

THEEWATERSKLOOF MUNICIPALITY

NOTICE: DRAFT ANNUAL REPORT - 2010/2011

Notice is hereby given in terms of Section 127 (5) of the Municipal Finance Management Act, 2003 (Act 56 of 2003) that the Theewaterskloof Municipality's Draft Annual Report for the 2010/2011 financial year was tabled at the Council Meeting of 25 January 2012 and is available for comments.

It is available on the municipality's website www.twk.org.za as well as the following offices:

- 6 Plein Street, Caledon
- Arbour Drive Grabouw
- Hoofweg Villiersdorp
- Fontein Street Botrivier
- Ds. Botha Street Greyton
- Strydom Avenue Genadendal
- Buitekant Street Riviersonderend

All comments must be submitted to the Municipal Manager at the under-mentioned address before Thursday, 24 February 2012 (12h00) or clearly marked "Comments: Draft Annual Report: 2011/2012" and placed in the Tender Box at the Caledon Offices.

HSD WALLACE
MUNICIPAL MANAGER
6 Plein Street / P. O. Box 24
Caledon 7230

THEEWATERSKLOOF MUNICIPALITY

NOTICE: OVERSIGHT COMMITTEE – REVIEW AND ANALYSIS OF 2010/2011 ANNUAL REPORT

Notice is hereby given in terms of the MFMA Circular No 32 of the Municipal Finance Management Act, 2003 (Act 56 of 2003) that the Theewaterskloof Municipality's Oversight Committee, responsible for the Review and Analysis of the 2010/2011 Annual Report is scheduled to meet as follows:

1. 2nd March 2012 - pose questions to Management to get clarity on the contents of the Annual Financial statements and the Annual Report.
2. 9th March 2012 - Public hearings – The local community and any organ of state will be allowed to make representations on the annual report. (Venue: Town Hall, Time: 09 am).
3. 13th March 2012 - Preparation of the draft oversight report, taking into consideration the views and inputs of the public, representatives of the Auditor General, organ of states, Councils audit committee and Councilors.
4. 16th March 2012 – formulation of resolution to be considered by council.

The meetings will take place at 9am at the Council Chamber.

The Draft Annual Report for the 2010/2011 financial year was tabled at the Council Meeting of 25 January 2012 and made available for public comments from 31 January 2012 to 24th February 2012.

The local public as well as organs of state are hereby invited to make submissions in writing on the Draft Annual Report as well as financial statements and submit no later than 6th March 2012 to the following address:

- The Director Development at 6 Plain Street / P. O. Box 24 Caledon 7230 or
- email to honeygx@twk.org.za

All comments will be scrutinized and representatives will be invited to make representations of their findings to the Oversight Committee on 09th March 2012.

HSD WALLACE
MUNICIPAL MANAGER
6 Plain Street / P. O. Box 24
Caledon 7230



Theewaterskloof Municipality

OVERSIGHT COMMITTEE MEETING MINUTES APPENDIX 3.1

DATE: Friday 02 March 2012
TIME: 09h00
Venue: Council Chambers

Present:

Mr. Stan Wallace (Municipal Manager)
Mr. Honey Gxoyiya (Director Development)
Nico Pieterse (DA Ward 9)
Mekie Plato (Ward 10)
G. N. Lawrence (Audit Committee)
Anton Opperman (Internal Auditor)
Joseph Isaacs (Corporate Director)
Francois Van Der Westhuizen (Deputy Director Finance)
Andy Cupido (Councillor)

Asbsent:

Councillor M. Koegelenberg (Chairperson)

Proceedings:

Mr. Wallace(MM) chair meeting.

Mr. Stan Wallace (MM) indicates that the Annual Report and Financial Report have been discussed in council meeting and there is no need to do the presentations.

Any questions for annual and financial report need to be submitted to Portfolio's before 6 March 2012.

Councillor Cupido also felt that the T.O.R was not discussed in a proper way and Mr. Wallace agreed.

Councillor Cupido mentioned that the Annual and Finance report needs to be discussed with the communities.

Mr. Lawrence also mentioned that political parties need to set up a forum to discuss these documents so that the public can give their inputs.

