



KUNGWINI LOCAL MUNICIPALITY

ANNUAL REPORT
2005/2006





Vision

A viable municipality that delivers world class services

Mission

To provide accessible affordable and equitable services to our community on a sustainable basis through competent staff

CONTENTS

Chapter

1. Introduction and Overview

- 1.1 Foreword: Executive Mayor
- 1.2 Overview: The Municipal Manager
- 1.3 Executive Summary

2 Performance Highlights

- 2.1 Progress in eliminating backlogs in service delivery
- 2.2 Levels and standards of service
- 2.3 Relating backlogs to municipal spending on service delivery infrastructure
- 2.4 Building and zoning plans

3. Infrastructure

- 3.1 Water Services
- 3.2 Sanitation Services
- 3.3 Energy Source
- 3.4 Housing

4. Human Resource and other organisational management

- 4.1 Human Resource Management
- 4.2 Organisational Structure
- 4.3 Human Resource Management Policies and Practices
- 4.4 Membership of Funds
- 4.5 Performance, Governance, Municipal Transformation and Institutional Development
- 4.6 Municipal Transformation
- 4.7 Institutional Development

5. Governance

6. Audited Statements and Related Financial Information

- 6.1 Audit Report
- 6.2 Audited Financial Statement
- 6.3 Interpretation and Analysis of Financial Statements

7. Conclusion

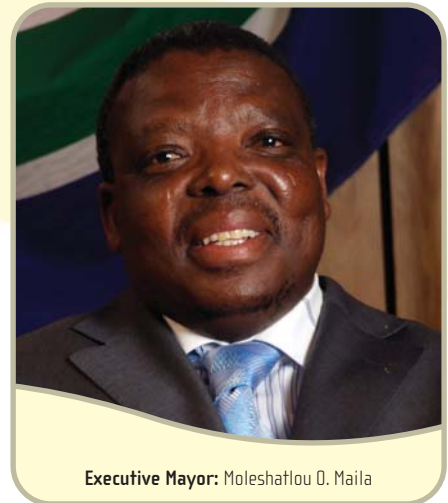


INTRODUCTION & OVERVIEW

1.1 FOREWORD

Since the birth of our democracy in 1994, South Africa has moved from a state of extreme poverty to conditions where the basic needs of the majority of our people are being met. The decentralisation of service delivery from National to Local Government sphere has meant that Kungwini Municipality, and other municipalities like it, must shoulder the responsibilities and face up to the challenges of ensuring efficient and effective service delivery to our people. The *Constitution of the Republic of South Africa* (Act 108 of 1996) has clearly outlined the responsibilities of these Municipalities as follows:

- Provide democratic and accountable government for local communities
- Ensure the provision of services to communities in a sustainable manner
- Promote social and economic development
- Promote a safe and healthy environment; and
- Encourage the involvement of communities and community organisations in the matters of local government



Executive Mayor: Moleshatlou O. Maila

As a municipality we take these responsibilities very seriously, and in order to ensure full compliance with the Constitution and other pieces of regulatory legislation, we have put measures in place, that seek to address problems which, in some ways, have aggravated an already difficult situation. Circumstances beyond our control resulted in severe leadership instability, since, at some time, every senior manager or Director in the Municipality was serving in an “acting” capacity, a situation better suited to Hollywood than municipal government. Currently, all departmental heads, including the Municipal Manager are acting. Our Acting Municipal Manager is also acting in the position of Director Financial Services, a dual role. This uncomfortable situation was created by the suspension of three of our HOD’s and the resignation of the Director Service Delivery. The ensuing instability was the result of frequent premature changes in leadership, and many of these changes bore no relationship to elections.

This state of affairs has greatly affected service delivery. As a result the Municipality has been placed under the “Project Consolidate” initiative by the Ministry of Provincial and Local Government to fast-track service delivery in ailing municipalities. Nonetheless we intend to vigorously and rigorously bring about an improvement in service delivery. The pending suspension cases will be brought to a close by the end of the financial year 2006/7, so that we are able to start operating as a Municipality and leave acting to the star performers in California.

Although the Municipality remains under Project Consolidate, many of our efforts have resulted in substantial accomplishment. Catering for our community’s most basic needs was obviously high on our list of priorities, and we are proud of the fact that we have managed so many of these priorities within the relatively short period since we were elected to office. There is no doubt that within a few short months, we will be able, as Council, to take this Municipality from adverse to an unqualified audit status, and for this we have to thank the support of the members of our community and staff. Our goal is to reach a state of unqualified audit within a period of two years.

I wish to extend my heartfelt gratitude to those of you, politicians, community members and staff, who have given and continue to give us much needed support in order to achieve all our objectives as set out in the Integrated Development Plan (IDP).

A handwritten signature in black ink, appearing to be 'Moleshatlou O. Maila'. The signature is stylized and somewhat cursive.

Moleshatlou O Maila
Executive Mayor

1.2 OVERVIEW

Kungwini Local Municipality (KLM) is a category B Municipality determined by the Demarcation Board in terms of section 4 of the Municipal Structures Act, 1998 and falls within the area of jurisdiction of Metsweding District Municipality (MDM). The Municipality was established from an effective date in terms of the Provincial General Notice No. 6569 of 19 September 2000 and Provincial Notice 291 of 22 September 2000 for Mpumalanga and Gauteng respectively.

Kungwini Local Municipality's governance system is a Collective Executive as described in Gauteng Types Municipality Act and the Mpumalanga Further Determination of Types of Municipalities Act.

The seat of Kungwini Local Municipality is situated at Muniforum 1, corner of Botha and Mark Streets, Bronkhorstspuit.

The Kungwini Local Municipality is a Cross-Boundary Municipality, situated on the Provincial Boundary of the Gauteng and Mpumalanga Provinces. The Kungwini Local Municipality is constituted by the disestablished Transitional Local Councils of Bronkhorstspuit, Eastern Gauteng Services Council, Bronberg, Ekangala, and the Elandsrivier. A small portion of the Northern Section (Ekangala) of the Kungwini Local Municipal Area is situated in Mpumalanga Province.

The Kungwini Local Municipality covers an area of approximately 2,109 km², which is equivalent to 51, 90% of the total area of the Metsweding District Municipality. The Municipality's population is estimated at 107 309, which is 67, 12% of the total population of the Metsweding District Municipality.

Kungwini Local Municipality's population growth rate is estimated at 1.03% which is above the estimated average District and Provincial population growth rates of 0.94% and 1.01, respectively.

An estimated 52.36% of the total population of the Kungwini Local Municipal Area is in the economically-active age group of 20 to 64 years of age. It is estimated 28 289 people (39.75% of the total population) in the Kungwini Local Municipal area are within the age group of 0 and 19 years. About 3 764 people (5.29%) of the total population of the Kungwini Local Municipal are in the retired age group of 65 years and older.

Fifteen percent (15%) of the households in the Kungwini Local Municipal Area have no income and 64% of the households earn less than R1 600, 00 per month.

The Gauteng Spatial Development Framework characterised Kungwini as a predominantly rural area with lack of basic services, has few employment opportunities, high levels of poverty and unemployment and a large amount of agricultural and recreation potential.

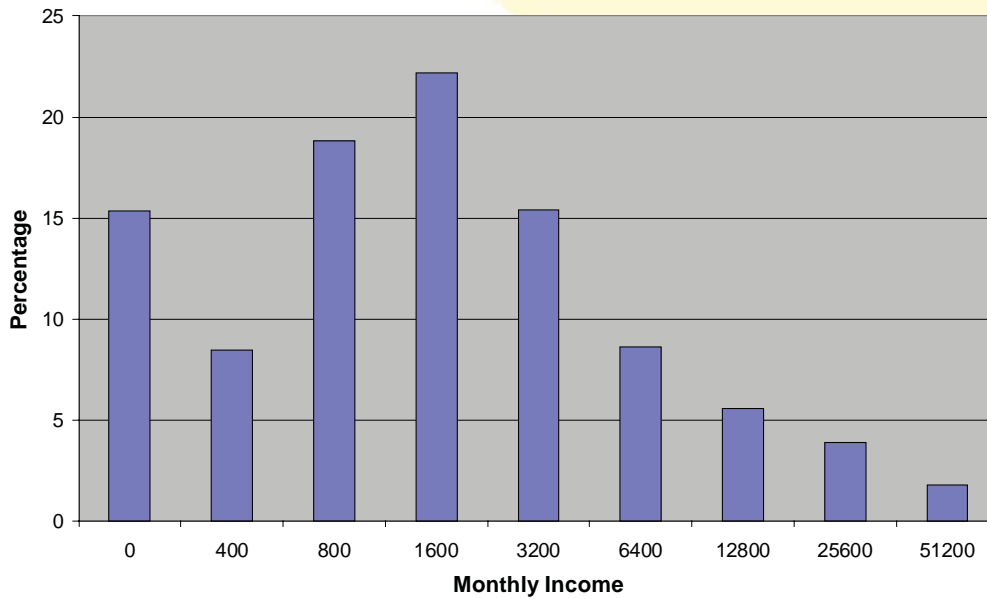
The Economic opportunities identified include, agricultural development, manufacturing and distribution, warehousing and distribution services, trade and services and local tourism.

The major restraints for economic development in the area include low skilled labour force in comparison with other urban areas in Gauteng. To overcome this constraint, a procurement policy at local level could make provision for capacity building and/or skills training programme, limited access to bulk infrastructure necessary to support industrial and tourism development, recognition of the economic diversification, local economic development and linkage with provincial and national government initiatives and programme, facilitate projects that are labour intensive and implement a system that promotes local content in the awarding of tenders to address unemployment and poverty and marketing of KLM in the entire country on the strong economic nodes of KLM and promote investment.



Acting Municipal Manager: J.S. Gomba

1.2 OVERVIEW (cont.)



The area is predominantly agricultural and its population density is estimated at 51 people per km². The south-western portion of the Municipality is starting to experience the pressures of urbanisation originating from the developments in the eastern part of Tshwane Metropolitan Municipality.

The average household size in KLM is estimated at 3.2 persons per household. This figure appears low, and could be attributed to a number of single males who are seeking employment, immigrating to the area. (Statistics, SA, 2001).

A Service Delivery analysis conducted within KLM's wards identified the needs for water supply, provision of sanitation, roads and storm-water in wards 1, 2, 3, 4, 6 and 7 respectively. Actions taken to address the needs identified during the ward analysis include drilling of boreholes, supply of toilet facilities, tarring and re-gravelling of roads and patching of potholes in the affected areas.

KLM has been categorised as a Medium Capacity Municipality by the National Treasury and therefore given until July 2006 to fully comply with the provisions of the Municipal Finance Management Act, Act no. 56 of 2003 (MFMA).

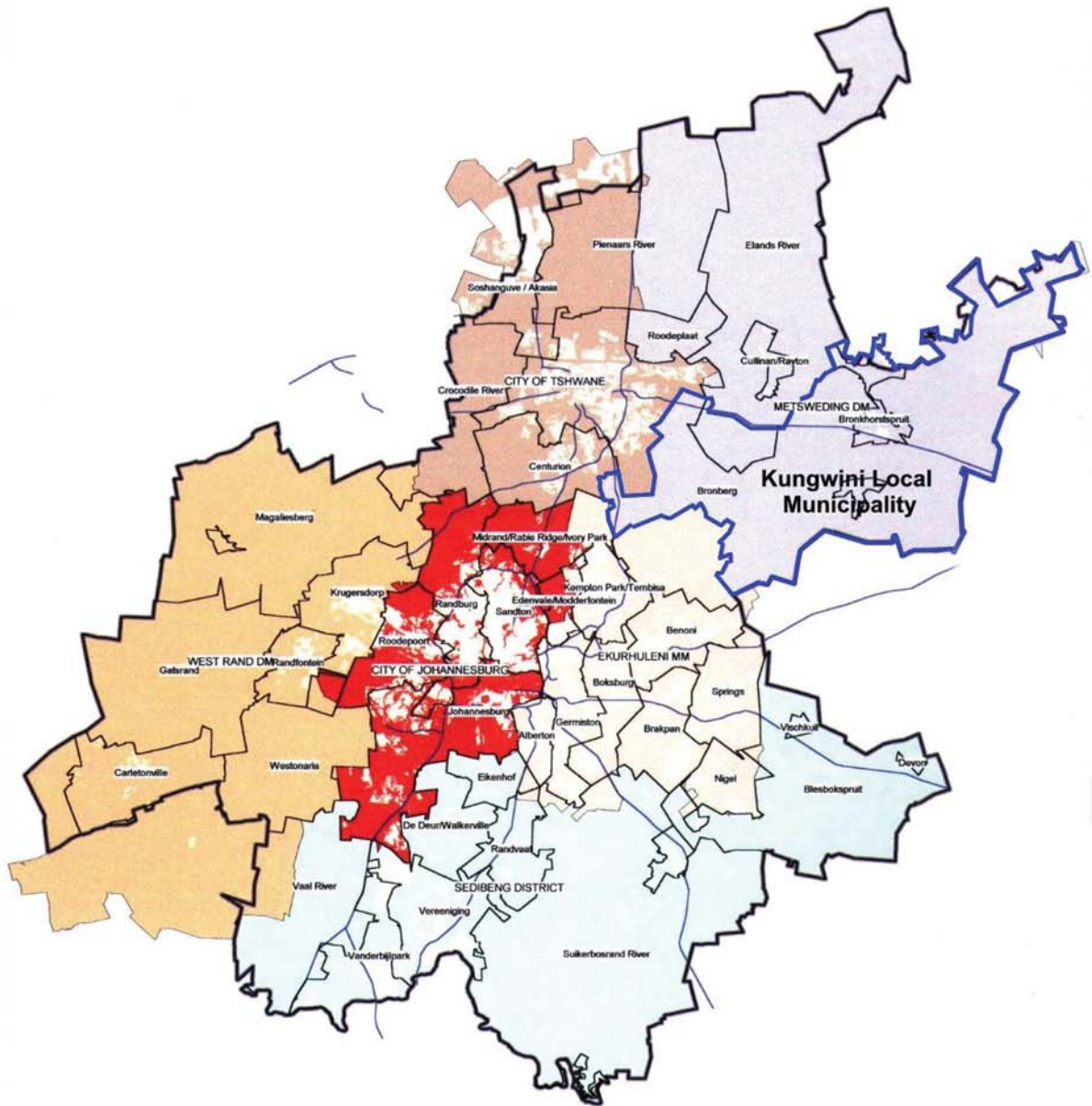
The process of formulating policies and developing new by-laws could not be completed in the 2005/6 financial year as envisaged. Most of the policies and by-laws are those of disestablished municipalities which are not necessarily applicable to the KLM's area of jurisdiction.

