



# **Siyazama Municipality**

Annual Report for the Year Ended

30 June 2011

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## Acronyms

AFS	Annual Financial Statements
AG	Auditor General
CBP	Community Based Planning
CDW	Community Development Workers
CFO	Chief Financial Officer
CLLR	Councillor
BNG	Breaking New Ground
DEDEA	Department of Economic Development and Environmental Affairs
DM	District Municipality
DPLG	Department of Local Government
DSRAC	Department of Sports, Recreation, Arts and Culture
ECDC	Eastern Cape Development Corporation
ECSECC	Eastern Cape Socio Economic Consultative Council
EIA	Environmental Impact Assessment
EXCO	Executive Committee
EPWP	Expanded Public Works Programme
FET	Further Education and Training
HOD	Head of Department
IDP	Integrated Development Plan
IGR	Inter-Governmental Relations
IMFO	Institute of Municipal Finance Officers
IWMP	Integrated Waste Management Plan
LED	Local Economic Development
LLF	Local Labour Forum
MFMA	Municipal Finance Management Act, 2003
MIG	Municipal Infrastructure Grant
MM	Municipal Manager
MSA	Municipal Systems Act, 2000
NER	National Energy Regulator
NT	National Treasury
OHS	Occupational Health and Safety
O & M	Operations & Maintenance
PJEC	Provincial Job Evaluation Committee
PMU	Project Management Unit
PMS	Performance Management System
PPP	Public Private Partnership
SCM	Supply Chain Management
SDF	Spatial Development Framework
SDBIP	Service Delivery Budget Implementation Plan
SLA	Service Level Agreement
SLM	Siyazama Local Municipality
SMMEs	Small Medium and Macro Enterprises
SPU	Special Programmes Unit
TOR	Terms of Reference
WSA	Water Services Authority
WSDP	Water Services Development Plan
WSP	Water Services Provider

## Section 1: Introduction

### 1.1 Foreword by the Mayor to the Annual Report for the year ended 30 June 2011

I am pleased to present the Siyazama Local Municipality Annual Report 2010/2011 to our communities and partners in developmental local government. As I present the report I must express my gratitude to all stakeholders for all their tireless efforts towards achieving the vision of the municipality and in so doing helping us to increase the development impact to our communities and individual lives. The municipality is honoured and humbled by your pleasant gesture. Continuous and meaningful stakeholder engagement remains critical and is an essential pre-condition for long term development success.

This annual report is dedicated to the previous Council for their leadership as a result the new Council had a smooth-sailing finish. The financial year 2010/2011 was a very successful year in service delivery notwithstanding challenges that remain. The municipality successfully managed to break new grounds in various spheres of development which included the launch of Mass Job Creation which benefitted Siyazama community for four months, participation in the EPWP, establishment of a relationship with the Provincial Department of Roads and Public Works on re-gravelling and maintenance of roads and storm water.

Filling of all critical and vacant posts, completion of water purification plant in Mount Norton, 100% spending of Municipal Infrastructure Grant for construction of roads, completion of the installation of 29 high mast lights in Gweru, the purchase of a cherry picker to improve the pace at which street lights are maintained, capacity building of cooperatives, informal traders, emerging contractors and SMEs. Sound financial management, registration and provision of support to 1 077 indigent households, vibrant partnership to coordinate HIV/AIDS, youth development initiatives like the Mayoral Cup and Dare To Dream.

The municipality would not have achieved all this without dedication from our staff. I therefore wish to take this opportunity to appreciate commitment that has been shown by our Council, management and staff – your zeal and exhilaration in performing your duties in the quest to serve communities has not gone unnoticed.

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**HER WORSHIP, THE MAYOR  
COUNCILLOR N R MOYO**

## 1.2 Statement by the Municipal Manager

The year 2010/2011 heralds the beginning of a new era for the Siyazama Municipality, particularly as regards the unqualified audit opinion that has been achieved. The challenge that confronts the municipality is to sustain this achieving while progressing towards a clean audit report in the ensuing years.

Myriad developmental initiatives were also initiated during the 2010/2011 financial year, notably the inaugural Mayoral Cup and the Dare to Dream youth talent show in performing arts. Due to the success of the youth development programmes, the municipality has: -

- Allocated funds in its budget for the 2011/2012 financial year for the purpose of revamping at least one or more sports fields to be utilised for the mayoral cup games;
- Facilitated a recording deal for the winners of the Dare to Dream competition, whose respective debut albums were launched on the 16th December 2011 at the Entokozweni Community Hall.

On a sad note, the majority of the people of Siyazama have continued to experience challenges in the areas of water provisioning, electricity distribution and roads. The regional water scheme in the Tina River has since been commissioned by the Joe Mabuda District Municipality in October 2011 whilst on the other hand there are positive indications that the funding application submitted to the government of Netherlands by the Joe Mabuda DM in collaboration with the Department of Water Affairs may be approved. The project to be implemented entails the provisioning of new water infrastructure for 107 villages in the rural areas of Siyazama.

The provisioning of electricity in the majority of our rural areas has continued to be a problem. The only positive thing that is coming out is the fact that ESKOM is rationalising its regional service centres, which will result in the Siyazama Municipality being allocated to the new Eastern Cape Region and no longer be split between the erstwhile eastern and southern regions. From a service delivery coordination point, this is progress and will result in focused attention to our municipality.

2010/2011 was a very bad year for our roads construction programme as a result of the incessant inclement weather that we experienced. The roads construction plant and machinery has since been moved to start the Lehana to Tokoana road in ward 15, having concluded constructing the Sophonia to Maroqa access road in ward 7. In the context of developing a service level agreement to regulate cooperation between the Siyazama Municipality and the provincial department of roads, it has been established that the roads backlog within the Siyazama Municipality is estimated at 70%. The annual MIG allocation is thus insignificant in relation to the backlogs in view of the size of the municipality's roads network.

The new council has formulated a development strategy that seeks to guide the development agenda over the next five years. The municipality has also adopted service delivery standards which delineate the minimum service delivery standards that the new council will adhere to as it pursues the objectives of its development strategy. These are critical initiatives undertaken by the municipality and these documents stand to be enhanced by a constructive critique by communities and key stakeholders.

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G. Khaya  
Municipal Manager

## Section 2: Municipal Overview

### 2.1 Geographic and Demographic Profile

#### 2.1.1 Locality

Siyazama Municipality covers an area of 5064km<sup>2</sup> and divided into 17 wards. The municipality has three towns namely; Mount Norton, Masvingo and Gweru, and is characterised by vast farming areas in the areas surrounding Masvingo and Gweru as well as the Pitseng area in Mt Norton. The majority of the municipality's inhabitants reside in rural villages situated in the foothills of the Maluti Mountains and Southern Drakensburg Range.

#### 2.1.2 Population Figures

According to the Community Survey 2007, Siyazama Municipality has a population of approximately 137 580 people residing in 33 248 households (census 2001). This population accounts for 40, 31% of the total population residing in the Joe Mabuda District, making it the most populated local municipality in the district.

#### 2.1.3 Age, Gender and Racial Profile

Approximately 50.3% of the municipal population falls in the 15 – 65 age categories which can be seen as the economically active sector of the population, with 42% of the population below the age of 15. This suggests continuing population growth in the district with a need for educational facilities and a focus on education and skills training. The overall male and female ratio is approximately 46% male to 54% female. This may be ascribed to the migrant and commuter labour which has resulted in many households having a woman as the head of the household and the chief breadwinner living away from the home. This will impact on the type of development that will occur. The majority (99%) of the population are Black Africans. The main economic drivers of Siyazama Municipality are Agriculture, Tourism and Forestry.

### 2.2 Organisational Profile

#### 2.2.1 Municipal Council

During the year under review and up until the declaration of the results of the local government elections, the Siyazama municipal council had 32 members. Due to the redetermination of the inner boundaries of the Siyazama Municipality by the Municipal Demarcation Board (MDB), the municipal area has 17 Wards and 34 councillors with effect from the 18 May 2011.

The Municipal Council had 9 meetings during the year under review, which includes both special and ordinary meetings. The attendance of the meetings of the Municipal Council was as follows:-

Scheduled Date	Actual Meeting	Attendance		Type of Meeting
		Number	%	
02 Sep 2010	17 Sep 2010	18	56.3	Ordinary
02 Nov 2010	05 Nov 2010	21	70	Ordinary
31 Mar 2011	31 Mar 2011	21	65.6	Ordinary
29 Jun 2011	29 Jun 2011	33	97.1	Ordinary

#### 2.2.2 The Executive Committee

In terms of Section 9(b) of the Municipal Structures Act (117 of 1998), the Siyazama Municipality has a collective executive system with a ward participatory system. The Executive committee is chaired by the Mayor and also consists of five (5) other members appointed by the Council on a proportional representation basis. The Executive Committee is the principal committee of the Council. It is the Committee which receives reports from the standing or portfolio committees of Council and it must forward these reports together with its recommendations to the Council when it cannot dispose of matters in terms of its delegated authority.

## 2.2.3 Committees of Council

The Municipal Council has established various committees in terms of Sections 33 and 79 of the Municipal Structures Act as well as in terms of the Council's Standing Rules and Orders. These committees have been established to address certain specific objectives:

### Section 80 Committees

Section 80 of the Municipal Structures Act, provides that where a municipal council has an Executive Committee, it may appoint, in terms of Section 79, Committees of Councillors to assist the Executive Committee. The Siyazama Municipality has established five Section 80 Committees which are aligned to the administrative departments and are chaired by members of the Executive Committee. The meetings of the section 80 committees took place as follows during the year under review:-

<b>Section 80 Committee</b>	<b>Scheduled Date</b>	<b>Actual Meeting</b>
<b>Financial Services</b>	July 2010	08 July 2010
	August 2010	
	September 2010	
	October 2010	29 October 2010
	November 2010	
	February 2011	09 February 2011
	March 2011	29 March 2011
	April 2011	
	May 2011	
	June 2011	
<b>Corporate Services</b>	July 2010	
	August 2010	
	September 2010	29 September 2010
	October 2010	
	November 2010	15 December 2010
	February 2011	16 February 2011
	March 2011	15 March 2011
	April 2011	12 April 2011
	May 2011	
	June 2011	
<b>Community Services</b>	July 2010	
	August 2010	30 August 2010
	September 2010	
	October 2010	
	November 2010	05 December 2010
	February 2011	08 February 2011
	March 2011	14 March 2011
	April 2011	26 April 2011
	May 2011	
	June 2011	07 June 2011
<b>Technical Services</b>	July 2010	
	August 2010	
	September 2010	16 September 2010
	October 2010	29 October 2010
	November 2010	29 Nov and 13 Dec 2010
	February 2011	21 February 2011
	March 2011	14 March 2011
	April 2011	
	May 2011	
	June 2011	13 June 2011

Comments:

- None of the Section 80 Committees met the minimum prescribed number of meetings;
- The Technical Services Committee achieved 70% of the minimum number of meetings, while the least number of meetings were held by the Financial Services Committee at 40%.

