 30 vacancies.

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

The problem however exists in the Technical Services Department as there are no professional and skilled personnel as it is required especially for water, sanitation and electricity. The only qualified official in this department is the director. This therefore means that the municipality has a challenge in making sure that this department which is key, should be properly staffed. In an attempt to address some of these problems, the municipality has advertised the post of a qualified mechanic and electrician. A number of learners are also used to assist in imparting skill. During the financial year ended 30 June 2007 32 learners were taken up for water purification and reticulation.

The other challenge facing the municipality is lack of dedicated unit for Local Economic Development. This function is performed in the office of the municipal manager by the manger responsible for IDP and PMS with only one LED officer and one IDP coordinator. This situation means the local economic development is taking a back seat in Lekwa-Teemane which is a serious challenge considering that about 60% of the community is unemployed.

The one problem that has been facing this municipality since its establishment is that there is no Chief Financial Officer as it is required by the MFMA. The person in this position has been acting since 2004 this situation is caused by lack of funds to finance the post of CFO on a full time basis. The municipality has approached the provincial department of local government and housing to assist through the DBSA Siyenzamanje programme.

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

Year	Actual	Budget	Medical Funds	Pension Funds
2004/2005	2 11797 53	27 109 962	Bonitas	GMPF
2005/2006	22 866 576	27 637 301	Discovery	Samwu Nat Provident Fund
2006/2007	26 597 512	30 024 885	Munimed	Municipal Gratuity Fund
			SAMWU Med	MEPF
				SALA

### 3.3 Disclosure

Councilors/of ficials	Description									Arrears owed to municipality
	Salaries % wages	pension	Medical aid	UIF	Travel	Accommodation	subsistence	Loans/advance s	Other benefits/allo wances	
Mabala	10 35 43					8138	0-00			2399-13
Bojong	103543					8775	360			15182
Muller	103543					0	1724			0-00
Pencil	103543					7885	0-00			4781
Percival	103543					0-00	0-00			0-00
Buys	103543					348	927			0-00
Makodi	103543					7450	3705			0-00
Duiker	103543					8025	0-00			15865
Segalo	103543					21844	12910			19235
Letebele	103543					23753	18547			6191
<b>Senior Managers</b>										
IDP	398720					202 73	28290			
Corporate Services	398 721					32045	36756			
Technical Services	398 900					16850	46577			
Community Services	402 395					12710	30900			
Municipal Manager	559 260									
Mayor	176400									30 000
CFO	273990	36798	21017	1399	7260	11713	25528		14483	
<b>TOTAL</b>										

### **3.4 Employment Equity Plan**

Each designated employer is required by the Employment Equity Act, No. 55 of 1998 to prepare, monitor and submit an employment equity plan for the municipality in order to make sure that there is elimination of unfair discrimination at the workplace.

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

Council employment ratios that reflect the racial demographics of the community of Lekwa-Teemane of 77% Africans, 8% Colored, 0.5% Indians and 14,5% Whites. A gender ratio of 50% females and 5% with disabilities. The goal of the municipality is to achieve these targets by end of 2007. The Employment Equity Plan has been developed for the period 1 June 2004 – 1 June 2009. The municipality has appointed an official as an Employment Equity Officer.

#### **3.4.1 Consultation mechanism/awareness**

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

#### **3.4.2 Policies**

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

#### **3.4.3 Affirmative Action Measures**

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

#### **3.4.4 Reporting**

Reporting on employment equity is done monthly at management level but there is still no system developed to report to council on this matter. Reporting to council is done quarterly through the report of the municipal manager.

### 3.4.5 Goals and Targets

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

The targets at managerial and executive levels are as follows:

	2004		2005		2006		2007	
	#	%	#	%	#	%	#	%
African	3	1.2	3	1.2	3	1.2	3	1.2
Colored	0	0	0	0	0	0	0	0
Indian	0	0	0	0	0	0	0	0
White	1	0.4	1	0.4	1	0.4	1	0.4
<b>Total</b>	<b>4</b>	<b>1.6</b>	<b>4.1.6</b>	<b>4</b>	<b>1.6</b>	<b>1.6</b>	<b>4</b>	<b>1.6</b>

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

	2004		2005		2006		2007	
	#	%	#	%	#	%	#	%
African Females	1	0.4	1	0.4	1	0.4	1	0.4
Colored Females	0	0	0	0	0	0	0	0
Indian Females	0	0	0	0	0	0	0	0
White Females	0	0	0	0	0	0	0	0
<b>Total</b>	<b>1</b>	<b>0.4</b>	<b>1</b>	<b>0.4</b>	<b>1</b>	<b>0.4</b>	<b>1</b>	<b>0.4</b>

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

	2004		2005		2006		2007	
	#	%	#	%	#	%	#	%
African	211	82	211	82	211	82	211	82
Colored	19	7	19	7	19	7	19	7
Indian	0	0	0	0	0	0	0	0
White	21	8	21	8	21	8	21	8
<b>Total</b>	<b>251</b>	<b>100</b>	<b>251</b>	<b>100</b>	<b>251</b>	<b>100</b>	<b>251</b>	<b>100</b>

### 3.5 Skills development

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

### 3.6 Municipal Transformation and Institutional Development

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

POLICY	STATUS	DATE OF ADOPTION
Organisational Structure	Approved by council	
Recruitment Policy	Approved by council	
Supply Chain Management Policy	Adopted by council	
Job Evaluation	Not done	
Information Management System	Up to date	
Delegations	Draft Framework Approved not implemented	
PMS	Approved by Council	
Skills Development Plan	Approved by Council	
Employment Equity Plan	Approved by Council	
Employee Assistance Plan	Adopted by council	
Occupational Health and Safety Plan	Not Available	
Website	Still to be launched	
Communication Policy	Adopted by council	
Customer Care Strategy (Batho Pele)	Not Available	
Indigent Policy	Adopted by council and implemented	
HIV/AIDS Policy	Policy Available but not implemented	
Focus Group Programme ( youth, Gender, disability)	Not available ( office of the mayor still busy with the programme)	
Financial Delegation	Not implemented	
Procurement Framework	Adopted by council	
Audit Committee	Shared Audit Services	
By-Laws	Adopted & to be gazetted in 07/08	
Debt Collection, Credit Control	Adopted by council	

Policy		
Disaster Management Plan	Not Available	
Spatial Development Framework	Developed but not yet adopted	
Maintenance Plan	Not Available	
Policy for the control of use of telephone by officials	Approved by council	
Fixed Assets Management Plan	Adopted by council	
Vehicle Management Policy	Adopted by council	
Banking and investment policy	Adopted b council	

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

Policy	KPI	Progress with Implementation	Comparison with previous Financial year	Performance Targets for next financial year
PMS Policy	Full implementation of municipal PMS is achieved	80%	70%	PMS to be cascaded to all other employees. PMS still only implemented on the level of municipal manager and managers directly accountable to him.
Supply Chain Management Policy	Ensure proper and fair allocation of contracts without interference	Bid committees have been formed	60%	Supply chain management unit still have to be established
Placement Policy	Placement of Staff implemented	100%		
Indigent Policy	All indigent households receive free basic services	100% - only about 35% of the total households receive free basic electricity(50kwh per month)	45%	Indigent register will be updated on a quarterly basis to make sure it is still relevant. More effort to be made to ensure that ESKOM implements the free basic electricity policy
Debt Collection & Credit control policy	Creditors are paid timeously	20%	50%	Finance department needs to allocate staff sufficiently in all sections
HIV/AIDS Policy	Employee right to privacy respected and every person has access to counseling arranged by the municipality	100%		- To revive the Local AIDS Council which assist affected and infected employees with support and information. Make sure that the mayor's office is involved in LAC programs
Policy for the control of telephone use by employees.	The use of telephone is controlled and monitored	- Each employee including management have a limit allocated for the use of the phone monthly, anything above the limited amount is paid for by the concerned official	100%  The municipal telephone account has been reduced considerably.	
Training and	All municipal staff and	60%	100%	To make sure that all

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

### 3.7 Performance

The total salary budget for the municipality stands at 41%. It is a bit difficult to reduce this situation at this point but it has been resolved that all the senior positions that are not needed be removed. The transfer of environmental health officers to the district will also help to reduce the total salary budget.

