

MAFUBE LOCAL MUNICIPALITY

ANNUAL REPORT

2005/06

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CHAPTER 1

Executive Mayor's foreword

1.1. Foreword of the Mayor



South Africa is regarded as a constitutional democracy with detailed responsibilities and obligations for the elected leadership as well as the constituency, respectively. Some responsibilities that government has to provide to the constituency is the regard to free communities from the scourge of poverty and underdevelopment.

The Mafube Local Municipality has developed a vision and mission statement in recognition and commitment of the role given on the constitution. Those are as follows:

VISION

"To be a democratic government which will ensure the well being of the entire community"

MISSION STATEMENT

To provide integrated, effective and transparent government by ensuring:

- o economic growth
- o a safe and healthy environment
- o effective service delivery
- o sound financial management

With these good intentions in mind we endeavoured to make our programmes realize our goals for the 2005/06 financial year accompanied by our fledging community participation processes. Our achievements must therefore be noted given the fact that current revenue generation mechanisms do not allow for increased revenue. In addition, as municipality, we struggle to because our area is mainly rural and there is rampant poverty and unemployment.

We have also noted in agreement with report of the auditor general for the 2005/06 financial performance and suggestions that a lot still need to be done in order to improve his opinion on our strength to deliver services with complete financial prudence.

We therefore undertake to improve on areas that have been identified and thereby commit to make them a priority in the 2006//07 financial year.

Mayor
Mr. LDM Ntombela

1.2. Overview of the municipal area

Mafube Local Municipality - Geographics

Mafube consists of four towns (Frankfort, Villiers, Cornelia and Tweeling), as well as a rural area consisting mainly of commercial agriculture. Villiers, Tweeling and Cornelia are located in an area of agricultural significance and mainly provide restricted services in this regard to the surrounding rural communities and primarily accommodate farm workers migrating to these towns.

Frankfort/ Namahadi

Frankfort remains the growth point in Mafube and plays a major role in terms of a regional service provider and industrial and commercial development. Frankfort is situated 55km east of Heilbron and approximately 120km south east of Sasolburg. Frankfort is a typically developed small town, serving the predominant surrounding agricultural community.

Tweeling /Mafahlaneng

The Greater Tweeling is located approximately 150km east of Sasolburg and 350km north-east of Bloemfontein and is situated adjacent to the Frankfort/Reitz Primary road. Other larger centres such as Vereeniging and Vanderbijlpark are all within 160km from Tweeling. Primary agricultural activities include sheep and cattle farming, maize and sunflower seed production.

Villiers/ Qalabotjha

The Villiers town area is situated on the banks of the Vaal River, adjacent to the N3 National Road between Gauteng and Durban. In relation to other major centres, the town is located 120km from Johannesburg, 80km from Vereeniging and 117km from Sasolburg. Villiers is predominantly agricultural orientated where products such as maize, sunflower, wheat, grain, sorghum, meat and dairy products are produced. Villiers functions as the main concentration point for products in the district from where it is directly exported. The grain silos in Villiers, together with other grain silos in the district have a storage capacity of 273 000 tons.

The tourism related nature of specifically Villiers adjacent the Vaal River should be enhanced focusing on low density residential development on the riparian areas and "recreation and tourist" attractions as identified in the Vaal River Complex Regional Structure Plan.

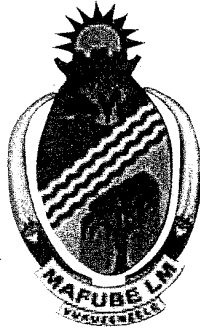
Cornelia/Ntswanatsatsi

The Greater Cornelia is situated 40km east of Frankfort, 160km east of Sasolburg and 32km south east of Villiers. The town is situated adjacent the R103 secondary road between Warden and Villiers. Cornelia typically developed as a small town serving the predominant surrounding agricultural community.

1.3. Demographics

Population

The lowest estimated population figure for Mafube in 2008 is 61936. The latest official figure was 57650 in 2001. There was a considerable decline in the rural population of 10.3% per annum over the past 5-year period. The highest annual population growth rate was in Villiers with an annual growth rate of 11%. Tweeling and Cornelia also experienced relatively high levels of population growth



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Age

Compared with South Africa, the Free State, and Fezile Dabi, Mafube had the largest percentage of people younger than 15 years. The percentage in Mafube was 34.5% compared with 29.4% in the district. Mafube also had the highest percentage (7.9%) of population older than 60 years.

Gender

The census data reveals that the percentage of males dropped from 47.7% in 1996 to 46.8% in 2001.

1.4. Socio-economic profile

Sector contribution

The proportional contribution and trends of the economic sectors in Mafube, Fezile Dabi and the Free State guides the potential and decision making process of development.

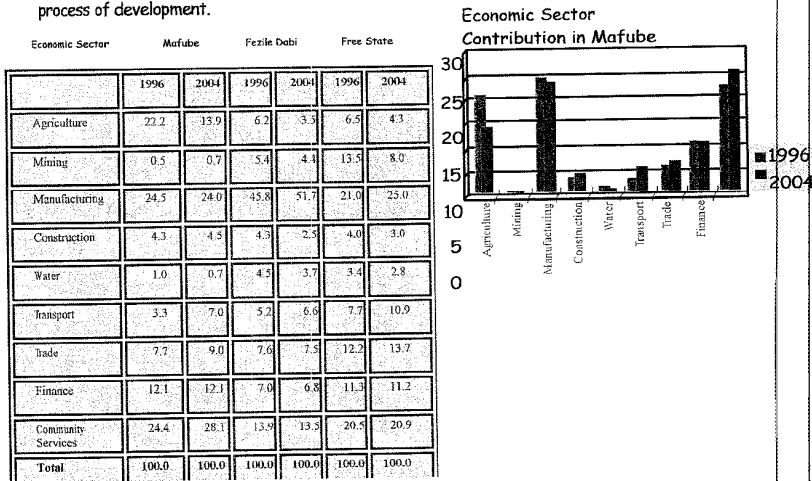


Table: Proportional contribution of economic sectors in Mafube (Source: Quantec database)

The relative contribution of agriculture has decreased rapidly in Mafube. The relative importance of manufacturing in Mafube is acknowledged. Nearly one quarter of the economy in Mafube is dependent on manufacturing - mainly linked to the agricultural economy in and around Frankfort. Sectors in which remarkable proportional gains are reported are trade, transport and community services.

Unemployment

Unemployment remains a critical concern in the area and unemployment figures could generally be considered as high. Only 16.6% of the population is employed. The most recent unemployment statistics for Mafube is 13.3%; the portion of the eligible work force that is unemployed, is calculated as 24.6% and 30.4% of the population is not economically active.

Poverty levels

26.8% of households in Mafube, has no income. Compared with Fezile Dabi and the Free State, Mafube has the highest percentage. Cornelia has the highest percentage of households with no income (38.2%), followed by Villiers (34.5%). Villiers has the largest number of people with no income followed by Frankfort with fewer people with no income. People living in poverty in Mafube is estimated at 77%

CHAPTER 2

Performance Management System

2.1. Introduction

Performance management is a tool that provides a conducive climate for improved service delivery and reporting on set priorities of the municipality for a given financial year. The Municipal Systems Act requires that the municipality establish a performance system that is commensurate with its resources, best suited to its circumstances, and in line with the priorities, objectives, indicators and targets contained in its integrated development plan (IDP). It is required to promote a culture of performance management among its councillors and officials.

It is an instrument that is used as part of strategic management that correctly informs budgeting, planning and performance management in quite an integrated manner. With implementation of the system, the municipality is enabled to plan better by way of informing all stakeholders in a coordinated manner of progress achieved and how performance was measured and thereby providing informed report on the successes and challenges that must be addressed in the future.

The municipality has not yet implemented the system due to a number of reasons. Firstly, the system requires that money be set aside as incentive for senior managers and secondly, a wholesale inculcation of the culture of performance reporting which could take some time. Thirdly, we are a low capacity municipality and the implementation would definitely have to cause structural reorientation of some responsibilities in order to accommodate those related to performance management.

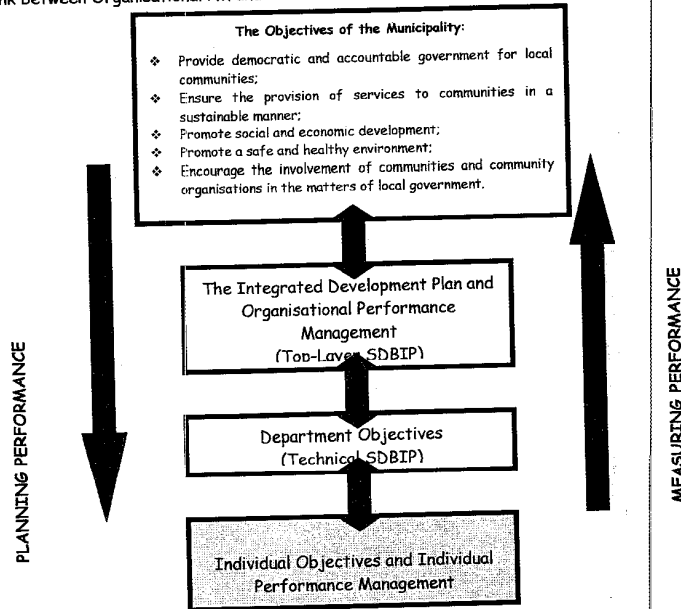
2.2. Mafube Local Municipality's PMS approach

Our approach to performance management will be aligned to the Municipal Systems Act, 32 of 2000 specifically on performance management which clearly states quite a number of processes. Firstly, we will attempt to link our key priority areas with those of the province in order to create some alignment. This is key for the municipality in order to assist in the implementation of nationally and provincially set targets.

Secondly, it would then link key performance areas to our developed strategies, key performance indicators and targets.

Thirdly, Scorecards of departments would have to be developed and consolidated into municipal scorecards. These scorecards are the basis for performance agreements signed between senior managers (HODs) and the Municipal Manager. The above is best illustrated in the form of a diagram as follows:

Diagram : Link between Organisational PM and Individual PM



2.3. Institutionalising PMS

The Performance management responsibilities lie with the accounting officer. It is expected that the Municipal Manager and the Office of the Mayor are custodian of performance management and therefore performance contracts, performance agreements and personal development plans will be developed firstly for the Municipal Manager. The second tier of performance management is the managers who account directly to the Municipal Manager. As a start all Manager must be accountable for the tasks that they are to deliver. These then mean that the municipality should first ensure that senior managers account for the work that they have been contracted to do.