**Section 79 Committees**

During the financial year 2009/2010, the municipal council adopted By-laws relating to the Standing Rules and Orders of the Council, which make provision for the establishment of various committees. The By-laws, which were adopted on 15 June 2010, make provision for the establishment of the following committees:-

- Advisory Committees
- Ad Hoc Committees
- Oversight Committee
- Strategic Governance Committee
- Audit Committee
- Members Interests and Ethics Committee

Furthermore, council also adopted a Policy Framework Governing the Relations between the Joe Mabuda District Municipality and the Siyazama Municipality. Significantly, this policy makes provision for the establishment of a Mandate Committee, which must ensure that the representatives of the Siyazama Municipality to the Joe Mabuda District Municipality are properly mandated and that mechanisms for the representatives to report to the Municipal Council on their activities at the Joe Mabuda District Municipality are put in place. The functionality of the section 79 committees during the year under review can be demonstrated as follows: -

- **Advisory Committee**  
There was no advisory committee appointed during the year under review.
- **Ad hoc Committee**  
Following the submission of a report on unauthorised, irregular, fruitless and wasteful expenditure to by the Chief Financial Officer, the Speaker of Council was advised to appoint an Ad Hoc Committee to investigate the circumstances for the expenditure. The Ad Hoc Committee had its meetings over three days on 31 August 2010; 1 September 2010; and, 3 September 2010. The committee had, over the three day period interviewed all the senior managers whose departments were allegedly responsible for the unauthorised, irregular, fruitless and wasteful expenditure. The committee submitted its findings and recommendations to the municipal council.
- **Oversight Committee**  
The Oversight Committee was established in the Council meeting held on 17 September 2010 and November 2010. Following its induction on 30 November 2010, the Oversight Committee had its meetings on 15 March 2011, 25 March 2011 and 30 March 2011, at which meetings the following reports were reviewed: -
  - Annual Report for the year ended 30 June 2010
  - Mid-term report for the period ended 31 December 2010The oversight reports on the above reports were respectively considered and adopted by the Municipal Council in its meetings held on 31 March 2011 and 10 May 2011.
- **Strategic Governance Committee**  
This committee never had a meeting during the year under review.
- **Audit Committee**  
A separate report of the Audit Committee is provided below.
- **Members' Interests and Ethics Committee**  
This committee did not meet during the year under review.



## Section 3: KPAs Performance Highlights

### Chapter 1: Human Resources and Other Organisational Management (KPA 1)

#### 3.1.1 Introduction

The Human Resources function serves as a support function to the municipality and its primary objectives include, among others:

- Management of employees' conditions of service in terms of the relevant collective agreement and policies;
- Design and implement an organisational structure aligned to the municipality's powers and functions and the IDP;
- Facilitate the training and development of personnel including councillors;
- Maintenance of a human resources environment that is conducive to and that promotes organisational stability and harmony;
- Implementation of the Job Evaluation System.

During the year under review, the Municipal Manager and his four Section 57 Managers signed their annual performance agreements aligned to the SDBIP of the Municipality which were subsequently submitted to institutions as prescribed in relevant legislation.

The municipality, on a continuous basis, develops reviews and adopts its Human Recourses related policies.

The table below depicts the number of total posts, filled and vacant, in each department during the year under review:

Department	No. of Posts	No. of Filled Positions	Vacancies	% of Vacancies
MM's Office	17	12	5	29.41
Technical Services	122	113	9	7.38
Finance	31	29	2	6.45
Community Services	49	47	2	4.08
Corporate Services	51	35	16	31.37
<b>Total</b>	<b>270</b>	<b>236</b>	<b>34</b>	

The filling of vacant posts in the organisational structure is done within the available funds on the labour budget.

### 3.1.2 New Appointments During the Year Under Review

The table below depicts the number of appointments made per department during the year under review.

Position	Department	Appointment Date
Creditors Clerk	Finance	13/09/2010
Assistant Manager: Public Participation	Top Structure	01/10/2010
Technician: Civil	Technical Services	01/11/2010
Supply Chain Practitioner	Finance	05/11/2010
Assistant Manager: IDP and PMS	Top Structure	01/08/2010
General Assistant: Water and Sanitation	Technical Services	01/03/2011
General Assistant: Water and Sanitation	Technical Services	01/03/2011
Tourism Information Officer	Community Services	06/04/2011
ADT	Technical Services	06/04/2011
ADT	Technical Services	06/04/2011
ADT	Technical Services	06/04/2011
Vibrator Roller	Technical Services	06/04/2011
Construction Grader	Technical Services	06/04/2011
Excavator	Technical Services	06/04/2011
TLB Operator	Technical Services	06/04/2011
4 Ton Truck Driver	Technical Services	06/04/2011
AWT	Technical Services	01/05/2011
Communications Officer	Top Structure	11/04/2011
Traffic Officer (examiner)	Corporate Services	01/05/2011
SPU	Top Structure	01/05/2011
Semi-skilled electrician	Technical Services	05/04/2011
Executive Secretary to Man – Corporate	Corporate Services	01/05/2011
Waste Management Officer	Technical Services	01/05/2011
SDF	Corporate Services	15/05/2011

The total number of employees employed during the year under review was 24 of which seven (7) were female employees making 29% of employees employed and 17 were male employees making 71% of the employees employed. This could be indicative of the non- or improper functioning of the Training and Employment Equity Committee.

### 3.1.3 Staff Turnover

The following tables depict the staff turnover in the municipality during the year under review:

#### Resignations/retirement

Name	Department	Designation	Reason	Date
<b>V Bice</b>	Corporate Services	SDF	Resigned	10/12/2010
<b>M Narasha</b>	Technical Services	Technician: Civil	Resigned	30/04/2011
<b>N Mabeni</b>	Technical Services	Technician: Civil	Resigned	30/04/2011
<b>L Tudwaba</b>	Technical Services	Electrical Assistant	Retired	31/12/2010

#### Death

Name	Department	Designation	Date
<b>L Tau</b>	Technical Services	General Worker: Water	13/11/2010
<b>T Themba</b>	Technical Services	General Worker: Sanitation	21/08/2010

## Dismissals

Department	Designation	Date
Office of the Municipal Manager	Communications Officer	30/10/2010
Corporate Services	Senior Admin Officer	30/10/2010
Corporate Services	Secretary: Manager: Corporate Services	30/10/2010

### 3.1.4 Personnel Expenditure

The table below depicts the trends on total personnel expenditure of the past three financial years, viz. 2008/2009; 2009/2010 and 2010/2011:

Financial Years	Total Number of Staff	Total Approved Operating Budget	Personnel Expenditure (salary and benefits)	% of expenditure actual vs budget
2008/2009	205	R34 854 187	R29 805 862	85.51%
2009/2010	227	R44 000 000	R39 028 185	88.70%
2010/2011	236	R51 392 359	R45 642 698	88.81%

### 3.1.5 Annual Performance Indicators In Municipal and Organisational Development

Indicator Name	Total no. of employees (planned for) during the year under review	Achievement level during the year under review	Achievement percentage during the year
Vacancy rate for all approved and budgeted posts	71	30	42.25%
Percentage of appointment in strategic positions (Municipal Manager and Section 57 Managers)	0	0	0
Percentage of Section 57 Managers including Municipal Managers who attended at least 1 skill development training course within the FY	5	3	60%
Percentage of Managers in Technical Services with a professional qualification	0	0	0
Percentage of staff that have undergone a skills audit (including competency profiles) within the current 5 year term	236	105	44.49%
Percentage of councillors who attended a skill development training within the current 5 year term	34	16	47.06%
Percentage of staff complement with disability	7	7	100%
Percentage of female employees	165	85	51.51%
Percentage of employees that are aged 35 or younger	85	68	80%

## Chapter 2: Basic Service Delivery Performance Highlights (KPA 2)

### 3.2.1 Overview

The annual report is for the 2010/2011 financial year which was from 01st July 2010 to 30th June 2011. The technical services department was responsible for the following functions:

- Solid Waste Management (refuse removal, street cleaning and the solid waste disposal sites)
- Waste water management in Gweru, Masvingo and Mount Norton.
- Provision, operation and maintenance of water and sanitation services to Gweru, Masvingo and Mount Norton urban areas
- Construction and maintenance of roads and storm water
- Distribution, operation and maintenance of electricity in Gweru and Masvingo
- The Mayor's project called Siyazama mass job creation project

The municipality commenced with the first phase on construction of municipal offices which was completed in August 2011. A budget of R 6,816,551.81 for direct and indirect costs was spent. The first phase has accommodated the finance department and the strategic planning and economic development department providing access to 12 offices. The municipal stores were also constructed as part of the first phase and as well as storm water management on the municipal precinct.

During the adjustment budget, the municipality launched a project called mass job creation driven from the Mayor's office and implemented from the Infrastructure planning and development department. This project commenced on 1 March 2011 to 30 June 2011. This project benefited and focused on the community of Siyazama for a period of four months. It focused only on the three municipal towns. The job creation project has been budgeted for the next three financial years i.e. 2011/2012 to 2013/2014. The 2011/2012 budget would be R3 million and the project will be rolled out to the entire municipal area. The job creation project also seeks to address sustainable service delivery in roads maintenance, solid waste management and greening of towns. During the financial year under review, there was no dedicated person to implement the job creation project; however, the municipality adopted a revised organizational structure which accommodates a dedicated person to manage the job creation project within the PMU.

The municipality established a relationship with the provincial department of roads and public works on re-gravelling and maintenance of roads and storm water. Various meetings were held to conceptualise the service delivery agreement between the municipality and the department. The agreement would focus on roads irrespective of whether they are municipal roads or provincial roads. A pilot study area in the northern municipal area was adopted by Council in January 2011. A lot of detailed assessment was undertaken by the department and a three year plan for re-gravelling and maintenance to ensure that the Council decision would be operational. The agreement would be finalised by September 2011.

The municipal organization structure was reviewed and adopted by Council. The revised structure accommodates a revenue protection unit within the electricity section to ensure maintained reduction in electricity losses until the municipality achieves the required 10%. The unit will ensure that the 10% allowable losses are maintained and that they are not exceeded. The three year infrastructure capital implementation plan was reviewed and adopted by Council with the budget.

The critical position of the Waste management officer was filled in May 2011. All vacant posts due to deaths, retirement and resignations were filled.

### 3.2.2. Project Management Unit

The unit was established in 2008 and the first business plan approved by COGTA in 2008. PMU funding comes from the MIG wherein 5% of the grant is dedicated for the overall PMU support. The unit had two civil engineering technicians and a project accountant. The two civil engineering technicians resigned during March 2011. A PMU Manager was appointed in June 2011 as well as one civil engineering technician. The second civil engineering technician and the job creation coordinator will be appointed by September 2011. This implies that the PMU section will be fully functional since all key positions will be filled.

The PMU business plan for 2011/2012 financial year was submitted and approved. These appointments will improve quality of the infrastructure services rendered to communities as well as community participation. The primary objective for the PMU is to successfully project and contract manage MIG funded projects and other capital projects. The MIG fund was 100% spent in June 2011.

### **3.2.3. Water and Sanitation**

The Siyazama Municipality was a water services provider responsible for operation and maintenance of bulk infrastructure and reticulation in Masvingo and Mount Norton, and reticulation only in Gweru. The municipality was also responsible for water purification. Gweru bulk and purification was the responsibility of the district. Rural water and sanitation was also the responsibility of the district.

Around September 2010, the district informed us that they were taking over all bulk infrastructure. As a result the municipality took a Council resolution that the entire water and sanitation function be transferred back to the district. In March 2011, the council took another decision to reverse the council resolution on transferring the entire service. To date the WSP/WSA relationship has not been clarified. There were no capital projects implemented during the financial year since the municipality had no budget to carry out minor works.