The delegation of powers was submitted to Council and approved, however, with the nascent MFMA Legislation there is a need to revise the delegation of powers, particularly the delegation of consultant and contract appointments, as it is not consistent with the MFMA.

As has been noted, the KLM is a cross boundary municipality of both Gauteng and Mpumalanga Provinces. It is also important to note that being a cross-boundary municipality impacts negatively on the decisions that have to be taken by both political leadership and management because of different development frameworks and the various economic aspects and competition in planning.

J.S. Gomba
Acting Municipal Manager

REGIONAL CONTEXT



Scale 1:1000000
0 5 20 30 40 50 km

Figure 1

Diagram 1: Map of Gauteng Province.

Table 1: Population Projections.

AREA	1996	2001	ANNUAL GROWTH RATE	2006	2011
Bronkhorstspuit SP	3 250	4 121	5	5 260	6 713
Cultura Park	218	229	1	241	253
Riamar Park	2 416	2 974	3.7	3 566	4 277
Wagenbietjieskop SH	558	588	1	618	650
Ekandustria SP	27	27	0	27	27
Ekgangala	30 930	33 443	1.6	36 205	39 196
Bashewa AH	874	920	1	967	1016
Bronkhorstspuit NU	14 387	26 238	8	38 552	44 692
Cullinan NU	1 380	1 459	1	1 533	1 612
Donkerhoek SH	523	551	1	580	609
Doornkloof SH	1 510	1 590	1	1 668	1 755
Mooiplaats SH	1 750	1 843	1	1 937	2 036
Olympus AH	1 620	1 706	1	1 793	1 884
Shere AH	854	899	1	945	993
Tierpoort AH	2 070	2 178	1	2 289	2 406
Tweededracht AH	1 045	1 100	1	1 156	1 215
Valtaki AH	748	788	1	829	870
Mooikloof	712	750	1	788	828
Mooikloof SH	263	277	1	291	306
Silver Lakes	696	1 655	10	2 665	3 402
Rethabiseng	4 104	6 344	8.7	8 097	9 386
Sehlakwana	1 602	1 686	1	1 772	1 862
Zithobeni	9 936	15 900	9.5	20 293	23 525
Sokhulumi	437	610	7	776	994
TOTAL	81 910	107 876	5.5	132 848	150 507

Brief Household Income

- Fifteen percent (15%) of the households in the Kungwini Local Municipal Area have no income and 64% of the households earn less than R1 600, 00 per month.
- The services sector, contributes almost 27% (R212-million or 26.47%) to the total GDP for the Kungwini Local Municipal Area.
- The manufacturing sector, contributes almost 18% (R143-million or 17.85%) to the total GDP for the Kungwini Local Municipal Area.
- The agricultural sector, contributes almost 14% (R107-million or 13.36%) to the total GDP for the Kungwini Local Municipal Area.

1.3 EXECUTIVE SUMMARY



In terms of the Municipal Systems Act No. 117 of 1998 and the Municipal Structures Act No. 32 of 2000, the main purpose for the existence of local government in South Africa is:

- Provision of essential, affordable/sustainable, effective and efficient municipal services;
- Promote social development;
- Promote economic development;
- Development of a safe and healthy environment

KLM has adopted the following key priorities of the Gauteng Provincial Government (GPG):

- Enable faster economic growth and job creation,
- Fight poverty and build safe and secure sustainable communities,
- Develop healthy, skilled and productive people,
- Deepen democracy and nation building and realise the constitutional rights of our people,
- Build an effective and caring government.

1.3.1 Enable faster economic growth and job creation

KLM has addressed its vision and mission, the GPG five-year plan in line with the Provincial growth and development perspective. This perspective will culminate in a provincial growth and development strategy that also addresses the Urban Development zones, economic data that is outdated, and developmental strategies, through a spatial development framework.

1.3.2 Fight poverty and build safe and secure sustainable communities

KLM has addressed the provision of basic essential services in the 2005/2006 IDP review. In this document, there are clear time-frames and targets for implementation. The Municipal Infrastructure Grant will also contribute towards job creation using labour intensive methods as part of the Extended Public Works Programme (EPWP).

1.3.4 Develop healthy, skilled and productive people

KLM has an HIV/AIDS strategy in place that has been approved by Council and is operational with an established HIV/AIDS Council; and programmes that are aligned with the Gauteng HIV/AIDS plan formulated and implemented through grant funding from Gauteng Provincial Government.

1.3.5 Deepen democracy and nation building and realise the constitutional rights of our people

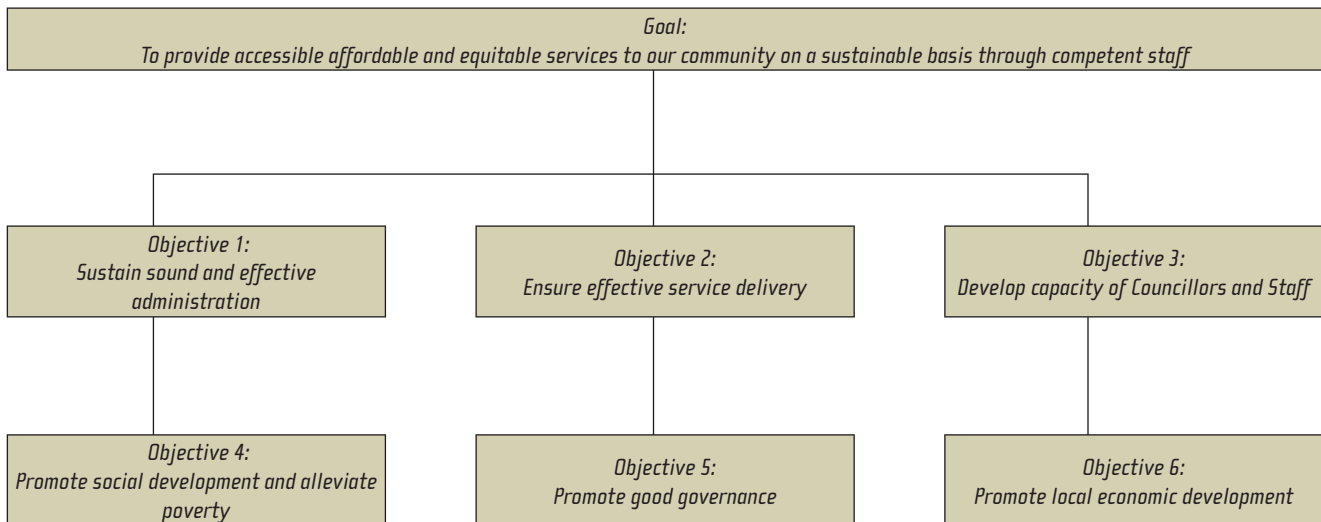
The Community Development Workers (CDWs) were deployed to do ward audits and the analyses of SMEs. There is an ongoing process of community participation through community meetings.

1.3.6 Build an effective and caring government

KLM has embarked on customer care services and a tender has been advertised in national newspapers in an effort to take care of people residing within its jurisdiction.

- Objectives

The key strategic objectives that have been identified by the Kungwini Local Municipality are illustrated in the following diagram.



1.3.7 The dominant economic sectors in the Kungwini Local Municipal Area are:

- The community services sector, contributing almost 27% (R212-million or 26.47% of the total Gross Domestic Product (GDP) for the Kungwini Local Municipal Area);
- The manufacturing sector, contributing almost 18% (R143-million or 17.85% of the total GDP for the Kungwini Local Municipal Area);
- The agricultural sector, contributing almost 14% (R107-million or 13.36% of the total GDP for the Kungwini Local Municipal Area);
- The average growth rate per economic sector was marginal between 1996 and 2001. The percentage contribution growth rate of all the economic sectors, with the exception of the transport sector, decreased between 1996 and 2001; and the real contribution growth rate of all the economic sectors increased between 1996 and 2005. The latter growth rate was, on average, marginal, with the exception of the financial, community services and transport sectors, which experienced significant growth between 1996 and 2001.

1.3.8 Comparative Advantages per Economic Sector

The GDP location quotients of the different economic sectors in KLM were compared with the national average to determine whether KLM has any economic sectors with comparative advantages worth developing:

- The agricultural sector has a GDP location quotient of 4.15;
- The community services sector has a GDP location quotient of 1.17;
- The construction sector has a GDP location quotient of 0.98;
- The manufacturing sector has a GDP location quotient of 0.96;
- The financial sector has a GDP location quotient of 0.79;
- The trade sector has a GDP location quotient of 0.78;
- The mining and transport sector has a GDP location quotient of 0.72; and
- The electricity sector has a GDP location quotient of 0.56.

In view of the above, the only economic sectors with a comparative advantage in the Kungwini Local Municipal Area are the agricultural and community services sectors.

1.3.9 Important administrative considerations

Kungwini Local Municipality is amongst the municipalities placed under Project-Consolidate. The Municipality is currently working hard to improve its current grading to level four (4). The Municipality managed to implement most of the projects that were planned and we are currently in the process of finalising the remainder of our short-term projects. The envisaged date for completing the remaining projects is July 2006.

One of the key focuses of our projects apart from provision of basic needs and services was job creation. Through our projects, we managed to create 207 jobs, employ 146 youth and 71 women. To a great extent, the Municipality managed to provide housing, drinkable water and addressed the plight of those affected by evictions in the farming areas.

1.3.10 Priorities for service delivery

The Municipality identified, through a consultative process, the following key IDP plans:

- Extend free basic services (water and electricity) to rural areas
- Address sanitation backlog
- Build more Reconstruction and Development Programme (RDP) houses
- Conduct skills development and create job opportunities through Local Economic Development (LED)
- Build strong community policing forums (CPFs) and facilitate construction of satellite police stations
- Develop effective public participation strategies
- Fast-track land reform
- Develop integrated transport systems
- Develop and upgrade sports, arts, cultural and recreational facilities

- Construction of more roads
- Upgrade the Zithobeni Health Facility and extend service hours

1.3.11 In implementing the above IDP plans the Municipality identified the following projects for execution during the financial year 2005/6

- Tarring of roads in Rethabiseng and Ekangala
- Re-gravelling of rural roads
- Provision of housing infrastructure in Rethabiseng, Zithobeni and Ekangala
- Drilling of boreholes for sustainable water supply in rural areas
- Upgrading of the Zithobeni landfill site
- Upgrading and maintaining sports facilities in Ekangala and Zithobeni
- Construction of a vehicle pounding area
- Upgrading of hostel in Zithobeni
- Water supply in rural areas at Ekangala
- Provision of enviro-toilets in rural areas and townships
- Construction of bulk sewer and oxidation pond
- Refurbishing of water treatment works
- Implementation of the outfall sewer project
- Rehabilitation of existing sewer plant
- Local Economic Strategy / Plan
- Reviewing the Integrated Development Plan (IDP);
- Rural Development Strategy
- Review of HIV/Aids Strategy
- Integrated Waste Management Plans
- Environmental Management Plans
- Air Quality Management; Disaster Management Plans
- Development of Housing Strategy Policy
- Development of Water Services Development Plan
- Electricity Maintenance Plans
- Construction of hawkers' stalls
- Allocation of stalls to hawkers at Zithobeni taxi rank, and
- Social Development Plan.



MMC: Dan Mabona

Most of the projects have been completed and the remainder are well under way. The only projects that are not scheduled for completion in the current financial year are the long-term projects, commonly implemented in three levels over a period of 3 years.



PERFORMANCE HIGHLIGHTS

The Senior Managers responsible for Corporate Services, Social Services, Finance, and the Municipal Manager were suspended during the 2005/2006 financial year and other officials were appointed to act in these positions. The outputs on service delivery were not quantified.