2.4. Auditor General's Report on PMS for 2005/06

Item no. on the AG,s report	Item description	AG's finding
30.	Non-compliance with regulatory requirements	No supporting evidence was submitted that the municipality adopted amendments of the IDP
	Development and implementation of PMS	There was review of the PMS framework.
	Development and implementation of KPIs	The municipality did not develop, adopt and implement formally documented KPIs which include prescribed KPIs as required by regulation 10 of MPPMR.
	Actual service delivery	No tracking of service delivery was done.
	Internal monitoring	The municipality did not monitor and compare actual and targeted progress
	Internal control	The municipality does not have internal audit activity as prescribed by section 45(a) of the MSA and regulation 14(1) of the MPPMR
	Performance measurement and reporting	The municipality has not compiled a performance measurement framework
	Revision on strategies and objectives	The municipality did not review its strategies and objectives based on its actual and targeted results and did not draft and adopt a formally documented process to assist with the revision of their strategies and objectives.

2.5. 2006 Performance Management Regulations

In August 2006, the new Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers was promulgated. These regulations are binding to all 284 municipalities in South Africa. The following are key provisions of the regulations:

A performance agreement entered into for each financial year or part thereof:

- A new performance agreement must be concluded within one month after the commencement of the new financial year;
- Employee must be assessed in terms of: Key performance areas (80%) and Core competency Requirements (20%);
- A 5-point rating scale should be provided for each KPA
- Performance bonus range: 5%-14%;
- A score of 130%-149 is awarded a bonus from 5%-9%;
- A score of 150% and above is awarded a bonus from 10%-14%; and
- A guaranteed annual cost of living adjustment to salaries must be paid, which is not linked to performance

CHAPTER 3

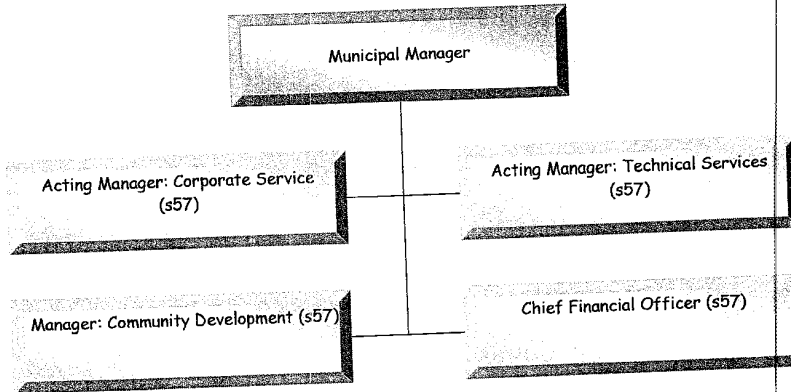
Human Resource Information

2.1. Political structure

		Councillor	
1	Mayor	Cllr. LDM Ntombela	
2	Speaker	Cllr. M. Maloi	

The municipality is represented by 14 councillors, 2 of whom are full-time. The fulltime councillors are the Mayor and the Speaker.

2.2. Administration



2.3. Staffing complement

Function	Total No of Positions	No Permanent	No Temporary	Total No vacant	No Resigned/ Passed away	New Appointments
Finance	22	2	15	16	1	1
Human Resources	1	2			2	5
Other Administration	33	1	3	11		
Community Services	193	3	6	39		
Housing	2	3	-			
Traffic	1	193	-			
Clinics		2	-			
Economic Development		1		9	7	
Solid Waste	61					
Sewerage	9	61		2		
Water Distribution	48	9		1		
Electricity Distribution	4	4	13	5		
Electricity	10	8	2			
Streetlights		4				

2.4. Portfolio committee structures

Mafube Municipality has four portfolio committees with a total number of 8 members

Committee	Chairperson	Number of members
Community Services and Local Economic Development Committee	Mr L Kibeka	2
Corporate Services Committee	Mr D Mfene	2
Finance Committee	Mr J Moloi	2
Technical Committee	Ms S Mokoena	2

Table: Portfolio committees

CHAPTER 4

Audited financial statements and related financial information

**REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE PROVINCIAL
LEGISLATURE AND THE MAFUBE LOCAL MUNICIPAL COUNCIL ON THE
FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF MAFUBE
LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2006**

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the accompanying financial statements of the Mafube Local Municipality which comprise the balance sheet as at 30 June 2006, income statement, and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the accounting officer's report, as set out on pages 31 to 65.

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the entity-specific basis of accounting, as set out in accounting policy 1 to the financial statements and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126 of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit in accordance with the International Standards on Auditing. Because of the matters discussed in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis of accounting

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

Basis for disclaimer of opinion

5. Property, plant and equipment

Due to the following matters it was not possible to verify the existence, rights and obligations, completeness, valuation and allocation and fair presentation of property, plant

and equipment in the sum of R177 021 258 (2005: R169 307 856), as disclosed in note 6 to the financial statements:

- (a) The fixed assets at cost according to the fixed asset register differ by R7 713 282 (2005: R28 895 781) from the total fixed assets disclosed in the financial statements due to the fact that the asset register has not been timeously updated during the current financial year.
- (b) Erven that are included in the fixed asset register with a cost of R1 298 177 were identified that are not registered in the name of Mafube Local Municipality. Consequently, fixed assets at cost and loans redeemed are overstated by R1 298 177.
- (c) A large number of assets (599 in total) are included in the fixed asset register at a cost of R10 or less. This is inconsistent with the accounting policy that states that assets are disclosed at cost or at valuation based on market price at the date of acquisition. The entity's records did not permit the application of alternative audit procedures. Consequently, fixed assets and loans redeemed are understated with an unknown amount.
- (d) The descriptions, serial numbers and location of items as indicated in the fixed asset register are not adequate. The required procedures to physically verify the existence, valuation and completeness of assets with a cost of R77 510 774 (2005: R71 406 781) could therefore not be performed.
- (e) A deeds register and title deeds to indicate the municipality's ownership of properties could not be submitted for audit purposes. Consequently I could not verify the rights and obligations of the municipality with regard to properties with a cost of R21 321 945 (2005: R9 910 046).
- (f) During the physical verification of assets, damaged assets with a cost of R1 006 890 were identified. The fixed asset register includes additional assets with a cost of R1 283 092 that are marked as damaged. No provision was made against loans redeemed for the impairment of these assets. Consequently assets and loans redeemed are overstated by an unknown amount.
- (g) Proof could not be submitted that the municipality performed a physical verification of assets during the year to ensure that all assets listed in the fixed asset register still exist and to ensure that all assets are included in the fixed asset register.
- (h) It is evident from the matters raised above that the procedures and practices implemented by the accounting officer were not consistently effective to ensure sufficient control over assets as required by section 63 of the MFMA. Therefore, as the relevant information is not available, it is not possible to determine what the total impact is of the matters listed above with regard to property, plant and equipment, expenditure and the accumulated surplus.

6. Debtors

- (a) The provision for bad debts that is included in note 10 to the financial statements, was evaluated by recalculating the provision based on the average rate of payments on debtors accounts. According to the recalculation the provision for bad debts should be approximately R39 600 000 (2005: R36 500 000). The provision of R 22 630 830 (2005: R20 762 518) and the related expense are therefore understated by at least R16 969 170 (2005: R15 737 482).

It is clear from the previous paragraph that an effective revenue collection system has not been implemented by the accounting officer as required by section 64(2)(a) of the MFMA.

- (b) A list of the debtors written off during the year was not submitted for audit purposes. Consequently, it could not be verified whether the amount of R2 131 688 as disclosed in note

10 to the financial statements, is accurate and that the accounts that are included on the list, are valid.

- (c) Supporting documentation to verify the existence, rights and obligations and valuation of consumer debtors totalling R115 660, included in consumer debtors amounting to R60 770 939 in note 10 to the financial statements, could not be submitted for audit purposes.
- (d) Supporting documentation to verify the existence, rights and obligations and valuation of sundry debtors totalling R3 755 881, included in other current debtors amounting to R6 336 320 in note 10 to the financial statements, could not be submitted for audit purposes.
- (e) An amount of R1 875 441 with regard to rates and taxes that are due to the municipality, is included in other current debtors in note 10 to the financial statements. The amount should have been included in consumer debtors in the same note to the financial statements. Consequently, other current debtors are overstated by R1 875 441 and consumer debtors are understated by the same amount.
- (f) A cheque that was cancelled was reversed against the creditor's control account and not the account it was originally debited against. Consequently, other debtors and trade creditors are overstated by R338 365.
- (g) Supporting documentation with regard to R 2 091 628 that is disclosed as amounts paid in advance in note 10 and amounts received in advance in note 11 to the financial statements could not be submitted. Consequently I could not verify the valuation, completeness and rights and obligations with regard to this amount.
- (h) The validity of the indigent subsidies amounting to R1 895 163 could not be verified as the applications could not be submitted.

7. Investments

A difference of R120 050 was identified between third party confirmations and investments that are disclosed in note 7 to the financial statements. Because the relevant information was not available, I could not determine how the receipts with regard to the sale of the investments were accounted for. Consequently investments and accumulated surplus or other creditors are overstated by R120 050.

8. Provisions

- (a) Supporting documentation was not submitted with regard to the provision for accrued leave amounting to R1 245 586 that is disclosed in note 3 to the financial statements. A recalculation of the provision was performed and a difference of approximately R114 700 was identified. Consequently provisions and salaries, wages and allowances are understated by approximately R114 700.
- (b) Due to the fact that the municipality incorrectly provided for audit fees at year end, expenditure in respect of audit fees for the year under review is overstated by R693 918 and the provision for audit fees at 30 June 2005 is overstated by R693 918.

9. Creditors

- (a) A difference of R278 727 was identified between the monthly statements for June 2006 received from the Department of Water Affairs and Forestry and the creditor balances that relate to the Department of Water Affairs and Forestry in the accounting records of the municipality. No reconciliation could be provided to explain

the difference. Consequently, creditors and trading services expenditure are overstated by R278 727.

- (b) An understatement of approximately R589 728 was identified regarding the value added tax (VAT) receivable with regard to creditor's accounts that carry VAT. Due to the fact that the relevant information is not available, it is not possible to determine the other accounts and the amounts whereby they are overstated or understated.
- (c) Supporting documentation with regard to unspent grants of R5 103 960 was not submitted for audit purposes. The municipality's records did not permit the application of alternative audit procedures to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness, valuation, existence and right and obligations with regard to unspent grants.
- (d) A receipt with regard to a grant was accounted for in an incorrect suspense account. The subsequent journal that was posted to correct the error was posted incorrectly. Consequently, other debtors and other creditors as disclosed in notes 10 and 11 respectively are overstated by R188 774.
- (e) Liabilities for fixed assets to be paid from a grant received were not recorded as a liability, except that the grant received is disclosed as a creditor. Fixed assets at cost and loans redeemed and other capital receipts are therefore understated by R136 779 and the allocation of creditors between trade creditors and other creditors as disclosed in note 11 to the financial statements is incorrect.