There are house connections in Sithole and Vincent; however, there are still buckets due to poor plumbing residents opted to go back to the bucket system. All reported leaks were repaired within a day and all burst pipes are replaced within a day. Covered meters were exposed as they were reported. Bulk water meters were installed in all towns for untreated water from the source and treated water from the plant. As from the financial year under review, the municipality commenced with the calculations for water losses which were around 31%. Water quality and monitoring was carried out and results were acceptable in most cases. However; control of turbidity during rainy seasons remains a challenge in all three towns. There were challenges around water purification due to inconsistent availability of the district process controllers.

The water purification plant in Mount Norton was completed. The plant was not functional yet due to non-availability of energy/electrical supply. The plant was finally switched on for testing in August 2011. It is anticipated that by end of September 2011, the plant would be functional.

Major challenges facing the municipality in carrying the service were:

- Insufficient water sources in Masvingo and Gweru. Mount Norton has a newly constructed dam and treatment plant which is not operational as yet.
- In Masvingo, there is an old package treatment plant which result in poor water quality at times due to limited capacity, shortage in qualified and experienced personnel. The design capacity for the package plants is far exceeded and this is contributing to the compromised water quality at times.
- Provision of services to invaded land e.g. Polar Park in Masvingo.
- Shortage of qualified process controllers in the water treatment plant and waste water treatment plant
- Masvingo and Mount Norton do not have storage reservoirs which poses a serious threat. This leads to poor maintenance of the reservoirs and non-availability of water from time to time.
- There are overflowing sewerage ponds in Masvingo which can be resolved by pumping and diverting the flow to the recently completed waste water treatment plant. Vincent also needs to be connected to eliminate unnecessary overflowing conservancy tanks.
- In Greenfields, there are frequent pipe blockages in the system.

Water quality monitoring at the water treatment works in Gweru and Masvingo was carried out two hourly for testing turbidity, pH and the chlorine. In Mount Norton test were taken daily to check chlorine. From the test, water boil notices were issued each time the results showed E-coli.

### **3.2.4. Roads and Stormwater**

The municipality allocated R 3 261369.66 for roads construction and rehabilitation in Masvingo. The project was practically complete as at June 2011. Construction of roads was primarily funded by the Municipal Infrastructure Grant which was spent 100%. The following road projects were implemented including community facilities:

Ward No.	Project Name	Length	Status at 30 June 2011
12	Construction of Mahanyaneng Access Road	4.7km	Complete but bridge approaches were washed away during the heavy rains
2	Rehabilitation of Gweru streets – Ntokozweni	5km	Tender stage – project awaiting a court judgement
9,15	Access Road and Bridge Lehana High School	4.7km	Complete
9	Mount Norton access road	4.7km	Practically complete. Service providers were terminated due to poor performance
4	Alterations and Renovations to Masvingo Town Hall	1	Complete
12	Mangoleng access road	10km	Under construction
4	T83 to Matugulo via Tsikarong	6.9km	Complete
7	Maroqa to Sophonia (later extended from R56 to Maroqa)	21km	10km complete, 11km commenced in August 2011
9	Upgrading of Mount Norton sports field	1	Tender stage
11	Dengwane access road	7km	Tender stage

The maintenance team is continuously doing pothole patching and dry blading.

There were two ECDC funded roads and storm water projects in Gweru. The projects are as follows:

Ward No	Project name	Status at 30 June 2011
2	Truck stop roads and storm water	Under construction, progressing well.
2	Completion of roads and storm water at Prentjiesberg	The contractor was appointed and after that the project was on hold following a high court order.

### 3.2.5. Electricity

The municipality has a distribution license for Masvingo and Gweru urban areas with small areas in townships that belonged to Eskom. The municipality submitted the NERSA distribution forms which primarily report on the operations and maintenance of the area for which we have a license including costs incurred. NERSA approved the municipal tariffs following submission of the D-forms. DME and the municipality embarked on solar programme as an interim measure for rural electrification. DME appointed a service provider to implement the solar program without the presence of a consultant for monitoring which led to other challenges and the roll-out being slow. There were 2,688 customers installed for solar services to date.

The Gweru electricity master plan is almost complete. The installation of 29 high mast lights in Gweru is complete and the project is under retention. These two projects will improve the quality of supply the safety in the area. All household in the area where we have a distribution license have access to electricity except about 100 households which were recently established. R1 million funding was received from Department of Energy for the electrification of the 100 houses, the project is under tender stage.

Electricity losses were fluctuating during the financial year. The average for electricity losses was 35%. There was no revenue protection unit for continuous monitoring of distribution losses and this remains a challenge. A dedicated unit to revenue protection will be established to ensure maintenance of losses within the required and acceptable range (10% to 15%). Inaccurate data in the system is a contributor to these losses as it serves as a baseline for information utilized for electrical losses.

Unscheduled electricity supply interruptions were resolved within 24 hours and there were no exceptions. We also achieved to purchase working equipment and tools for the electrical staff. All budgeted vacant posts were replaced.

The municipality purchased a cherry picker which was delivered in August 2011. This will improve the pace at which the street lights are maintained. An interim agreement was reached with Eskom that Siyazama municipality will work under their supervision for the maintenance of Mount Norton street lights. Eskom Maintenance will commence in financial year 2010/2011. All street lights and 193 street lights and 6 out of 8 high mast lights were fixed in Masvingo.

The following projects were implemented during the 2008/2009 financial year:

Project Name	Funded By	Approved Budget	Ward	Status Quo
Gweru master plan	ECDC/DoE	R16,527,293.25	2/4	Under Construction
Gweru high mast lights	ECDC	R8,281,966.95	2	Under Construction

### 3.2.6. Implementation of MIG for the Year Under Review

This section aims at providing a detailed summary of all activities, challenges, achievements and financials during the implementation of the MIG 2009/10 financial year. According to the approved DoRA allocation, the following amounts are allocated to the MIG programme for Siyazama Local Municipality for financial years 2008/09 – 2010/11.

Municipal Financial Year (July – June) Provincial Financial Year (April – March)

- 2008/2009: R 12,015,000.00
- 2009/2010: R 16,124,000.00
- 2010/2011: R 18,680,000.00

Challenges in the Implementation of MIG:

- Internal Departmental and DEDEA delayed the EIA approval on the project;
- Internal capacity and systems limitations, with specific reference to the implementation of the Municipal Financial Management Act and procurement of goods and services;
- Late approval of projects by DPLG;

Achievements in the Implementation of MIG:

- All the projects implemented were completed in time without having labour problems and the community benefited from all them in terms of job creation, and offered a basic (but sustainable) level of service.
- All the MIG allocation was spent in full within the financial year (end March 2010).
- The entire projects were implemented within the MIG conditions and the municipality managed to use SMME's and local labourers.
- In some of the projects, local labourers received training but the municipality plan to create more training opportunity in the next financial year 2010/11. Labour intensive construction was utilized, but full of EPWP is still in process. A more proactive role of the EPWP, SMME and HR units is required.
- Multi-year planning was done successfully and a smooth transfer in financial years has been done.

### MIG PROJECTS FOR 2010/11

Project Description	Contract Award Value	Expenditure Total	Balance on Contract Value	Project Status
Ntabelanga Access Road	R726 928.41	R579 462.25	R147 466.16	80% Retention Stage
Mt Norton Town Hall	R1 209 682.81	R1 169 384.50	R40 298.31	Retention
Mahanyaneng Access Road	R3 732 147.93	R3 293 015.77	R439 132.16	94% Retention Stage
Masvingo Town Hall	R1 720 961.72	R1 380 258.47	R340 703.25	80% Retention Stage



Mparane Access Road	R570 000.00	R550 612.02	R19 387.98	97% Retention Released
Maroga to Sophonia	R6 110 718.11	R4 688 337.41	R1 422 380.70	77% Under Construction
Matugulo via Tsikarong	R4 597 917.00	R3 649 639.94	R948 277.06	79% Complete (bridge outstanding)
Re-gravelling of Lehana Access Road	R3 776 718.05	R3 606 761.16	R169 956.89	93% retention stage
Gweru Streets	R1 763 878.66	R1 042 112.83	R721 765.83	12%
Mt Norton Access Road	R1 584 895.47	R705 445.90	R37 696.89	45% Construction Stage
Zwelitsha Sondaba and Tsolobeng	R1 197 461.07	R964 358.46	R233 102.61	81% Retention Stage
Ward 1, 5 and 6	R2 145 197.41	R2 092 950.49	R52 186.92	98% Retention Stage
Tinana Access Road	R2 114 000.00	R1 955 001.38	R158 998.62	92% Retention Stage
Nxotshana Access Road	R2 099 645.16	R1 910 187.03	R189 458.13	91% Retention Stage
Mangoleng East	R6 423 272.74	R1 980 297.31	R4 442 975.43	31% Construction Stage
<b>Totals</b>	<b>R39 773 364.54</b>	<b>R29 567 824.92</b>	<b>R9 363 786.94</b>	

#### EQUITABLE SHARE PROJECTS FOR 2010/11

Project Description	Contract Award Value	Expenditure Total	Balance on Contract Value	Project Status
Municipal Offices	R7 410 046.13	R6 816 551.81	R593 494.32	92% complete – phase 2 is outstanding
Rehabilitation of Roads in Masvingo	R3 261 369.66	R1 116 849.68	R2 144 519.98	35% construction stage
Advisors for Solid waste	R850 000.00	R777 685.21	R72 314.79	91% Construction stage
Installation of water meters	R890 000.00	R670 000.00	R220,000.00	32% complete
<b>Totals</b>	<b>R12 411 415.79</b>	<b>R8 381 086.70</b>	<b>R3 030 329.09</b>	

#### ECDC FUNDED PROJECTS FOR 2010/11

Project Description	Contract Award Value	Expenditure Total	Balance on Contract Value	Project Status
Gweru Electricity Master Plan	R17 789 627.05	R14 033 102.37	R3 756 524.68	79% Construction Stage
Gweru High Masts	R9 000 657.61	R7 838 047.50	R1 162 610.11	87% Retention Stage
Gweru Truck Stop	R9 171 868.50	R3 210 844.88	R5 961 023.62	35% Construction Stage
Prentiesberg	R9 472 555.49	R289 923.43	R9 182 632.06	3% Construction Stage
<b>Totals</b>	<b>R45 434 708.65</b>	<b>R25 371 918.18</b>	<b>R20 062 790.47</b>	



## **Chapter 3: Municipal Financial Viability and Management (KPA 4)**

### **3.3.1 Introduction**

Financial Management and viability in the Municipality is deemed to be sound.