The municipal vacancy level is high at about 5%. The council took a resolution that the vacancy level be reduced by 3% in the 2006/2007 financial year. It was also resolved that only key positions be filled. The problem was also caused by the fact that some of the vacant positions on the organizational structure were not really needed. A plan was developed then to do away with some of those positions that are not necessary to reduce the vacancy level.

The municipality resolved at a strategic planning workshop that a CFO be appointed to address the challenges that the municipality is facing with the management of its finance department. This will also assist in developing a strategy to increase revenue, and expand tax base. It is

believed that proper management in the finance department in collaboration with corporate service, will make it possible for the municipality to manage the high salary budget and reduce vacancy levels.

**Grants received by the municipality**

<b>Grant</b>		
<b>FMG</b>		
<b>Financial year</b>	<b>Received</b>	<b>Spent</b>
<b>2003/2004</b>	<b>1000 000</b>	<b>215360</b>
<b>2006/2007</b>	<b>500 000</b>	<b>305416.60</b>
<b>MIG</b>		
<b>Financial year</b>	<b>Received</b>	<b>Spent</b>
<b>2006/2007</b>	<b>4072685.73</b>	<b>3860927.89</b>
		<b>Resealing of roads</b>

**CFO**

**PLEASE SUPPLY GRANTS INFORMATION FOR 2006/2007**

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

### ***REPORT OF THE AUDITOR-GENERAL TO THE NORTH WEST PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF LEKWA TEEMANE LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2007***

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## **REPORT ON THE FINANCIAL STATEMENTS**

### **Introduction**

1. I was engaged to audit the accompanying financial statements of the Lekwa Teemane Local Municipality which comprise the balance sheet as at 30 June 2007, income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the accounting officer's report, as set out on pages [xx] to [xx].

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

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the entity specific basis of accounting set out in accounting policy note 1.1. This responsibility includes:
  - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - selecting and applying appropriate accounting policies
  - making accounting estimates that are reasonable in the circumstances.

### **Responsibility of the Auditor-General**

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit in accordance with the International Standards on Auditing. Because of the matters discussed in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion

### **Basis of accounting**

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

### **Basis for disclaimer of opinion**

5. Opening balances  
I was unable to obtain sufficient appropriate audit evidence to verify the accuracy, completeness, rights and obligations, existence and disclosure of opening balances of assets of R64 199 328, liabilities of R45 415 123 and accumulated funds and reserves of R18 784 205 due to most matters giving rise to the prior year's qualifications remaining unresolved.
6. Going concern  
The municipality's debtors increased with R20 676 261, the creditors and long term liabilities increased with R14 017 203 and R1 301 407 respectively and the bank overdraft

increased with R527 738. Furthermore the municipality realised a loss of R1 681 716 and its debtors collection period was 552 days for the period under review. This situation indicates the existence of a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern. The entity may therefore be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements did not disclose this fact.

7. Income

- a) The Municipality did not have any controls in place to ensure that all manual receipts were captured on Venus. Furthermore manual receipt listings reconciled to general ledger printouts could not be provided for audit purposes. The entity's records did not permit the application of alternative audit procedures. The extent of the possible misstatement could not be reliably determined. Consequently I did not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness, occurrence, cut off and classification of income from hand receipts included in revenue of R67 086 913 as per the income statement.
- b) Water meter readings captured on the Venus System were less than the actual meter readings resulting in a projected understatement of R1 930 572 in the sale of water of R13 357 365 included in the income statement. Consequently I was unable to determine the occurrence and completeness of water services income.
- c) Electricity meter readings captured on the Venus System were less than the actual meter readings resulting in a projected understatement of R5 773 614 in the sale of electricity of R18 544 526 included in the income statement. Consequently I was unable to determine the occurrence and completeness of electricity income.
- d) Assessment rates of R5 052 501 included in the income statement was understated by approximately R666 930 and consumer debtors understated by the same amount, due to rates not charged to certain consumers because of the valuation roll not being updated with current values and improvements on properties not being included on the valuation roll.
- e) Provincial government grants and subsidies of R1 000 865 included in the income statement differed by R1 078 829 from third party confirmations of R2 079 964 resulting in the understatement of income and debtors.
- f) Individual fines paid to the traffic department could not be traced to the general ledger. Furthermore a register of all fines issued could not be provided for audit purposes. The entity's system did not allow the performance of alternative procedures. Consequently I was unable to determine the completeness, accuracy and occurrence of laser cam speed income of R2 862 961 included in other services of R19 543 729 as per the income statement.
- g) I was unable to obtain sufficient supporting documentation and explanations for debit balances of R410 404 included in other services of R19 543 729. Furthermore I could not obtain supporting documentation and explanations for other income of R317 544 included in the income statement. The entity's records did not permit the performance of alternative procedures. Consequently I did not obtain sufficient appropriate audit evidence to determine the accuracy, completeness, occurrence, cut off and classification of other income included in the income statement.
- h) Income received for digger pan fees of R276 864 and included in the other services income of R19 543 729 as per the income statement could not be verified due to the lack of contracts between Lekwa Teemane Local Municipality and the prospectors. The entity's records did not permit the performance of alternative procedures. Consequently I could not determine the accuracy, completeness and occurrence of digger pan fees.

8. Expenditure

I was unable to determine the accuracy, completeness, occurrence, cut off and classification of expenditure of R68 768 630 included in the income statement due to the following.

- a) I was unable to obtain supporting documentation and explanations for capital charges of R2 393 688, contributions to fixed assets of R79 002 and contribution of R4 169 256 included in actual expenditure of R68 768 630 as per the income statement. The entity's records did not permit the application of alternative procedures. Consequently I could not obtain sufficient appropriate audit evidence to satisfy myself as to the accuracy, completeness and occurrence of the amounts included in the income statement.
  - b) I was unable to obtain sufficient appropriate supporting documentation and explanations for the indigent subsidy of R4 838 497. The entity's records did not permit the performance of alternative procedures.
  - c) I was unable to obtain sufficient supporting documentation authorising the bad debts of R1 404 740 written off during the year. The entity's records did not permit the performance of alternative procedures. Consequently I was unable to determine the completeness, accuracy and occurrence of bad debts written off included in expenditure as per the income statements.
  - d) Operating lease agreements for expenditure of R812 826 could not be obtained for audit purposes. The entity's records did not permit the performance of alternative procedures.
9. Salaries, wages and allowances
- a) I was unable to determine the occurrence, accuracy and completeness of overtime of R1 170 803 included in salaries, wages and allowances of R26 597 512 as per the income statement. Alternative procedures indicated that overtime of more than 30% of their monthly compensation was paid to senior management. Furthermore I was unable to obtain time sheets for all of the overtime payments made. The entity's records did not permit the performance of alternative procedures.
  - b) Performance bonuses were paid during the year under review. I was unable to obtain the amount paid and the approval of Council for the bonuses paid to senior management. Furthermore the bonuses were not disclosed in note 16B to the financial statements. I was unable to obtain sufficient appropriate audit evidence to determine the extent of the possible misstatement in salaries, wages and allowances and accumulated deficit due to a limitation of scope imposed by the entity. Consequently I could not satisfy myself as to the accuracy, completeness, occurrence and compliance of performance bonuses included in the income statement.
10. Journals
- I was unable to obtain sufficient, appropriate supporting documentation for journals of R24 794 799 due to limitation of scope imposed by circumstances. The entity's records did not permit the application of alternative audit procedures. Consequently I did not obtain sufficient appropriate audit evidence to satisfy myself as to the accuracy, validity, completeness and classification of journals in all the components of the balance sheet and income statement.
11. Creditors
- I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the accuracy, completeness, existence, rights and obligations and disclosure of creditors of R39 543 603 included in the balance sheet due to the following:
- a) Suspense accounts of R5 832 340 were not cleared at year end. Alternative procedures indicated that R3 591 370 of this amount should have been classified as income and R600 000 as an investment, resulting in the overstatement of creditors and understatement of income and investments. I was unable to obtain sufficient