10. Funds and reserves

Although the municipality requested exemption from making contributions to the capital development fund in terms of section 82(1) of the Local Government Ordinance, 1962 (Ord No. 8 of 1962) proof that the exemption was granted could not be submitted. Consequently, the capital development fund is understated and retained surplus overstated by R2 436 539 due to the fact that no contributions were made since the 30 June 2002 financial year.

11. Revenue

- (a) The total rental that should be levied according to the property rental register is R269 927. The amount that is included in revenue for these specific rental contracts is R180 921. The revenue recognised is understated by R89 006. Because the relevant information is not available it is not possible to determine the amounts by which debtors are understated and creditors are overstated.
- (b) Supporting documentation regarding assessment rate income to the value of R408 335 could not be submitted. Consequently, it is not possible to verify the accuracy and validity of assessment rates to the value of R408 335 that is included in rates and general services income of R31 688 823 and the related consumer debtors.
- (c) Included in the actual expenditure for economic services is an amount of R4 848 757 with regard to free basic water and electricity. The expense was created by crediting an income account and debiting the expenditure account. This has the effect that the actual expenditure and actual income for economic services as disclosed in the income statement are overstated by R4 848 757 because the actual revenue and expenditure has already been included in the income statement. Furthermore, the amount is based on the budgeted amounts for free basic water and electricity because the financial systems of the municipality can not calculate the actual amounts.

- (d) Furthermore, the equitable share has been reallocated to the different services based on the amounts included in the budget. Consequently, the revenue for community services as disclosed in the income statement is understated by R7 850 341. The revenue as disclosed in the income statement for subsidised services, economic services and trading services are overstated by R639 788, R1 967 993 and R5 242 560 respectively.

12. Capital commitments

- (a) Mafube Local Municipality did not maintain a contract register that indicate approved contracts, the amount spent on these contracts and the amount that was still available to be spent. Consequently, I was not able to confirm the completeness and accuracy of the capital commitments of R1 771 197 (2005: R2 055 854) as disclosed in note 32 to the financial statements.

The budgeted amount for each project, and not the actual contract value, was used to calculate the capital commitment balance that is disclosed in note 32 to the financial statements. Consequently, capital commitments are understated by R222 598.

- (b) Furthermore, the capital commitments note is not complete as the following information, as required by the Specimen of the Published Annual Financial Statements for Local Authorities, published by the Institute of Municipal Finance Officers (IMFO) is not disclosed:
- (i) Commitments in respect of capital expenditure:
 - Approved and contracted for and
 - Approved but not yet contracted for
 - (ii) The funding of the capital commitments.

13. Incomplete and incorrect disclosures in the financial statements

- (a) An amount of R5 699 274 is disclosed in note 23 to the financial statements as a prior year adjustment. No details have been disclosed with regard to the nature and reason for the adjustment. Furthermore note 23 to the financial statements does not disclose the contributions made from the operating account.
- (b) The valuation of municipal properties and residential and other - rateable properties as disclosed in note 13 to the financial statements is overstated by R2 892 400 and R226 150 respectively, when compared to the valuation roll. Furthermore, the valuation of residential and other - non-rateable properties is understated by R 3 145 100 when compared to the valuation roll.
- The total of the valuations in the 2005-06 financial statements is the same as the total of the valuations in the 2004-05 financial statements. Appendix F however indicates that the number of stands increased from 13 127 in 2005 to 13 432 in 2006.
- (c) Legal confirmations that were obtained indicated that a contingent liability of R150 000 was not disclosed in note 34 to the financial statements. Contingent liabilities are understated by R150 000.
- (d) The actuarial valuations of the different pension funds towards which the council made contributions were not disclosed in the financial statements as required by the Specimen of the Published Annual Financial Statements for Local Authorities, published by Institute of Municipal Finance Officers (IMFO).
- (e) I am not able to confirm whether or not the cash flow statement and the related notes are fairly stated due to the material effect on the cash flow statement and related notes, of scope limitations and identified misstatements as reported in this report.

- (f) The information with regard to the outstanding amounts as disclosed in note 34 C to the financial statements regarding taxes, pension contributions and medical aid contributions are understated by R14 342, R1 074 538 and R24 990 respectively.

Furthermore, supporting documentation could not be submitted with regard to the amounts paid that is disclosed, in 34 C to the financial statements. I could therefore not verify the accuracy and completeness of the information with regard to payments that is disclosed in note 35 to the financial statements.

14. Irregular expenditure

For payments totalling R215 524 the number of quotations as required by paragraph 12 of the Local Government: Municipal Finance Management Act (56/2003): Municipal Supply Chain Management Regulations was not obtained. The amount was not disclosed in the financial statements as irregular expenditure.

15. Limitation of scope

Contrary to section 62(1)(b) of the MFMA and section 15 of the PAA, the municipality did not furnish the following supporting documentation. This resulted in a limitation on the scope of my audit.

- (a) For payments totalling R39 626 the relevant supporting documentation was not submitted. It could therefore not be verified that these transactions occurred and were accurately recorded and that irregular expenditure was not incurred.
- (b) For contracts totalling R10 347 7034 the relevant contracts could not be submitted to verify the completeness, accuracy, occurrence and existence of expenditure of R8 442 273 and commitments of R987 084.
- (c) Although tenders were invited for payments totalling R841 729 the relevant tender documents could not be submitted for audit purposes.
- (d) Issue vouchers with regard to the issue of stock to the value of R236 528 could not be submitted for audit purposes.
- (e) For journals totalling R18 700 126 (2005: R22 207 972) the relevant supporting documents were not available. Journals for corrections amounting to R11 289 786 made on the accounting system were also not available. It could therefore not be verified whether these journals were accurately recorded and were valid.
- (f) During the year allowances were paid to employees to equalise the salaries throughout the municipality until job evaluations have been completed. The interim allowances paid during the year were R150 263 more than it should have been if the allowances were calculated according to the recommendations by SALGA. No supporting documentation could be submitted to allow me to verify the authorisation for and accuracy of allowances amounting to R101 612.
- (g) Support for the monthly salaries and benefits payable to a number of employees could not be obtained in the respective personnel files. Consequently, it was not possible to verify whether salaries amounting to R1 297 710 have been accurately recorded and are valid.

Disclaimer of opinion

16. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have been unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of

Mafube Local Municipality. Accordingly, I do not express an opinion on the financial statements.

EMPHASIS OF MATTER

17. Assessment rates disclosed in note 13 of the financial statements amounts to R4 043 844 while Appendix E to the financial statements discloses assessment rates as R6 513 097. The difference amounts to R2 469 253.

OTHER MATTERS

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

18. Material non-compliance with applicable legislation

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

(a) Financial statements

Section 122(1)(a) of the MFMA requires every municipality to prepare financial statements which fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year. The financial statements submitted to the Auditor-General on 29 August 2006 for the 2005-06 financial year however, contained a number of errors as set out in this report.

(b) Payments not made within 30 days

Contrary to section 65(2)(e) of the MFMA, creditors with a balance of R4 931 263 have been outstanding for longer than 30 days.

(c) Salary payments to third parties

Included in other creditors in note 13 to the financial statements, is an amount of R1 638 307 with regard to salary deductions that are payable to third parties. This is contrary to section 65(2)(f) of the MFMA which requires the municipality to comply with its tax, pension, medical aid and other statutory commitments.

(d) Supply chain management

In at least 3 instances the tender committee decided to award a tender to a different bidder than the one recommended by the consultants that were appointed to evaluate the bids. Furthermore, the same members serve on the bid evaluation committee and the adjudication committee. It could therefore not be determined if these tenders were awarded according to a regulatory framework that is fair, equitable, transparent, competitive and cost-effective as required in terms of section 112(2) of the MFMA.

(e) Matters reported in prior financial years

In terms of section 131(1) of the MFMA the mayor is responsible to ensure that the matters raised by the Auditor-General in an audit report are addressed. It is of particular concern that a number of matters reported in prior audit reports had not been adequately addressed. Examples of these matters include the following:

- the matters regarding the fixed asset register as set out in paragraph 5,

- the recovery of outstanding debt as set out in paragraph 6,
- documentation that could not be submitted for audit purposes as set out in paragraph 16, and
- contributions that were not made to the capital development fund as set out in paragraph 10.

As reported in paragraph 5.1.3 of the 2003-04 audit report, possible irregularities regarding the appointment of a debt collection firm to whom commission amounting to R298 882 was paid occurred. These matters have not yet been resolved or reported on by council.

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

(f) No written annual performance agreements

Contrary to section 57(1) and (2) of the MSA, there are no written and signed annual performance agreements in place for the municipal manager and the managers directly accountable to him for the 2005-06 financial year.

(g) Declaration of interest

Declaration forms signed by the councillors to disclose any direct or indirect personal or private business interest which that councillor, or any spouse, partner or business associate of that councillor, may have in any matter while serving before the council, as required by Sections 7(1) and 5(1)(a) of the MSA, was only submitted for 11 of the 17 councillors. Only 10 of the declaration forms could however be submitted for audit purposes.

(h) No credit control or debt collection policy

The municipality has not yet adopted and implemented a credit control and debt collection policy as required by section 96 of the MSA. This is a big contributing factor in the deterioration of the outstanding debtors at year-end as set out in paragraph 6 above.

Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000).

(i) No procurement policy

Section 2 of the Preferential Procurement Policy Framework Act, 2000 requires that the municipality should have a formally documented procurement policy. A formally documented procurement policy could not be submitted for audit purposes.

Remuneration of Public Office Bearers Act

(j) Payments to councillors

Contrary to section 167(1) of the MFMA and section 7 of the Remuneration of Public Office-Bearers Act, 1998 (Act no. 20 of 1998) the municipality paid R62 000 for the accommodation of a councillor at a resort during the year after the councillor's house was burnt down during riots.

Contrary to *Government Gazette No. 28331* dated 14 November 2005, the mayor received an office bearers allowance amounting to R40 999.

19. Matters of governance

(a) Internal audit and audit committee

Mafube Local Municipality did not have a functioning internal audit section or an audit committee for the year under review.

An audit committee and a properly functioning internal audit section is an integral part of the control environment of an organisation. The absence thereof leads to the deterioration of the internal control environment.

(b) Trading services

Paragraph 42 of GA110: *Statement of Generally Accepted Accounting Practice for Local Government* stipulates that the provision of a trading service should yield a trading surplus. According to the income statement trading services shows a deficit of R1 829 088 for the financial year.

20. Fruitless and avoidable expenditure

Owing to a continuous bank overdraft interest of R63 046 was paid for use of the facility.