### **3.3.2 The Audited Financial Statements**

#### **Approval of financial Statements**

I am responsible for the preparation of these annual financial statements, which are set out on pages 17 to 18 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

\_\_\_\_\_  
Municipal Manager

\_\_\_\_\_  
Date

## Statement of Financial Position at 30 June 2011

		2011	Restated 2010
	Notes	R	R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>105 746 351</b>	<b>53 546 290</b>
Accumulated Surplus		105 746 351	53 546 290
<b>Non-Current Liabilities</b>		<b>9 281 241</b>	<b>12 958 418</b>
Long-term Liabilities	2	203 732	337 442
Employee Benefits	3	3 182 553	2 992 008
Non-Current Provisions	4	5 894 956	9 628 968
<b>Current Liabilities</b>		<b>32 894 801</b>	<b>44 861 073</b>
Consumer Deposits	5	205 824	151 384
Current Employee Benefits	6	5 716 078	4 281 331
Payables from Exchange Transactions	7	11 512 840	15 062 148
Unspent Conditional Government Grants and Receipts	8	15 333 461	21 358 126
Cash and Cash Equivalents	16	-	3 894 051
Current Portion of Long-term Liabilities	2	126 608	114 032
<b>Total Net Assets and Liabilities</b>		<b>147 922 393</b>	<b>111 365 781</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>97 672 797</b>	<b>52 239 486</b>
Property, Plant and Equipment	10	94 409 505	52 202 692
Investment Property	11	3 226 571	73
Intangible Assets	12	36 721	36 721
<b>Current Assets</b>		<b>50 249 597</b>	<b>59 126 295</b>
Inventory	13	177 587	145 232
Receivables from Exchange Transactions	14	18 190 954	6 005 168
Receivables from Non-exchange Transactions	15	873 389	1 896 109
Unpaid Conditional Government Grants and Receipts	8	36	313 594
Taxes	9	3 111 065	6 556 228
Cash and Cash Equivalents	16	27 896 566	44 209 965
<b>Total Assets</b>		<b>147 922 394</b>	<b>111 365 781</b>

## Statement of Financial Performance for the Year Ended 30 June 2011

	Notes	2011 R	Restated 2010 R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>		<b>108 750 472</b>	<b>74 557 762</b>
Taxation Revenue		<b>9 774 023</b>	<b>8 720 197</b>
Property Rates	17	9 774 023	8 720 197
<b>Transfer Revenue</b>		<b>98 767 079</b>	<b>65 737 808</b>
Government Grants and Subsidies - Capital	18	41 753 390	19 175 618
Government Grants and Subsidies - Operating	18	59 998 690	46 467 630
Public Contributions and Donations		15 000	94 560
<b>Other Revenue</b>		<b>209 370</b>	<b>99 757</b>
Actual Gains		80 868	11 210
Fines		128 502	88 547
<b>Revenue from Exchange Transactions</b>		<b>43 701 943</b>	<b>38 408 973</b>
Service Charges	19	20 946 447	20 223 012
Water Services Authority Contribution	20	9 324 797	6 808 846
Plant Income		1 759 572	-
Rental of Facilities and Equipment		842 578	735 295
Interest Earned - external investments		2 362 053	3 420 150
Interest Earned - outstanding debtors		5 911 484	5 426 880
Licenses and Permits		1 423 070	1 020 328
Other Income	21	1 131 942	774 462
<b>Total Revenue</b>		<b>152 452 415</b>	<b>112 966 735</b>
<b>EXPENDITURE</b>			
Employee Related Costs	22	39 772 604	35 815 847
Remuneration of Councillors	23	6 983 480	6 708 393
Debt Impairment	24	6 939 493	22 252 942
Collection Cost		249 381	317 797
Repairs and Maintenance		2 284 436	4 416 781
Finance Charges	25	293 058	661 359
Bulk Purchases	26	11 847 738	8 597 732
Operating Grant Expenditure		6 450 787	3 991 494
Gain or loss on disposal of Property, Plant and Equipment		352 797	25 308
General Expenses	27	25 078 584	12 215 492
<b>Total Expenditure</b>		<b>100 252 358</b>	<b>95 003 145</b>
<b>NET SURPLUS FOR THE YEAR</b>		<b>52 200 057</b>	<b>17 963 590</b>

## Statement of Changes in Net Assets for the Year Ended 30 June 2011

	Accumulated Surplus R
<b>Balance at 1 JULY 2009</b>	<b>33 534 797</b>
Prior year error restatement - Refer to note 29.15	2 047 900
Rounding	3
<b>Restated Balance at 1 JULY 2009</b>	<b>35 582 700</b>
Net Surplus for the year	17 963 590
<b>Balance at 30 JUNE 2010</b>	<b>53 546 290</b>
Net Surplus for the year	52 200 057
Rounding	4
<b>Balance at 30 JUNE 2011</b>	<b>105 746 351</b>

## Cash Flow Statement for the Year Ended 30 June 2011

		2011	Restated 2010
	Notes	R	R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Rates, Services and Other		32 881 889	2 409 793
Government - operating		54 605 831	50 175 415
Government - capital		38 435 140	17 564 813
Interest		8 273 537	8 847 030
<b>Payments</b>			
Suppliers and employees		(96 735 866)	(57 251 936)
Finance charges		293 058	(661 359)
<b>Net Cash from Operating Activities</b>	30	<b><u>37 167 473</u></b>	<b><u>21 083 756</u></b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment		(46 640 937)	(34 528 692)
Proceeds on Disposal of Property, Plant and Equipment		347 314	-
Purchase of Investment Property		(3 226 498)	-
<b>Net Cash from Investing Activities</b>		<b><u>(49 520 121)</u></b>	<b><u>(34 528 692)</u></b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of Long-term liabilities		(121 134)	(99 916)
Increase in Consumer Deposits		54 430	35 665
Rounding		4	(1)
<b>Net Cash from Financing Activities</b>		<b><u>(66 700)</u></b>	<b><u>(64 252)</u></b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b><u>(12 419 348)</u></b>	<b><u>(13 509 188)</u></b>
Cash and Cash Equivalents at the beginning of the year		40 315 914	53 825 102
Cash and Cash Equivalents at the end of the year	31	<u>27 896 566</u>	<u>40 315 914</u>

### 3.3.3 Budget to Actual Comparison

#### Revenue by Source

In accordance with the table presented, it would be evident that the organisation's overall revenue generated is positioned at R 152.4 Million, compared to the estimate of R 202.4 million, representing a shortfall of R 50 Million or 24.7% over planned performance.

The shortfall within the planned performance is primarily attributed to the delays experienced within the appointment of suitable contractors to execute capital programmes financed through external sources, coupled to interdicts obtained against the implementation of the Prentjiesberg roads and storm water project.

In accordance with the accounting standards, given that expenditure on Grant funding has not been recognised, no concomitant revenue recognition can occur; in accordance with the Division of Revenue Act, the Municipality has formally applied and received authority from National Treasury to appropriate a rollover of Unspent Conditional Grants within the 2011/2012 Budgetary cycle. Performance associated with other income is a non-cash flow related transactions centring around projects financed through retained earnings, in accordance with the Municipal Finance Management Act and budgetary regulations issued

there under, the Municipality is prohibited from Budgeting for a deficit, accordingly all internal projects financed through retained earnings are disclosed under other income to ensure a balanced and sustainable budget.

### **Expenditure by Nature**

In accordance with the table presented, it would be evident that the municipality's overall expenditure is positioned at R 100,2 million, compared to the estimate of R 116.1 million, representing an under spending in the sum of R R15.89 million or 13.69% over planned performance.

The under spending of the operating budget is primarily associated with cost savings incurred within the ambit of the general remuneration increases provided to all employees and Councillors, as well as delays incurred within the appointment of employees into newly created positions as part of the revised establishment plan approved by Council.

Furthermore, the level of debt impairment provided for, yielded savings for the organisation as a result of intense credit control activity that yielded enhance recovery rates over planned performance. Repairs and maintenance on infrastructure was under spent due to delays experienced within adverse weather conditions experienced throughout the financial year under consideration.

### **Capital Expenditure**

In accordance with the table presented, it would be evident that the Organisation under spent the capital budget in the sum of R 36.4 million or 42.21%, the primary reasons associated with the underperformance on the votes centre around delays within the appointment of contractors to execute the implementation of the Gweru Master Plan and High Mast lighting valued in excess of R 27 million, coupled with an interdict obtained within the implementation of the Prentjiesberg Roads and Storm water project valued at R 8.26 Million; Council has applied formally for the rollover of all funding, which has been approved in accordance with the division of revenue act.

## Comparison of Actual Revenue and Expenditure Against the Budget

	2011 Actual (R)	2011 Budget (R)	2011 Variance (R)	2011 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
<b>34.1 Operational</b>					
<b>Revenue by Source</b>					
Property Rates	9 774 023	10 294 955	(520 932)	(5.1%)	Variance immaterial
Government Grants and Subsidies	98 752 079	126 688 604	(27 936 525)	(22.1%)	Interdict against Prentjiesberg Roads and Stormwater Project
Public Contributions and Donations	15 000	0	15 000	0.0%	Given the nature of the item, income could not be budgeted for
Actuarial Gains	80 868	0	80 868	0.0%	Given the nature of the item, income could not be budgeted for
Fines	128 502	74 193	54 309	73.2%	Intensified efforts to collect outstanding fines
Service Charges	20 946 447	17 524 217	3 422 230	19.5%	Revenue enhancement project
Water Services Authority Contribution	9 324 797	9 324 859	(62)	0.0%	Variance immaterial
Plant Income	1 759 572	10 000 000	(8 240 428)	(82.4%)	Expenses offset as per GRAP requirements
Rental of Facilities and Equipment	842 578	705 000	137 578	19.5%	Increased occupation rates of investment property
Interest Earned - external investments	2 362 053	2 500 000	(137 947)	(5.5%)	Variance immaterial
Interest Earned - outstanding debtors	5 911 484	150 000	5 761 484	3841.0%	Insufficiently budgeted for
Licences and Permits	1 423 070	2 021 379	(598 309)	(29.6%)	Provincial licensing incorrectly included revenue and not only commission
Other Income	1 131 942	23 170 733	(22 038 791)	(95.1%)	Finance through retained earnings
	<b>152 452 415</b>	<b>202 453 940</b>	<b>(50 001 525)</b>	<b>(24.7%)</b>	
<b>Expenditure by Nature</b>					
Employee related costs	(39 772 604)	(45 440 872)	5 668 268	(12.5%)	Vacant positions not filled
Remuneration of Councillors	(6 983 480)	(7 365 460)	381 980	(5.2%)	Variance immaterial
Debt Impairment	(6 939 493)	(8 335 002)	1 395 509	(16.7%)	Revenue enhancement programme
Collection Cost	(249 381)	(270 961)	21 580	(8.0%)	Variance immaterial
Repairs and Maintenance	(2 284 436)	(4 390 609)	2 106 173	(48.0%)	Large component on Roads not spent due to persistent bad weather
Finance Charges	(293 058)	(100 605)	(192 453)	191.3%	Actuarial finance charges on Long Service Awards not budgeted for
Bulk Purchases	(11 847 738)	(11 927 308)	79 570	(0.7%)	Variance immaterial
Operating Grant Expenditure	(6 450 787)	(4 045 333)	(2 405 454)	59.5%	Adopt correct accounting policy with regards to retentions
Loss on disposal of PPE	(352 797)	0	(352 797)	0.0%	Given the nature of the item, income could not be budgeted for
General Expenses	(25 078 584)	(34 275 376)	9 196 792	(26.8%)	Increased cost saving measures implemented
	<b>(100 252 358)</b>	<b>(116 151 526)</b>	<b>15 899 168</b>	<b>(13.7%)</b>	
<b>Net Surplus for the year</b>	<b>52 200 057</b>	<b>86 302 414</b>	<b>(34 102 357)</b>	<b>(39.5%)</b>	