All Discussions and inputs will take place at next meeting to be held in the Town Hall @09:00 on the 09 March 2012.

Next meeting will be on 09 March 2012 where inputs of Annual and Finance report will be discussed.



Theewaterskloof Municipality

OVERSIGHT COMMITTEE MEETING MINUTES APPENDIX 3.2

DATE: Friday 09 March 2012
TIME: 09h00
Venue: CALEDON Town Hall

Present:

Clr M Koegelenberg (Chairperson)
Clr Nico Pieterse(DA Ward 9)
Clr Mekié Plato (Ward 10)
Clr Andy Cupido (Councillor)
Clr Johnwin Hendriks
Mr. Stan Wallace (Municipal Manager)
Mr. Honey Gxoyiya (Director Development)
Joseph Isaacs (Corporate Director)
Stephen Jacobs (Director Finance)
Jan Barnard (Director Operations)
Conrad van Heerden (Director Technical)
Anton Opperman (Internal Auditor)
Belinda Swartland (Manager IDP/PMS)
G. N. Lawrence (Chairperson of Audit Committee)
WH Barnard (Caledon Business Chambers)

A) Opening and Welcome

Chairperson of Oversight Committee opened and welcomed the member of the public Mr WH Barnard.

B) Attendance Register

Circulated

B1) Present: All

B2) Application for Leave of Absence: None

C) Statements and Announcements by the chairperson

None

D) Presentations by Public:

Mr WH Barnard,Business representing the Caledon Business Chambers Chambers.



Theewaterskloof Municipality

OVERSIGHT COMMITTEE MEETING MINUTES APPENDIX 3.2

The following comments/queries were raised:

- 1) Mr Barnard praised the Municipality with respect to number of jobs created through the municipalities Local economic Development initiatives including capital projects.
- 2) Mr Barnard indicated that the spending of infrastructure funds is important for business growth and development. He wanted clarity on the same budget being allocated for Roads as well as for stormwater.

Response from Management was as follows:

- Roads and storm water fall within the same function, therefore only one budget allocated.
- An overview on under performing projects was give capital budget.

E) Discussions and Clarification by Management on the following:

E1) Input from the Public

Management responded to the following comments received from Mr Barne Du Toit from Badenhorst Auditors:

Comment 1) Executive Mayor’s Foreword - The reference to SLAs as “Primary achievements” is misleading. TWK still will not accede to the request from the public that SLAs be extended to corporate head office functions. TWK therefore in practice controls the possible areas in which SLAs can be done. Service delivery does not only mean refuse removal, it also encompasses all functions of corporate head office. The SLAs have been turned into an empty propaganda tool since the public is not allowed to freely choose the areas of service delivery which are measured with SLAs.

Response Management: *The current SLA’s between the Town Offices and the public are based on Day to Day service delivery issues. Within Caledon, there is one Corporate department SLA with the public based on the Building plan processes. The municipality also has SLA’s in place between the Town Offices and the corporate offices. It is not possible to have an SLA between the public and the Finance Directorate as the function of Finance are legislated and cannot be adjusted.*

Committee Resolution: Motivation accepted.

Comment 2) Executive mayor’s- and Municipal Manager’s foreword – The reference to TWK as a relatively poor municipality / limited income sources etc. echoes what the public hears on a daily basis from all levels of government. The public also sees on a daily basis the huge wastage that occurs on all levels of government. I certainly would prefer these



Theewaterskloof Municipality

OVERSIGHT COMMITTEE MEETING MINUTES APPENDIX 3.2

comments to be replaced by concerted efforts by TWK to effectively and productively employ the huge amounts of money that is already contributed by all members of the public.

Response Management: *We can assure you that we are constantly improving on areas such as expenditure management. One example is the over 10% reduction of Overtime without compromising service delivery. We are currently busy with reduction of Telephone Cost. We are also in the process of procuring the services of specialists to assess and improve on Productivity (human resource, property, plant, equipment, IT, materials, etc). We also practice clean governance and zero tolerance on fraud and corruption (eg in 2011 we got rid of two officials who were involved in a fraudulent Standby Claim of approximately R2,000). Loans are taken up later in the year which has a savings impact on the municipality. Our credit ratings are also lower than the previous financial year.*

The municipality's strategic focus for the next 5 years is financial sustainability. A committee has been formed and each directorate has been requested to register three cost savings projects which makes a total of 15 projects which will be monitored in the 2012/14 financial year.