Always popular, the Community Clinic



The Licensing Department



Our spacious, well-stocked library



Yes, the roads are being upgraded and tarred



The Kungwini Municipal Offices



Finally, water on tap

2.2 LEVELS AND STANDARDS OF SERVICES

2.2.1 FREE BASIC SERVICES

Kungwini Local Municipality's council is providing a free basic service to residents in line with the National Directives to alleviate poverty. All households have a month's free access to 6kl of water services and 50kwh of electricity services.

- The number of households electrified during the financial year is 17 422.
- The number of households provided with water during the financial year is 17 002.

2.2.2 ACHIEVEMENTS

Following is a summary of municipality's service delivery achievements for the 2005/6 financial year. Some of the projects mentioned below overlap into the 2006/2007 financial year, and are subsequently reported as plans for the ensuing year.

(a) Water Services:

- Rehabilitation of water plant has taken off and is scheduled to be completed in April 2007.
- Water Reticulation in ward 3 is in progress and scheduled to be completed in April 2007.
- Provision of water to under-serviced areas: Two water tankers are servicing areas such as Sokhulumi and Kanana.

(b) Sewerage:

- Installation of sewerage reticulation system in Ward 9 is due for completion in June 2007.
- Zithobeni pump station is scheduled to be completed in May 2007.
- The installation of sewer tanks for under-serviced areas is scheduled to be completed in May 2007.
- The municipality is currently supplying under-serviced areas with sanitary facilities.

(c) Development planning and buildings:

The Municipality has achieved a lot in the area of the development planning and building inspectorate. Rapid urbanisation has occurred particularly on the western side of the Municipality. There has been rapid growth in Bronkhorstspuit, especially at Erasmus extension 5 (Masada) and Erasmus extension 8 (Cultura Park). Approved town planning projects resulted in the emergence of 1254 building plans since January 2006. The following residential projects have been approved:

- **Erasmus extension 15 (Tuscan Village):**

This township was proclaimed at the beginning of the year and construction work is now 80% complete. The official launching of the security estate will be taking place on 18 November 2006. This project is the first of its kind in Bronkhorstspuit and approximately 60% of the people who bought houses have already taken occupation.

- **Kungwini Hills:**

This Township was approved. It is still in the planning stages.

- **The Hills Township (Kungwini West):**

This project was approved and the township will be developed in three phases. Most of the preliminary planning work has been completed. The value of the project is R500 000 000.

- **Erasmus extension 16 and 17:**

These have been approved by council.

- **Erasmus extension 19 and 21:**

Both these projects have been approved by council. Erasmus extension 19 is still awaiting an authorisation letter for the excision from agricultural holding to farm land from the Department of Agriculture. The general plan of the township has been prepared, submitted and approved by the Surveyor General's office. Erasmus extension 21 will be submitted for approval by council.

One of the key projects classified as the “mayoral project” is the Bronkies Nature Reserve development. This will be a “breaking new ground” kind of development and Kungwini will be one of the few municipalities to have successfully discussed strong trade-offs for the benefit of its community. Gauteng Provincial Government is in the process of evaluating the municipality’s request for the donation of the property to Kungwini Local Municipality.

Land development area applications have been approved by the Gauteng Development Tribunal (GDT). Kungwini has been allocated a designated on-site officer on the GDT.

- **Reverie Equestrian Estate**

This project has been approved by the GDT. It has 131 stands and a Helipad for helicopters. The project provides for pre-arranged recreational facilities. The property is located east of Bronkhortspruit and is visible along the N4.

- **Rethabiseng Proper**

This project aims to build 557 units, and it is scheduled to be completed in June 2008. The planning, design and infrastructure phase of this project has been completed.

- **Commercial development**

The inability of the Municipality to attract commercial investors has been a source of growing concern. The municipality is proud to announce that it is currently engaged with a new commercial development project. A new complex called Roxy’s Walk-In Village will be established at the corner of Church and Joubert streets. A site development plan has been approved by the Municipality and construction is now under way to build a complex with bulk space of 1500 square meters, excluding parking.

- **Landfill site**

The first phase of a multi-year project scheduled for completion in 2009 was completed during this financial year. The second phase of the project is scheduled to kick off in the immediate future. This is a multi-year project and is scheduled to be completed in March 2009.

- **Zithobeni 5,6 and 7 individual subsidy projects:**

The project aims to build 181 units, and it is scheduled to be completed in June 2008. The deeds of sale have been signed and the contractor has submitted building plans for evaluation.

- **Zithobeni Hostel Emergency Intervention programme:**

The project aims to stabilise and improve living conditions at Zithobeni. A grant application for R471 000 has been submitted to the Gauteng Department of Housing.



The netball court at Zithobeni Sports Stadium



Learners hard at work at Ekangala High School



The new regional cemetery at Ekandustria



The newly completed Ekangala Clinic



Top achievers at Ekangala High School



The waiting room at the clinic

2.3 SERVICE DELIVERY PRIORITIES

SECTION 2: INSTITUTIONAL CLUSTER

	PROJECT NAME	DESCRIPTION	TARGET AREAS	RESPONSIBLE AGENTS	2004/05	2005/06
16	Transformation of Local Government					
16.1	Implementation, Review: Kungwini IDP	To review and track the projects contained within the IDP	All Wards	MDM, KLM	50 000	50 000
16.2	Performance Management System	Performance Management System	All Wards	DLG		500 000
16.3	Customer Relations	To implement the Batho Pele Principles	All Wards	KLM & DLG	800 000	500 000
16.4	Land Audit		All Wards	KLM & DLG		500 000
16.5	Archives Electronic Conversion		All departments	KLM & DBSA		250 000
17	Revenue Collection Strategy		All Wards	MDM, KLM		50 000
18	Communication Strategy		All Wards	KLM		
18.1	Integrated Information System Database		All Wards	KLM & DLG		500 000
18.2	Ward Committee Development and Training	Training, development and capacity building of Ward Committees	All Wards	KLM	50 000	100 000
19	Revision of Policies and By-Laws		All Wards	KLM & DLG	500 000	500 000
9	Local Economic Development Strategy					
9.1	Small Business Development Strategy	Develop a Small Business Development Strategy	All Wards	MDM, KLM	50 000	50 000
9.2	Kungwini Business Forum	Establishment of the Kungwini Business Forum	All Wards	KLM	20 000	20 000
9.3	Initiate, Develop Co-operative Community	Initiate, Develop Cooperative Community	All Wards	KLM	0	80 000
9.4	Skills Training (Especially Agricultural Skills)	Skills Training (Especially Agricultural Skills)	All Wards	MDM, KLM	0	50 000
9.5	Investment Attraction Strategies	Investment Attraction Strategies	All Wards	KLM	0	50 000
9.6	Buy Local Project / Local Business Database	Buy Local Project / Local Business Database	All Wards	KLM	0	20 000
9.7	Eco-tourism Hive	Eco-tourism Hive, Upgrading and Maintenance	All Wards	MDM, KLM	0	80 000
9.8	N4 Corridor: Commercial Development	N4 Corridor: Commercial Development	All Wards	MDM, KLM	0	50 000
9.9	Strategy, Management & Construction Of Hawkers' stalls		7,11 & 12	KLM & MIG	0	1 000 000
10	Tourism Strategy		All Wards	MDM, KLM	0	50 000
4	LRAD		Rural Wards	Dep Land Affairs & KLM	0	100 000 000

SECTION 4: SOCIAL SERVICES CLUSTER

Ref.	PROJECT NAME	DESCRIPTION	TARGET AREAS	RESPONSIBLE AGENTS	2004/05	2005/06
1	Housing and Land					
1.1	Land For Settlement	Identification of land for settlement	All Wards	MDM & KLM		
1.2	Housing (Urban & Rural)	Identification of land for settlement	All Wards	MDM & KLM		
1.3	Zithobeni Hostel (Phase 2)	Hostel Conversion	5	GDH		1 000 000
1.4	Rethabiseng Proper	Municipal Infrastructure and Houses	11	GDH	6 950 000	6 950 000
1.5	Zithobeni Extension 8	Municipal Infrastructure and Houses	5	GDH		675 000
1.6	Zithobeni Extension 2	Municipal Infrastructure and Houses	6	GDH	2 144 760	1 056 165
1.7	Zithobeni Extension 3 (Top Structures)	Top Structures	5	GDH		6 200 000
1.8	Rethabiseng (Top Structures)	Top Structures	11	GDH		112 816

SECTION 5: SERVICE DELIVERY CLUSTER

2	PROJECT NAME	DESCRIPTION	TARGET AREAS	RESPONSIBLE AGENTS	2004/05	2005/06
2.1	Water Reservoir	Construction of Water Reservoir (Ekangala)	8,9,10,12	KLM & MIG		2 500 000
2.2	Water Network	Instillation of Water Network (Ekangala Section F and Extensions)	8	MIG	1 800 000	2 000 000
2.3	Upgrading Water Purification Plant	Upgrading Water Purification Plant (Bronkhorstbaai)	4	KLM & MIG	300 000	1 200 000
2.4	Upgrading Water Purification Plant (BHS.)	Upgrading and Maintenance (Bronkhorstspruit Water Purification Works)	4 to 12	KLM & MIG	100 000	1 200 000
2.5	Water Supply in Rural Areas	Provision of Borehole and Network in Formal and Informal Areas	All Wards	KLM & MIG	300 000	
3	SANITATION SERVICES					
3.1	Expansion of Ekangala Sewerage Plant		10 & 12	KLM & MIG		3 000 000
3.2	Sewer Network		8 & 10	KLM & MIG	1 500 000	1 500 000
3.3	Rehabilitation of Existing Sewerage Plant		7	KLM & MIG		140 000
3.4	Outfall Sewer (Zithobeni)	Zithobeni Outfall Sewer	5	MIG & KLM	1 581 000	1 500 000
	PROJECT NAME	DESCRIPTION	TARGET AREAS	RESPONSIBLE AGENTS	2004/05	2005/06
4	ROADS AND STORMWATER					
4.1	Construction of Roads					
4.2	Rehabilitation of roads in Rethabiseng	Reconstruction of Roads and Stormwater	8, 10 & 12	KLM & MIG	0	1 400 000
4.30	Rehabilitation of roads (Bronkhorstspruit)	Rehabilitation of Roads and Stormwater	7	KLM & MIG	200 000	0
4.40	Rural Roads	Upgrading and Maintenance of Rural Roads	1,2,3,4,7	KLM & MIG	2 000 000	3 000 000
4.5	Roads and Stormwater (Bronkhorstbaai)	Construction of Roads and Stormwater (Bronkhorstbaai)	4	KLM & MIG	1 200 000	1 500 000
4.6	Upgrading of Ekangala Roads			KLM & MIG	1 200 000	1 800 000
4.70	Riampark Roads and Stormwater	Rehabilitation of Roads and Stormwater (Riampark)	4	KLM & MIG	0	0
5	CEMETERIES AND CREMATORIA					
5.1	Regional Cemetery	Develop A Regional Cemetery (Ekandustria)	All Wards	KLM & MIG	1 800 000	1 000 000
6	PARKS AND RECREATION					
6.1	Parks and Recreation	Develop Parks and Recreation Facilities	All Wards	KLM	0	0
7	ELECTRICITY SERVICES					
7.1	Electricity Network	Provision of Electricity Network (Ekangala Section F)	8	KLM, MDM & MIG		2 000 000

SECTION 6: INFRASTRUCTURE DEVELOPMENT PLANS

8	PROJECT NAME	DESCRIPTION	TARGET AREAS	RESPONSIBLE AGENTS	2004/05	2005/06
8.1	Housing Development and Implementation Plan	Housing Development and Implementation Plan	All Wards	KLM, DBSA & DLG		100 000
8.2	Spatial Development Framework	Updating and Developing a Spatial Development Framework	All Wards	KLM, DBSA & DLG		50 000
8.3	Agricultural Land Density Policy Land Use Management System (LUMS)	Develop a Land Use Management System	All Wards	KLM, DLG & DACEL		
8.4	Integrated Waste Management Plan		All Wards	MDM	350 000	
8.5	Integrated environmental management plans		All Wards	DBSA	400 000	450 000
8.6	Air quality management Plan					100 000
8.7	Water Master Plan	Compilation of a Water Master Plan	All Wards	KLM, DBSA & DLG	810 000	
8.8	Sewerage Master Plan	Compilation of a Sewerage Master Plan	All Wards	KLM, DBSA & DLG		
8.9	Electricity Master Plan	Compilation of an Electricity Master Plan	All Wards	KLM, DBSA & DLG		
8.1	Roads and Stormwater Master Plan	Compilation of a Roads and Stormwater Master Plan	5	KLM, DBSA & DLG		

2.4 PROGRESS IN ELIMINATING BACKLOGS IN SERVICE DELIVERY 2005/2006

NO.	PROJECT NAME	PROJECT VALUE
1.	Ekangala: Upgrade and Rehabilitation of Rural Road	R6 000 000
2.	Zithobeni Sewerage Pump Station	R1 710 000
3.	Rehabilitation of Kungwini Water Treatment Works	R7 068 000
4.	Kungwini Boreholes in Rural Areas	R1 140 000
5.	Ekangala F: Sewer Reticulation	R2 235 312
6.	Ekangala F: Water Reticulation	R2 600 000
7.	Ekangala F: Construction of Storm water Channels	R3 420 000
8.	Kungwini: Upgrade and Rehabilitation of Rural Roads	R8 09 504
9.	Zithobeni Landfill Site	R12 000 000
10.	Hawker Stalls	R599 280.90
11.	Bronkhorstbaai road	R857 503.06
12.	Customer Care	R695 024.16

2.5 LEVEL AND STANDARD OF SERVICE

WATER RESERVOIR (EKANGALA)

- **Status quo**

KLM is situated in the cross boundary district of Metsweding District Municipality. The district has been charged with the authority of providing services and infrastructure development in Ekangala as part of their municipal obligations. The project aims to provide enough water storage capacity for the community of Ekangala. KLM is experiencing water supply interruption in its area of supply. This is simply because the purification plant in Bronkhorstspuit also supplies part of Thembisile Municipality via Kwaggafontein and Tweefontein. Currently there is a bulk supply line under construction from Mamelodi to Cullinan which is to be extended to Bronkhorstspuit, hence it is important to construct storage capacity and water reticulation to Ekangala Sections A & F.