	2011 Actual (R)	2011 Budget (R)	2011 Variance (R)	2011 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
<b>34.2 Expenditure by Vote</b>					
Budget and Treasury	21 350 322	25 002 797	(3 652 475)	(14.61%)	Variance immaterial
Community and Social Services	2 869 997	2 926 104	(56 107)	(1.92%)	Variance immaterial
Electricity	14 549 819	14 881 397	(331 578)	(2.23%)	Variance immaterial
Executive and Council	19 328 602	20 472 367	(1 143 765)	(5.59%)	Variance immaterial
Corporate Services	12 302 195	15 200 590	(2 898 395)	(19.07%)	Institutional project still in progress
Housing	107 897	438 144	(330 247)	(75.37%)	Masvingo Greenfields - unspent conditional grant held
Planning and Development	5 322 519	4 144 887	1 177 632	28.41%	Institutional projects budgeted as part of CAPEX
Road Transport	8 679 471	15 164 832	(6 485 361)	(42.77%)	Offset against income
Sport and Recreation	3 180 013	3 442 623	(262 610)	(7.63%)	Variance immaterial
Waste Management	5 747 751	7 565 947	(1 818 196)	(24.03%)	Vacant positions not filled
Water	6 813 767	6 911 838	(98 071)	(1.42%)	Variance immaterial
	<b>100 252 356</b>	<b>116 151 526</b>	<b>(15 899 173)</b>	<b>(13.69%)</b>	
<b>34.3 Capital Expenditure by Vote</b>					
Budget and Treasury	4 151 873	5 050 798	(898 925)	(17.80%)	Outstanding projects
Community and Social Services	17 719	240 000	(222 281)	(92.62%)	Non-implication of projects - Masvingo Pound
Electricity	19 254 860	28 790 968	(9 536 108)	(33.12%)	Outstanding claims on Gweru master plan
Executive and Council	6 623 181	7 800 000	(1 176 819)	(15.09%)	Outstanding claims on Municipal Buildings
Corporate Services	335 033	1 010 000	(674 967)	(66.83%)	Master systems plan not completed
Housing	0	854 312	(854 312)	(100.00%)	Project deferred to next year
Planning and Development	1 132 545	6 684 336	(5 551 791)	(83.06%)	Hawkers Stalls, Madiba Corridor not commenced.
Road Transport	17 461 988	34 600 111	(17 138 123)	(49.53%)	Pretiesberg road and stormwater project subject to legal intervention
Sport and Recreation	890 235	1 015 889	(125 654)	(12.37%)	Budget related savings from projects
Waste Management	0	250 000	(250 000)	(100.00%)	Capitalisation of tractors and trailers deferred to next financial year.
	<b>49 867 434</b>	<b>86 296 414</b>	<b>(36 428 980)</b>	<b>(42.21%)</b>	



### 3.3.4 Grants and Transfers' spending and meeting of donors' requirements

In accordance with the table depicted below, it would be evident that in terms of all grants and subsidies received for the period under review, the Municipality has been able to effectively administer and expend R48.07 million, whilst total allocations received amount to R 42.36 million, the Municipality has managed to effectively expend on prior periods unspent conditional grant; furthermore the Municipality has complied with all donor and grant conditions imposed for the period under review.

Grant Description	Balance 1 July 2010	Correction of error	Restated balance at 1 July 2010	Contributions during the year	Operating expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2011	Unspent 30 June 2011 (Creditor)	Unpaid 30 June 2011 (Debtor)
<b>Unspent Conditional Government Grants and Receipts</b>									
7140/5403 - MSP	1 637 912		1 637 912				1 637 912	1 637 912	
7140/5405 - EPWP	667 675		667 675		391 226		276 449	276 449	
7140/5411 - Hawkers Stalls	1 905 000		1 905 000	110 000	170 076		1 844 924	1 844 924	
7140/5416 - Voter Station	0	1 109	1 109	900 000	601 213		299 896	299 896	
7140/5422 - Town register	(36)		(36)				(36)		(36)
7140/5426 - Siyazama Housing	71 732		71 732				71 732	71 732	
7140/5429 - Katlehong Housing	2 791		2 791				2 791	2 791	
7140/5430 - Housing Pilot	112 508		112 508				112 508	112 508	
7140/5432 - Library Fund	276 025	(168 187)	107 838				107 838	107 838	
7140/5443 - Tourism	592 357		592 357		49 601		542 756	542 756	
7140/5445 - Mt Norton Youth	99 950		99 950		99 950		0	0	
7140/5446 - LED Open	38 726		38 726				38 726	38 726	
7140/5447 - Masvingo Greenfield	805 811		805 811		154 027		651 784	651 784	
7140/5449 - Leave Reserve	12 118		12 118				12 118	12 118	
7140/5450 - European Union	217 168		217 168	130 301	347 467		2	2	
7140/5451 - HIV/AIDS	54 000		54 000		54 000		0	0	
7140/5454 - IDP Process	50 000		50 000		50 000		0	0	
7140/5455 - Madiba Corridor	700 000		700 000				700 000	700 000	
7140/5457 - DEDEA Bottling Water	0		0	500 000	498 750		1 250	1 250	
7140/5461 - Ward Functions	204 000		204 000		161 804		42 196	42 196	
7140/5463 - Community Participation	226 000		226 000	50 000	199 500		76 500	76 500	
7140/5470 - Furniture Manufacturing	2 452 345	(77 760)	2 374 585		1 317 729		1 056 856	1 056 856	
7140/5476 - ECDC	0	(301 374)	(301 374)	24 755 140		16 637 899	7 815 867	7 815 867	
7140/5477 - Siyazama Women Hospitality	0		0	234 303	234 303		0	0	
7140/5401 - Municipal Infrastructure Grant	6 778 035	(2 517 147)	4 260 888	13 680 000		17 899 522	41 366	41 366	
7140/5402 - NER	7 215 968		7 215 968			7 215 968	0	0	
7140/5404 - Financial Management Grant	0		0	1 250 000	1 250 000		0	0	
7140/5407 - Municipal Systems Improvement Grant	(12 183)		(12 183)	750 000	737 817		0	0	
<b>TOTAL</b>	<b>24 107 892</b>	<b>(3 063 359)</b>	<b>21 044 533</b>	<b>42 359 744</b>	<b>6 317 463</b>	<b>41 753 389</b>	<b>15 333 425</b>	<b>15 333 461</b>	<b>(36)</b>

## Meeting of Donor's Requirements in Respect of Conditional Grants

Compliance with donor's requirements in respect of conditional grants are reflected below:

	2011 R	2010 R
<b>GOVERNMENT GRANTS AND SUBSIDIES</b>		
<b>Unconditional Grants</b>	<b>50 681 227</b>	<b>40 826 480</b>
Equitable Share	50 021 227	40 826 480
Other Grants	660 000	-
<b>Conditional Grants</b>	<b>48 070 852</b>	<b>24 816 768</b>
Municipal Infrastructure Grant (MIG)	17 899 522	14 950 562
Municipal Systems Improvement Grant (MSIG)	737 817	1 504 011
Financial Management Grant (FMG)	1 250 000	985 834
National Electrification Programme Grant (NER)	7 215 968	3 923 682
ECDC	16 637 899	301 374
Other Grants	4 329 645	3 151 305
<b>Total Government Grants and Subsidies</b>	<b>98 752 079</b>	<b>65 643 248</b>
Government Grants and Subsidies - Capital	41 753 390	19 175 618
Government Grants and Subsidies - Operating	56 998 690	46 467 630
	<b>98 752 079</b>	<b>65 643 248</b>

The Municipality does not expect any significant changes to the level of grants

### Equitable Share

Opening Balance	-	-
Grants received	50 021 227	40 826 480
Conditions met - operating	(50 021 227)	(40 826 480)
Conditions still to be met	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

### Municipal Infrastructure Grant (MIG)

Opening balance	4 260 889	6 646 638
As previously reported		8 131 652
Correction of error restatement - Refer to note 29.03		(148 501)
Grants received	13 680 000	12 564 813
Conditions met - capital	(17 899 522)	(14 950 562)
As previously reported		(13 918 429)
Correction of error restatement - Refer to note 29.03		(1 032 133)
Conditions met - operating	-	-
Conditions still to be met / (unpaid grants for conditions already met)	<b>41 367</b>	<b>4 260 889</b>

MIG is used to supplement capital finance for basic municipal infrastructure for poor households, micro enterprises and social institutions. Also to provide for new municipal infrastructure and rehabilitation and upgrading of existing ones.

	2011 R	2010 R
<b>Municipal Systems Improvement Grant (MSIG)</b>		
Opening balance	(12 183)	756 829
Grants received	750 000	735 000
Conditions met - capital	-	-
Conditions met - operating	(737 817)	(1 504 011)
Conditions still to be met/(unpaid grants for conditions already met)	<u>-</u>	<u>(12 182)</u>

MSIG is used to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government Municipal Systems Act.

#### **Financial Management Grant (FMG)**

Opening balance	-	(14 166)
Grants received	1 250 000	1 000 000
Conditions met - capital	-	-
Conditions met - operating	(1 250 000)	(985 834)
Conditions still to be met	<u>-</u>	<u>-</u>

FMG is used to promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act (MFMA)

#### **National Electrification Programme Grant (NER)**

Opening balance	7 215 968	6 137 650
Grants received	-	5 000 000
Conditions met - capital	(7 215 968)	(3 923 682)
Conditions met - operating	-	-
Conditions still to be met	<u>-</u>	<u>7 215 968</u>

The NER is used for electrical connections in previously disadvantaged areas

#### **ECDC**

Opening balance	(301 374)	-
Grants received	24 755 140	-
Conditions met - capital	(16 637 899)	(301 374)
As previously reported		-
Correction of error restatement - Refer to note 29.03		(301 374)
Conditions met - operating	-	-
Conditions still to be met/(unpaid grants for conditions already met)	<u>7 815 866</u>	<u>(301 374)</u>

#### **Other Grants**

Opening balance	9 881 234	5 396 771
Grants received	1 924 604	7 635 768
Conditions met - capital	-	-
Conditions met - operating	(4 329 645)	(3 151 305)
As previously reported		(2 906 467)
Correction of error restatement - Refer to note 29.03		(244 838)
Conditions still to be met	<u>7 476 192</u>	<u>9 881 234</u>

Various grants were received from other spheres of government.

### **3.3.5 Arrears in Property Rates and Service Charges**

The arrears in property rates and services charges for the period under review are reflected in the table below. Importantly as per the analysis denoted the gross carrying value of debtors- services and rates equates to R 79 085 688, whilst the provision for impairment amounts to R 60 021 345, constituting a staggering 75.89% non-recoverability estimate.

Notwithstanding the above, Council launched a revenue enhancement and debt reduction Strategy in the latter part of the 2009/2010 financial year aimed at significantly reducing outstanding debts, whilst significantly improving available cash flow, which as at 30 June 2011, resulted in excess of R49 Million having been collected from debtors.

This program, in conjunction with a sustained approach to recover Government related debts has effectively resulted in an increased collection rate from 27.16% (June 2010) to 82.07% as at 30 June 2011.

Included in the debts associated with exchange transactions, the organisation has billed the ECDC R 6.4 Million related to Capital Projects implemented, and Joe Mabuda DM in the sum of R 4.6 Million for services rendered associated with Water Services Provisioning in June 2011, which reduces the overall collection rate for 2010/2011.

The immense success of this short termed program has culminated in a long termed strategy being employed, which has seen the appointment of specialist revenue management firm during February 2011 for a medium termed contract to bolster internal capacity to effectively deal with revenue management and debt collection processes.