21. Value-for-money matters

- (a) The municipality did not develop and adopt the appropriate systems and procedures to ensure fair, efficient, effective and transparent personnel administration as required by Section 67(1) of the MSA.
- (b) In terms of section 68 of the MSA a municipality must develop its human resource capacity to a level that enables it to perform its functions and exercise its powers in an economical, effective, efficient and accountable way, Many positions were identified that were vacant during the financial year that severely hampered the municipality in performing its functions.

Internal control

22. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes of the matters indicated, as they relate to the five components of internal control. In some instances deficiencies exist in more than one internal control component.

Reporting item	Control environment	Assessment of risks	Control activities	Information and communication	Monitoring
Basis for disclaimer of opinion					
Property, plant and equipment			✓		
Debtors			✓		
Investments			✓		
Provisions			✓		
Creditors			✓		
Funds and reserves			✓		
Revenue			✓		
Expenditure			✓		

Reporting item	Control environment	Assessment of risks	Control effectiveness	Materiality assessment	Other information
Capital commitments			✓		
Incomplete and incorrect disclosures in the financial statements			✓		
Irregular expenditure			✓		
Limitation of scope			✓		
Emphasis of matter					
Disclosure error			✓		
Other matters					
Non-compliance with applicable laws and regulations			✓		
Matters of governance			✓		
Material corrections to the financial statements			✓		
Value for money matters			✓		

Control activities

23. The accounting officer did not ensure that adequate approved documented policies and procedures are in place for all important business processes, including the computer environment. This matter has been reported on for a number of years.

Unaudited supplementary schedules

24. The supplementary information set out on pages 25 to 32 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion on them.

OTHER REPORTING RESPONSIBILITIES

Reporting on performance information

25. I was engaged to audit the performance information.

Responsibility of the accounting officer for the performance information

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

Responsibility of the Auditor-General

27. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 646 of 2007*, issued in *Government Gazette No. 646 of 25 May 2007* and section 45 of the MSA.

28. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

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

Audit findings (performance information)

30. Non-compliance with regulatory requirements

(a) Amendment of the IDP

The following non-compliance with the Local Government: Municipal Systems Act, Act No. 32 of 2000 (MSA) and the Local Government: Municipal Planning and Performance Management Regulations, 2001 promulgated in *Government Notice No. R 796* dated *24 August 2001* (MPPMR) was noted:

- (i) Supporting evidence that the municipal council adopted the amendments to the IDP as required by regulation 3(3) of the MPPMR could not be submitted for audit purposes. The council resolution of 30 March 2006 for the approval of the reviewed IDP was obtained but the attendance register of this meeting was not submitted to ensure that a quorum was present. The validity of the resolution could therefore not be confirmed.
- (ii) Supporting evidence that the municipality consulted with the relevant district municipality prior to the amended IDP being submitted to council, as required by regulation 3(6) of the MPPMR, could not be submitted for audit purposes.
- (iii) Proof that the municipal manager submitted a copy of the amended IDP to the Member of the Executive Council for local government in the province within 10 days of the amendment of the plan, as required by Section 32(1) of the MSA, could not be submitted for audit purposes.
- (iv) Minutes to ascertain that the community participation forum took part in the review of the IDP could not be submitted.

(b) Development and implementation of Performance Management System (PMS)

The following non-compliance with sections of the MSA and the MPPMR were noted:

- (i) During the 2004-05 financial year the municipality did not review its framework for the PMS nor was it reviewed for the year under review as required by section 40 of the MSA. Furthermore, the PMS does not clarify the process of implementing the system within the framework of the IDP process, or that it is linked to the IDP process and the frequency of reporting and lines of accountability as required by regulation 7(2) of the MPPMR.
- (ii) Proof that the municipality convened regular meetings with the community forum to consult on the development of the framework for the PMS and the development of the PMS as required by section 42 of the MSA and regulation 15 of the MPPMR, could not be submitted.
- (iii) Evidence that the community forum members were given at least 14 days to consult with their constituencies regarding the matters to be discussed at these meetings, in terms of regulation 15(2) of the MPPMR, could not be submitted.
- (iv) Proof that the executive committee managed the development of the municipality's PMS in terms of section 39(a) of the MSA could not be submitted, nor could proof the responsibilities were assigned to the municipal manager by the executive committee with regard to the development of the PMS, as required by section 39(b) of the MSA be submitted.

The above had the effect that sections 38, 39(c), 41(1)(a) and 44 of the MSA and regulation 15 of the MPPMR were not adhered to regarding the adoption, implementation, monitoring and review of the PMS.

(c) Development and implementation of Key Performance Indicators (KPI)

- (i) The municipality did not develop, adopt and implement formally documented Key Performance Indicators (KPI's) which include the prescribed KPI's as required by regulation 10 of the MPPMR. It also did not draft and adopt a formally documented process to assist with the development of the KPI's. As a result, no proof could be obtained that the municipality set or reviewed appropriate KPI's in terms of its performance management system as a yardstick for measuring performance, including outcomes and impact in terms of section 41(1)(a) of the MSA.
- (ii) The municipality's PMS does not prescribe an annual performance review process for the review of the KPI's as required by regulation 13(1) and 13(4) of the MPPMR.
- (iii) No proof could be obtained that the local community was invited to participate in the setting of appropriate KPI's for the municipality in terms of 42 of the MSA.
- (iv) No input, output or outcome indicators were included in the development priorities and objectives identified in the IDP as required by regulation 9(1)(a) of the MPPMR.
- (v) Proof that KPI's are set for all municipal administrative units and employees and for all the service providers with whom the municipality have entered into a service delivery agreement as required by regulation 9(2)(b) of the MPPMR could not be submitted for audit purposes.

(d) Setting of targets for performance indicators

No proof could be submitted to confirm that the municipality set specific targets for each of the KPI's to be adopted. In addition, proof was not available to confirm whether management drafted and adopted a formally documented process to assist with the setting of targets for

each of the to be developed KPI's as required by section 41(1)(b) of the MSA and regulation 12(1) of the MPPMR.

(e) Actual service delivery

The municipality did not track the performance of their staff as well as service providers during the actual service delivery process and did not draft and adopt a formally documented process to assist with tracking the performance of staff and service providers. As a result, no evidence could be obtained that the municipal staff reported on service delivery in accordance with the lines of accountability and the intervals for reporting, nor was supporting documentation available to verify that each service provider reported on the delivery of their services to the municipality in accordance with the lines of accountability as required in terms of the Department of Provincial and Local Government - Performance Management Guide for Municipalities.

(f) Internal monitoring

The municipality did not continuously monitor and compare their actual and targeted progress and did not draft and adopt a formally documented process to assist with the continuous monitoring and comparison of results. As a result no proof could be obtained that the municipality developed its monitoring framework after consultation with either the municipal wide structure for community participation or the community participation forum, nor monitor its performance and any service provider's performance throughout the financial year in terms of section 41(1)(c) of the MSA and regulation 13 of the MPPMR.

(g) Internal control

The municipality, as part of its internal control, does not have an internal audit activity as prescribed by section 45(a) of the MSA and regulation 14(1) of the MPPMR.

In addition, there is no performance audit committee in place as is required by regulation 14(2) of the MPPMR.

(h) Performance Measurement and reporting

The municipality, as part of its performance management system, has not compiled a performance measurement framework or consulted with either the municipal wide structure for community participation or the community participation forum in terms of regulation 13(1) of the MPPMR. As a result the municipality could not measure its own and any service provider's performance in terms of section 41(1)(c) of the MSA.

Furthermore, the municipality did not establish a cycle and process of performance reporting in terms of Section 41(1)(e) of the MSA and regulation 7(1) of the MPPMR.

The municipality's draft performance report for inclusion in the annual report for the financial year under review was not submitted as required by section 46 of the MSA, and therefore I could not confirm that the following is reflected:

- The municipality's and any service provider's performance during that financial year, also in comparison with targets of and with performance in the previous financial year.
- The development and service delivery priorities and the performance targets set by the municipality for the following financial year.
- The measures that were or are to be taken to improve performance.
- Any other reporting requirements stipulated in other applicable legislation.

(i) Revision on strategies and objectives

The municipality did not review its strategies and objectives based on its actual and targeted results and did not draft and adopt a formally documented process to assist with the revision of their strategies and objectives. As a result it could not be confirmed whether the municipality established a cycle and processes of performance review and improvement, whereby the municipality's strategies and objectives are revised in accordance with the review of the performance of the municipality in terms of section 34 of the MSA and regulation 7(1) of the MPPMR.

DELAYS IN THE FINALISATION OF THE AUDIT

31. I was not able to finalise the audit within three months of receiving the financial statements as prescribed by section 126(3)(b) of MFMA as I did not have the resources available due to other responsibilities in terms of Public Finance Management Act, 1999 (Act No. 1 of 1999).

APPRECIATION

32. The assistance rendered by the staff of the Mafube Local Municipality during the audit is sincerely appreciated.

Bloemfontein

30 April 2008



AUDITOR - GENERAL

4.2. Annual Financial Statements

**MAFUBE
LOCAL MUNICIPALITY**

FINANCIAL STATEMENTS

30 JUNE 2006

MAFUBE LOCAL MUNICIPALITY	
FINANCIAL STATEMENTS AS AT 30 JUNE 2006	
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MAFUBE LOCAL MUNICIPALITY	
GENERAL INFORMATION	
MEMBERS OF THE COUNCIL	
1 JULY 2005 TO	4 MARCH 2006 TO
28 FEBRUARY 2006	30 JUNE 2006
L.J. Ralebenya	L.M.D. Ntombela (Full-time)
L.M.D. Ntombela (Full-time)	T.M. Moloi (Full-time)
W.P.J. Peiser	W.P.J. Peiser
J.E. Sigasa	J.E. Sigasa
J.A. du Plessis	J.J. Hlongwane
G.T. Hadebe	K.C. Kanono
K.C. Kanono	L.S. Kubeka
M.P. Memeza	M.P. Memeza
D.Mfene	D. Mfene
P.O. Mokoena	M.S. Mokoena
M.S. Mokoena	M.J. Moloi
M. Moloi	M.A. Mosia
S. Motloung	M.M. Sekhoto
M.M. Sekhoto	E.M. Skosana
L.T. Tshabalala	D. Tshabalala

	Member Council Member	P. J. Tshabalala
	Council Member	P. D. Van Der Westhuizen
	Council Member	(9 Wards)
(8 Wards)		
Grading of Local Authority		
Grading 2		
Auditors		
Auditor-General		
Bankers		
ABSA Bank		
Frankfort		
Registered Office		
Private Bag X4		Brand Street 64
Brand Street		Frankfort
Frankfort		9830
9830		
Telephone: 058 813 1051		Fax: 058 813 3072
MUNICIPAL MANAGER		
W.K. Mahlangu (N Diploma - Municipal Admin)		

ACTING MANAGER FINANCIAL SERVICES					
C.D.Nel	(B.Rad)				

MAFUBE LOCAL MUNICIPALITY

**APPROVAL OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

The annual financial statements set out on pages 6 to 31 were approved by the Municipal Manager on 2006.