- **Resources**

A transfer agreement of water services assets with the Department of Water Affairs and Forestry (DWAF) will be concluded before 10 December 2004; and approximately twelve personnel transferred from DWAF will increase the human resource capacity. An extended line from Mamelodi to Ekandustria will be completed by April 2005.

- **Challenges**

The project cannot be constructed in phases, as a result funding becomes a challenge. Frequent water supply interruption.

High lying areas do not receive enough pressure.

Other municipalities in the Western Highveld are affected since they receive bulk from KLM.

2.6 BUILDING AND ZONING PLANS

The following residential projects have been approved:

- **Kungwini Hills:**

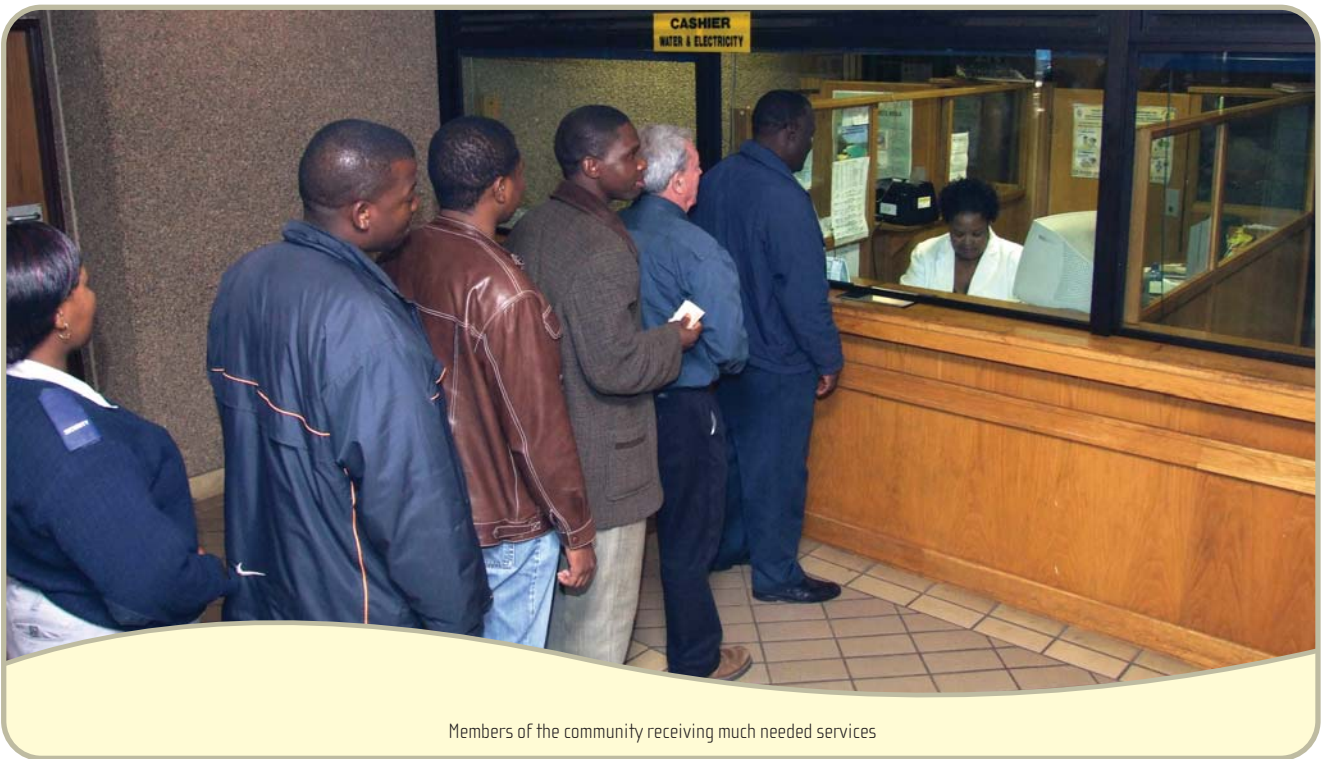
This Township was approved. It is still in the planning stages.

- **The Hills Township (Kungwini West):**

This project was approved and the township will be developed in three phases. The value of the project is R500 000 000.

- **Erasmus extension 16 and 17:**

These have been approved by council. Applicants are still busy with the pegging and development of general plans of these townships.



Members of the community receiving much needed services



INFRASTRUCTURE

3.1 Water Services

WATER SERVICES

WATER SERVICE	NUMBER	%
Piped water inside dwelling	10564	31.5
Piped water inside yard	14965	44.6
Piped water on community stand: distance less than 200m. from dwelling	2796	8.3
Piped water on community stand: distance greater than 200m. from dwelling	3056	9.1
Borehole	657	2.0
Spring	30	0.1
Rain-water tank	67	0.2
Dam/pool/stagnant water	197	0.6
River/stream	716	2.1
Water vendor	24	0.1
Other	487	1.5
TOTAL	33559	100

Source: STATSSA (1996 & 2001)

3.2 Sanitation Services

SANITATION SERVICES

SERVICE USED	HOUSEHOLDS	%
Flush toilet (connected to sewerage system)	15602	46.5
Flush toilet (with septic tank)	4379	13.0
Chemical toilet	926	2.8
Pit latrine with ventilation (VIP)	1880	5.6
Pit latrine without ventilation	6999	20.9
Bucket latrine	521	1.6
None	3251	9.7
Total	33560	100.0

3.3 Energy Services



Councillor: C. de Jager

ENERGY SOURCE

TYPE OF ENERGY	NUMBER	%
Electricity	8 263 602	70
Gas	34 791	1
Paraffin	773 318	6
Candles	2637 794	22
Solar	25 119	1
Other	35 652	1
TOTAL	11 770 276	100

Source: STATSSA (2001)

3.4 Communication Services

An estimated 90% of the households in the Kungwini Local Municipal Area (16 516 households or 89.60% of the total households in the Kungwini Local Municipal Area) are provided with acceptable levels of communication services. Almost 34% of the households (6 190 households or 33.58% of the total households in the Kungwini Local Municipal Area) have access to a home telephone and/or a telephone of a neighbour. Almost 57% of the households (10 326 households or 56.02% of the total households in the Kungwini Local Municipal Area) have access to public telephones and/or a telephone nearby.

Approximately 11% of the households in the Kungwini Local Municipal Area (1 917 households or 10.40% of the total households in the Kungwini Local Municipal Area) are, however, in need of acceptable levels of communication services. Less than 11% of the households (1 917 households or 10.40% of the total households in the Kungwini Local Municipal Area) have no telephone nearby and/or no access to a telephone.


The greatest need for acceptable levels of communication services in the Kungwini Local Municipal Area exists in Ward 3 (410 households), Ward 4 (399 households) and Ward 7 (226 households)

3.5 Housing

TYPE OF DWELLING

TYPE OF DWELLING	NUMBER	%
House or brick structure on a separate stand	19 121	57
Traditional dwelling made of traditional materials	1 895	6
Flat in block of flats	357	1
Town/cluster/semi-detached house	545	2
House/flat/room in backyard	1 594	5
Informal dwelling/shack in backyard	1 032	3
Informal dwelling/shack/not in backyard	5 057	15
Room/flatlet not in back yard on a shared property	317	1
Caravan or tent	211	1
Private ship/boat	18	0
Undetermined (living quarters is not a housing unit)	3 397	10
TOTAL	33 561	100

Source: STATSSA (2001)



**HUMAN RESOURCE AND OTHER
ORGANISATIONAL MANAGEMENT**

4 HUMAN RESOURCES MANAGEMENT

The starting point for managing personnel costs lies in finalising a new ideal and sustainable micro-structure for the organisation. Such a structure should be designed so that the staff costs, at the very least, do not exceed the current costs. Such a structure should be informed by agreements regarding the levels and standards of services to be provided by the organisation. Some parts of the organisation will require more staff given what they have to deliver. Other services will have to reduce their staff levels.

The migration and placement policy will be used to re-deploy current staff into the new structure. Where staff numbers exceed the needs as indicated in the micro-structure, numbers will be reduced over time through attrition. Provision can be made to recruit additional staff where increased revenue over time can be sustained.

A number of other factors, however, need to be borne in mind:

- It may be possible to appoint additional staff in areas where the employment of such staff will directly increase the potential of the municipality to earn additional income that covers their costs;
- There are potential savings in moving to community-based services or outsourcing to SMMEs in certain areas where more people (at wage levels below those paid to municipal employees) can be employed at a reduced total cost;
- A move to more capital-intensive service delivery approaches can reduce staff costs and improve efficiency but needs to be weighed up in the light of the reduction of unemployment. Kungwini Local Municipality is now mainly labour intensive and we need to consider different service options: service partnerships versus in-house, and the ability of the community to deliver some services.

4.1 ORGANISATIONAL STRUCTURE

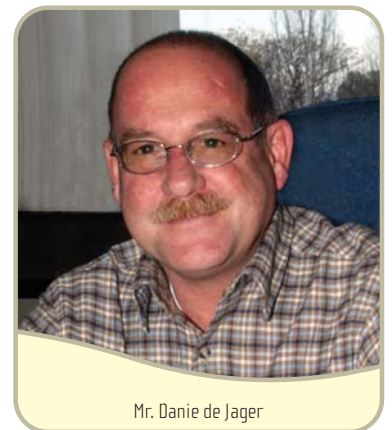
The Municipality has opted for a municipal structure headed by an executive mayor and a mayoral committee as its executive functionaries, with delegated responsibilities to five portfolio councillors and committees. In terms of Section 80 of the Municipal Structures Act 1998, namely, Corporate Services, Finance, Social Services, Service Delivery, Development Planning and Housing; and Electrical and Mechanical Services.

The administration comprises four departments, each of which have multiple functions. These multiple functions lead to heads of departments having to attend many meetings at local, district and provincial levels.

Twelve ward committees, each comprising ten or more members, have been established. It is primarily through these committees that stakeholder participation is achieved. In addition to the ward committees other organisations and institutions within the municipality's area of jurisdiction may be represented and serve on community structures, e.g. chambers of business and agricultural unions.

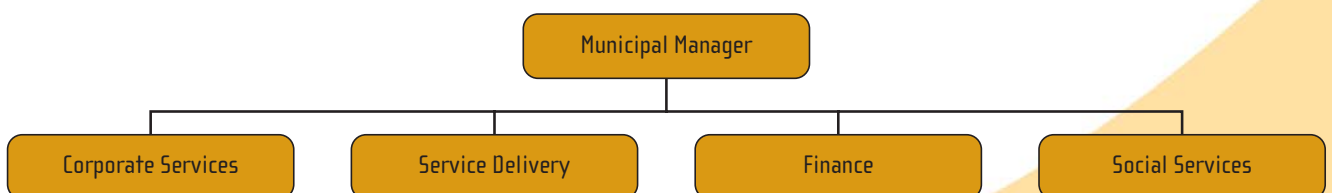


Councillor: N.G. Mbonani



Mr. Danie de Jager

Municipal Administration Structure



4.2 POLICIES

The lack of policies in the Human Resource section poses many problems when dealing with staff matters.

The Municipality will ensure the development and approval of the following HR policies before the end of the next financial year:

- Recruitment, Selection and Appointment Policy
- Employment Equity Policy
- Labour Relations Policy
- Training and Development Policy
- VIP Protection Policy
- Performance Management and Development System
- Bursary Policy
- Relocation Policy
- Performance Management System
- Employee Assistance Programme Policy
- Batho Pele Policy
- Safety, Health and Environment Policy
- Official Condolences Policy
- Organisation and Post-Establishment Policy

4.3 MEMBERSHIP OF FUNDS

Pension Fund:

- Kungwini Local Municipality is currently encouraging their new employees to join one of the following four Pension funds:
 - Municipal Employees Pension Fund
 - Gratuity Fund
 - National Fund
 - SAMWU National Provident Fund
- Although there is currently existing membership within the Municipality, the SALA Pension Fund is no longer joined by newly appointed employees

Medical Aid Schemes

- The following 4 medical aid schemes are currently active within Kungwini as per SALGA directive:
 - Bonitas
 - Monumed
 - Global Health
 - Hosmed

4.4 PERFORMANCE, GOVERNANCE, MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

Performance Management

To a considerable extent, the Municipality's performance was impaired by the lack of skills in key positions especially in the Service Delivery and Finance departments. Individual Performance Management is currently not happening either. However, in addressing these issues, the Municipality has purchased a Performance Management System called SAM, which will assist in monitoring and assessing overall Municipal performance. The development of a policy on Performance Management and Development System will also ensure the monitoring and assessment of individual performance. Once the policy is approved, every employee of the Municipality will be expected to sign a performance agreement with the Municipality, and this agreement will serve as a yardstick against which individual performance is measured.