Committee Resolution: Motivation accepted.

Comment 3) Chapter 3.3.2 – Does not make sense. It notes that 169 posts are vacant, then provides a table that puts vacancies at 70 (per post level) or 137 (per functional level). It is not clear why there are such a high number of vacancies. This cannot help service delivery.

Response Management: *The total number of vacant positions as indicated in the report included all the vacancies on the approved Organisational Structure. Most of the vacancies is not budgeted for and therefore cannot be filled.*

The current organogram was developed 5 years ago when the Town management Model was put in place. It has been noted that the current structure is not ideal and a decision has been taken by Management to revise the organogram as not all posts will/or can be filled.

Committee Resolution: Supports management's decision to revise the organogram.

Comment 4) Chapter 3.3.3 – What is the target turnover rate? A turnover rate of 3.95 % is – in my opinion – very low and does not support the statement in the chapter that “the salary packages offered by Theewaterskloof Municipality are not as competitive.....”

Response Management: *The target Staff turnover rate is 5 – 6 % per annum as per industry norm. The statement around the salary packages will be removed from the annual report as this is was relevant to the 2009/10 financial year prior to the implementation of TASK. The*



Theewaterskloof Municipality

OVERSIGHT COMMITTEE MEETING MINUTES APPENDIX 3.2

implementation of TASK has seen a drastic change in the turnover rate from 5.47% in 2009/10 to 3.95% in the 2010/11 financial year.

Committee Resolution: Motivation accepted.

Comment 5) Chapter 3.4.2 – What is the target sick leave days ? What is being done about the huge increase?

Response Management: *An employee is entitled to 80 days sick leave in 3 year cycle. The Employer normally conducts an investigation in terms of schedule 8, section 9 and 10 of the Labour Relations Act to determine the degree of the employee's illness.*

Committee Resolution: The committee has resolved that management provide more detail with respect to:

- Statistics per directorate
- Average sick leave per directorate
- What is the norm per directorate
- What is the target
- What is management doing to address the problem?

It was also suggested that a report on the findings be presented to Management, the labour forum and council on a quarterly basis.

Comment 6) Chapter 3.6.1 and financials – Above inflation increases of total personnel expenditure is not sustainable. Especially not if it does not coincide with productivity increases. We do not have enough money but we are giving above inflation increases to personnel ? It does not make sense.

Response Management: *Municipalities do not have the powers to increase salaries. The salary increases are determined and agreed in a Collective Agreement in the South African Bargaining Council between SA Local Government Association (SALGA), the employer representative and the Trade Unions, representing the employee. This agreement is reached and applicable to all municipalities.*

In the case of councillors, their remuneration is determined and approved by Parliament and in line with the Remuneration of Public Office Bearers Act. It is based on the grading of municipalities based on Revenue and Population and subject to concurrence by the Provincial Minister of Local Government (Co-operative Governance).

Committee Resolution: Motivation accepted.



Theewaterskloof Municipality

OVERSIGHT COMMITTEE MEETING MINUTES APPENDIX 3.2

Comment 7) Chapter 4.3.4 B – Why are we not spending the total capital budget? Is it due to inaccurate budgeting or inefficiency?

Response Management: As disclosed in Note 43 to the Financial Statements the municipality has materially under spent its Capital Budget to the amount of R37 million (46%). Included in this under-spending was an amount of R29 million budgeted for Housing under Capital Expenditure for which the related expenditure was reported under Operating Expenditure due to the Houses on the Housing Projects not forming part of Capital Expenditure as the completed houses do not become the property of the municipality.

There were also problems beyond our control such as the Genadendal Sewer Link Project which was stopped by the Genadendal Transformation Committee who forced the contractor from the site. Environmental Impact Assessments also causes delays.

Committee Resolution: Motivation accepted.