Municipal Manager
W.K.MAHLANGU

Date

MAFUBE LOCAL MUNICIPALITY

**CERTIFICATE OF REMUNERATION AND IN-KIND
BENEFITS OF COUNCILLORS**

I, the undersigned, am responsible for the preparation of these annual financial statements, which are set out on pages 6 to 31, in terms of Section 124(1)(a) 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 as disclosed in note 14 of these annual financial statements, are within the upper limits of the framework envisaged in Section 219 of the Constitution and the Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with that Act.

W.K. Mahlangu
Municipal Manager

Date:

REPORT OF THE MANAGER: FINANCIAL SERVICES

Introduction

It is a privilege to present this report for the 2005/2006 financial year.

1 Operating Results

Details of the operating results per department, classification and object of expenditure are included

in appendixes D and E. The applicable statistics are shown in appendix F.

The overall operating results for the year ended 30 June 2006 are as follows:

	Actual 2005/2006	Actual 2004/2005	Percentage Variance	Budgeted 2005/2006	Variance actual / budgeted
	R	R	%	R	%
Opening deficit					
Opening accumulated surplus	8,995,518	7,845,488			
Operating income for the year	58,741,335	54,349,984	8.1	59,073,504	(0.6)
	67,736,853	62,195,472		59,073,504	

The actual income is only R332 169 less than budgeted for.

	Actual 2005/2006	Actual 2004/2005	Percentage Variance	Budgeted 2005/2006	Variance actual / budgeted
	R	R	%	R	%
Operating expenditure for the year	58,398,556	53,269,334	9.6	59,058,367	(1.1)
Sundry transfers	5,699,274	(69,380)			
Closing accumulated surplus	3,639,023	8,995,518			
	67,736,853	62,195,472		59,058,367	

The variance between the actual and budgeted amounts is mainly a result of lower actual income.

1.1 Rates and general services

	Actual 2005/2006	Actual 2004/2005	Percentage Variance	Budgeted 2005/2006	Variance actual / budgeted
	R	R	%	R	%
Income	31,688,824	30,044,784	5.5	32,128,815	(1.4)
Expenditure	29,516,956	29,523,201	(0.02)	32,599,330	(9.5)
Surplus/(deficit)					

	2,171,867	521,563		(470,515)	
Surplus(deficit) as % of total income	6.9	9.7		(1.5)	
The variance between the actual and budgeted expenditure is due to actual salaries and allowances being less than budgeted for.					
1.2 Trading services					
	Actual	Actual	Percentage	Budgeted	Variance actual
ELECTRICITY	2005/2006	2004/2005	Variance	2005/2006	/ budgeted
	R	R	%	R	%
Income	14,782,683	13,750,118	7.5	15,660,214	(5.6)
Expenditure	15,479,260	13,677,847	13.2	15,376,693	0.7
Surplus/ (deficit)	(696,577)	72,271		283,521	
Surplus(deficit) as % of total income	(4.7)	0.5		1.8	
The significant variance in actual income is due to the late approval of tariff increases by the NER.					

	Actual	Actual	Percentage	Budgeted	Variance actual
WATER	2005/2006	2004/2005	Variance	2005/2006	/ budgeted
	R	R	%	R	%
Income	12,269,829	10,555,082	16.2	11,284,475	8.7
Expenditure	13,402,340	10,068,286	33.1	11,082,344	20.9
Surplus/ (deficit)	(1,132,511)	486,796		202,131	
Surplus(deficit) as % of total income	(9.2)	4.6		1.8	

The variance between the actual and budgeted income is due to the fact that the water consumption was more than estimated for.

The variance between the actual and budgeted expenditure is due to the fact that the tariffs for the purchasing of water were increased during the year,

2 Capital expenditure and financing

The expenditure on fixed assets during the year amounted to R7 713 402 and is 43.9% less than the previous year. The actual expenditure is 59% less than budgeted and consist of the following:

	Actual	Budget	Actual
	2006	2006	2005
	R	R	R

Community services	371,549	5,956,000	533,652
Properties	-	-	100,000
Subsidised services	33,363	412,000	11,405
Cleansing	5,255	-	16,918
Properties	-	3,000,000	747
Water Park	5,651	10,000	1,346
Sewerage	2,972,140	3,055,000	5,715,063
Housing Services	-	-	-
Electricity	343,786	1,310,000	1,758,152
Water	3,981,657	5,079,016	5,603,554
	7,713,402	18,822,016	13,740,838
The significant variance between actual and budgeted expenditure is due to the fact that the necessary funding could not be obtained for all the projects budgeted.			
Resources used to finance the fixed assets were as follows :			
	Actual	Budget	Actual
	2006	2006	2005
	R	R	R
External loans	-	8,600,000	-
Operating income	115,119	1,571,000	400,982
Renewal Fund			
Other sources		310,000	
Infrastructure fund			
Contributions from District Council	-		10,943,295
Grants and subsidies	7,598,283	8,341,016	2,396,580
	7,713,402	18,822,016	13,740,838
Refer to Appendix C for further details.			

3 External loans, investments and cash			
The current figures for external loans, investments and cash are as follows:			
		2006	2005
External loans			

		184,039	236,749
External investments		3,878,093	1,461,072
Bank overdraft		3,735,197	3,954,848
External loans outstanding on 30 June 2006 amount to R 184 039. During the year loans totalling R 52 710 were repaid.			
Net investments of R 2 417 021 were made during the year. There was an improvement of R 219 651 in respect of the bank overdraft.			
Additional information regarding external loans, investments and cash are disclosed in notes 4, 7, and 12 and Appendix B to the financial statements.			
The offices at Frankfort and Villiers serve as security for the bank overdraft.			
4 Funds, reserves and provisions			
The current figures for funds, reserves and provisions are as follows:			
		2006	2005
The Capital Development Fund		8,203,158	7,996,316
Other Funds and Reserves		3,469,025	3,399,803
Provisions		2,729,807	2,008,362
More information regarding funds, reserves and provisions are disclosed in notes 1, 2 and 3 and appendix A to the financial statements.			
5 Post balance sheet events			
There were no events subsequent to Balance Sheet date that could have had an effect on the financial statements as disclosed.			
6 Appreciation			
I would like to extend my gratitude to the Mayor, Speaker, Councillors, the Municipal Manager, Managers of Departments and all officials for the support they have given to me during the financial year.			
C.D.NEL ACTING MANAGER:		FINANCIAL SERVICES	DATE

MARLBOROUGH MUNICIPALITY											
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2018											
	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)
R	R	R	R	R	R	R	R	R	R	R	R
30,654,724	28,822,231	1,832,493	31,898,824	29,876,898	2,021,926	467,933					
16,610,000	13,834,797	2,775,203	17,768,874	13,488,832	4,280,042	2,847,862					
843,174	3,381,898	(2,538,724)	698,231	3,772,268	(3,074,037)	(3,074,037)					
12,861,819	13,334,429	(472,610)	13,191,219	12,253,098	937,862	183,738					
24,308,200	23,740,133	568,067	27,092,511	28,847,692	(1,755,181)	465,895					
54,248,884	53,259,334	989,550	58,744,335	58,328,858	415,477	15,337					
		69,300			(3,686,274)						
		1,150,000			(5,336,495)						
		7,846,488			6,096,618						
		6,096,618			3,839,029						

MAFUBE LOCAL MUNICIPALITY				
MAFUBE LOCAL MUNICIPALITY				
CASH FLOW STATEMENT				
FOR THE YEAR ENDED 30 JUNE 2006				
	Note	2006	2005	
		R	R	
Cash retained from operating activities		10,316,909	14,856,888	
Income generated by operations	24	(2,562,958)	(11,265,088)	
Investment income	22	273,730	57,783	
(Increase) / Decrease in working capital	25	5,037,168	(6,638,719)	
		2,747,940	(17,846,023)	
Less: external interest paid	22	(29,314)	(99,316)	
Cash available from (utilized in) operations		2,718,626	(17,945,339)	
Cash contributions from government and public		7,586,283	32,505,227	
Adjustment		-	-	
Fixed assets sold		-	-	
Cash utilized in investing activities		(7,705,272)	(13,740,838)	
Investment in fixed assets		(7,713,402)	(13,740,838)	
(Increase) / Decrease in long-term debtor		8,130	-	
Net cash flow		2,611,636	819,050	
Effects of financing activities				
Increase / (decrease) in long term loans	26	(62,710)	(97,185)	
Increase / (decrease) in consumer deposits	5	101,840	-	
(Increase) / decrease in long-term investments	27	(2,399,157)	(46,343)	
(Increase) / decrease in short-term investments	27	(17,864)	-	
Increase / (decrease) in bank overdraft	28	(219,651)	(675,522)	
(Increase) / decrease in cash	28	(24,195)	-	
Net cash utilized		(2,611,636)	(819,050)	
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006				
		2006	2005	
		R	R	
1.	STATUTORY FUNDS			

MAFUBE LOCAL MUNICIPALITY			
	Capital development fund	8,203,158	7,996,316
	Erven fund	2,624,533	2,556,740
		10,827,691	10,553,056
	Refer to Appendix A for further details		
2.	RESERVES		
	Reserves for Renewal	70,119	68,690
	Capital Reserve Fund	758,227	768,227
		838,346	836,917
	Refer to Appendix A for further details		
	TRUST FUNDS		
	Government fund	6,146	6,146
		6,146	6,146
	Refer to Appendix A for further details		
3.	PROVISIONS		
	Audit fees	1,484,220	550,151
	Accrued leave pay	1,246,586	1,449,211
		2,729,807	2,000,362
4.	LONG TERM LIABILITIES		
	Annuity loans	184,039	236,749
	(Development Bank of South Africa)		
		184,039	236,749
	Less: Current portion transferred to current liabilities	(56,640)	(52,748)
		127,399	184,003
	Refer to Appendix B for further details		
	Annuity Loans		
	(Development Bank of South Africa)		
	Carry interest at rates varying between 9.75% and 16.02% per annum and are repayable over periods of between 6 months and 9 years.		
5.	CONSUMER DEPOSITS		
	Electricity deposits	751,617	654,577
	Water deposits	66,181	61,281
		817,798	715,858
	Guarantees in lieu of electricity and water deposits		