	2011 R	2010 R
<b>RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
<b>Electricity</b>	11 952 929	9 151 091
As previously reported		9 035 421
Change in accounting policy restatement - Refer to note 28.01		115 670
<b>Water</b>	12 302 777	11 301 259
As previously reported		4 616 237
Change in accounting policy restatement - Refer to note 28.01		141 829
Correction of error statement - refer to note 29.03		6 462 548
Correction of error statement - refer to note 29.12		80 645
<b>Refuse</b>	23 898 894	17 546 267
As previously reported		17 324 482
Change in accounting policy restatement - Refer to note 28.01		221 785
<b>Sewerage</b>	2 844 958	2 879 848
As previously reported		589 131
Change in accounting policy restatement - Refer to note 28.01		36 072
Correction of error statement - refer to note 29.03		2 228 605
Correction of error statement - refer to note 29.12		26 040
<b>Other</b>	15 920 746	7 869 442
As previously reported		7 661 533
Change in accounting policy restatement - Refer to note 28.01		98 082
Correction of error statement - refer to note 29.10		109 827
<b>Total Receivables from Exchange Transactions</b>	<b>66 920 304</b>	<b>48 747 907</b>
Less: Allowance for Doubtful Debts	(48 729 350)	(42 742 739)
As previously reported		(33 438 149)
Change in accounting policy restatement - Refer to note 28.01		(613 438)
Correction of error statement - refer to note 29.03		(8 691 152)
<b>Total Net Receivables from Exchange Transactions</b>	<b>18 190 954</b>	<b>6 005 168</b>

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of Receivables from exchange transactions on initial recognition is not deemed necessary.

#### Reconciliation of Allowance of doubtful debts

Balance at beginning of year	42 742 739	15 812 066
Allowance for Doubtful Debts on Water and Sanitation Receivables	-	8 691 152
Contribution to provision	9 579 995	19 499 552
Debt impairment written off against provision	(3 593 384)	(1 260 031)
<b>Balance at end of year</b>	<b>48 729 350</b>	<b>42 742 739</b>
Electricity	10 029 386	7 602 245
Water	11 145 429	9 603 722
Refuse	21 670 080	15 142 600
Sewerage	2 698 846	2 470 579
Other	3 185 607	7 923 593

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

<b>Service Receivables</b>	<b>Gross Balance</b>	<b>Allowance for Doubtful Debts</b>	<b>Net balance</b>
	<b>R</b>	<b>R</b>	<b>R</b>
2011			
Electricity	11 952 929	(10 029 388)	1 923 541
Water	12 302 777	(11 145 429)	1 157 348
Refuse	23 898 894	(21 670 080)	2 228 814
Sewerage	2 844 958	(2 698 846)	146 112
Other	15 920 746	(3 185 607)	12 735 139
<b>Total</b>	<b><u>66 920 304</u></b>	<b><u>(48 729 350)</u></b>	<b><u>18 190 954</u></b>
2010			
Electricity	9 151 091	(7 602 245)	1 548 846
Water	11 301 259	(9 603 722)	1 697 537
Refuse	17 546 267	(15 142 600)	2 403 667
Sewerage	2 879 848	(2 470 579)	409 269
Other	7 869 442	(7 923 593)	(54 151)
<b>Total</b>	<b><u>48 747 907</u></b>	<b><u>(42 742 739)</u></b>	<b><u>6 005 168</u></b>

Ageing of Receivables from Exchange Transaction	2011 R	2010 R
<b><u>(Electricity): Ageing</u></b>		
Current (0 - 30 days)	636 239	698 735
31 to 60 days	431 015	457 901
61 to 90 days	397 035	404 276
91 to 120 days	384 819	394 863
121 to 150 days	351 716	352 330
> 150 days	9 752 105	6 842 986
<b>Total</b>	<b><u>11 952 929</u></b>	<b><u>9 151 091</u></b>
<b><u>(Water): Ageing</u></b>		
Current (0 - 30 days)	452 890	1 152 837
31 to 60 days	331 336	389 595
61 to 90 days	366 402	317 888
91 to 120 days	303 047	320 092
121 to 150 days	293 400	335 032
> 150 days	10 555 701	8 785 814
<b>Total</b>	<b><u>12 302 777</u></b>	<b><u>11 301 259</u></b>
<b><u>(Refuse): Ageing</u></b>		
Current (0 - 30 days)	744 592	683 847
31 to 60 days	695 858	648 670
61 to 90 days	688 306	630 476
91 to 120 days	671 495	622 944
121 to 150 days	665 783	615 395
> 150 days	20 432 860	14 344 935
<b>Total</b>	<b><u>23 898 894</u></b>	<b><u>17 546 267</u></b>
<b><u>(Sewerage): Ageing</u></b>		
Current (0 - 30 days)	33 545	101 079
31 to 60 days	58 926	54 304
61 to 90 days	21 125	30 960
91 to 120 days	23 031	33 986
121 to 150 days	26 296	39 603
> 150 days	2 682 035	2 619 916
<b>Total</b>	<b><u>2 844 958</u></b>	<b><u>2 879 848</u></b>
<b><u>(Other): Ageing</u></b>		
Current (0 - 30 days)	11 158 586	66 034
31 to 60 days	251 904	251 381
61 to 90 days	227 551	80 539
91 to 120 days	44 422	3 853 016
121 to 150 days	40 269	33 928
> 150 days	4 198 014	3 594 544
<b>Total</b>	<b><u>15 920 746</u></b>	<b><u>7 869 442</u></b>

<b>RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
Rates	12 111 406	14 479 417
As previously reported		14 420 511
Change in accounting policy restatement - Refer to note 28.01		184 609
Correction of error statement - refer to note 29.08		(125 703)
Other Receivables	53 978	262 716
Irregular Expenditure	-	-
As previously reported		181 804
Correction of error statement - refer to note 29.01		(181 804)
Unauthorised Expenditure	-	-
As previously reported		79 308
Correction of error statement - refer to note 29.01		(79 308)
Fruitless and Wasteful Expenditure	-	-
As previously reported		491 703
Correction of error statement - refer to note 29.01		(491 703)
RD Cheques	(609)	208 129
Underbanking of Cash	54 587	54 587
<b>Total Receivables from Exchange Transactions</b>	<b>12 165 384</b>	<b>14 742 133</b>
Less: Allowance for Doubtful Debts	(11 291 995)	(12 846 024)
As previously reported		(12 661 415)
Change in accounting policy restatement - Refer to note 28.01		(184 609)
<b>Total Net Receivables from Non-Exchange Transactions</b>	<b>873 389</b>	<b>1 896 109</b>

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of Receivables from exchange transactions on initial recognition is not deemed necessary.

#### Reconciliation of Allowance for doubtful debts

Balance at beginning of year	12 846 024	7 627 947
Contribution to provision/(reversal of provision) - note 24	-1 323 446	5 218 077
Debt Impairment written off against provision	-230 583	-
<b>Balance at end of year</b>	<b>11 291 995</b>	<b>12 846 024</b>
Rates	11 291 995	12 846 024

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



	Gross Balance R	Allowance for Doubtful Debts R	Net balance R
2011			
Rates	12 111 406	(11 291 995)	819 411
Other Receivables	53 978	-	53 978
RD Cheques	(609)	-	(609)
Underbanking of Cash	54 587	-	54 587
<b>Total</b>	<b>12 165 384</b>	<b>(11 291 995)</b>	<b>873 389</b>
2010			
Rates	14 479 417	(12 846 024)	1 633 393
Other Receivables	262 716	-	262 716
RD Cheques	208 129	-	208 129
Underbanking of Cash	54 587	-	54 587
<b>Total</b>	<b>14 742 133</b>	<b>(12 846 024)</b>	<b>1 896 109</b>

Ageing of Receivables from Non-Exchange Transaction	2011 R	2010 R
<b><u>(Rates): Ageing</u></b>		
Current (0 - 30 days)	99 759	108 088
31 to 60 days	320 741	1 229 310
61 to 90 days	279 187	273 863
91 to 120 days	273 797	269 029
121 to 150 days	239 830	266 263
> 150 days	10 898 092	12 332 864
<b>Total</b>	<b>12 111 406</b>	<b>14 479 417</b>
<b><u>(Other Receivables): Ageing</u></b>		
Current (0 - 30 days)	-	-
31 to 60 days	-	-
61 to 90 days	-	-
91 to 120 days	-	-
121 to 150 days	-	-
> 150 days	53 978	262 716
<b>Total</b>	<b>53 978</b>	<b>262 716</b>

### 3.3.6 Long Term Contracts Entered into by the Municipality

The Municipality entered into no long term contracts for the period under review.

### 3.3.7 Anti-Corruption Strategy

The municipality's Anti-fraud and Anti-corruption Policy was adopted on 30 January 2009. During the 2010/2011 financial year, the municipality improved its focus on measures to combat fraud and corruption, and the following policies and strategies were developed and approved by the municipal council on 10 May 2011: -

- Fraud Risk Management Policy
- Fraud Risk Management Strategy and Implementation Plan
- Whistle Blowing Policy

The municipality has partnered with Deloitte Tips Off Anonymous, who are administering the municipality's fraud hot line. No incidences of fraud and corruption were reported to the facility during the year under review. The municipality has also work-shopped all staff members on the Anti-corruption Policy.

### **3.3.8 Financial Sustainability and Viability**

Pressure facing the municipality's budget:

- Eradication of Infrastructural Services Backlogs
- Ageing infrastructural networks (roads) requiring excessive maintenance allocations
- Escalating costs associated with Bulk Electricity Purchases
- Increased un-affordability of basket of services resulting in non-payment
- Financial losses associated with increased levels of distribution losses (Electricity)
- Limited revenue base
- Increased cost exposure associated with enhanced service offerings (Solid Waste functioning)
- Cash backing of provisions (GRAP requirements)

Intergovernmental Challenges:

- Non payment of service and rates related debts by Provincial and National Departments
- Non payment of Water and Sanitation operating subsidies by the Joe Mabuda DM

Key Focus Areas for 2010/2011

- Integrated political intervention to deal with intergovernmental challenges
- Implementation of Revenue enhancement and debt reduction Strategy
- Development and adoption of Budget related policies aimed at enhancing municipalities financial sustainability and viability
- Implementation of programmes aimed at enhancing the Municipalities cash reserves in with funding requirements and provisions.

## **Chapter 4: Good Governance and Public Participation**

### **3.4.1 Legal Matters**

#### **Setting up of Legal Units**

The municipality does not have a legal unit inside but outsources the function to external service providers. The following service providers were used by the municipality with all related matters during the year under review:

- McFarlane & Associates
- Wesley Pretorius & Associates
- Mantyi Attorneys
- Jolwana Mgidlana Incorporated
- O'Conner Attorneys
- Sodo Inc RM
- Kirchmanns Inc
- Fikile Ntayiya & Associates
- Drake Flemmer & Orsmond
- Nompilo Sidondi Consulting

## Management of Litigation

Case name	Nature of the case	Date of Commencement	Cases of 2 years or below	Cases beyond 2 years	Reasons for extensive duration
SALA Pension	Arrear Contributions	27 June 2008		✓	Due to court processes, matter before high court
SJW Civils	Interdict on bidding process – Prentjiesberg	About 12 May 2011	✓		Less than 2 years
SJW Civils	Interdict on bidding process Ntokozweni	About 24 June 2011	✓		Less than 2 years
Mr M Vatyeni	Labour Court reviews application. Claiming reinstatement and salary backpay	Dismissed 9 October 2009		✓	The matter has since been resolved
Wesbank	Failure to honour a contract	No summons issued	✓		Less than 2 years
L Pehlapa	Labour Court reviews application. Claiming reinstatement and salary backpay	Dismissed 14 July 2009		✓	Court processes – matter with labour court
Mr S Songa	Claiming for farm damages resulting from veld fires	1 Nov 2010	✓		Less than 2 years
N. Fshintshi	Labour Court reviews application. Claiming reinstatement and salary backpay	Dismissed about October 2007		✓	The matter has since been resolved
B. Prits	Claiming damages to a farm resulting from veld fires	28 May 2010	✓		Less than 2 years

### Prevention Mechanism of Current Litigation

The municipality is in the process of ensuring that all departments do comply with the legal prescripts within their respective areas of performance.