Comment 8) Chapters 4.3.5 and 4.3.6 – How does water and electricity costs compare with comparable municipalities? Why is TWK water and electricity costs so much more than neighbouring municipality Cape Agulhas?

Response Management: Please note that you cannot compare municipalities to each other on face value. Each municipality is unique and have unique challenges:

- a. Revenue Sources such as Electricity Supply (eg. in TWK Electricity Revenue is 20% of its total Operating Revenue compared to most municipalities which is between 30%-50%).
- b. Revenue base of municipality: the Revenue of Overstrand is higher than the aggregate of all the municipalities in the Overberg District (Overberg District Municipality, TWK, Agulhas and Swellendam). TWK is much larger in area and population than Overstrand, yet the number of officials is approximately twice the size of TWK's and their Personnel Expenditure is much higher than TWK's. Their Salary Ratio is therefore lower than TWK's.
- c. Property Values (normally higher in coastal towns)
- d. Customers' Ability to Pay, Unemployment, Poverty and Level of Indigents
- e. Economic Activity within municipal area (eg. TWK is highly reliant on agriculture with high seasonal employment or "semi-employed")
- f. Level of Services
- g. You cannot compare a basis fee or charges per unit of consumption on its own. The higher the basic charge the lower the charges per unit of consumption. The level of basic charge is also informed by many different considerations such as pro-poor tariffs and to encourage reduced consumption. On the other hand in the case of most holiday towns,



Theewaterskloof Municipality

OVERSIGHT COMMITTEE MEETING MINUTES APPENDIX 3.2

- the basic fee is normally higher to get holiday home owners to contribute to the cost of infrastructure/capital cost by way of higher basic fees.
- h. One municipality may be cheaper on one or more service charges or Assessment Rates but more expensive on other services.
 - i. You may again also find that one municipality's tariffs could also be higher in one consumer category and lower in another.

You therefore cannot look at tariffs in isolation as the above are some of the factors which have an impact of tariffs.

Illustration

In Theewaterskloof most residential properties have a Single Phase 60 Amp Meter. Should we compare this to Agulhas the result is as follows:

	Units in bracket	Tariff for Single Phase per Amp	Cape Agulhas
- Electricity: Basic levy	60	4.43	265.80
Consumption: 0- 50kwh	50	0.63000	31.50
51 - 350kwh	300	0.72000	216.00
351- 600kwh	250	0.98000	245.00
600kwh+	200	1.09000	218.00
Total Electricity	800		R 976.30
Based on a Single Phase 60amp Meter, for the use of 800kwh			
	Units in bracket	Tariff for Single Phase for 60 Amp	Theewaterskloof
- Electricity: Basic levy	33.17 for 60amps	33.17	33.17
Consumption: 0- 50kwh	50	1.03510	51.75
51 - 350kwh	300	1.03510	310.53
351- 600kwh	250	1.03510	258.77
600kwh+	200	1.03510	207.02
Total Electricity			R 861.24
Based on a Single Phase 60amp Meter, for the use of 800kwh			

Please do not look at unit prices in isolation. As can be seen from the above calculation when comparing the entire electricity account of Agulhas with ours, electricity is much more affordable in TWK than in Agulhas.



Theewaterskloof Municipality

OVERSIGHT COMMITTEE MEETING MINUTES APPENDIX 3.2

As indicated above, you may again also find that one municipality's tariffs could also be higher in one consumer category and lower in another.

Committee Resolution: Committee has requested that the benchmark for the 2010/11 financial year be included in the Oversight report and annual benchmarks to be included in future Annual reports..

Comment 9) Chapter 4.4 – Caledon remains a black hole with regard to economic development.

Response Management: *The process of unlocking of Caledon's economy has been a slow one due to number of challenges, centred mainly around Provincial government's permissions in respect of residential and retail developments in Caledon .*

High level interventions from the municipal side, have however resulted in number of projects coming to fruition, such as the Victoria Mall development, the textile manufacturing plant being bought out by Foshini and expanding their work base, It is also important to note, that the municipality's role in terms of economic development is to facilitate partnerships and to provide a stage for entrepreneurial activities, whereby the main actors are the private sector. With the newly established Caledon Business Chambers it is believed that local business will stand in the attempt to grow the local economic base and we look forward to working together with the chambers on making Caledon grow.