		2006	2005
Amount of investments written off during the year		NIL	NIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (continued)			
Circular No. 8 of 1962 issued by the Provincial Legislator requires Local Authorities to invest funds, which are not required immediately with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at plenary rate to meet commitments.		R	R
6. FIXED ASSETS			
Fixed assets at the beginning of the year		169,307,856	157,080,297
Add: Interest earned on investments credited to Statutory Funds		7,713,402	13,740,838
Less: Assets written off, transferred or disposed of during year		-	(1,523,279)
Total fixed assets		177,021,258	169,307,856
Less: Loans redeemed and other capital receipts		(176,891,325)	(169,120,909)
Net fixed assets		129,933	186,947
Council's offices at Frankfort and Villiers serve as security for the bank overdraft.			
Refer to Appendix C for further details.			
7. INVESTMENTS			
Long-term Investments			
Unlisted		3,412,927	1,041,007
VKB: Shareholder's fund		120,195	112,227
VKB: Investments		765	-
Old Mutual: Redeem fund		787,308	610,075
Old Mutual: Fixed investment		-	-
ABSA: Fund investment		2,504,659	318,705
Sanlam: Fixed investment		-	-
Listed		112,937	85,700
Old Mutual plc		84,435	58,734
Sanlam		28,502	26,966
Total Long-term Investments		3,525,864	1,126,707
Short-term Investments			
ABSA: Short term deposits		9,000	9,000
ABSA: Infrastructure EX 23		343,229	325,365
Total Short-term Investments		352,229	334,365
TOTAL INVESTMENTS		3,878,093	1,461,072
Market valuation in respect of listed Investments		112,937	85,700
Management valuation of investments		3,878,093	1,461,072
Profit or loss on investment transactions		NIL	NIL
Average rate of return on investments		7.12%	3.83%
Value of investments pledged as security		NIL	NIL

MAFUBE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (continued)

	2006	2005
	R	R
8. LONG - TERM DEBTORS		
Housing loans - employees	16,308	24,439
	16,308	24,439
Less: Short term portion of long term debtors transferred to current assets	(12,069)	(10,713)
	4,240	13,726
9. INVENTORY		
Inventory consist of consumables. Where necessary provision has been made for obsolete inventory.	217,048	281,231
10. DEBTORS		
Consumer debtors	60,770,939	54,506,319
Other current debtors	6,336,320	2,295,245
Amounts paid in advance	2,091,628	1,294,075
Monies banked	-	175,438
	69,198,888	58,271,088
Less: Provision for bad debts	(22,630,830)	(20,762,519)
	46,568,058	37,508,569
Bad debts written off during the financial year	2,131,888	95,486
Bad debts written off as a percentage of total operating income	3.6%	0.4%
Days debtors are outstanding	679 days	588 days
11. CREDITORS		
Trade creditors	5,646,411	2,498,362
Sundry creditors	20,324,460	8,369,686
Sundry deposits	2,570	2,151
Amounts received in advance	2,091,628	1,294,079
	28,065,069	12,164,277
12. BANK OVERDRAFT		

The overdraft is secured over fixed property:		3,735,197	3,054,848	
Offices at Frankfurt and Villers				
49				

MAFUBE LOCAL MUNICIPALITY			
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (continued)			
13. ASSESSMENT RATES	Valuations at 1 July 2006	Actual Income 2006	Actual Income 2005
	R	R	R
Government	19,909,510		
Residential and other - Rateable	271,004,465	4,043,844	4,534,829
Residential and other: Non rateable	62,206,132		
Municipal	12,112,540		
	365,232,647	4,043,844	4,534,829
The valuations are performed every five years and the last general valuation took effect on 1 July 2003			
A discount of 20% was granted to Government properties			
Refer to Appendix F for further details on the valuation rolls			
Basic rate randage		D1	D1
		2006	2005
		R	R
14. COUNCILLOR'S REMUNERATION			
Mayor's allowance		153,811	94,286
Speaker's allowance		190,901	205,890
Councillor's allowance		537,616	483,830
Executive Committee allowance		153,977	147,907
		1,036,305	931,913
Councillor's Pension Fund Contributions		133,667	23,204
Councillor's Medical Aid Contributions		9,282	11,154
		1,179,256	966,271
15. COUNCILLOR'S RATES AND SERVICES IN ARREAR FOR MORE THAN 90 DAYS			
None		None	None
16. REMUNERATION OF SECTION 57 APPOINTMENTS			
MUNICIPAL MANAGER			
Annual remuneration		276,141	245,029
Bonus		22,852	21,366
Travel allowance		56,712	56,711
Contribution Medical Fund			16,700
Contribution Pension		19,558	-
Other		2,899	13,919
		378,161	354,825
MANAGER: FINANCIAL SERVICES			
Annual remuneration		198,697	158,932

MAFUBE LOCAL MUNICIPALITY			
Bonus		18,120	14,010
Travel allowance		40,902	50,773
Contribution: Medical fund		3,679	13,520
Other		2,392	10,244
		261,796	247,470
MANAGER: CORPORATE SERVICES			
Annual remuneration		198,697	179,748
Bonus		16,126	15,770
Travel allowance		40,902	40,903
Contribution: Pension Fund			2,228
Contribution: Medical fund		3,679	
Other		2,392	8,329
		261,796	246,078
MANAGER: TECHNICAL SERVICES			
Vacant			
MANAGER: COMMUNITY SERVICES			
Vacant			

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (continued)			
		2006	2005
		R	R
17. AUDIT FEES			
Paid Current year		1,253,070	649,053
Under / (over) provision previous year		231,150	(89,802)
		1,484,221	559,151
18. ERVEN TRUST FUND			
Outstanding advances to borrowing services:			
Accumulated fund		2,624,533	2,556,740
Less: External investments		(2,616,769)	(2,545,788)
		7,764	10,952
(Refer to appendices A and B for more detail)			
19. RENEWAL FUND			
Outstanding advances to borrowing services:			
Accumulated fund		70,119	68,690

	Less: External investments	(62,307)	(69,762)
		7,812	8,928
	(Refer to appendices A and B for more detail)		
20.	CAPITAL DEVELOPMENT FUND		
	Accumulated Fund	8,203,158	7,896,316
21.	CAPITAL RESERVE FUND		
	Accumulated Fund	768,227	768,227
22.	FINANCE TRANSACTIONS		
	Total external interest received or paid:		
	Interest received	273,730	57,517
	Interest paid	(29,314)	(96,316)
	Net interest received / (paid)	244,416	(41,799)
	Capital charges debited to operating account:		
	Interest	32,162	102,769
	- External	29,314	99,316
	- Internal	2,848	3,453
	Redemption	57,014	36,044
	- External	52,710	33,740
	- Internal	4,304	4,304
	Total	89,176	140,813

MAFUBE LOCAL MUNICIPALITY			
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (continued)			
	2006	2005	
	R	R	
23. APPROPRIATIONS			
Appropriation account:			
Accumulated surplus/(deficit) at beginning of year	8,995,518	7,845,488	
Operating (deficit)/surplus for the year	342,779	1,080,650	
Appropriations for the year	(5,699,274)	69,380	
Prior year adjustments	(5,699,274)	69,380	
Accumulated (deficit)/surplus at the end of the year	3,639,023	8,995,518	
24. CASH GENERATED BY OPERATIONS			
(Deficit)/Surplus for the year	342,779	1,080,650	
Adjustment in respect of:	(5,699,274)	1,426,450	
Adjustment		1,357,070	
Previous years' operating transactions	(5,699,274)	69,380	
Appropriations charged against income:	2,698,800	5,477,575	
Fixed Assets	115,119	400,962	
Investments			
Provision and reserve	2,583,681	5,076,613	
Capital charges	89,176	140,813	
Interest paid	32,162	102,769	
- External loans	29,314	99,316	
- Internal loans	2,848	3,453	
Redemption	57,014	38,044	
- External loans	62,710	33,740	
- Internal loans	4,304	4,304	
Investment income (Operating account)	(753)	(266)	
Grants and subsidies received	-	(19,165,352)	
Non-operating income credited against:			
- statutory funds	239	1,846	

Non-operating expenditure debited against:				
Provisions and reserves:				(1,228,804)
Accrued leave		(609,166)		-
Audit		(1,253,070)		-
Bad debts		1,868,312		-
		(2,562,958)		(11,265,089)

MAFUBE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (continued)

	2006	2005
	R	R
25. (INCREASE)/DECREASE IN WORKING CAPITAL		
(Increase) / Decrease in inventory	64,183	(112,962)
(Increase) / Decrease in debtors	(10,927,807)	(6,042,441)
Increase / (Decrease) in creditors	15,900,792	(483,316)
	5,037,168	(6,538,719)
26. INCREASE/(DECREASE) IN LONG - TERM LIABILITIES		
Increase in loans	-	-
Loan repaid	(52,710)	(97,185)
	(52,710)	(97,185)
27. (INCREASE)/DECREASE IN CASH INVESTMENTS		
Investment made	(2,967,381)	(50,542)
Investment raised	260,360	4,199
	(2,417,021)	(46,343)
28. (INCREASE)/DECREASE IN CASH AND BANK		
Cash and bank balance at the beginning of the year	(3,945,368)	(4,639,650)
Less: cash and bank balance at the end of the year	(3,701,523)	(3,964,328)
	(243,845)	(675,322)
29. (INCREASE)/DECREASE IN LONG TERM DEBTORS		
(Increase)/decrease in Housing Loans	8,131	9,950
(Increase)/decrease in Sport Club Loan	-	547
	8,131	10,497
30. INCREASE/(DECREASE) IN CONSUMER DEPOSITS		
Electricity Deposits	97,040	60,198
Water Deposits	4,900	3,264
	101,940	63,462
31. INCREASE/(DECREASE) IN PROVISIONS		
Increase/(decrease) in Audit Fees	925,069	207,260
Increase/(decrease) in Accrued Leave Pay	(203,625)	(411,965)
	721,445	(204,705)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (continued)			
F. Criminal or Disciplinary Steps taken as a result of the above			
Yes, 5 Cases		2006	2005
		R	R
32. CAPITAL COMMITMENTS AND CONTRACTUAL OBLIGATIONS			
None			
Construction of a raw water intake tower for Frankfort/ Namanadi			2,055,854
H. Contingent Liabilities as at the End of the Year		118,655	
None that management is aware of		357,472	
Bucket eradication, Tweeting and Cornelia		307,785	
I. Contingent Liabilities with the Municipal Finance Management Act, Act no 56 of 2003		987,084	
None that management is aware of		1,771,197	2,055,854
33. RETIREMENT BENEFITS		COUNCIL	COUNCIL
Council makes the following contributions towards different Pension Funds:			
Free State Municipal Pension Fund		18.07%	18.07%
SAMWU National Provident Fund		18.07%	18.07%
Sala Pension Fund		20.78%	18.07%
Free State Municipal Provident Fund		18.07%	18.07%
Pension Fund for Municipal Councillors		15%	15%
34. ADDITIONAL INFORMATION IN TERMS OF SECTIONS 124 AND 126 OF THE MFMA			
A. Municipal Entities			
Under sole and shared control of the Municipality during 2005/2006		None	None
Under sole and shared control of the Municipality as at 30 June 2006		None	None
B. Contributions to Organised Local Government			
None			
C. Amounts Paid	Outstanding	Paid	
Audit Fees	199,718	1,253,070	725,022
Taxes	81,965	1,188,103	1,289,587
Levies	84,052	878,587	20,227
Duties	-	-	-
Pension Contributions	17,774	2,891,857	424,303
Medical Aid Contributions	100,654	491,698	651,473
		6,683,115	3,110,702
D. Bank Accounts			
Absa Bank Frankfort: Cheque Account no 48-5282-3517			
Balance at beginning of year		-955,225.00	-2,387,810.00
Balance at end of year		-1,515,288.32	-955,225.00
E. Material Losses, Irregular, Fruitless, Wasteful or Unauthorised Expenditure			
Available as per (F)			