### Management of Legal Risks

The Municipality is in the process of formulating a policy on the management of legal risk that will have to be adopted by the Council.

## Section 4: Functional Area Service Delivery Reporting

### 4.1 Introduction

During the year under review, the municipality developed and implemented a performance management system as required by the Municipal Systems Act (Act 32 of 2000) and the Municipal Planning and Performance Regulations (2001). The regulations stipulate that a municipality's performance management system entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review and reporting and improvement will be conducted, organized and managed, including determining the roles of the different role players. In terms of the Municipal Finance Management Act (Act 56 of 2003), the municipality also developed a service delivery and budget implementation plan which was linked to the performance management system.

### 4.2 The Report of the Auditor-General

#### REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON SIYAZAMA MUNICIPALITY

#### REPORT ON THE FINANCIAL STATEMENTS

##### Introduction

1. I have audited the accompanying financial statements of the Siyazama Municipality, which comprise the statement of financial position as at 30 June 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information, and the accounting officer's report, as set out on pages XX to XX.

##### Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and Division of Revenue Act of South Africa, 2010 (Act No. 1 of 2010 as amended) (DoRA), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

##### Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and, section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and General Notice 1111 of 2010 issued in Government Gazette 33872 of 15 December 2010. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Siyazama Municipality as at 30 June 2011, and its financial performance and cash flows for the year then ended in accordance with GRAP and the requirements of the MFMA and DoRA.

## **Emphasis of matters**

8. I draw attention to the matters below. My opinion is not modified in respect of these matters:

## **Significant uncertainties**

9. Enquiries of management and the attorneys revealed that the municipality is a defendant in several lawsuits. The potential loss arising from these lawsuits is R1.85 million as disclosed in note 45 to the financial statements. The outcome of these lawsuits cannot be determined at present and no provision has been made for any liability that may result.

## **Restatement of corresponding figures**

10. As disclosed in notes 28 and 29 to the financial statements, the corresponding figures which relate to the year ended 30 June 2010 have been restated as a result of the early adoption of GRAP 104 on financial instruments as well as reclassifications and errors discovered during the current financial year.

## **Unauthorised expenditure**

11. As disclosed in note 35.1, unauthorised expenditure amounting to R 1.18 million was incurred during the year ended 30 June 2011. This was due to overspending of budget on certain votes.

## **Fruitless and wasteful expenditure**

12. The municipality incurred fruitless and wasteful expenditure of R11 021 relating to interest and penalties as disclosed in note 35.2 to the financial statements. The balance of fruitless and wasteful expenditure relating to the 2009/10 financial year has been condoned by Council.

## **Material losses**

13. The municipality suffered significant electricity losses of 6 430 721 kWh with a value of R3 .7 million during the year under review as disclosed in note 35.4 to the financial statements. The municipality also suffered water losses of 314 868 mega litres with a value of R2.4 million as disclosed in note 35.4 to the financial statements.

## **Material impairments**

14. The municipality listed outstanding debtors totalling R60,02 million at 30 June 2011, for which the recoverability is considered to be doubtful. This is disclosed in notes 14 and 15 to the financial statements.

## **Material underspending of the budget**

15. The municipality has materially underspent on its capital budget. As disclosed in note 34.3 to the financial statements R36.43 million of the capital budget remained unspent at 30 June 2011.

## **Additional matter**

16. I draw attention to the matter below. My opinion is not modified in respect of this matter:

## **Unaudited supplementary Schedules**

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

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

18. In accordance with the PAA and in terms of General notice 1111 of 2010, issued in Government Gazette 33872 of 15 December 2010, I include below my findings on the annual performance report and material non-compliance with laws and regulations applicable to the Municipality.

## Predetermined objectives

### Presentation of Information

19. The following criteria are relevant to the findings below:

- Performance against predetermined objectives is reported using the National Treasury guidelines.

20. Audit finding:

- **The annual performance report did not contain measures to improve performance**  
The annual performance report did not contain measures taken to improve performance where objectives were not met, as required by regulation 13(2) of the Municipal Planning and Performance Management Regulations.

### Usefulness of Information

21. The following criteria are relevant to the findings below:

- Consistency: Objectives, indicators and targets are consistent between planning and reporting documents

22. Audit findings:

- **Performance objectives are not consistent**  
Fifty eight percent of the selected reported performance objectives are not consistent with the Service Delivery and Budget Implementation Plan (SDBIP) and Integrated Development Plan (IDP), as required by section 26(i) of the Municipal Systems Act (MSA), read together with paragraph 4, page 2 of the MFMA Circular 13.
- **Changes to the objectives of the approved annual performance plan were not disclosed and explained**  
Changes to the objectives of the approved annual performance plan for the year under review, were not disclosed and explained as required in terms of the relevant National Treasury preparation guide. Of the 12 objectives included in the original IDP, only eight of these were in the balance scorecard. In addition the balanced scorecard includes an additional 42 objectives that were not initially included in the IDP.

### Reliability of Information

23. The following criteria are relevant to the findings below:

Validity: Actual reported performance has occurred and pertains to the entity

Accuracy: Amounts, numbers, and other data relating to reported actual performance have been recorded and reported appropriately

24. Audit findings:

- **Non-Submission of source documentation to verify the actual achievements**  
The non-submission of source documentation to verify the actual achievements disclosed in the annual performance report has resulted in a limitation of scope and as such impeded our ability to determine if the reported performance statistics are complete, accurate and valid. Of the selected objectives, 44% could not be verified for validity, accuracy and completeness.
- **Non-compliance not affecting the fair presentation of the report on predetermined objectives**  
The municipality did not follow the prescribed process in terms of sections 27, 28, 29, 30, 31, 32 and 34(b) of the MSA, as well as regulation 3 of the Local Government: Municipal Planning and Performance Management Regulations relating to the implementation of a new balanced scorecard. A council resolution passed on 17 September 2010 resolved that a new, improved balanced scorecard would supersede the institutional balanced scorecard in the IDP, which was adopted on 15 June 2010.
- **No allocation of budget amounts**  
The municipality did not allocate budget amounts for each strategic objective/priority as required by Section 6 of the Local Government: Municipal Planning and Performance Management Regulations.

## **Compliance with laws and regulations**

### **Budgetary reporting**

25. The municipality incurred expenditure that was not budgeted for, in contravention of section 15 of the MFMA.

### **Procurement and contract management**

26. Sufficient appropriate audit evidence could not be obtained that bid specifications were drafted by bid specification committees which were composed of one or more officials of the municipality as required by Supply Chain Management (SCM) regulation 27(3).
27. Bids were not always evaluated by bid evaluation committees which were composed of at least one SCM practitioner of the municipality as per the requirements of SCM regulation 28(2).
28. Sufficient appropriate audit evidence could not be obtained that goods and services with a transaction value above R200 000 had been procured by inviting competitive bids, as per the requirements of SCM Regulations 19(a) and 36(1).
29. The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.
30. The contract performance and monitoring measures and methods were insufficient to ensure effective contract management, as required by section 116(2)(c) of the MFMA.
31. Persons in the service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, as required by SCM Regulation 46(2)(e) and the code of conduct for staff members issued in terms of the MSA.
32. Allegations of fraud, corruption and improper conduct or failure to comply with the SCM system laid against officials or role players in the SCM system were not investigated, as required by SCM Regulation 38(1)(b).
33. The accounting officer failed to implement measures to combat the abuse of the SCM system, contrary to the requirements of SCM Regulation 38(1).
34. Sufficient appropriate audit evidence could not be obtained that all contracts and quotations had been awarded in accordance with the legislative requirements and a procurement process that was fair, equitable, transparent and competitive.

### **Material underspending of the budget**

35. The municipality has materially underspent on its capital budget. As disclosed in note 34.3 to the financial statements R36.43 million of the capital budget remained unspent at 30 June 201 1.

### **Expenditure management**

36. The accounting officer did not take reasonable steps to prevent fruitless and wasteful expenditure, as required by section 95(d) of the MFMA.

## **INTERNAL CONTROL**

37. In accordance with the PAA and in terms of General notice 1111 of 2010, issued in *Government Gazette* 33872 of 15 December 2010, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

### **Leadership**

38. In the year under review, the leadership structure has been stable and has worked to implement action plans to address prior year audit findings. This has had a positive impact on the number of audit findings raised. However a lack of formal controls over the IT systems was noted, resulting in findings relating to security, access control, program change management and disaster recovery.
39. The findings linked to non-compliance are as a result of a skills shortage within the surrounding areas of the municipality, creating challenges relating to the recruitment and retention of suitable skilled employees.

## Financial and performance management

40. Inconsistencies were noted between the IDP, SDBIP and performance report through our audit of performance objectives due to incorrect information being submitted for audit purposes. The lack of formal controls in the IT systems has resulted in the reliability, availability and protection of information potentially being compromised.

## Governance

41. Insufficient action was taken by the governance structures within the municipality to ensure that risks relating to the monitoring and reporting of performance objectives and compliance with laws and regulations were addressed thus resulting in repeat audit findings in this area.

Auditor - General.