appropriate audit evidence for the remaining balance of R1 640 970. The entity's records did not permit the performance of alternative procedures on the remaining balance.

- b) Sundry creditors of R30 863 387 represented the outstanding water and electricity accounts due by the Municipality. The amount was incorrectly reflected excluding value added tax (VAT) resulting in the understatement of creditors and debtors by R3 790 241.
- c) I was unable to obtain sufficient appropriate supporting documentation and explanations for the creditors VAT of R387 664 included in creditors of R39 543 604. The entity's system did not allow for the performance of alternative procedures.

12. Debtors

I was unable to determine the accuracy, completeness, existence, rights and obligations and disclosure of debtors of R72 229 156 included in the balance sheet due to the following:

- a) Debtors of R106 377 776 as at 30 June 2007 increased with R23 409 276 compared to the previous year debtors of R82 968 500. Debtors outstanding for 90 days and more amounted to R91 445 504, while the provision for bad debts per note 10 to the financial statements was R34 148 622. This is a clear indication that the provision for bad debts was materially understated and debtors subsequently overstated. Furthermore the Municipality did not have a specific basis for the provision.
- b) Included in debtors were uncleared suspense accounts of R9 876 126. Supporting documentation substantiating R8 580 942 of the amount could not be provided for audit purposes. Furthermore alternative procedures performed indicated that R1 293 115 of the suspense accounts should have been allocated to income, expenditure, investments, bank and cash and fixed assets, resulting in the understatement of these accounts and overstatement of debtors. Consequently I could not satisfy myself as to the accuracy, completeness, rights and obligations and disclosure of suspense accounts included in debtors.

13. Retained surplus

I was unable to obtain supporting documentation for prior year adjustments of R552 875 included in the retained surplus of R17 355 476 as per the balance sheet. The entity's records did not permit the application of alternative audit procedures. Consequently I did not obtain sufficient, appropriate audit evidence to satisfy myself as to the accuracy, validity, completeness and classification of this adjustment.

14. Statutory funds, reserves and trust funds

- a) A housing operating account of R299 888 was incorrectly disclosed as a statutory fund as per the balance sheet. This account should have been transferred to the Housing Development Fund in terms of section 15(5) of the Housing Act, 1997 (Act No. 107 of 1997). This fund was also not supported by an investment account resulting in the overstatement of statutory funds and understatement of housing development funds.
- b) The municipality did not have sufficient cash and investments to cover funds and reserves. Accumulated funds, reserves and trust funds amounted to R2 998 051 whilst the total internal and external investments amounted to a deficit of R1 107 658 resulting in a shortfall of R4 105 707.
- c) I was unable to obtain supporting documentation substantiating contributions to trust funds of R11 948 213 included in trust funds of R2 698 163 as per the balance sheet due to a limitation of scope imposed by the entity. Consequently I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the accuracy, completeness and rights and obligations of trust funds included in the balance sheet.

15. Bank overdraft

- a) The bank confirmation from ABSA of R444 769 differed by R4 593 106 from the bank overdraft of R4 148 337 as per the balance sheet. I could not obtain supporting documentation, reconciliations and explanations for the difference due to a limitation of scope imposed by the entity and the entity's records did not permit the performance of alternative procedures. Consequently I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the accuracy, completeness, existence, rights and obligations of the bank overdraft included in the balance sheet.
  - b) Bank accounts of R570 913 as per bank confirmations were not included in the bank overdraft of R4 148 337 as per the balance sheet under current liabilities. This resulted in the overstatement of the bank overdraft.
16. Contingent liabilities and contractual obligations
- a) The leave liability of R2 366 179 included in note 25 to the financial statements could not be substantiated with supporting documentation and explanations. The entity's system did not allow for the performance of alternative procedures. Consequently I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the as to the completeness, accuracy, rights and obligations, existence and disclosure of the leave reserve.
  - b) Contingent liabilities for legal cases instituted against the municipality of R1 080 218 as per legal confirmations was not disclosed as such in note 25 to the financial statements resulting in the incorrect disclosure of contingent liabilities in the notes to the financial statements.
17. Fixed assets
- I was unable to determine the completeness, accuracy, classification and existence of fixed assets of R3 665 852 as per the balance sheet due to the following:
- a) A rateable valuation reconciliation was not performed. Consequently I could not identify land registered in the name of the municipality form all areas of the municipality and ensure that this land was listed in the asset register and that the land was valued as per the valuation roles. The extent of the misstatement could not be reliably determined and the entity's records did not permit the performance of alternative procedures.
  - b) The information in the fixed asset register was not sufficient to be able to identify individual assets.
  - c) Assets of R323 247 could not be physically verified.
  - d) The asset register was not updated at 30 June 2006 to reflect disposals of R767 556 pertaining to the previous financial year. These assets were reflected as disposals for the current year resulting in the overstatement of the opening balance of fixed assets.
18. Consumer deposits
- I was unable to obtain a list of consumer deposits reconciling to the consumer deposit services of R826 920 included in the balance sheet. The entity's system did not allow the performance of alternative procedures. Consequently I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness of the consumer deposits included in the balance sheet.
19. Provisions
- I was unable to satisfy myself as to the completeness, accuracy and rights and obligations of the leave reserve of R523 071 included in provisions of R535 018 as per the balance sheet due to a lack of supporting schedules and calculations. The entity's records did not permit the performance of alternative procedures.
20. Inventory
- I was unable to satisfy myself as to the existence, completeness, accuracy, rights and obligations and disclosure of inventory of R113 779 as per the balance sheet due to the lack of documentation supporting the inventory count at year end. I did not attend the

inventory count due to a limitation of scope imposed by the entity and the entity's system did not allow the performance of alternative procedures.

21. Long term liabilities
  - a) Loan agreements of R13 642 064 as per the balance sheet together with the resolution of the municipal council, signed by the Mayor approving the finance and proof of communications with the general public and the provincial treasury could not be provided for audit purposes. Alternative procedures to determine the rights and obligations of the long term liabilities and correct disclosure as per note 4 to the financial statements could not be performed due to the limitation of scope imposed by the entity
  - b) The short term portion of long term liabilities of R837 410 as per the balance sheet was overstated by R462 601.
22. Cash flow statement
  - a) I was unable to obtain sufficient appropriate audit evidence to support all amounts and disclosures made in the cash flow statement and notes thereto.
  - b) The cash flow statement contained material inaccuracies and did not agree to the information contained in the balance sheet, income statement and notes to the financial statements. Furthermore the comparative figures did not agree to the prior year audited financial statements.