Committee Resolution: Committee has requested that a brief report on the status of development in all Towns be presented at the next Oversight committee meeting.

Future annual reports to also include a per town status with respect to Developments and other LED opportunities.

Comment 10) Chapter 4.4.3 – Where was the 128 jobs created?

Response Management: *128 new job opportunities were created in the tourism sector, through the Cape Country Meander mobilization to establish tourism and hospitality sectors as complementing elements to the agric sector.*

Those work placements were counted across new accommodation, conference and food & wine establishments which have opened or expanded their operations last year throughout Theewaterskloof.

Committee Resolution: Motivation accepted.



Theewaterskloof Municipality

OVERSIGHT COMMITTEE MEETING MINUTES APPENDIX 3.2

Comment 11) Chapter 5.1 – 28 % of KPAs not met. What does this mean? Is this a result that TWK is satisfied with or does it have a lower percentage as target?

Response Management: *With respect to KPA's not met, this is not an indication of lack of commitment from the respective directorates. For all underperforming indicators, reasons for underperformance and mitigation are given which is a requirement of the AG.*

Targets not met within a given financial are automatically continued in the new financial year and reported on accordingly.

It must be noted that performance management is a fairly new practice within municipalities. We implemented the performance management system for the first time in the 2009/2010 financial year with many hiccups. The 2009/10 and 2010/11 financial year was a learning curve. We feel confident that the 2010/2011 outcome will be much improved result.

Committee Resolution: Motivation accepted.

Comment 12) – Chapter 6.1.1 - The percentage differs from the percentage calculated in Chapter 3.6.1. It would seem that 3.6.1 is incorrect. How is a percentage of 40 % well within the national norm of between 35 % to 40 % ? Surplus is 33 % less than budgeted. This is a much worse performance of actual versus budget than the previous 2 years?

Response Management: *Chapter 3.6.1 is incorrect. Thank you for alerting us to this. The figures should be as reflected in Chapter 6.1.1. This will be corrected.*

When looking at the 40% Personnel Expenditure and comparing it to the norm, one should note that the norm is applicable only to Staff Remuneration and excludes Councillors' Remunerations. TWK's percentage of Personnel Expenditure is 37%. It should also be noted that the percentage is higher than budgeted as a result of under-spending on other operating expenditure items.

Furthermore, it should be noted that because we do not supply electricity in all towns have a major impact on the ratio. Our Electricity Revenue is approximately R50m and the revenue generated by Eskom is approximately R70m. You cannot compare the ratio of a municipality which does not supply electricity or which supplies electricity in some towns to another one which supplies electricity in all towns. To do a proper comparison you need to "level the playing fields to compare apples to apples" by deducting the entire electricity component from both municipalities and you will see that the municipality where electricity is supplied in all towns will have a significantly higher percentage Personnel Expenditure. A place like Mafikeng, the Capital of North West Province does not supply electricity and its Personnel Expenditure is almost 50% of its operating budget.

The sharp increase in personnel expenditure was the implementation of the new wage curve as per Bargaining Council Collective Agreement.



Theewaterskloof Municipality

OVERSIGHT COMMITTEE MEETING MINUTES APPENDIX 3.2

Committee Resolution: Motivation accepted.

Comment 13) Report of the audit committee – Unqualified audit report is reported by council and management. This report however also highlights a number of serious concerns raised by the committee re especially the lack of adequate review procedures within the finance department and the problems re performance management.