East London

30 November 2011



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



### 4.3 Plan of Action to address findings from the Auditor-General Report

Audit Outcome 2010/11 : Response Plan					
Finding	Department	Responsible Official	Rectified (Yes/No)	Action Plan	Implementation Date
Significant uncertainties- Municipality is a defendant in a multitude of lawsuits amounting to R 1.85 Million	CS/BTO	Director of Corporate Services/ CFO	No	All contingent liabilities to be adequately analysed from a risk perspective; matters to be brought before the courts for finalisation in timely and cost effective manner.	Jan-12
Unauthorised Expenditure amount to R 1.18 million incurred for the financial year ended 30 June 2011	BTO	C.F.O.	No	Operational costs( Institutional component and projects) associated with Capital Projects financed from Donor funding sources budgeted against Capex; All Departments to furnish Business plans on cost apportionment for 2011/2012 adjustments budget; item to Council to condone unauthorised expenditure.	Jan-12
Fruitless and Wasteful expenditure R 11 021 incurred	BTO	C.F.O.	No	Item to Council for condonment of fruitless expenditure; Furthermore Eskom to be engaged around due date on invoices given that a mere 14 days from date of invoice is being applied	Jan-12
Material losses	IP/BTO	Director Infrastructure Planning/ CFO	No	Revenue Protection Strategy to be fully implemented; Revenue Protection Department to be established and resourced	Mar - 12
Material under spending on capital Budget- R36.43 Million	ALL	C.F.O.	No	Demand Management plan to be formulated and adopted by Council, introduction of a monthly/quarterly Projects report to supplement section 71 report	Feb - 12
Material Impairments- debtors totalling R60.02 Million	BTO	C.F.O.	No	Revenue enhancement strategy employed to assess the recoverability of the entire debt book with the view of writing down all irrecoverable debts provided for in accordance with the impairment provision in existence	Apr-12
Predetermined objectives- the Annual performance report did not contain measures taken to improve under performance	MM	Municipal Manager	No	Annual performance report to contain a performance improvement plan in line with documented performance outcomes.	Jun-12
Changes to the objectives of the approved performance plan were not disclosed and explained	MM	Municipal Manager	No	Alignment of the IDP and Balanced scorecard and SDBIP must be established in line with the MSA and MFMA circular 13; AGSA to make presentation of	Feb-12

				detailed findings to identify root causes and corrective action as per above	
Non-submission of source documentation to verify actual achievements	MM	Municipal Manager	No	Portfolio's of evidence and performance improvements plans to be maintained by the Office of the Municipal Manager after the evaluation of performance on a quarterly basis	Jan-12
Amendments to balance scorecard not in compliance with the MSA	MM	Municipal Manager	No	Amendments to performance information and targets are to be undertaken and communicated through Public Participation process as envisaged through the MSA	Mar-12
Procurement and contract management- bid specifications were not complied by BSC	FIN	C.F.O.	Yes	Bid specification committees to ensure review and approval of all specifications prior to advertisement of all bids	Nov-11
Bids were not always evaluated by bid committees which were composed on at least one SCM practitioner	FIN	C.F.O.	Yes	SCM Manager to be delegated to be a member of the BAC; contracts officer to be employed to attend to the BEC	Feb - 12
Discrepancies on exit benefits to employees with regards to leave payouts. Calculations not properly reviewed as the calculations used for other employees showed no discrepancies; thus revealing inconsistencies.	BTO	MM	No	Management must review the calculations done on exit benefits paid to employees	Mar-12
Discrepancies on PAYE calculations revealed that PAYE deduction per the payroll for the employees was understated by R 159 193	BTO	MM	No	The payroll system should be adjusted to ensure it calculates and deducts PAYE accurately. Management should review employee deductions as the calculator used does the calculation on an annualised amount for the specific month	Mar-12
Expenditure invoices not displaying Municipality's VAT number due to finance staff not ensuring invoices contain the information required by the VAT Act.	BTO	MM	No	Management should review all supplier invoices to identify and quantify all invoices that do not represent valid VAT invoices. Suppliers should be informed that payments will only be made on invoices reflecting the Municipality's VAT numbers.	Jan-12
Registers to declare gifts, favours or hospitality – revealed that insufficient controls were implemented for SCM officials to record such gifts	BTO	MM	No	Management should implement register to declare gifts, favours or hospitality	Feb-12
Discrepancies in line loss calculation	BTO	MM	No	The distribution loss calculation should be prepared on a	Feb-12

for electricity and water – Variances were noted between a re-calculation of the Electricity Distribution losses and the client records.				monthly basis and reviewed by a senior official; and signed as evidence of review.	
Unpaid Conditional Government Grants and Receipts – The rights to unpaid grants, disclosed as current assets, could not be confirmed as the enforceability of the Municipality's control of these resources could not be confirmed.	BTO	MM	No	Management should provide evidence of its control of resources before it can recognise the asset. CFO must exercise oversight and responsibility over reporting and compliance with laws and regulations and internal control.	Feb-12
Journals – There is no written and approved policies and procedures governing recognition and processing of journal entries. There may be inconsistency in the approach to recognising matters that are to be disclosed in the financial statements	BTO	MM	No	Policies and procedures regarding the recognition and processing of journal entries should be developed, formally approved and implemented timeously.	Jun-12
Non-compliance with the Environmental Conservation Act – No evidence could be obtained of the Municipality's adherence to the conditions attached to the three landfill sites.	BTO	MM	No	Management should ensure that all conditions attached to permits for landfill sites are met to ensure compliance with the Environment Conservation Act.	Jun-12
Disconnected consumers appearing on deposit listing – No listing of disconnected consumers is maintained that is reconciled to the consumer deposit on a periodic basis.	BTO	MM	No	Management should maintain a listing of disconnected consumers and reconcile it to the consumer deposit listing on a periodic basis, noting disconnected consumer with outstanding balances in the consumer deposit listing.	Apr-12

## 4.4 Audit Committee Report

The report below is the report for the financial period ended 31 June 2011.

### AUDIT COMMITTEE MEMBERS

The Audit Committee consists of the members listed hereunder:

- Mrs M Nconywa (Chairperson),
- Mrs D Lart,
- Mr W Bill and
- Adv R Dryke.

Adv R Dryke was appointed to the Audit Committee on 5 November 2010.

### AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee reports that it has complied with its responsibilities arising from Section 166 of the MFMA. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this Charter, and has attempted to discharge its responsibilities as contained therein, which is:

- To monitor the integrity of the municipality's financial statements and announcements relating to its financial performance, reviewing significant financial reporting judgments.
- To keep under review the effectiveness of the municipality's internal controls and risk management systems.
- To monitor the effectiveness of the internal audit function and review its material findings.
- To oversee the relationship with the internal and external auditors, including agreeing their audit fees and terms of engagement, monitoring their independence, objectivity and effectiveness.

However, the Committee has no executive function and its primary objective is to review and challenge, rather than assume responsibility for any matters within its remit. The committee reports to the municipal council through the council's representative. The Committee presents a summary of its activities to the municipal council subsequent to each audit committee meeting.

### THE EFFECTIVENESS OF INTERNAL CONTROLS

Whilst the various reports of the Internal Auditors as well as the Audit Reports on the Annual Financial Statements and the management letter of the Auditor General indicated that the system of internal control had shortcomings, the Audit Committee had noted the progress being made in this regard, especially in view of the significant and material non-compliance with prescribed policies and procedures that was reported in the previous financial year resulting in a qualified opinion.

The Internal Audit Unit (Sizwe Consulting (Pty) Ltd) had fulfilled its duties. Reports tabled by the Internal Audit Unit have been used by the Audit Committee and Management to plan the way forward for the municipality in relation to control environment and safeguarding of assets. Their challenge had been with the audit of performance information which they have since overcome. The Audit Committee believed they could do better than they did in 2010/2011. The Audit Committee appreciated the fact that they continuously tabled reports in their Audit Committee meetings.

### EVALUATION OF THE FINANCIAL STATEMENTS

For the current year, the Office of the Auditor General has rendered an Unqualified Opinion on the financial statements. The Audit Committee noted the matters of emphasis which were due to challenges in internal control environment as a result of capacity. The Audit Committee has been monitoring the steps being taken by management to address issues raised by Auditor General. The Audit Committee concurs and accepts the conclusions of the Auditor General on the Annual Financial Statements and is of the opinion that these audited financial statements be accepted and included as part of the annual report.

### ACTIVITIES OF THE AUDIT COMMITTEE

During the year under review there were five meetings held. The attendance at these meetings was as follows:

<b>Member</b>	<b>No. of meetings held during time in office</b>	<b>No. of meetings attended</b>
Mrs M Nkonywa (Chairperson),	5	5
Mrs D Lart,	5	5
Mr W Bill and	5	5
Adv R Dryke.	3	3

.....  
Mrs M Nkonywa  
Chairperson of the Audit Committee

#### 4.5 Detailed Assessment of Performance Against Service Delivery Targets

KPA / Perspective	Priority Area	Objective	Indicator	Weighting	Measurement Source and Frequency	Accountable Sect. 57 Manager	Baseline as at beginning July 2010	% Achievement End June 2011	Progress Description	Explanation for deviation from target
Basic Service Delivery and Infrastructure Investment	Electricity	Managed electrical resources effectively and efficiently ensuring that the maximum people benefit from available resources	All high mast / street lights working	2	Quarterly Reviews	Technical Services Manager	Street and high mast lights not working properly	130%	With the exception of a few glitches, the bulk of street lights and high mast lights are working. To sustain continuous maintenance which could not be achieved due to budget constraints, shortage of personnel and equipment, the municipality procured a cherry picker in June 2011 which will assist in improving street light maintenance. The cherry picker will be delivered in August 2011. Mount Norton street lights were also maintained and completed by Eskom in June 2011. Implemented 29 high mast lights in Gweru at a cost of R8.5m.	
			250 households connected to solar system per month	2	Quarterly Reviews	Technical Services Manager	Mount Norton under Eskom supply	90%	3000 connections were not achieved. 2688 connections were achieved by June 2011.	The rate of installation was extremely slow with some of the months sitting at only 21. The only month where the target was achieved was June 2011.
			Minimised distribution losses by between 10% and 15%	2	Quarterly Reviews	Technical Services Manager	Implementation of bulk metering per area	30%	Not fully achieved. While there were intermittent reductions, these reductions fell outside the targeted range. A Revenue Protection Unit has been	There was no dedicated personnel to ensure that losses are consistently managed. The municipality adopted an

									established, illegal connections identified were disconnected, meter-audit is currently in process, meters continuously changed.	organisational structure in May 2011 which also accommodates a revenue protection unit. Two strategies were developed on short term and medium to long term. The short term strategy is currently being implemented. A contractor has been appointed for meter audit and data collection. The information will assist in updating the financial system.
Water	Provided continuous and clean water to the towns of Siyazama Municipality	Continuous access to clean water in the towns of Siyazama Municipality	2	Quarterly Reviews	Technical Services Manager	No continuous access to clean water in Mount Norton town. Insufficient water sources	200%	There is no continuous water supply in Mount Norton.	The regional water supply project has not been commissioned by the district (the dam and water purification plant are not functional yet). Continuous water supply could not be achieved in Mount Norton due to inadequate water sources and inconsistent water carting. Additional boreholes were investigated but there has been no progress on these boreholes	
		Water quality (Blue drop or Green Drop Certification)	2	Quarterly Reviews	Technical Services Manager	No continuous access to clean water in Mount Norton	85%	Blue Drop for Gweru has been achieved, Masvingo improved to over 70%.	The treatment plants do not have process controllers 24 hours to collect the required data and detect failures on time. Gweru treatment plant	

						town. Insufficient water sources			achieved the blue drop and Masvingo improved from about 50% to about 70% at the evaluations held in June 2011.
Roads and Storm Water	Well maintained infrastructure equipment and machinery	All roads projects identified in the infrastructural programme are completed	2	Quarterly Reviews	Technical Services Manager	Approximately there is 90% of roads construction and Maintenance backlog	160%	100% of the MIG was spent and exceeded by R600 000. The spending included the rollover from the previous financial year. While the Gweru streets could not be done, an additional project was included (Mangoleng Project).	
		100 km of road network constructed and/ or maintained	2	Quarterly Reviews	Technical Services Manager	Siyazama Municipality has purchased its own plant and machinery	103%	Road construction = 58.3km and road maintenance = 45.87km	
		Developed and implemented Plant usage policy for improved maintenance of roads and stormwater	2	Quarterly Reviews	Technical Services Manager	There is no policy on utilisation of plant	75%	Final draft policy was ready in January 2011 copies were circulated to all councillors and comments came from ward 8 councillor only. A workshop was scheduled for 11 April 2011 but it did not take place. The policy is not approved yet. Copies of the draft policy were distributed to the new councillors for comments and a workshop will be organised with the Speaker.	