A Performance Audit Committee for the entire District of Metsweding was established in 2005, and it will execute its functions as outlined in the MFMA.

(a) Finance

The Municipality has a responsibility to ensure that there is a culture of payment of services by community members, those employed by the Municipality and elected Councillors. One of the key instruments used to ensure that people comply with these requirements (payment for services received) is "LEADING BY EXAMPLE". Naturally, in order for those employed by the Municipality to ensure that community members pay their dues, they should also be up to date with their payments. In cases where there is non-compliance the Municipality will ensure that those who are defaulting will be named and shamed.

The Municipality's revenue is not adequate to address all the projects identified during the IDP process. The rural nature of our Municipality contributes greatly to this problem, due to the fact that there is a high level of unemployment and low income households, which has resulted in increased numbers of indigents. The culture of non-payment of services remains one of the major problems that need to be addressed, especially amongst those who can afford, but choose to ignore their responsibilities. The problems linked to collection of revenue after 90 days, has made the Municipality realise that we need to come up with a plan to bring about improvement in this area. The Municipality will ensure close monitoring and evaluation of the debt collection policy.

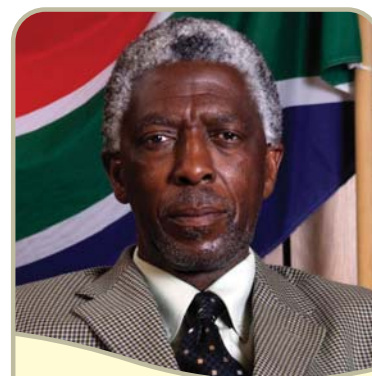
The Municipality has appointed a number of indigent workers, based in the Finance Department, for information gathering and reporting on the indigent households that exist within the Municipality. The Municipality intends to implement a holistic plan that aims to address the plight of those living in abject poverty. The plan will take into consideration contributions from all departments within the Municipality, including the role played by project managers, in ensuring the appointment of these deserving community members, when jobs are created.

(b) Social Services

Despite the fact that the department continues to operate under unstable conditions, it has performed very well.

(c) Service Delivery

The lack of skills in the housing section has cast a cloud over its performance. Currently, there are officials who are working with their counterparts at the Provincial level in order to remedy the situation. We have appointed consultants to deal with the question of title deeds for Zithobeni, Rethabiseng and Ekangala.



Councillor: BA Mokwena



Councillor: ML Mahlangu

4.6 Municipal Transformation

- Municipal transformation did not take place in Kungwini as should have been the case. However, the Municipality has identified this gap and in response has come up with mechanisms to ensure that transformation does in fact take place. The Migration and Placement Process is one such mechanism and it will go a long way in addressing the current confusion in roles and misplacements. Not only will this ensure that the municipality do away with backlogs created by the stubborn legacy of apartheid, but it will also ensure optimum use of human resources to ensure that service delivery actually benefits the members of the community at large.

- The second mechanism is the adoption on a new organisation structure with clear employment levels that will not only ensure fairness in the workplace, but will also realise pay equity , that is equal pay for the same work of equal value.
- The third mechanism used is the appointment of people from historically disadvantaged groups to key position within the Municipality. The appointment of the new Chief Financial Officer and the Director Service Delivery are examples of the serious manner in which the Municipality deals with transformation issues.

4.7 INSTITUTIONAL DEVELOPMENT

Institutional development talks not only to the management of institutional talent, but also the development of individual employees to ensure that they possess the skills required to perform the jobs that are the actual vehicle to service delivery within the Municipality. The current trends in employment are as follows:

More than 50% of the population, (39 111 people or 55.% of the total population of the KLM) are in the economically-active age group. Almost 81% of the economically-active population, (31 599 people or 80.79% of the total number of economically-active people in KLM) are employed.

An estimated 63% of the economically-active population (24 373 people or 62.32% of the total number of economically-active people in KLM) are formally employed. Almost 19% of the economically-active population (7 226 people or 18.48% of the total number of economically-active people in KLM) are informally employed.

Approximately 20% of the economically-active population (7 512 people or 19.21% of the total number of economically-active people in KLM) are unemployed.

(a) Employment Sectors

Manufacturing, community and social services, and agriculture remain the dominant sectors, all of which are sustainable sectors.

The Municipality recognises that the current unemployment rate is very high and unacceptable, and in addressing this, KLM embarked on a number of programmes that seek to identify the gaps and address the skills shortages within the boundaries of Kungwini Local Municipality, including community members.

(b) Training and Skills Development

- The Municipality undertook a skills audit in order to obtain the skills profile of our employees and identify the existing skills gaps with regards to the skills required for the optimal performance and the skills possessed by employees.
- The information obtained through the skills audit exercise was used to identify the training needs of our employees and this resulted in the Municipality's ability to develop a Workplace Skills Plan (WSP), which was submitted to the Local Government and Water Services Seta (LGWSETA) on 30 June 2005 as per the requirements of the Skills Development Act.
- The timeous submission of the WSP will assist the Municipality in obtaining mandatory and discretionary funds from the SETA. Mandatory funds will serve as additional funds to the training budget and will be used to implement the training outlined in the WSP and other training as outlined as follows:

- **Adult Basic Education and Training (ABET)**

A total of 75 employees were selected to participate in ABET. Their levels will be assessed and they will be assigned classes.

- **Bursaries/grants**

127 Bursaries/grants applications were allocated, for the financial year 2006.

- 37 of those were for staff members, 20 were for dependants of staff members and 45 for community members.

- **Learnerships:** The availability of discretionary funds will enable the Municipality to place learners in different learnership programmes.

- **Internships:** The Municipality has received a number of requests for internship programmes. We currently have 2 interns that were placed on an internship programme through grant funds provided by the National Treasury.



Financial Intern



Comprehensive High School



GOVERNANCE

The Municipality's Executive Mayor and Mayoral Committee System were proclaimed under the Municipal Structures Act, 1998. The four (4) Members of Mayoral Committee and section 80 committee members have been established in terms of Sections 79 and 80 of the Municipal Structures Act, 1998, namely, Corporate Services, Finance, Social Services and Service Delivery. The Gauteng and Mpumalanga Notice No, 308 of 2000 further delegated responsibilities to the established governance structures.

The Council of Kungwini Local Municipality is constituted by 24 councillors, 12 proportionally elected and 12 Ward Councillors as determined by the Provincial Notice No. 2815 of 9 May 2000 and Provincial Notice 260 of 5 September 2000 of the Mpumalanga and Gauteng.

Kungwini Local Municipality consists of 12 wards whose boundaries are set out in the provisional Provincial General Notice No. 4894 dated 24 July 2000 and the functional Ward Committees have been established. It is primarily through these ward committees that consultation and community participation is undertaken. In addition to the ward committees, other organisations and institutions within the Municipality's area of jurisdiction are also represented and serve on community structures, e.g. chambers of business and agricultural unions.

The administration comprises of the office of the Municipal Manager and four departments, each of which have multiple functions, are led by a Senior Manager, and work closely with their respective MMCs.



**Speaker for Kungwini:
Councillor M.A. Mahlangu**



Kungwini Council busy discussing issues affecting their communities



**AUDITED STATEMENTS AND
RELATED FINANCIAL INFORMATION**

**REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL ON PERFORMANCE
MEASUREMENT AT KUNGWINI MUNICIPALITY FOR THE YEAR ENDED
30 JUNE 2006**

1. ASSIGNMENT

The compilation, presentation and publishing of performance measurements and the implementation, management and internal control of supporting systems, are the responsibility of the accounting officer.

My responsibility is to provide an assessment of the controls implemented by the accounting officer to develop and manage the municipality's performance management system as required by section 45(b) of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000).

My role is not to assess or comment on the municipality's actual performance, but rather to assess the processes followed during the implementation of the performance management system.

2. NATURE AND SCOPE

A high-level overview was performed which indicated that performance measurement and supporting systems did not progress to the point where they could be audited. Consequently, no audit was performed and the procedures performed were limited to high-level overview and interviews.

3. FINDINGS

The Municipality did not develop and implement a Performance Management System to measure, monitor and review key performance of its management and officers as required by section 38 of the Municipal Systems Act.

4. CONCLUSION

Because the above procedures do not constitute either an audit or a review made in accordance with the International Standards of Auditing, I do not express any assurance on any performance measurement as at 30 June 2006.

An audit of the financial statements in accordance with the International Standards of Auditing was concluded and a report to this effect was included in the annual report.

5. APPRECIATION

The assistance rendered by the staff of Kungwini Local Municipality during the assignment is sincerely appreciated.



Ms. MA Masemola for Auditor-General

Johannesburg

31 May 2007



AUDITOR - GENERAL

**REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL ON THE FINANCIAL
STATEMENTS OF THE KUNGWINI LOCAL MUNICIPALITY FOR THE YEAR ENDED
30 JUNE 2006**

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 1 to 35, for the year ended 30 June 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996, read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 126(3) (a) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). These financial statements are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. SCOPE

The audit was conducted in accordance with the International Standards of Auditing read with General Notice 1512 of 2006, issued in Government Gazette no. 29326 of 27 October 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- assessing the accounting principles used and significant estimates made by management
- evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

3. QUALIFICATION

3.1 Departure from Generally Recognised Accounting Practices and Generally Accepted Municipal Accounting Practices

3.1.1 Conversion to Generally Accepted Municipal Accounting Practice (GAMAP)

The municipality did not disclose assets and liabilities at fair value in accordance with the requirements for the adoption of GAMAP. Furthermore AC133 (IAS39) was also not complied with as the subsequent recognition of assets and liabilities was not at fair value.

3.1.2 Property, plant and equipment

The accounting policies of the municipality did not comply with the requirements of GAMAP 17, Property, plant and equipment, as no annual assessment of the useful lives and residual values of assets were determined. Furthermore, significant components of assets were not individually depreciated.

3.1.3 Employee benefits

The Municipal Employees' Pension Fund (MEPF) and SALA are defined benefit schemes. Management did not obtain actuarial valuations as required by AC116/IAS19 on Employee benefits and consequently, the pension liability could be misstated. The disclosure requirements were also not complied with.

The departure from GRAP and GAMAP was largely due to capacity constraints. Although the municipality obtained a grant of R214 000 from National Treasury for acquiring additional capacity to assist with the preparation of the annual financial statements, the conditions of the grant were not met.

3.2 Property, plant and equipment

The fixed asset register did not contain sufficient information to uniquely identify items of property, plant and equipment in order to perform a physical verification. The municipality was in the process of updating the fixed asset register. Management expected to complete the fixed asset project in the next financial year.

The valuation, completeness and existence of property, plant and equipment could therefore not be verified.

3.3 Value Added Tax (VAT) liability

The municipality raised a net liability of R24,9 million for VAT however, management was unable to substantiate the balance. An analysis of debtors, distinguishing between exempted and standard supplies from which the VAT liability was determined, could not be provided. It was therefore not possible to conclude on the completeness and accuracy of the VAT liability of R24,9 million. This error was largely due to a lack of system controls to ensure accuracy of the balances.

3.4 Income from government grants and subsidies

An amount of R33,65 million was disclosed in the statement of financial performance as grants and subsidies received. The amount disclosed in the Division of Revenue Act, was R31,179 million, resulting in a unexplained difference of R2,471 million. This was due to a lack of appropriate control processes to ensure adequate reconciliations and proper monitoring. Management was unable to provide a reconciliation of the difference.

Consequently the accuracy of government grants and subsidies could not be verified.

3.5 Comparative figures

It was not possible to determine the effects of any adjustments, if any, on the opening balances as a result of the matters referred to in the prior year audit report as there were a lack of proper audit trails on adjustments that were made to the prior year.

4. ADVERSE OPINION

In my opinion, because of the significance of the matters described in the basis for adverse opinion paragraphs, the financial statements do not present fairly, in all material respects, the financial position of the Kungwini Local Municipality as at 30 June 2006 and its financial performance and cash flows for the year then ended in accordance with Generally

Recognised Accounting Practices and Generally Accepted Municipal Accounting Practices and in the manner required by the Municipal Finance Management Act.

5. EMPHASIS OF MATTER

Without further qualifying the audit opinion, attention is drawn to the following matters:

5.1 Weaknesses in internal controls

Section 62 (c) of the MFMA requires that the accounting officer be responsible for the financial administration and must take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal controls. The following weaknesses were identified:

- Inadequate follow-up of debtors resulted in the impairment of debtors by R33,7 million in the year under review.
- Incomplete fixed asset register.
- Inefficient budgeting controls.
- Inadequate controls over the financial statements resulting in numerous audit adjustment to the financial statements.