Consequently I did not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness, accuracy, rights and obligations, existence and disclosure of all amounts included in the cash flow statement and the notes thereto.
23. Unauthorised, irregular, fruitless and wasteful expenditure

The municipality did not disclose any unauthorised, fruitless and wasteful expenditure in the notes to the financial statements. Due to the lack of proper supporting documentation and explanations I was unable to quantify the extent of possible fruitless and wasteful expenditure in the form of interest and penalties due to the late payment of liabilities. The entity's records did not allow the performance of alternative procedures. Consequently I was unable to obtain sufficient appropriate audit evidence to determine the completeness of possible unauthorised, fruitless and wasteful expenditure that needed to be disclosed in the financial statements.

#### **Disclaimer of audit opinion**

24. Because of the significance of the matters described in the Bases for disclaimer of opinion paragraphs, I have been unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of Lekwa Teemane Local Municipality. Accordingly, I do not express an opinion on the financial statements.

#### **Emphasis of matter**

I draw attention to the following matters:

25. Material inconsistency of other information

Disclosure and amounts reflected in the finance director's report, accounting policies, income statement, balance sheet, cash flow statement and notes to the financial statements did not agree. Furthermore the amounts disclosed in certain notes, as well as the amounts reflected in the income statement, balance sheet, cash flow statement and appendices did not cast.
26. Basis of accounting (departures and deviations)

The financial statements did not adequately meet the standards of accounting, presentation and disclosure expected of the municipality and as required by the Institute of Municipal Finance Officers in its Code of Accounting Practice (1997) and Report on Published Annual Financial Statements (second edition – January 1996)

## **OTHER MATTERS**

27. I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:
28. Non-compliance with applicable legislation
- a) Contrary to the MFMA:
- Section 10(1)(a) and (b): the accounting officer did not administer all of the municipal bank accounts and did not account for all of the bank accounts in the name of the municipality.
  - Section 11 (4): the accounting officer did not, within 30 days after the end of each quarter,
    - a) table in the municipal council a consolidated report of all withdrawals (payments) made in terms of sub-sections 1(b) - (j) during that quarter; and
    - b) submit a copy of the report to the provincial department responsible for local government in the province and to the Auditor-General.
  - Section 28(1) to (5): the municipality did not revise its budget in a prescribed form which was tabled by the mayor with explanations.
  - Section 52(d): the mayor did not within 30 days of the end of each quarter, submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality.
  - Section 54(1): the accounting officer did not submit an mid year budget and performance assessment (Article 72 report) to the Council on or before 31 January 2007.
  - Section 62: the accounting officer did not take all reasonable steps to ensure compliance with subsection (1)(a) to (f).
  - Section 65(2)(e): invoices were not paid within 30 days of receipt of the invoice.
  - Section 70(1): the accounting officer did not report in writing to the municipal council about any impending shortfalls in budgeted revenues, any impending overspending of the municipality's budget or any steps taken to prevent or rectify such shortfalls or overspending. The budgeted deficit of R694 025 reflected in Appendix D to the financial statements was not reported to council.
  - Section 115(1)(b): the accounting officer did not take all reasonable steps to ensure that proper mechanisms and separation of duties in the supply chain management system were in place to minimise the likelihood of fraud, corruption, favoritism and unfair and irregular practices.
  - Section 125(2), the municipality did not disclose details of the bank accounts in the notes to the financial statements
  - Section 125(2)(d): the municipality did not disclose particulars of any material losses and any material irregular fruitless and wasteful expenditure including any material unauthorised expenditure that occurred during the financial year, and whether these were recoverable.
  - Section 125(2)(e): the notes to the financial statements did not disclose any particulars regarding non-compliance with the MFMA.
  - Section 127(1), (2) and (3): the accounting officer did not within six months after the end of the financial year submit the entity's annual report to the municipality, the mayor did not within seven months after the end of the financial year table the annual report or submit a written explanation to Council setting out the reason for the delay.
  - Section 129: the accounting officer did not report on whether or not the salaries, allowances and benefits were within the upper limits of the framework envisaged.
  - Section 131(1): the municipality did not address the issues raised by the Auditor-General in the previous audit report and the mayor did not ensure compliance with this section.

- b) Municipal Systems Act, 2000 (Act No 32 of 2000) (MSA)
- Sections 5 and 7: councilors did not declare their independence in respect of interest in contracts.
  - Section 66(b): the municipality did not have formal job descriptions for each post in the municipality.
  - Section 66(d): the municipality did not evaluate the personnel on a regular basis and review the staff establishment and the remuneration and conditions of service of each staff member
  - Section 68: the municipality did not consistently and adequately develop its human resources capacity to a level which could enable it to perform its functions and exercise its powers in an economical, effective, efficient and accountable way.
  - Section 81 (1-4): the service delivery agreement did not provide for a dispute resolution mechanism to settle disputes between the municipality and service provider.
  - Sections 97 and 98: the credit control and debt collection policy and the by-laws did not set a realistic target of matters relating to unauthorized consumption of services, theft and damages.
  - Section 100: the municipal manager did not implement and enforce the municipality's credit control and debt collection policies in terms of the foregoing requirements and there were not effective administrative mechanisms, processes and procedures in place to collect money due and payable to the municipality.
- c) Municipality Property Rates Act, 2004 (Act No. 6 of 2004)
- Section 32(1)(b): the valuation roll is older than four years.
  - Section 77: supplementary valuations were not performed at least once a year and the information contained in the register was not continually updated since the original valuation roll was completed in 2003.
- d) Housing Act, 1997 (Act No 107 of 1997)
- Section 10(4)(f): detailed statements showing the results of the previous year's transactions and the balance sheet in respect of the separate accounts concerning the national housing programme were not submitted to the accounting officer of the provincial housing fund.

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- e) DORA
  - Section 21: the municipality did not have a risk assessment plan.
  - Section 26(2)(a)(ii): public declarations of the conditions and information in respect of the allocation to facilitate performance measurement and the use of required outputs and inputs could not be obtained
  - Section 27(5): the annual performance management reports could not be obtained, hence it was not possible to determine whether it was prepared.
- 29. Matters of governance
  - a) Effectiveness of internal audit function and audit committee:  
I was unable to determine the effectiveness of the internal audit and audit committee due to the following:
    - An agreement detailing the shared audit function provided by the district municipality could not be obtained.
    - Reports containing the municipality's risk assessments, audits performed and audit reports could not be provided for audit purposes.
    - Approval of the internal audit methodology could not be determined as well as evidence that the internal audit staff received adequate training.
    - The internal audit plan did not indicate the timing and extent of audits to be performed, the plan was not risk-based and no evidence of the performance of a formal risk assessment or approval of a risk management strategy could be provided for audit purposes.
    - Evidence of regular meetings held by the audit committee could not be established as minutes were not circulated to all councilors and directors.
    - Evidence that the audit committee reviewed the annual financial statements could not be obtained as well as evidence of reviewing the adequacy and effectiveness of the municipality's system of internal controls, financial controls and accounting practices.
- 30. Material corrections made to the financial statements submitted for audit

**Although various errors included in this report were reported to management on submission of the financial statements no corrections were made and officially submitted for audit purposes.**

- 31. Value for money  
The Municipality did not perform reconciliations between the debtors' accounts collected by attorneys and the legal fees paid. Judging by the R20million increase in debtors from 2005/2006 I could not determine that the recoveries made from debtors by attorneys was in the best interest of the Municipality
- 32. Internal control  
Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes of the matters indicated, as they relate to the five components of internal control. In some instances deficiencies exist in more than one internal control component.