Response Management: *We have provided a comprehensive response to both council and the Audit Committee. This is the symptom and not the root cause of some challenges such as the following:*

- *We have staff shortage and I have compared with a number of municipalities, for example we have only two officials who are expected to deal with Fixed Assets, Insurance Management and Risk Management.*
- *2010/2011 was the year when we had to fully comply with GRAP and in particular the compliance with GRAP 17 which consisted of inter alia dealing with unbundling of fixed assets, calculation of backlog depreciation, dealing with Investment Assets, etc.*
- *Due to insufficient staff our officials had to work long hours (unpaid!) with insufficient time for proper reviews.*

We are also in the process where 16 Senior Finance officials are attending classes in different groups 3 days per month (Minimum competence Regulation of National Treasury) and 10 more junior officials attended the Local Government Accounting Certificate by the AAT and SA Institute of Chartered Accountants (in 2012 we have a new intake of 10 and 5 are attending the Local Government Advanced Accounting Certificate). The former is a statutory requirement and we had to constantly withdraw officials from attending the courses and joining a later group.

A steering committee has also been established to identify the areas of concern with respect to the external audit and how these issues would be addressed to achieve a clean audit.

Response Chairman of audit Committee:

The unqualified audit report was received from the Auditor General not the auditor committee nor management. The Audit Committee which is an entirely independent body in terms of the MFMA is charged inter alia to independently report to council (TWK) on the findings of the Annual Auditor General's report. This is done on 18 October 2012. Its overall opinion on the AG report was reported as being satisfactory.

The Audit Committee comments on the "lack of adequate review procedures within finance department " was primarily based on the concerns it had regarding the fact that the consultants had not submitted the financial statements in time for the Audit Committee to review them before submission to the AG.



Theewaterskloof Municipality

OVERSIGHT COMMITTEE MEETING MINUTES APPENDIX 3.2

This is not a transgression of any legal requirements. The subsequent explanation by the Financial Director has given the Audit Committee reassurance that the review procedures will be improved. On page 7 the Audit Committee reports that the overall financial year..... is considered to be satisfactory.

The other area of concern relating to the IGNITE measurement of performance management system should be seen within the context of the fact that this system is complex and still in its implementation stages.

The audit committee is however generally satisfied with the progress made but will continue to remain vigilant in performing its statutory "watchdog" role. At no stage in the audit committee's report is use made of terms "serious concerns"

Committee Resolution: Motivation accepted.

E2) Input from portfolio Committees:

None received

E 3) Input from individual councillors:

None received

F) General comments from the Oversight Committee:

- In future better effort needs to be put into creating a platform where Councillors, committees and the public can be better informed of what's required with respect to the Annual report.

G) Next Meeting: scheduled for 16th March 2012 @ 09h00 in the council chambers.

Aim of this meeting is to draft and finalise the Oversight report and recommendations to council.



Theewaterskloof Municipality

OVERSIGHT COMMITTEE MEETING MINUTES APPENDIX 3.3

DATE: Friday 16 March 2012
TIME: 09h00
Venue: Council Chambers

A) Opening and Welcome

Chairperson of Oversight Committee opened and welcomed all present.

B) Attendance Register

Circulated

B1) Present:

Clr M Koegelenberg (Chairperson)
Clr Nico Pieterse(DA Ward 9)
Clr Andy Cupido (Councillor)
Clr Johnwin Hendriks
Mr. Stan Wallace (Municipal Manager)
Mr. Honey Gxoyiya (Director Development)
Joseph Isaacs (Corporate Director)
Stephen Jacobs (Director Finance)
Jan Barnard (Director Operations)
Henk Matthee (Acting- Director Technical)
Anton Opperman (Internal Auditor)
Belinda Swartland (Manager IDP/PMS)
G. N. Lawrence (Chairperson of Audit Committee)

B2) Application for Leave of Absence:

Clr Mekie Plato (Ward 10)

C) Statements and Announcements by the chairperson

None

D) Adoption of Minutes:

Minutes of 02 March 2012 (Appendix 3.1) and 09 March 2012 (Appendix 3.2)

Proposal – Councillor J Hendriks, seconded Councillor Pieterse



Theewaterskloof
Municipality

**OVERSIGHT COMMITTEE MEETING
MINUTES
APPENDIX 3.3**

E) Finalisation of Draft Oversight Report

Following amendments requested:

MFMA Section 127 to be included in the report under Background.

E1) Approval of oversight Report by Oversight Committee:

Proposal – Councillor N Pieterse, Seconded, councillor J Hendrik

F) Municipal manager thanked the Oversight Committee for their role in the Analysis of the Annual Report.