5.2 Budgets

Contrary to section 18 of the MFMA the municipality budgeted for R10 million to be received for the Municipal Infrastructure Grant. This budget was not supported by a business plan which was a prerequisite for receiving this grant and therefore the funds were not transferred to the municipality. This resulted in financial capacity constraints for the delivery of some projects.

5.3 Non-compliance with rules and regulations

The following areas of non-compliance with rules and regulations arose due to failure by management to implement adequate compliance monitoring policies and procedures:

- The municipality could not provide appropriate audit evidence that it complied with the reporting requirements of the MFMA, the Municipal Systems Act, Housing Act and Water Act, for the submission of statutory accounts.
- The municipality did not maintain a separate account for the administration of the National Housing Programme as required by section 10(4) (d) of the Housing Act.
- The municipality did not have a water services development plan that should form part of the integrated development plan of the municipality as required by section 15(5) of the Water Services Act.

5.4 Irregular and fruitless and wasteful expenditure: Councillors' remuneration

Note 25 of the prior year's annual financial statements reflected an amount of R106 200 for cell phone allowances that was paid to councillors in contravention of the Public Office Bearers Act. The municipality did not yet take the necessary action to recover the amounts over-paid to the councillors as required by section 32 of the MFMA. This was not disclosed in the current year's annual financial statements.

6. INFORMATION SYSTEM AUDIT

The information systems audit indicated that the following significant weaknesses existed in the IT general control environment:

- a) Change control backup and user access policies were not in place.
- b) The server room lacked adequate security features.
- c) Multiple application sessions were allowed i.e. one user could sign onto the application on more than one machine at the same time, with the same user identity and password.
- d) The administrator password was not stored in a secure place to enable disaster recovery.
- e) The user accounts were not monitored
- f) The municipality did not sign service level agreements with the information systems service providers.

These control weaknesses could impact on the integrity and confidentiality of the data.

7. APPRECIATION

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



Ms. MA Masemola for Auditor-General

Johannesburg

31 May 2007



AUDITOR - GENERAL

6.1 AUDITED FINANCIAL STATEMENT

The Annual Financial Statements for 2005/2006 have been completed and presented to the Auditor-General.

		30-06-2006	30-06-2005
	Note	R	R
NET ASSETS AND LIABILITIES			
Net assets		288,608,626	255,105,285
Capital Replacement Reserve	1	33,507,823	33,507,823
Capitalisation Reserve	2	7,123,689	8,084,891
Government Grant Reserve	3	183,258,779	190,818,906
Donations and Public Contribution Reserve	4	-	-
Self Insurance Reserve	5	2,751,577	2,198,477
Revaluation Reserve		-	-
Accumulated Surplus/(Deficit)	7	61,966,759	20,495,188
Non-Current liabilities		22,502,781	22,905,857
Long - Term Liabilities	8	22,502,781	22,905,857
Current liabilities		72,111,457	53,482,371
Consumer Deposits	9	8,916,824	6,421,305
Unspent conditional grants and receipts	6	9,224,846	2,468,375
Accounts Payable	10	16,605,344	21,029,681
VAT	11	24,931,330	18,563,010
Provisions	35	6,333,112	
Current portion of long-term liabilities	8	6,100,000	5,000,000
Total Net Assets and Liabilities		383,222,864	331,493,513
ASSETS			
Non-current assets		231,571,415	234,188,542
Property, Plant & Equipment	12	231,571,415	234,188,542
Long-term Receivables	13	-	-
Current Assets		151,651,449	97,304,971
Inventories	14	748,511	519,679
Consumer Debtors	15	75,465,226	65,609,805
Other Debtors	16	556,238	784,684
Current portion of long-term receivables	13	-	-
Call Investments Deposits	17	24,001,000	24,001,000
Bank Balances and Cash	18	50,880,475	6,389,803
Total Assets		383,222,864	331,493,513

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2006

Budget			Actual	
2005	2006		2006	2005
R	R		R	R
REVENUE				
64,334,210	72,000,000	Property Rates	83,739,732	65,037,042
93,054,389	95,148,920	Service Charges	102,578,039	91,884,178
349,540	544,000	Rental of facilities and equipment	630,288	538,371
102,840	200,000	Interest Earned - External Investments	1,447,322	618,741
5,190	-	Interest Earned - Outstanding Debtors	-	3,476
1,624,440	702,400	Fines	1,600,810	1,088,682
2,805,779	3,001,600	Licenses and permits	3,033,915	3,322,481
48,820	170,000	Income for agency services	209,378	176,202
28,157,000	38,139,000	Government grants and subsidies	33,650,190	14,997,854
		Public contributions, donated and contributed property, plant and equipment	-	
3,461,560	4,308,360	Other income	12,066,267	4,689,912
-	-	Gain on disposal of property, plant and equipment	-	-
-	-	Contribution from : Housing Development Fund	-	-
193,943,768	214,214,280	Total Revenue	238,955,941	182,356,941
EXPENDITURE				
52,234,706	56,813,930	Employee related costs	50,396,538	42,191,880
3,565,973	4,508,830	Remuneration of Councilors	3,801,147	2,646,071
-	1,000,000	Bad debts	33,669,866	74,017,026
-	-	Collection costs	-	-
13,484,224	13,009,601	Depreciation	17,431,102	15,375,815
14,268,437	16,362,500	Repairs and maintenance	11,600,288	9,900,077
-	-	Interest paid	5,253,792	5,479,216
6,000,000	5,000,000	Redemption payments	-	226,758
30,700,000	30,200,000	Bulk purchases : Electricity	32,842,283	31,535,380
7,500,000	8,000,000	Water	9,701,293	9,394,855
1,300,750	1,000,000	Contracted services	823,513	784,244
126,000	159,000	Grants and subsidies paid	80,500	106,337
53,093,902	58,807,275	General expenses	37,333,436	29,916,854
-	-	Loss on disposal of property, plant and equipment	-	-
832,760	4,393,400	Contributions to/(from) Provisions	1,910,973	2,004,474
-	-	Contributions to/(from) Reserves	-	-
10,790,050	-	Capital from income (Surplus Cash)	-	-
193,896,802	199,254,536	Total Expenditure	204,844,731	223,578,987
46,966	14,959,744	Surplus/(deficit) for the year	34,111,210	-41,222,046
0	0	Appropriations for the year	0	0
46,966	14,959,744	NET SURPLUS/(DEFICIT) FOR THE YEAR	34,111,210	-41,222,046

KUNGWINI LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2006

	Housing Development Fund	Capital Replacement Reserve	Capitalisation Reserve	Government Grant Reserve	Donation and Public Contribution Reserve	Self Insurance Reserve	Revaluation Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R	R		R
2005									
Balance at 1 July 2004	-	2,017,093	9,055,675	189,011,522	-	1,625,552	-	78,528,272	276,203,928
Implementation of GAMAP	-	-	-	-	-	-	-	-	-
Restated Balance	-	2,017,093	9,055,675	189,011,522	-	1,625,552	-	78,528,272	276,203,928
Surplus/(deficit) for the year	-	-	-	-	-	-	-	41,222,046	41,222,046
Appropriations	-	30,018,027	-	-	-	-	-	9,894,623	20,123,404
Transfer to CRR	-	500,000	-	-	-	-	-	500,000	-
Dividends paid (municipal entities only)	-	-	-	-	-	-	-	-	-
Other Income	-	5,006,889	-	-	-	541,755	-	5,548,644	-
Property, plant and equipment purchased	-	-	-	14,036,000	-	-	-	14,036,000	-
Other Expenditure	-	-	-	-	-	-	-	-	-
Capital grants used to purchase PPE	-	-	-	-	-	-	-	-	-
Donated/ contributed PPE	-	-	-	-	-	-	-	-	-
Contributions to reserves	-	-	-	-	-	711,970	-	711,970	-
Insurance claims processed	-	-	-	-	-	-680,800	-	680,800	-
Transfer to Housing Development Fund	-	-	-	-	-	-	-	-	-
Asset disposals	-	-	-	-	-	-	-	-	-
Offsetting of depreciation	-	-	970,784	12,228,616	-	-	-	13,199,400	-
Balance at 30 June 2005	-	33,507,823	8,084,891	190,818,906	-	2,198,477	-	20,495,188	255,105,285
2006									
Correction of error	-	-	-	-	-	-	-	-	-
Changes in accounting policy	-	-	-	-	-	-	-	-	-
Restated balance	-	33,507,823	8,084,891	190,818,906	-	2,198,477	-	20,495,188	255,105,285
Net surplus for the year	-	-	-	-	-	-	-	39,189,741	39,189,741
Appropriations	-	-	-	-	-	-	-	8,219,376	8,219,376
Transfer to CRR	-	-	-	-	-	-	-	-	-
Other Income/ Expenditure	-	-	-	-	-	771,544	-	771,544	-
Property, plant and equipment purchased	-	-	-	-	-	-	-	8,827,244	8,827,244
Capital grants used to purchase PPE	-	-	-	5,986,731	-	-	-	5,986,731	-
Donated/ contributed PPE	-	-	-	-	-	-	-	-	-
Contributions to insurance reserve	-	-	-	-	-	2,944,490	-	2,944,490	-
Insurance claims processed	-	-	-	-	-	-1,619,846	-	1,619,846	-

Transfer to Housing Development Fund	-	-	-	-	-	-	-	-	-
Asset disposals	-	-	-	-	-	-	-	-	-
Offsetting of depreciation	-	-	961,202	13,546,858	-	-	-	14,508,060	-
Balance at 30 June 2006	-	33,507,823	7,123,689	183,258,779	-	2,751,577	-	67,045,290	293,687,158

CASHFLOW STATEMENT
for the year ended 30 JUNE 2006

		30-06-2006	30-06-2005
	NOTE	R	R
CASH FLOW FROM OPERATING ACTIVITIES			
CASH FLOW FROM RATEPAYERS, GOVERNMENT AND OTHERS		231,127,739	158,511,110
CASH PAID TO SUPPLIERS AND EMPLOYEES		(171,209,065)	(109,484,132)
CASH GENERATED FROM / (UTILISED IN) OPERATIONS	30	59,918,674	49,026,978
INTEREST RECEIVED		1,447,322	622,217
INTREREST PAID		(5,253,792)	(5,479,216)
NET CASH FROM OPERATING ACTIVITIES		56,112,204	44,169,979
CASH FLOWS FROM INVESTING ACTIVITIES			
PURCHASE OF PROPERTY, PLANT AND EQUIPMENT		(14,813,975)	(21,812,255)
PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT		-	-
(INCREASE) / DECREASE IN NON-CURRENT RECEIVABLES		-	-
(INCREASE) / DECREASE IN INVESTMENTS		-	-
NET CASH FROM INVESTING ACTIVITIES		(14,813,975)	(21,812,255)
CASH FLOW FROM FINANCING ACTIVITIES			
INCREASE / (DECREASE) IN LONG TERM LOANS		696,924	(2,369,039)
INCREASE / (DECREASE) IN DEPOSITS		2,495,519	1,752,116
NET CASH FROM FINANCING ACTIVITIES		3,192,443	(616,923)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	31	44,490,672	21,740,803
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		30,390,803	8,650,000
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		74,881,475	30,390,803
BALANCING FIGURES		44,490,672	21,740,801

ACCOUNTING POLICY

1. OBJECTIVE

The objective of the annual financial statements is to be a source of information on the financial position, performance and changes in financial status of the Kungwini Local Municipality and demonstrates accountability useful to a wide range of users in making economic or political decisions.

2. BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention. Under this basis the effects of transactions and other events are recognised when they occur and are recorded in the financial statements within the period to which they relate.

2.2 These annual financial statements have been prepared in accordance with Generally Accepted Municipal Accounting Practices (GAMAP) and Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003). These accounting policies are consistent with those of the previous financial year.

2.3 Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a standard of GAMAP or GRAP.

2.4 The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

3. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

4. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

5. RESERVES

5.1 Capital Replacement Reserve (CRR)

The purpose of the CRR is to set aside cash to provide infrastructure and other items of property, plant and equipment from internal sources. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

5.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit). The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

5.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

5.4 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

All grants and donations are included under Government Grants, and systems are being put in place to distinguish between Government Grants and Other Grants.

5.5 Self-Insurance Reserve

The municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally.

The Self-Insurance Reserve is maintained to provide for non-claimable losses as well as for motor vehicle claims until aggregated excess payments to the amount of R250 000 per annum is reached.

The Self-Insurance Reserve for electricity is mainly used for theft of distribution networks and cables, which are uncovered items in terms of the insurance contract of Council.

Insurance premiums are charged out to the respective services and departments in accordance with the insured value of assets.

5. PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment are stated at historical cost, less accumulated depreciation.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalized when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight-line method over the estimate useful lives of the assets. The annual depreciation rates are based on the following estimate useful lives:

(i) Furniture and Fittings :	14,3%	7 years
(ii) Office machines :	33.3%	3 years
(iii) Plant and equipment :	20%	5 years
(iv) Vehicles :	20%	5 years
(v) Land and buildings :	3,3%	30 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognized in the Statement of Financial Performance.