Reporting item	Control environment	Assessment of risks	Control activities	Information and communication	Monitoring
<b>Basis for disclaimer of opinion</b>					
Opening balances	X		X		
Going concern			X		X
Income			X		
Expenditure			X		
Salaries, wages and allowances			X		
Journals			X		
Creditors			X		X
Debtors			X		
Retained surplus			X		
Statutory funds, reserves and trust funds			X		X
Bank overdraft	X		X		X
Contingent liabilities and contractual obligations			X		
Fixed assets	X		X		X
Consumer deposits			X		
Provisions			X		
Inventory			X		
Long term liabilities			X		
Cash flow statement			X		
Unauthorised, fruitless and wasteful expenditure	X				X
<b>Emphasis of matter</b>					
Material inconsistency of other information	X				X
Basis of accounting	X				X
<b>Other matters</b>					
Non compliance with applicable legislation			X		X
Material			X		X

Reporting item	Control environment	Assessment of risks	Control activities	Information and communication	Monitoring
corrections made to the financial statements submitted for audit					
Value for money	<b>X</b>		<b>X</b>		<b>X</b>

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

## **OTHER REPORTING RESPONSIBILITIES**

### **Reporting on performance information**

34. I have audited the performance information as set out on pages xx to xx.

### **Responsibility of the accounting officer**

35. 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.

### **Responsibility of the Auditor-General**

36. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 646 of 2007*, issued in *Government Gazette No. 29 919 of 25 May 2007* and section 45 of the MSA.
37. 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 audit procedures selected depend on the auditor's judgement.
38. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

### **Audit findings (performance information)**

39. Non-compliance with regulatory requirements
- a) Municipal Planning and Performance Management Regulations, 2001  
The Municipality did have a performance management system (PMS) policies and procedure document in place, however this policy and procedure document did not address the collection, recording, processing of performance information as well as the reporting thereof. The PMS policy did not include the following required information:
- Regulation 7(1)(c): did not demonstrate how it operated and was managed from the planning stage up to the stages of performance review and reporting.
  - Regulation 7(1)(c): did not clarify the role and responsibilities of each role-player (including the local community) in the functioning of the system.
  - Regulation 7(1)(d): did not clarify the processes of implementing the system within the framework of the integrated development planning (IDP) process.
  - Regulation 7(1)(e): did not determine the frequency of reporting and the lines of accountability for performance.
  - Regulation 7(1)(f): did not relate to the municipality's employee performance management process (link to performance contracts).
  - Regulation 7(1)(g): did not provide for a procedure by which the PMS was linked to the municipality's integrated development planning process.
40. Reporting on predetermined objectives
- a) I draw attention to the fact that the municipality did not report on all of the predetermined objectives including the following:
- Extension of municipal building of R1 000 000.
  - Development of municipal by-laws of R60 000

- Training of community through leadership of R2 000 000
  - Upgrading of N12 treasure route of R100 000 000.
  - Electricity Reticulation for 40 households in Utlwanang of R75 000
  - Refu-tips of R605 000
  - Supply of skip bins (refuse containers on the street corners) of R250 000
  - Establish and strengthen existing community structures of R5 000
  - Establish AIDS working committee of R5 000
  - Train stakeholders on HIV/AIDS of R5 000
  - Rehabilitation of land of R187 000
  - Upgrading of libraries in Lekwa Teemane of R50 000
  - Letlhabile of R50 000
  - Development of Bloemhof dam of R55 000 000
  - Basket Making of R50 000.
41. I draw attention to the fact that for several priorities and objectives listed in the annual report no actual performance was reported. The following serves as examples:
- a) Availability of Tourism and Marketing Strategy
  - b) Water borne sewer available in all areas including new extensions that are using bucket system
  - c) Percentage of EEP implementation
42. Lack of sufficient appropriate audit evidence
- a) The annual performance information report did not include any information relating to service level agreements in order to identify under-performance and monitor actual performance.
  - b) Clear and precise source documentation was not kept for the performance information reported.
43. Existence and functioning of a performance audit committee  
The municipality did not appoint and budget for a performance audit committee, neither was another audit committee utilised as the performance audit committee.
44. Measurable objectives not clear and consistent
- a) I draw attention to the fact that several development priorities were not clear and concise. This included the following:
    - Implementation of all departmental priorities by end June 2007
    - Number of departmental meetings held on a monthly basis.
    - Review organizational structure.
    - Refuse Bins
    - Establish and strengthen existing community structures
    - Existing housing project to be completed.
  - b) Development priorities and objectives did not indicate the output or impact and were not measurable. This included the following:
    - Revision of IT strategy
    - Training of community through leadership
    - Implementation of all departmental priorities by end June 2007
    - Review organizational structure
    - Establish and strengthen existing community structures
    - Existing housing project to be completed
    - Letlhabile
    - Basket Making
    - Fish Farming
    - Farm Weltevrede
  - c) The general key performance indicators were not included in the performance report.

- d) No explanations and/or reasons for any differences between planned and actual performance were included in the reported information.
- e) The costs, resources and time used to produce outputs in accordance with the input indicators was not indicated in the performance information reported.
45. Objectives reported in annual report, but not predetermined as per IDP and Budget
- a) I draw attention to the fact that the following objectives were reported in the annual report of the municipality, although they were not included as predetermined objectives in the IDP and budget:
- All section 57 managers to sign performance agreements by end August 2006.
  - 2005/2006 Annual report developed and adopted by council by end January 2007.
  - Skills audit developed and submitted to HR by end May 2007.
  - Implementation of all departmental priorities by end June 2007
  - 20% of departmental budget to be spent on local SMME's
  - Number of departmental meetings held on a monthly basis.
  - Review organizational structure.
  - Implementation of municipal EEP.
  - Fixing of raw water channels.
  - Upgrading of water cleaning plant at Bloemhof.
  - Existing housing project to be completed.
  - Apply for the extension of the TMT contract to Christiana
  - 100 Jobs to be created as a result of the developed LED plan.
  - Development of Tourism and Marketing Strategy
  - 60 of emerging farmers to be assisted to acquire land and be trained.
  - To have hydroponic project fully functional by June 2007.
  - Six imbizos to be held by end April 2007
  - Process plan developed and adopted by end August 2006.