APPENDIX A

MAFUBE LOCAL MUNICIPALITY

STATUTORY FUNDS, RESERVES AND TRUST FUNDS

FOR THE YEAR ENDED 30 JUNE 2006

	Balance at 30 June 2005	Contributions during the year	Interest on investments	Other Income Transfer	Operating Expenditure during year	Balance at 30 June 2006
STATUTORY FUNDS						
Capital development fund	7,996,316	-	206,842	-	-	8,203,158
Erven trust fund	2,556,740	-	67,554	239	-	2,624,533
	10,553,056	-	274,396	239	-	10,827,691
TRUST FUND						
Government fund	6,146	-	-	-	-	6,146
RESERVES						
Capital renewal fund	66,690	-	1,429	-	-	70,119
Capital reserve fund	768,227	-	-	-	-	768,227
	836,917	-	1,429	-	-	838,346

APPENDIX B

MAFUBE LOCAL MUNICIPALITY

EXTERNAL LOANS AND INTERNAL ADVANCES

FOR THE YEAR ENDED 30 JUNE 2006

EXTERNAL LOANS	Loan no	Issued	Interest		Redeemable	Balance at	Received /	Redeemed /	Balance at
			Rate			30 June 2005	Capitalized	written off	30 June 2006
						R	R	R	R
DBSA: Water	13049	1/7/1986	15.81%		30/6/2011	103,989		11,454	92,544
DBSA: Sewerage	13044	1/7/1978	9.75%		30/6/2008	118,546		35,817	82,729
DBSA: Sewerage	11708	1/1/1977	9.76%		31/12/2006	6,349		4,131	2,218
DBSA: Water	11569	1/1/1990	16.02%		31/12/2009	7,856		1,308	6,548
						236,749		52,710	184,039
INTERNAL ADVANCES									
Erven trust fund						10,952		3,188	7,764
Renewal fund						8,928		1,116	7,812
						19,880		4,304	15,576

APPENDIX C

MAFUBE LOCAL MUNICIPALITY

ANALYSIS OF FIXED ASSETS FOR THE YEAR ENDED 30 JUNE 2006 (Continued)

Expenditure 2005		Budget 2006	Balance at 30 June 2005	Expenditure during year	Redeemed transferred or written off	Balance at 30 June 2006
R	Services		R	R	R	R
645,057	Balance brought forward	6,268,000	36,712,498	404,913	-	37,117,411
5,734,074	Economic services	6,065,000	62,304,692	2,983,048	-	65,287,739
16,918	Cleansing		1,192,572	6,265	-	1,197,837
747	Properties	3,000,000	2,724,919	-	-	2,724,919
1,346	Water Park	10,000	399,917	5,651	-	405,568
5,715,063	Sewerage	3,055,000	57,987,284	2,972,140	-	60,959,424
	Housing services		1,925,540	-	-	1,925,540
	Sub-economic housing		1,786,844	-	-	1,786,844
	Economic housing		138,696	-	-	138,696
7,361,706	Trading services	6,389,016	68,365,127	4,325,443	-	72,690,570
1,758,152	Electricity	1,310,000	24,316,844	343,788	-	24,660,632
	Mafabalaneng network		4,781,275	-	-	4,781,275
	Brick making		9,511	-	-	9,511
5,603,554	Water	5,079,016	39,257,497	3,981,657	-	43,239,154
13,740,838	Total fixed assets	18,822,016	169,307,858	7,713,402	-	177,021,259
13,794,333	Less: loans redeemed and other capital receipts		169,120,969	7,770,416	-	176,891,325
53,495	Loans redeemed and advances paid		24,537,246	57,014	-	24,594,260
400,962	Contributions ex-operating income		4,714,836	115,119	-	4,829,955
	Adjustment previous years		(341,157)	-	-	(341,157)
	Other sources		10,101,751	-	-	10,101,751
	Funds		154,451	-	-	154,451
	Renewal fund		439,213	-	-	439,213
10,943,296	Contribution from government		50,870,880	-	-	50,870,880
	Public contributions		50,276	-	-	50,276
	Capital reserve funds		58,815	-	-	58,815
	Even funds		450,245	-	-	450,245
	Infrastructure funds		2,196,565	-	-	2,196,565

2,396,980	Grants and subsidies	72,565,963	7,598,283	80,164,246
	Sports fund	26,275		26,275
	Contribution funds	12,813		12,813
	Sale of assets	9,725		9,725
	Funds and reserves	3,200,000		3,200,000
	Youth action	77,000		77,000
	Net fixed assets	186,949	(57,014)	129,935
	Note:			
	Council's offices at Frankfort and Villiers serve as security for the bank overdraft			

APPENDIX D

MAFUBE LOCAL MUNICIPALITY

ANALYSIS OF OPERATING INCOME AND EXPENDITURE

FOR THE YEAR ENDED 30 JUNE 2006

Actual		Actual	Budget
2005		2006	2006
R		R	R
	Income		
19,165,352	Grants and subsidies	19,967,121	30,903,876
18,997,486	Central Government	19,931,438	30,716,976
2,167,866	Provincial Government	35,685	187,000
35,184,632	Operating income	38,774,215	28,169,528
4,534,829	Assessment rates	4,043,844	4,850,596
10,688,231	Sale of electricity	11,212,298	11,511,934
3,886,312	Sale of water	5,401,321	4,437,825
16,075,260	Other services and charges	18,116,752	7,369,173
54,349,994		58,741,335	59,073,504
	Expenditure		
21,720,599	Salaries, wages and allowances	21,045,946	22,161,188
22,591,493	General expenses:	28,253,016	26,110,440
9,322,943	Purchase of electricity	10,249,436	9,961,620
783,478	Purchase of water	3,986,624	1,377,733
12,485,072	Other general expenses	14,016,656	14,771,687
	Fixed assets		
2,314,719	Repairs and maintenance	2,311,619	3,182,537
140,813	Capital charges	89,176	177,663
425,097	Contribution Capital Expenditure	115,119	1,571,000
6,076,613	Contribution to Funds	6,583,680	5,855,541
53,269,334	Gross expenditure	58,398,556	59,058,367
53,269,334	Net Expenditure	58,398,556	59,058,367
1,080,650	Surplus/(Deficit)	342,779	15,137

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

2005		2005		2006		2006	
Actual	Actual	Surplus /		Actual	Actual	Surplus /	Budget
Income	Expenditure	(Deficit)		Income	Expenditure	(Deficit)	Surplus /
R	R	R		R	R	R	(Deficit)
30,044,784	29,523,201	521,583	RATES AND GENERAL SERVICES	31,688,824	29,516,956	2,171,867	(470,513)
16,510,040	13,634,797	2,875,243	COMMUNITY SERVICES	17,799,679	13,489,632	4,309,943	2,897,963
78,332	2,131,123	(2,052,791)	Administration	420	3,523,282	(3,522,862)	(2,492,296)
7,018,323	1,457,728	5,560,595	Assessment rates	6,513,097	80,111	6,432,986	7,300,998
-	359,956	(359,956)	Mechanical Services	-	280,275	(280,275)	(552,182)
18,020	18,020	-	Environmental Health	-	-	-	-
2,149,886	2,115,444	34,422	Primary Health	35,685	6,068	27,616	-
71,586	24,865	46,721	Cemeteries	84,689	17,712	66,974	24,702
39,807	4,440,783	(4,401,976)	Technical services	14,872	4,149,029	(4,134,156)	(4,030,298)
-	1,141,197	(1,141,197)	Corporate services	-	2,078,731	(2,078,731)	(7,524,689)
7,028,781	1,662,677	5,366,104	Finance	11,009,765	2,874,797	8,134,968	6,051,499
106,325	483,004	(376,679)	Legal and protection services	141,050	477,627	(336,577)	(848,774)
843,774	3,383,968	(2,540,194)	SUBSIDIZED SERVICES	698,231	3,774,268	(3,076,038)	(3,522,218)
72,237	72,237	-	Ambulance	-	-	-	-
30,403	237,230	(206,827)	Civil buildings	48,829	147,172	(98,343)	(328,298)
43,047	-	43,047	Fire Protection	689	689	-	-
688,293	604,401	81,882	Libraries	639,445	639,445	-	-
11,804	2,470,100	(2,458,296)	Parks and recreation	9,267	2,966,663	(2,977,696)	(3,183,959)
17,353,814	17,218,765	135,049	Balance carried forward	16,497,805	17,263,900	1,233,905	(634,257)

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006 (Continued)

2005			2006			2006	
Actual	Actual	Surplus /		Actual	Actual	Surplus /	Budget
Income	Expenditure	(Deficit)		Income	Expenditure	(Deficit)	Surplus / (Deficit)
R	R	R		R	R	R	R
17,383,814	17,218,765	135,049	Balance brought forward	18,497,805	17,263,900	1,233,905	(634,252)
12,690,670	12,304,436	386,534	ECONOMIC SERVICES	13,191,019	12,263,056	937,962	163,739
528,616	70,599	458,219	Properties	362,583	57,461	305,121	534,890
5,492,205	5,207,513	284,692	Cleansing	5,799,691	5,626,804	172,787	22,787
6,630,669	6,638,821	(8,152)	Sewerage	7,025,648	6,223,174	802,475	2,476
39,278	387,503	(348,225)	Water park	3,196	345,617	(342,421)	(396,114)
24,305,290	23,746,133	559,067	TRADING SERVICES	27,056,511	26,661,400	(1,029,009)	486,650
13,750,118	13,677,847	72,271	Electricity	14,782,683	15,479,260	(696,577)	289,522
10,555,082	10,068,286	486,796	Water	12,269,829	13,402,340	(1,132,511)	202,128
54,349,984	53,269,334	1,080,650	Total	58,741,335	58,388,556	342,779	15,137
		69,380	Appropriations for the year			(5,699,274)	
			(Refer to note 17)				
		1,150,030	Net surplus/(deficit) for the year			(5,356,495)	
		7,645,498	Accumulated surplus/(deficit) beginning of the year			8,995,518	
		8,995,518	Accumulated surplus/(deficit) end of the year			3,639,023	