When the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of Financial Performance.

6. INVESTMENTS

Investments which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

7. LEASES

Leases are classified as finance leases where substantially all the risk and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due.

8. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. The basis of determining cost is the weighted average cost method.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values. Consumables are written down with regard to age, condition and utility.

9. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off in the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

10. TRADE CREDITORS

Trade creditors are stated at their nominal value.

11. CONSUMER DEPOSITS

All consumers are required to pay a deposit equal to two months consumption of electricity and water services. Deposits are considered a liability as the deposit is only refunded once the service is terminated. No interest is paid on deposits.

12. REVENUE RECOGNITION

12.1 Revenue from Exchange Transactions

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are recognized as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognised on a time proportion basis.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

12.1 Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises and a rates account has been issued to ratepayers. Collection charges are recognised when such amounts are legally enforceable. The Municipality uses a differentiated site value property rate system. According to this, property rates are levied on the land value of properties and rebates are granted according to the usage of a particular property. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

13. CONDITIONAL GRANTS AND RECEIPTS

Revenue from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

14. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate.

15. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

16. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), the Public Office Bearers Act (Act 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19. RETIREMENT BENEFITS

The Municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable.

20. SEGMENTAL INFORMATION

Segmental information on property, plant and equipment as well as income and expenditure is set out in Appendix B to E based on the international government financial statistics classifications and the budget reform formats as prescribed by National Treasury.

21. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

22. HANDLING OF ADMINISTRATIVE AND OTHER OVERHEAD CHARGES

The costs of internal support services are recognised as a general expense or as other income.

23. SURPLUSES AND DEFICITS

Surpluses and deficits arising from the operations of Electricity, Water and Sewerage Services are carried over to the Rates and General Services and are included in the unappropriated surplus at the end of the financial year.

24. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

30-Jun-06

30-Jun-05

R

R

NOTE 1 - CAPITAL REPLACEMENT RESERVE

CAPITAL REPLACEMENT RESERVE

33,507,823

33,507,823

	30-Jun-06	30-Jun-05
Capital Development Fund	33,507,823	33,507,823
Balance at beginning of the year	33,507,823	20,479,018
Contributions	-	500,000
Income	-	5,492,408
Expenditure	-	-485,519
Property, plant & equipment	-	-
Transfer from Marketing Fund	-	193,894
Transfer from Parking Area Fund	-	66,312
Transfer from Bursary Fund	-	25,667
Transfer from Capital Reserve Fund	-	15,738
Transfer from Development Fund	-	639,087
Transfers from Land Trust Fund	-	6,581,218
Transfers from LDS	-	-
Marketing Fund	-	-
Balance at beginning of the year	-	193,894
Contributions	-	300,000
Other Income	-	26,625
Operating Expenditure	-	-261,148
Transfers to CRR	-	-259,371
Parking Area Fund	-	-
Balance at beginning of the year	-	66,312
Contributions	-	-
Operating Expenditure	-	-
Transfers to CRR	-	-66,312
Bursary Fund	-	-
Balance at beginning of the year	-	25,667
Contributions	-	200,000
Operating Expenditure	-	-224,371
Transfers to CRR	-	-1,296
Capital Reserve	-	-
Balance at beginning of the year	-	15,738
Contributions	-	-
Operating Expenditure	-	-
Transfers to CRR	-	-15,738
Development Fund	-	-
Balance at beginning of the year	-	639,087
Other Income	-	-
Operating Expenditure	-	-
Transfers to CRR	-	-639,087
Land Trust Fund	-	-
Balance at beginning of the year	-	6,581,218
Contributions	-	5,465,783
Operating Expenditure	-	-
Transfers to CRR	-	-12,047,001
LDS	-	-
Balance at beginning of the year	-	-30,018,027
Contributions	-	-
Operating Expenditure	-	-
Transfers to Surplus	-	30,018,027

	30-Jun-06	30-Jun-05
	R	R
NOTE 2 - CAPITALISATION RESERVE		
CAPITALISATION RESERVE	7,123,689	8,084,891
Balance at beginning of the year	8,084,891	9,055,675
Property, plant & equipment purchased	-	-
Offsetting of depreciation	-961,202	-970,784
Disposal	-	-
Transfer from surplus	-	-

	30-Jun-06	30-Jun-05
	R	R
NOTE 3 - GOVERNMENT GRANT RESERVE		
GOVERNMENT GRANT RESERVE	183,258,779	190,818,906
Balance at beginning of the year	190,818,906	189,011,522
Property, plant & equipment purchased	5,986,731	14,036,000
Offsetting of depreciation	-13,546,858	-12,228,616
Disposal	-	-
Transfer from surplus	-	-

	30-Jun-06	30-Jun-05
	R	R
NOTE 4 - SELF INSURANCE RESERVE		
SELF INSURANCE RESERVE	2,751,577	2,198,477
Balance at beginning of the year	2,198,477	1,625,552
Contributions	702,273	711,970
Other income	1,470,673	541,755
Premiums paid	-	-
Insurance claims processed	-1,619,846	-680,800

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	30-Jun-06	30-Jun-05
	R	R
NOTE 5 - UNSPENT CONDITIONAL GRANTS		
UNSPENT CONDITIONAL GRANTS AND RECEIPTS	9,224,846	2,468,375
Aids	281,115	-
Customer Care	500,000	500000
Debtors cleansing	100,919	206852
Ekgangala Roads	2,770,677	-
Fleet management	500,000	500000
Management support	193,204	193,204
Municipal Improvement grant	660,000	-
Municipal management grant	10,117	555,264
Municipal systems program	-	-
Parks & Recreation	500,000	-
Performance management system	-	13,055
SEDA	37,500	-
Valuation Roll	-	500000
Water Development Plan	205,200	-
Water Disaster	3,466,113	-

See note 21 for reconciliation of grants

	30-Jun-06	30-Jun-05
	R	R
NOTE 6 - ACCUMULATED SURPLUS/(DEFICIT)		
Accumulated Surplus/(Deficit) at the beginning of the year	20,495,188	78,528,272
Operating surplus/deficit for the year	34,111,210	-41,222,046
Purchase of PPE from surplus	-	13,206,989
Offsetting of depreciation	14,508,060	
Capital Grants used to purchase PPE	-5,986,731	
Other Income to Insurance Reserve	-1,470,674	
Contribution to Insurance Reserve	-702,273	
Insurance claims processed	1,619,847	
Appropriation for the year	-607,868	-30,018,027
VAT		
Consumer accounts	-607,868	-30,018,027
Prior year adjustments		
Accumulated Surplus end of year	61,966,759	20,495,188

	30-Jun-06	30-Jun-05
	R	R
NOTE 7 - LONG - TERM LIABILITIES		
Annuity loans : DBSA	28,592,568	27,905,857
Interest Capitalised on DBSA loan	10,213	
Tshwane Metro		
Sub Total	28,602,781	27,905,857
Less Current portion transferred to current liabilities	-6,100,000	-5,000,000
Total External loans	22,502,781	22,905,857

Refer to Appendix A for more detail on long - term liabilities

	30-Jun-06	30-Jun-05
	R	R
NOTE 8 - CONSUMER DEPOSITS		
Electricity and water	8,916,824	6,421,305
Guarantees in lieu of electricity and water deposits	184,940	184,940

	30-Jun-06	30-Jun-05
	R	R
NOTE 9 - ACCOUNTS PAYABLE		
Trade Creditors	11,012,444	16,464,858
Deposits	491,214	421,048
Amounts Payable - Unallocated monies	2,173,855.36	1,081,345
Consumers paid in advance	2,927,831	3,062,430
Total Creditors	16,605,344	21,029,681

30-Jun-06

30-Jun-05

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NOTE 10 - VAT

VAT Payable

24,931,330

18,563,010

VAT is payable on the cash basis. VAT is paid over on a monthly basis to SARS.

The liability shown above constitutes the maximum amount potentially payable but due to a misinterpretation of the software in use within the municipality, certain monthly write-backs in respect of credit notes were not implemented. An investigation is underway to correct this position as quickly as possible.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 11 - PROPERTY, PLANT & EQUIPMENT 30 June 2006

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community Assets	Other Assets	Specialised Vehicles	Total
	R	R	R	R	R	R
Carrying values at 1 July 2005	25,422,676	185,765,860	14,775,391	7,937,039	287,576	234,188,542
Cost	27,514,230	246,005,805	20,300,704	19,927,175	626,403	314,374,317
Accumulated Depreciation - Cost	-2,091,554	-60,239,945	-5,525,313	-11,990,136	-338,827	-80,185,775
Acquisitions	2,558,342	10,610,183	694,045	951,405	-	14,813,975
Capital under Construction	-	-	-	-	-	-
Depreciation - based on cost	-1,084,888	-13,876,801	-872,763	-1,555,194	-41,456	-17,431,102
Carrying value of disposals	-	-	-	-	-	-
Cost	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
Carrying values at 30 June 2006	26,896,130	182,499,242	14,596,673	7,333,250	246,120	231,571,415
Cost	30,072,572	256,615,988	20,994,749	20,878,580	626,403	329,188,292
Accumulated Depreciation - Cost	-3,176,442	-74,116,746	-6,398,076	-13,545,330	-380,283	-97,616,877

30 June 2005

Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community Assets	Other Assets	Specialised Vehicles	Total
	R	R	R	R	R	R
Carrying values at 1 July 2004	26,507,564	178,694,952	13,343,927	8,876,627	329,032	227,752,102
Cost	27,514,230	226,803,064	18,207,704	19,410,661	626,403	292,562,062
Accumulated Depreciation	-1,006,666	-48,108,112	-4,863,777	-10,534,034	-297,371	-64,809,960
Acquisitions	-	19,202,741	2,093,000	516,514	-	21,812,255
Capital under Construction	-	-	-	-	-	-
Depreciation - based on cost (Backlog)	-1,084,888	-12,131,833	-661,536	-1,456,102	-41,456	-15,375,815
Carrying value of disposals	-	-	-	-	-	-
Cost	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
Carrying values at 30 June 2005	25,422,676	185,765,860	14,775,391	7,937,039	287,576	234,188,542
Cost	27,514,230	246,005,805	20,300,704	19,927,182	626,403	314,374,324
Accumulated Depreciation - Cost	-2,091,554	-60,239,945	-5,525,313	-11,990,136	-338,827	-80,185,775

Refer to Appendix B for more detail on property, plant and equipment. The Municipality has taken advantage of the transitional provisions as set out in GAMAP 17. The Municipality is in the process of identifying, itemising, re-recording and revaluing all infrastructure and other community assets and will recalculate accumulated depreciation once this exercise has been completed. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records. Furthermore, the Municipality has not assessed whether items of property, plant and equipment are impaired. It is expected that an assessment of impairments will be done by 30 June 2008.

30-Jun-06

30-Jun-05

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NOTE 12 - INVENTORIES

CONSUMABLE STOCK

748,511

519,679

Inventory is represented by consumable stores, raw materials, work - in - progress and finished goods.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**NOTE 13 - CONSUMER DEBTORS**

	Gross Balance	Provision for bad debts	Net Balance
AS AT 30 JUNE 2006			
CONSUMER DEBTORS	187,048,069	111,582,843	75,465,226
CONTRIBUTION TO BAD DEBT PROVISION			33,669,866
DEBT WRITTEN OFF FOR THE YEAR			22,034,911
AS AT 30 JUNE 2005			
CONSUMERS DEBTORS	165,557,692	99,947,887	65,609,805
CONTRIBUTION TO BAD DEBT PROVISION			69,391,913
DEBT WRITTEN OFF FOR THE YEAR			NIL

AGEING OF CONSUMER DEBTORS AS AT 30 JUNE 2006

	30-Jun-06	30-Jun-05
All consumer debtors		
Current (0 - 30 DAYS)	18,294,575	15,158,566
30 DAYS	8,380,636	6,723,425
60 DAYS	7,553,015	6,842,075
90 DAYS	6,881,028	4,217,950
120 + DAYS	145,938,815	132,615,676
TOTAL CONSUMER DEBTORS	187,048,069	165,557,692

The current financial system does not differentiate between services, therefore the consumer debtors and ageing cannot be divided between different services.

	Gross Balance	Provision for bad debts	Net Balance				
		R	R				
NOTE 14 - OTHER DEBTORS							
Total Other Debtors	5,181,351	4,625,113	556,238				
CONTRIBUTION TO BAD DEBT PROVISION			-				
DEBT WRITTEN OFF FOR THE YEAR			NIL				
AS AT 30 JUNE 2005							
Other Debtors	5,409,797	4,625,113	784,684				
CONTRIBUTION TO BAD DEBT PROVISION			4,625,113				
DEBT WRITTEN OFF FOR THE YEAR			NIL				

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	30-Jun-06	30-Jun-05
	R	R
NOTE 15 - CALL INVESTMENT DEPOSITS		
Call Deposits - ABSA Bank	24,001,000	24,001,000
Average rate of return on investments (R1 447 322/R24 001 000)	6%	3%
No investments were written off during the year.		
Disclosure in terms of the MFMA, 2003, Section 125(2)(b).		