## APRECIATION

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

Rustenburg

30 November 2007



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

## **FINANCIAL STATEMENTS**

## CHAPTER 5: FUNCTIONAL AREA SERVICE DELIVERY REPORTING

### 5.1 Service delivery information

Key performance indicator	Projects per development Objective	Planned performance and measurable targets	Actual performance achieved	Comparison with previous financial year	Improvement plan where applicable	% of budget spent	Performance targets for next financial year
LED Plan developed and adopted by council	Development of LED Plan	Plan developed and adopted by end December 2006	Plan developed and adopted	100%	Full implementation of the plan	100%	Funding for implementation of the LED plan
Number of SMMEs trained to develop own businesses	Training of local SMMEs	All SMMEs trained by end 2006	180 SMMEs trained by end June 2007	100%		100% budget from different organs of state	Assistance to SMMEs to develop sustainable businesses
Number of jobs created as result of new plan	Implementation of LED plan	100 jobs created as a result of the developed LED plan	30 jobs created	40%	Budget for SMME development	30%	To make sure that all LED projects are implemented to create jobs
Availability of Tourism and Marketing Strategy	Development of Tourism and Marketing Strategy	Strategy developed and implemented for development of tourism	None	0	Apply for funding for the development of the Strategy	0	To make sure that funds are acquired in time for the development of the tourism strategy or approach the district municipality to assist
Number of farms bought for commonage purposes	Application for funding to purchase the farm	2 farms to be bought for commonage purposes	100%	100%			To make sure that all emerging farmers are assisted in

							acquiring land and training
Number of emerging farmers supported	Support to emerging farmers ( training, land provision, acquisition of cattle etc)	60 of emerging farmers to be assisted to acquire land and be trained	30 emerging farmers were assisted with acquisition of land	100%			To make sure that the departments labor and agriculture are involved to assist with the training of identified emerging farmers
Hdroponic project operational	Repair of vandalised tunnels at the project	To have the project fully functional by and June 2007	40%	10%	To make sure that the municipality budget for LED projects instead of depending on the District municipality		To make sure that new market is identified for the vegetable produce from the project
Number of Community meetings held to involve the community in IDP matters	Imbizos	6 Imbizos to be held by end April 2007	100%	100%		100%	
Availability of process plan for review of 05/06 IDP	Development of a process plan for the review of the 05/06 IDP	Process plan developed and adopted by end August 2006	100%	100%		100%	
Top Layer SDBIP developed	Development of SDBIP	Top Layer SDBIP to be developed and adopted by end July 2006	100%	100%			
Copy of reviewed PMS Framework	Review of municipal PMS policy	PMS policy to be reviewed and adopted by council	100%	50%			To make sure that the PMS is cascaded down

		by end July 2006					to all employees within the municipality
% of Performance Agreements signed	Development and signing of PAs by MM and all section 57 managers	Municipal Manager and all four section 57 managers to sign performance agreements by end August 2006	All 4 section 57 managers signed PAs by end July 2006	99%	Training of new mayor and new councilors on importance creating conducive platform for the MM and direct report to sign PAs		
Copy of 05/06 Annual report available	Development of 05/06 Annual Report	Report developed and adopted by council by end January 2007	50%	30%	Training of all councilor and members of the community regarding annual reports and oversight committee		To make sure that the 06/07 section 46 report is available for audit in August 07 and that the 06/07 annual report is adopted in time as well as oversight report
Availability of departmental skills audit	Development of skills audit for purposes of personnel training	Skills audit developed and submitted to HR by end May 2007	100%	100%			To make sure that the municipal skills plan is fully implemented
% of departmental projects implemented according to IDP priorities	Implementation of departmental project prioritized in the municipal IDP	Implementation of all departmental priorities by end June 2007	10%	5%	Sufficient funds to be allocated in municipal budget for implementation of IDP priorities		To make sure that the municipal budget for 2007/2008 financial year fully addresses

							priorities identified in the IDP
% of departmental budgets spent on SMME	Implementation of departmental budget on development of local SMMEs	20% of departmental budget to be spent on local SMMEs	2% budget mainly spent for support of catering businesses and assistance of manufacturing businesses with exhibitions, transport and development of business plans	5%	Municipal budget needs to address the development and assistance of local SMMEs		To obtain political support from the chairperson of the portfolio committee in making that the municipal budget address support to SMMEs
Upgraded sports facilities	Upgrading of sports facilities	2 sports facilities upgraded by end 2006	100%	100%		100%	Application for funding to be made for the building of combi cot at the Utwanang sports stadium
Existing housing project completed	Finanlisation of the housing project which started in 1997	1007 old house to be completed	60%	50%	Need to speed up the registration of houses at the deeds office	80%	Additional funding application to finanlise new projects
Hostels upgraded into family units	Upgrading of hostels into family units	Construction of new 24 units to start and be completed in June 2007	10% Application for funding submitted and approved	30%	The appointed contractor is having price escalation problem	5%	The project managers are recommending replacement for the contractor
Availability of residential stands	Establishment of township	Township establishment completed for 5400 stands	100%	60%			Allocation of stands to expedited to avoid mushrooming of informal settlements
Grave yards	Construction of 1	Construction of	0	5% All that could	Proper budget for	100% of available	To ensure

upgraded	graveyard and toilets at existing graveyards	toilets at Boitumelong, Geluksoord and Utlwanang grave yards		be done was to budget for cleaning and maintenance of the grave yards due to lack of funds for upgrading and construction	upgrading of the grave yards in the 2007/2008 financial year	budget for cleaning and maintenance	proper management and security at the grave yards
Availability of waste management plan	Development of waste management plan	Waste management plan to be developed by end June 2007.	100% waste management plan developed and adopted by council	100%	Make sure that by-laws are available for regulation of waste management	100% of allocated budget	To ensure application for new land fill sites which will be regulated
Disasters are managed	Development of disaster management plan	To have a disaster management plan in place by end 2007	30%	20%	Follower up on the district municipality's development of the plan	-	
Traffic in Christiana under control	Apply for the extension of the TMT contract to Christiana	To have the contract extended to Christiana by end 2006 and training of 3 more traffic officers completed	100%	100%	-		
KM of roads resealed in Christiana	Upgrading of Roads in Christiana	To have at least 2km of roads resealed in Christiana by end 2006	2km of roads resealed in Christiana  1km road and storm water channels constructed	100%			Reasiling of at least 20 km of the road backlog in both Bloemhof and Christiana
			An upgraded network				
Electricity backlogs addressed	Upgrading of electricity network	Upgrade the entire municipal electricity network by end 2007	0 No funding received for upgrading of electricity network	0			Make sure that ESKOM is informed of municipal

							plans and programmes for implementation of municipal IDP priorities
Adequate street lighting	Provision and upgrading of street lights	4 lights provided to areas identified to be of high risk	0% No funding received for street lighting	0		0%	Make sure that Eskom is informed of municipal plans and programmes for implementation of municipal IDP priorities
Water borne sewer available in all areas including new extensions that are using bucket system	Eradication of bucket system	Buckets eradicated in both Boitumelong and Utlwanang extensions 4				99%	The project will be implemented in 2007/2008
Water provided	Fixing of raw water channels	Fix channels to provide the Christiana people with irrigation water	Application for funding approved by BDM	100%	Make sure that the project is completed on time		
	Upgrading of water cleaning plant at Bloemhof	To replace all the existing water pumps with new ones	2 of the existing 5 pumps are replaced	10%	Ensure timeous submission of funding applications		To make sure that enough funding is received for implementation of this project
	Provision of water to new extensions	Provide stand pipe water to new extensions	Boitumelong ext.5. Utlwanang ext,5 completed	60% 100%	Application for funding to be done on time to ensure funding is secured	50%	

Access Roads provided	Upgrading of existing roads and construction of new roads	Access roads to new extensions (extension 5 completed y end 2007	50%	30%	Budget to be allocated for the maintenance of old machinery and purchase of new		A proper maintenance plan to be developed and allocation be made in the 07/08 financial year for the upgrading of old machinery and to capacitate operators of these machinery
Km of roads to me maintained	Maintenance of roads	10km of roads to be properly maintained by the end of August 2006	Access roads partly done  Roads are regularly maintained except for gravel	40%			The purchase of new equipment to expedited in the 2007/2008 financial year
Carrying capacity of sewer treatment plants in Bloemhof and Christiana upgraded	Upgrading of the Sewer treatment plants	Upgrading of both treatment plants to be completed by end 2007	90%	60%		80%	Project must be completed by end 2007.