MAFUBE LOCAL MUNICIPALITY

APPENDIX F

STATISTICAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2006

General statistics		2005	2005
i)	Population	57 837	57 837
ii)	Valuation of residential properties	Not available	Not available
	Valuation of commercial properties	Not available	Not available
	Valuation of rateable properties: Land	271 004 465	26 799 240
	Valuation of rateable properties: Improvements		264 114 735
	Valuation of non- rateable properties: Land	94 228 162	20 343 202
	Valuation of non- rateable properties: Improvements		53 975 470
iii)	Date of valuation	1/7/2003	1/7/2003
iv)	Number of stands - residential and commercial	13 432	13 127
v)	Assessment rate on land	0.01833c/R	10.00c/R
vi)	Assessment rate on improvements		1.0c/R
vii)	Number of employees	343	385
Electricity statistics			
i)	Number of users (residential and commercial)	19 365	7 765
ii)	Units purchased	94 711 313	49 591 675
iii)	Units sold	51 559 399	49 199 503
iv)	Units lost in distribution	3 151 914	392 172
v)	Percentages loss in distribution	5.80%	0.79%
vi)	Cost per unit sold	22	28
Water statistics			
i)	Number of users (residential and commercial)	14 868	11 770
ii)	Units purchased (correct information not available)	1 591 558	3 343 455
iii)	Units sold	1 882 266	2 606 500

iv)	Units lost in distribution						-	736,955
v)	Percentages loss in distribution						-	22.0%
vi)	Cost per unit sold						2.87	3.96
Transport Statistics								
There are no public transport in any of the towns								
ii)	Number of passengers transported						none	none
iii)	Number of trips travelled						none	none
iv)	Kilometres travelled						none	none

CHAPTER 5

High level Performance Management Assessment

A number of projects were identified for the financial year under review. The annual report will only reflect those that have been the responsibility of internal senior managers and their departments as identified in chapter 3 of the same report.

PRIORITY: SANITATION

STRAAT no	Project description & critical steps	Due date	Financial Forecast	Responsibility	Funding source	Comments
2	Upgrade sewer works: • Tweeling	Year 5	R1,6m	DTS	NFDM/CMIP	A sewer network has been upgraded.
OBJECTIVE 2: To ensure that all existing and future erven are provided with a functional water borne sewer system						
1	Water borne sewerage network and toilet structure to backlogs: • Qalabartjia: 1800 erven	Year 5	R8,3m	DTS	NFDM	Progress has been achieved with regard to bulk connections to sewer networks.
3	Water borne sewerage network and toilet structure to estimated future need of 3000 erven	Year 5	R13,5m	DTS	NFDM	
OBJECTIVE 4: To conduct ongoing educational programmes with consumers to minimize blockages in the system						
1	Comprehensive service awareness workshops	Year 5	R30,000	DTS	NFDM/DWAF /BH	Awareness campaigns have been held.
OBJECTIVE 5: To provide quality sewer measures meeting RDP standards to all rural residents						
2	VIP toilets to all households in rural areas based on investigation.	Year 4-5	R1m	DTS	NFDM/DWAF	Although there has been improvements, this system remains a challenge in our municipality.

PRIORITY: WATER PROVISION

STRAT no	Project description & critical steps	Due date	Financial forecast	Responsibility	Funding source	Comments
OBJECTIVE 1: To upgrade the water storage capacity to meet future demands and ensure at least 48 hours storage capacity						
2	Increase water storage capacity <ul style="list-style-type: none"> • Cornelia • Frankfort 	Year 4 Year 5	R5m R5m	DTS	NFDM, CMIP	This project is still in progress and has been planned as a continuous multi-year project.
OBJECTIVE 2: To ensure that all erven will have access to metered potable and quality water						
2	Water networks with meters to all future erven- approximately 3000 low cost erven	Year 3-5	R5.4m	DTS	NFDM	This is a challenge for revenue collection purposes.
3	Water network and meters to 300 middle income erven in Villiers and extension 21 in Frankfort of 171 erven (high cost erven)	Year 4	R850,000	DTS	NFDM	
OBJECTIVE 3: To provide quality water meeting RDP standards to all rural residents						
1-6	Provision of water to all rural households not provided	Year 1-5	R600,000 p.a	DTS	NFDM	The project has been a success although some traps are still beyond 200m as

										required by RDP standards.
OBJECTIVE 4: To increase resources, equipment and personnel capacity to be able to reduce water loss within 2 hours and to repair breakages within 48 hours.										
3	Replacement of water valves	Year 1-5	R100,000	DTS	NFDM					This is done on a need basis and has been reported as being achieved for the financial year.
1	Determine all material and parts to have in stock for emergencies	Year 1-5	R100,000	DTS	NFDM					The fire hydrants were purchased and installed as identified.
2	Provision of fire hydrants and adequate stop valves in Namahadi, Qelaborjha, Ntswanatsatsi and Mafrahlaneng.	Year 2-5	R125,000 p.a	DTS	NFDM					Done
8	Implementation of measuring/metering system to measure bulk supply and determine water loss areas.	Year 1-5	R120,000 p.a	DTS	NFDM					

PRIORITY: ELECTRICITY PROVISION

STRAT no	Project description & critical steps	Due date	Financial forecast	Responsibility	Funding source	Comments
OBJECTIVE 1: To maintain electricity provision to ensure un-interrupted and quality electricity supply						
1	Upgrading and maintenance of network in all areas MV network of Tweeling and refurbishment thereof: <ul style="list-style-type: none"> Bulk supply towards Frankfort extension 23 Upgrading of the existing LV network in Frankfort 	Year 1-5	R460,000 p.a	DTS	NFDM	Although this has been identified as our priority, ESKOM has been assisted in some areas of our municipality.

	<ul style="list-style-type: none"> MV and LV network of Villiers and refurbishment thereof MV and LV network of Cornelia and refurbishment thereof. 	Year 5	R100,000 pending investigation	DTS	NFDAM, NER	In process and linked to above.
4	Investigate system of ring feeds and implement	Year 5	R100,000 pending investigation	DTS	NFDAM, NER	In process and linked to above.
OBJECTIVE 2: To provide metered (pre-paid) electricity to all erven and ensure adequate support systems						
2	Provision of electricity network to approximately 3000 Future residential erven including Frankfort extension 24-300 erven.	Year 2-5	R1,350m p.a	DTS	NER	Not done In terms of our priority, this will be addressed in the future and dependent on need.
OBJECTIVE 3: To provide appropriate area lighting to all urban communities according to their specific needs						
1	Street lighting Future extensions	Year 4-5	R420,000	DTS	NFDAM	Done. This is done in collaboration with ESKOM.
OBJECTIVE 4: To facilitate and negotiate the provision of electricity in rural areas with the respective license holders.						
	Continue subsidy scheme to rural households	Year 1-5	R420,000	DTS	NFDAM	Progress has been achieved with regard to our indent register and there are households that are benefiting in this service.

PRIORITY: STREET AND STORM WATER

STRA no	Project description & critical steps	Due date	Financial forecast	Responsibility	Funding source	Comments
OBJECTIVE 1: Tar and/or surface identified (District Municipality Survey) access and collector roads						
1.4	Construction of streets according to master plan	Year 1-5	R5m p.a	DTS	NFDM	Not done
1.3	Construction of storm water drainage systems according to Master Plan	Year 1-5	R5m p.a	DTS	NFDM	Only upgrades have been recorded of existing storm water drainage networks.
OBJECTIVE 3: To ensure the naming and numbering of all streets						
1.2	Provision of street names and signage to indicate the various extensions/suburbs in a town area	Year 1-5	R100,000 p.a	DTS	NFDM	This was partially done in collaboration with provincial department of Tourism.
OBJECTIVE 4: To provide and maintain adequate traffic and road signs and traffic calming measures						
3	Provide traffic calming measures such as humps and safe pedestrian crossing along high speed traffic routes.	Year 2-4	R400,000	DTS	NFDM	Priority has been on very crucial and accident prone areas like schools and bus stops.

PRIORITY: REFUSE REMOVAL

STRAT no	Project description & critical steps	Due date	Financial forecast	Responsibility	Funding source	Comments
1,2	Identify and establish proper licensed sites in all four town areas and rehabilitating of all existing refuse dumping sites <ul style="list-style-type: none"> • Villiers • Cornelia 	Year 4 Year 5	R800,000 R800,000	DTS DTS	DWAF/CMIP	This has been done. The municipality continues to be among the municipalities boasting clean towns.
OBJECTIVE 2: To provide a weekly refuse removal service to all erven						
1	Provision of refuse bins	Year 1-5	R100,000 p.a	DTS	NFDM	Done This has been registered success although it overlaps throughout the years.

PRIORITY: CEMETERIES

STRAT no	Project description & critical steps	Due date	Financial forecast	Responsibility	Funding source	Comments
OBJECTIVE 1: To investigate and provide adequate cemetery capacity in the various communities according to specific needs						
3	To investigate alternative methods of burial	Year 4	R20,000	DCS	NFDM	Not done.

PRIORITY: HOUSING

STRAT no	Project description & critical steps	Due date	Financial forecast	Responsibility	Funding source	Comments
	OBJECTIVE 1: To ensure the availability of land for the development of erven to adequately provide in the future needs for erven					
2	Establishment of low cost residential erven by means of planning, township establishment and pegging: <ul style="list-style-type: none"> • Frankfort: 400 erven per annum year 2-5 • Villiers: 300 erven per annum year 2-5 • Cornelia: 200 erven in year 1 and 100 in year 2-5 	Year 2-5 Year 2-5 Year 2-5	R400,000 R300,000 R100,000	DTS	DLGH	Identification of erven and subsequent township establishment has not been a priority for 2005/06 but it remains a planning requirement to be observed in such circumstances.
	OBJECTIVE 2: To facilitate and support the long term replacement of all temporary structures with permanent dwelling structures					
2	Submission of applications for subsidies and replacement of temporary housing structures with permanent structures (500 P.a)	Year 1-5	R9,250m	DTS	DLGH	Done.

GENERAL PROJECTS

STRAT no	Project description & critical steps	Due date	Financial forecast	Responsibility	Funding source	Comments
	Annual revision of IDP	Year 1-5	R150,000 p.a	DTS	NFDM, MM, PDLG	Done. Office of the Municipal Manager, in collaboration with the district PINSS section has assisted us.