Key Performance Indicator	Project per Development Objective	Planned performance and measurable targets	Actual performance achieved	Comparison with previous financial year	Improvement plan where applicable	% of budget spent	Performance targets for next financial year
Availability of Communication Policy	Development of communication policy	Policy to be developed and adopted by 09/06	100% Policy developed and adopted by council	10%	A strategy is needed to implement the communication policy		Development of communication strategy for implementation of policy
Revised IT Strategy	Revision of the Strategy	09/06	0% No budget for the strategy as a new strategy is needed	0%	Allocation be made in the 07/08 MSIG business plan for the development of new ICT Strategy		To make sure that a new ICT Strategy is developed and implemented by end June 2008
Number of departmental meetings held on a monthly basis	Meetings held monthly	12 meetings per annum	100%	100%	All departments must hold monthly meetings to monitor and manage performance		To make sure that attendance registers and minutes of all departmental meetings are recorded
Employees satisfied	Conduct employee satisfaction survey	90% satisfaction	100%	90%	Make sure that all employees receive job description to make sure that everybody is doing the work they have been employed for	100%	To make sure that the whole staff is trained on etiquette, batho pele and are motivated to improve the quality of service delivery
Number of vacancies reduced	Review of municipal organizational structure	30% reduction in vacancy level	100%	Organisational structure reviewed to allocate posts as per placement and reduce the level of vacancy	To reduce all posts that are not necessary and review departments that have been poorly staffed		To make sure that only the key and urgent positions are filled
Number of	Implementation of	09/06	100%		To make sure that		To make sure that

employees and councilors trained	the WSP				training take place in accordance with departmental skills audits		chairpersons of portfolio committees receive training in the field relevant to the department in which they are serving
% of EEP implementation	Implementation of municipal EEP	Reports submitted to council on a quarterly basis	0	0	Reports on the implementation of the municipal EEP must be submitted by each director in compliance in different directorates.		
N12 Upgraded	Upgrading of the N12 Treasure Route	Resealing of 40 km of the road to be completed by end Dec 2006	100%	100% the road was in a bad state and needed urgent resealing before actual upgrading could take place	None the planned upgrading will take effect in September 2007	No report on budget at time of report	Second phase of the project to commence in September 2007
40 Households in Utlwanang electrified	Electricity Reticulation	Electricity reticulation for connection of 40 households	None	0%	Municipality to budget for this project out of own budget as ESKOM has not included it in their plan for 206/2007 financial year	0%	Make provision in own budget for implementation of this project
All open spaces supplied with refu-tips	Refu-Tips	Refu-Tips acquired for all spaces in Utlwanang and Botumelong	None	0%		0%	Seek funding from BDM for implementation of this project
Number of Skip-Bins Supplied	Supply of Sip-Bins	Refuse containers supplied at street corners in Utlwanang and Boitumelong	None	0%		0%	Seek funding from BDM for implementation of the project

Number of Stakeholders trained in HIV/AIDS	Training of Stakeholders in HIV/AIDS	All NGOs in Lekwa-Teemane area of jurisdiction trained on HIV/AIDS	None	0%	Engage office of Mayor and department of Health for the reviving of the Local AIDS Council	0%	Make sure that the Mayor's office budget adequately for HIV/AIDS issue
Functional AIDS Working Committee	Establishment of AIDS Working Committee	To have AIDS working committee established and functional by Dec 2006	None	0% Councilors have not been fully committed to the reviving of the LAC and establishment of Local AIDS working committee	Engage office of the mayor to ensure that all councilors are committed to a functional AIDS Structure in Lekwa-Teemane	0%	Develop a plan with the assistance of the mayor, manager health and the LAC to make sure that a the LAC is revived and a working committee is developed and functional
Number of libraries upgraded	Upgrading of Libraries	Upgrading of Christiana and Bloemhof libraries by end June 2007	100%	100%		100%	Apply for provision of library at Utlwanang
Functional LED projects	Lethabile project	To have the cane project in Boitumelong functional by end Dec 2006	Only a business plan could be developed for the project and assistance given as the municipality does not budget for LED project.	5%	Engage the Mayor and Chairperson of the LED Portfolio Committee to make sure that provision is made in the municipal budget for LED projects.	Budgetd amount was not available due to lack of funds from the municipality. Assistance was received from SEDA to develop e business plan for the project	Make sure that the beneficiaries register a cooperative in the coming financial year
% of work doe at the Bloemhof Dam	Development of the Bloemhof Dam	Development of 200 chalets, kiosk and hotel at the Bloemhof Dam by end 2007	10% Only EIA was developed by end 2007	10%	This is a project of the department of provincial Economic Development and Tourism.	No report received of budget performance	To engage the MEC for Economic Development and Tourism to make sure that this project comes off

Functional LED Projects	Basket Making Project	To have the project supported and functional by end 2007	None due to lack of funds as the municipality does not budget for LED projects	0%	Engage chairperson of LED portfolio committee and Mayor to make sure there is provision in budget for LED projects		the ground
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Key Performance Indicator	Projects per development Objective	Planned performance and Measurable targets	Actual performance achieved	Comparison with previous financial year	Improvement plan where necessary	% of budget spent	Performance targets for next financial year
% of land rehabilitated	Rehabilitation of land	To conduct rehabilitation of land where mining took place in Bloemhof by end 2007	None	0%	Engage the mayor to engage the Minister of Mineral and Energy to assist with rehabilitation of the land in Bloemhof	0%	To make sure that rehabilitation is done to allow for development in identified areas.
Number of community structures developed and strengthened	Establish and strengthen community structures	To make sure that existing community structures are strengthened and new ones are established where necessary by end Dec 2006	100% Local youth committee was developed in September 2006, Unemployed youth structure formed in February 2007, Construction structure formed in 2007	100%	To make sure that these structures remain functional	100%	To strengthen the local youth structure and make sure that all youth sectors are involved
Number of offices built to accommodate all staff	Extension of municipal building	To build at least five more offices to accommodate the growing number of municipal personnel by end	None Due to lack of finance	0%	It is important for municipality to make plans to make sure that it is able to implement own capital projects	0%	None

		June 2007					
Availability of municipal by-laws	Development of by-laws	All by –laws developed and implemented by June 2007	50% by –laws developed but not gazzetted yet.	100% improvement as there were no by laws at all	To have the by-laws gazzetted		To have the by-laws fully implemented by end June 2008
Number of learnerships implemented to train local communities	Training of communities through learnership programmes	To have at least 10 people trained through learnership programmes by end 2007	100% One (1) learner for electrical engineering, one(1) learner for civil engineering, thirty two(32) learners for water purification and reticulation and six (6) CDWs.	100%	None		To have at least 10 learners in IDP,PMS and LED
Availability of Land Use Management Plan	Development of Land Use Management Plan	To have an LUM developed by end June 2007	None. This project could not be implemented due to lack of funds	0%	This project be included in the MSIG business plan for 07/08	0%	Development and implementation of LUM by end June 2008.
Supply of water	Bulk water supply at ext 4 Utlwanang and ext 5 Boitumelong	Bulk water supply at ext 4 Utlwanang and ext 5 Boitumelong by end June 2007	100%	100%	-	-	-
Km of roads resealed	Resealing of roads	At least a total of 5km of roads resealed in Bloemhof and Christiana by end 2007	100%	100%	Applications for funding to be submitted in time to cover the backlog on roads	100%	To have at least 30km of the backlog on roads addressed by end 2008
Number of houses built	Building of houses	Building of 1100 houses in for ext 4 and 5 Utlwanang by end 2007	100%	100%	-	-	-
Speeding reduced in Utlwanang	Speed humps	Construction of speed humps at Utlwanang and Boitumelong	50% speed humps constructed in Boitumelong only	100%	To make sure there is enough budget to complete the Utlwanang project		Completion of the Utlwanang project by end June 2008

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

The municipality identified and agreed on a number of priorities which would be implemented in the 2006/2007 financial year. These priorities were identified and agreed on together with the community through ward committees and the IDP Rep Forum.

Most of these priorities were not implemented in the 2006/2007 financial year as planned, due to lack of finance.

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

Lack of qualified personnel in the technical services department is another factor which causes poor and or lack of implementation and management of plan and programmes. The municipality does not have a CFO which situation has contributed to a lot of problems with regard to financial management and performance of the municipality.

The following projects were identified as priorities in the IDP for implementation in the 2006/2007 financial year but were not implemented due to lack of funds:

<b>Project Per Development Objectives</b>	<b>Planned Performance</b>	<b>Reasons for Variation</b>	<b>Correctives Measures</b>
Implementation of LED plan	100 jobs created as a result of the developed LED plan	No funds available	Engage Mayor and Chairperson of LED committee to make sure that LED is budget for
Development of Tourism and Marketing Strategy	Strategy developed and implemented for development of tourism	No funds	Business plan submitted for funding in 2007/2008
Repair of vandalised tunnels at the project		Delay from BDM	Engage BDM LED office and MM
Upgrading of hostels into family units		Allocated funds less to build to build the required structure	Letter to Province for further assistance
Upgrading of Roads in Christiana	To have at least 2km of roads resealed in Christiana by end 2006	Lack of funds	Make loans in 2007/2008 for funding of roads projects
Construction of 1 graveyard and toilets at existing graveyards	Construction of toilets at Boitumelong, Geluksoord and Utlwanang grave yards	Allocation only made for fencing of Utlwanang cemeteries. More allocation in the 07/08 financial year	Allocation in 07/08 for construction of toilets and provision water at graveyards
Development of disaster management plan	To have a disaster management plan in place by end 2007	No funds	Requested Assistance from BDM
Upgrading of Roads in Christiana	To have at least 2km of roads resealed in Christiana by end 2006	Only 2km done due to lack of funds	Make loans in 2007/2008 for funding of roads projects
Upgrading of electricity network	Upgrade the entire municipal electricity network by end 2007	Lack of funds	Make sure that plans are provided to ESKOM on time
Provision and upgrading of street lights	4 lights provided to areas identified to be of high risk	Lack of funds	Make loans in 2007/2008 for funding of roads projects
Upgrading of existing roads and construction of new roads	Access roads to new extensions (extension 5 completed y end 2007	No funds	Make loans in 2007/2008 for funding of roads projects
Maintenance of roads	10km of roads to be properly maintained by the end of August 2006	No funds	Make sure that maintenance budget is also addresses roads maintenance
Development of communication policy	Policy to be developed and adopted by 09/06	No funds	Business plan submitted for 07/08 funding
Revision of the Strategy	09/06	No funds	Business plan submitted for 07/08 funding
Electricity Reticulation	Electricity reticulation for connection of 40 households	ESKOM did not plan for this project	Make sure that plans are provided to ESKOM on time
Refu-Tips	Refu-Tips acquired for all spaces in Utlwanang and Botumelong	No funds	Make provision in 07/08 budget
Supply of Sip-Bins	Refuse containers supplied at street corners in Utlwanang and Boitumelong	No funds	Make provision in 07/08 budget

Training of Stakeholders in HIV/AIDS	All NGOs in Lekwa-Teemane area of jurisdiction trained on HIV/AIDS	None commitment from councilors	Engage the office of the Mayor.
Establishment of AIDS Working Committee	To have AIDS working committee established and functional by Dec 2006	Lack of commitment from councilors	Engage the office of the Mayor.
Lethabile project	To have the cane project in Boitumelong functional by end Dec 2006	Lack of funds	Engage Mayor and Chairperson of LED committee to make sure that LED is budget for

<b>Project Per Development Objectives</b>	<b>Planned Performance</b>	<b>Reasons for Deviation</b>	<b>Corrective Measures</b>
Development of the Bloemhof Dam	Development of 200 chalets, kiosk and hotel at the Bloemhof Dam by end 2007	This is a provincial project	Engage the MEC for Economic Development and Tourism
Basket Making Project	To have the project supported and functional by end 2007	Engage Mayor and Chairperson of LED committee to make sure that LED is budget for	Engage Mayor and Chairperson of LED committee to make sure that LED is budget for
Rehabilitation of land	To conduct rehabilitation of land where mining took place in Bloemhof by end 2007	Lack of funds and request for help to DME has not been successful	Engage the Mayor to engage the minister for Mineral and Energy to assist with the rehabilitation of land in Bloemhof
Extension of municipal building	To build at least five more offices to accommodate the growing number of municipal personnel by end June 2007	Lack of funds	Municipality should take up loans to implement and finalise these projects
Speed humps	Construction of speed humps at Utlwanang and Boitumelong	No funds to complete Utlwanang as speed humps were constructed only in Boitumelong	Provision to be made in the 2007/2008 budget for the construction of speed humps in Utlwanang

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

- The municipality is implementing free electricity as indicated in the indigence policy and in accordance with the approved indent policy. Even so there is about 20% of the households in Boitumelong and Utlwanang who do not receive free basic electricity. This is due to lack of communication and incorrect information between the municipality and ESKOM
- Creation of jobs and poverty alleviation remains a big challenge in Lekwa-Teemane due to the fact that the LED office remains adequately staffed and the municipality does not budget for LED projects and programmes.
- A skills plan is still not implemented accordingly as training is not properly structured. There are no proper skills audit taking place which therefore makes it difficult for the HR office to have correct information for training needs.
- The municipality still does not budget for implementation of priorities as identified in the IDP
- A debt collection unit has been created but there is no adequate proof of its performance and financial management is poor due to non appointment of a CFO.

### **5.4 Preliminary plan for the next financial year**

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

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

The mayor and chairperson of the LED Portfolio Committee have been brought on board to make sure that the municipality does budget for LED projects. A resolution was also taken at the strategic planning to make sure that the municipality budget for capital projects identified in the IDP as lack of budgeting has resulted in the municipality not implementing its priorities and therefore making Key Performance Indicators that are developed unattainable.

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

## STRATEGIC OBJECTIVES

- To provide effective, affordable and sustainable services
- Create a Safe and Clean Environment
- Enhance Community Participation
- Promote Economic Development and Tourism
- Good Governance and Communication

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

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

Dental Clinic at Bloemhof Hospital	Availability of dental clinic	June 2008	R780 000
Budget for HIV/AIDS programmes	% of budget allocated for HIV/AIDS	June 2008	R200 000
Implementation of CBP	Number of ward plans developed	January 2008	R10 000
Budget for LED projects	% of municipal budget allocated for LED	June April 2008	R500 000
Development of Tourism Strategy	Availability of strategy	January 2008	R250 000
Workshop of communities on Municipal Communication Strategy	Number of workshop held	April 2008	R20 000
Implementation of WSP	% of budget used in implementation of work place skills plan	May 2008	R 300 000