	30-Jun-06	30-Jun-05
	R	R
NOTE 16 - BANK BALANCES AND CASH		
The Municipality has the following bank accounts:		
Current Account (Primary Bank Account)		
Absa Bank - Kungwini		
Account number: 800210380		
Branch Code: 334150		
Bank Statement balance at beginning of year	8,380,304	2,819,056
Bank Statement balance at end of year	52,642,449	8,380,304
Cash Book Balance at beginning of year	5,740,303	644,600
Increase/(decrease) in cash book balance	44,927,181	5,740,303
Cash Book Balance at end of year	50,667,484	6,384,903
Petty cash		
Balance at the beginning of the year	4,900	4,400
Increase/(decrease) of petty cash	-	500
Balance at the end of the year	4,900	4,900
Total cash resources	50,672,384	6,389,803
Bank balance beginning of the year	353,755	-
Bank balance at end of year	208,091	353,755
Current Account (Secondary Account) - Traffic		
FNB Bank - Kungwini		
Account number: 62072927563		
Branch Code: 270350		
Bank Statement Balance	208,091	353,755

Disclosure in terms of the MFMA, 2003, Section 125(2)(a)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	30-Jun-06	30-Jun-05
	R	R
NOTE 17 - PROPERTY RATES		
Actual		
Residential	57,358,971	42,877,367
Commercial	26,073,273	21,852,399
State	307,488	307,276
Municipal	-	-
Total Assessment Rates	83,739,732	65,037,042
Valuations		
Residential	1,230,798,906	1,145,741,118
Commercial	508,413,600	537,621,600
State	4,439,000	4,458,000
Municipal	11,941,800	24,571,300
Total Property Valuations	1,755,593,306	1,712,392,018

Rebates are respectively granted for the following income limits:

R0.00 up to R15 000 - 40% rebate

Above R15 000 but less than R20 000 - 30% rebate

Above R20 000 but less than R25 000 - 15% rebate

	30-Jun-06	30-Jun-05
	R	R
NOTE 18 - SERVICE CHARGES		
Electricity	46,979,906	43,152,616
Refuse Removal	8,346,066	8,012,272
Sewerage	9,788,485	8,683,242
Water	37,463,583	32,036,048
Other	-	-
Total Service Charges	102,578,040	91,884,178

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	30-Jun-06	30-Jun-05
	R	R
NOTE 19 - GOVERNMENT SUBSIDIES AND GRANTS		
Equitable Share	23,717,811	14,569,543
Health & Clinics	1,287,775	214,155
Municipal Systems Programme	734,000	214,156
Municipal Improvement Grant	660,000	
Water Service Development Plan	342,000	
Parks & Recreation Facilities	500,000	
Ekgangala Roads	4,694,549	
Aids	660,000	
Water Disaster	4,024,000	
SEDA	37,500	-
	36,657,635	
Variances under investigation see Note 21.18	3,007,445	
Total Grants and subsidies	33,650,190	14,997,854
19.1 Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R86 (2004: R86), which is funded from this grant.		
19.2 Provincial Health Subsidies		
Balance unspent at beginning of the year	-	-
Current year receipts	1,287,775	428,311
Conditions met - transferred to revenue	(1,287,775)	(428,311)
Unspent amount - transferred to liabilities (see note 6)	-	-
The Municipality received subsidies for health and clinic services. The conditions of the grant have been met and there was no delay or withholding of the subsidy.		
19.3 Management Support		
Balance unspent at beginning of the year	193,204	193,204
Current year receipts		
Conditions met - transferred to liabilities		
Unspent amount - transferred to liabilities (see note 6)	193,204	193,204
This grant will be utilised for Management Support when the need arise. The conditions of the grant has not been met yet.		
19.4 Performance Management System		
Balance unspent at beginning of the year	13,055	41,732
Current year receipts		
Other Expenditure	-13,055	28,677
Conditions met - transferred to liabilities		
Unspent amount - transferred to liabilities (see note 6)	-	13,055
This grant is used to implement a performance management system. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.		
19.5 Municipal Management Grant		
Balance unspent at beginning of the year	555,264	778,904
Current year receipts		
Other Expenditure	-545,147	223,640
Conditions met - transferred to liabilities		
Unspent amount - transferred to liabilities (see note 6)	10,117	555,264
This grant was used to promote and support reforms to municipal financial management, appointment and training of Interns and the implementation of the MFMA, 2003. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.		
19.6 Municipal Systems Program		
Balance unspent at beginning of the year	-	87,954
Current year receipts		
Other Expenditure	-	87,954
Conditions met - transferred to liabilities		
Unspent amount - transferred to liabilities (see note 6)	-	-

19.7 Debtors Cleansing		
Balance unspent at beginning of the year	206,852	-
Current year receipts	-	500,000
Other Expenditure	-105,933	293,148
Conditions met - transferred to liabilities		
Unspent amount - transferred to liabilities (see note 6)	100,919	206,852

This grant was used for surveying purposes. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.

19.8 Customer Care		
Balance unspent at beginning of the year	500,000	-
Current year receipts	-	-
Other Expenditure	-	-
Conditions met - transferred to liabilities		
Unspent amount - transferred to liabilities (see note 6)	500,000	500,000

This amount was received and will be utilised for the training of staff and customer care relations. The conditions of the grant have not been met yet.

19.9 Fleet Management		
Balance unspent at beginning of the year	500,000	-
Current year receipts	-	500,000
Other Expenditure	-	-
Conditions met - transferred to liabilities		
Unspent amount - transferred to liabilities (see note 6)	500,000	500,000

This grant was received and will be utilised for the repair and maintenance of council's fleet. The conditions of the grant have not been met yet.

19.10 Valuation Roll		
Balance unspent at beginning of the year	500,000	-
Current year receipts	-	500,000
Other Expenditure	-500,000	-
Conditions met - transferred to liabilities		
Unspent amount - transferred to liabilities (see note 6)	-	500,000

This grant was utilised for the compilation of a new valuation roll in terms of the property rates act. The conditions of the grant were met and no funds were withheld.

19.11 Municipal Improvement Grant		
Balance unspent at beginning of the year	-	-
Current year receipts	660,000	-
Conditions met - transferred to liabilities	-	-
Unspent amount - transferred to liabilities (see note 6)	660,000	-

This grant was received and will be utilised for the upgrading of Municipal systems and procedures. The conditions of the grant has not been met yet.

19.12 Water Service Development Plan		
Balance unspent at beginning of the year	-	-
Current year receipts	342,000	-
Other Expenditure	-136,800	-
Conditions met - transferred to liabilities	-	-
Unspent amount - transferred to liabilities (see note 6)	205,200	-

This grant was received and utilised for a water service development plan. Other than the unspent amount, the conditions of the grant were met and no funds were withheld.

19.13 Parks & Recreational Facilities		
Balance unspent at beginning of the year	-	-
Current year receipts	500,000	-
Conditions met - transferred to liabilities	-	-
Unspent amount - transferred to liabilities (see note 6)	500,000	-

This grant was received and will be utilised for the development and upgrading of parks and recreational facilities. The conditions of the grant have not been met yet.

19.14 Ekangala Roads			
Balance unspent at beginning of the year	-	-	-
Current year receipts	2,770,677	-	-
Conditions met - transferred to liabilities	-	-	-
Unspent amount - transferred to liabilities (see note 6)	<u>2,770,677</u>	<u>-</u>	<u>-</u>

This grant was received and will be utilised for the upgrading of roads. The conditions of the grant have not been met yet.

19.15 Aids			
Balance unspent at beginning of the year	-	-	-
Current year receipts	281,115	-	-
Conditions met - transferred to liabilities	-	-	-
Unspent amount - transferred to liabilities (see note 6)	<u>281,115</u>	<u>-</u>	<u>-</u>

This grant was received and will be utilised for a aids program. The conditions of the grant have not been met yet.

19.16 Water Disaster			
Balance unspent at beginning of the year	-	-	-
Current year receipts	3,466,113	-	-
Conditions met - transferred to liabilities	-	-	-
Unspent amount - transferred to liabilities (see note 6)	<u>3,466,113</u>	<u>-</u>	<u>-</u>

This grant was received and will be utilised for water disaster relief as the need arises. The conditions of the grant have not been met yet.

19.17 SEDA			
Balance unspent at beginning of the year	-	-	-
Current year receipts	37,500	-	-
Conditions met - transferred to liabilities	-	-	-
Unspent amount - transferred to liabilities (see note 6)	<u>37,500</u>	<u>-</u>	<u>-</u>

This grant was received and will be utilised as the need arises. The conditions of the grant have not been met yet.

19.18	Management is still in the process of investigating Council's assets and asset systems and all assets from grants have not been capitalised. The process will be finished by 30 June 2007 and all assets acquired from grants in the previous years will be capitalised and shown under prior year adjustments.
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	<u>30-Jun-06</u>	<u>30-Jun-05</u>
	R	R
NOTE 20 - INTEREST EARNED		
External Investments	<u>1,447,322</u>	<u>618,741</u>
Outstanding Debtors	<u>-</u>	<u>3,476</u>

	<u>30-Jun-06</u>	<u>30-Jun-05</u>
	R	R
NOTE 21 - OTHER INCOME		
Entrance Fees	464,355	366,412
Cleaning Sites	230,679	52,599
Building Plan Fees	2,564,900	2,094,221
Subdividing of erven	303,300	431,481
Cheques referred to drawer	25,456	
Consent Use	284,507	221,148
Cemetery Fees	73,480	62,335
Clearing certificates	6,530	
Clearing blockages	13,970	
Membership fees: Libraries	20,553	
Meter testing	789	
Photo copies	6,929	

Rental Central sport	14,512	
Sale of plastic bags	5,750	
Sale of refuse bins	29,908	
Store levies	199,780	
Surplus cash	999	
Warning fees	250	
Water sundries	1,140,884	
Water Connection Fees	877,981	769,220
Electricity Reconnection Fees	65,653	95,400
Electricity connection Fees	530,084	314,914
Sewerage Private fees	821,359	
Sale of erven	4,195,653	
Sundry Income	188,006	282,182
Total	12,066,267	4,689,912

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	30-Jun-06	30-Jun-05
	R	R
NOTE 22 - EMPLOYEE RELATED COST		
Salaries	36,459,235	29,827,540
Social Contributions:	13,937,303	12,364,340
Pension Funds	5,419,867	4,794,946
Medical Aid Funds	3,420,914	3,055,350
Group Insurance	209,673	201,916
Housing Subsidy	759,800	621,854
Unemployment Insurance Fund	311,653	277,320
Workmen's Compensation	684,568	-263
Transport Allowance	2,741,669	3,133,029
Protective Clothing	389,159	280,188
Less: Employee Cost		
Total Employee related cost	50,396,538	42,191,880
There were no advances or loans made to employees		
Remuneration of Managers		
Municipal Manager	605,000	550,000
Annual Remuneration	605,000	500,000
Performance Bonuses	-	50,000
Contribution to UIF	-	-
Director Finance	451,008	427,497
Annual Remuneration	451,008	427,497
Performance Bonuses	-	-
Contribution to UIF	-	-
Director Technical Services	451,008	427,497
Annual Remuneration	451,008	427,497
Performance Bonuses	-	-
Car allowance	-	-
Contribution to UIF, medical and pension funds	-	-
Director Corporate Services	451,008	427,497

Annual Remuneration	451,008	427,497
Performance Bonuses		
Car allowance		
Contribution to UIF, medical and pension funds	-	-
Director Social Services	451,008	427,497
Annual Remuneration	451,008	427,497
Performance Bonuses		
Car allowance		
Contribution to UIF, medical and pension funds	-	-
	30-Jun-06	30-Jun-05
	R	R

NOTE 23 - POST EMPLOYMENT BENEFIT SCHEMES

The Municipality has contractual relationships with eight pension or provident funds. Of these, five are "Defined Contribution Funds" and thus constitute no potential future liability. The Municipal Councilors Pension Fund and the SALA Pension Fund have been actuarially valued and are fully funded.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	30-Jun-06	30-Jun-05
	R	R
NOTE 29 - CASH GENERATED BY OPERATIONS		
Surplus for the year	34,111,210	(41,222,046)
Adjustments for:		
Depreciation	17,431,102	15,375,815
Gain on disposal of property, plant and equipment	-	-
Contributions to provisions - non-current	-	-
Contributions to provisions - current	1,910,973	
Contribution to bad debt provision	33,669,866	74,017,026
Contribution to provisions	2,173,416	
Investment income	(1,447,322)	(622,217)
Interest paid	5,253,792	5,479,216
Government Grants and Subsidies	(33,650,190)	
Non - Operating Income	7,237,164	15,797,314
Non - Operating Expenditure	(9,819,503)	4,326,085
Operating surplus before working capital changes:	56,870,509	73,151,193
(Increase)/Decrease in inventories	(228,832)	7,087
(Increase)/decrease in debtors	(14,480,534)	(38,565,116)
(Increase)/decrease in other debtors	228,446	(455,812)
(Decrease)/increase in conditional grants and receipts	6,756,471	1,366,581
(Decrease)/Increase in creditors and deposits	4,404,294	7,337,380
(Decrease)/Increase in VAT	6,368,320	6,185,665
Cash generated by operations	59,918,674	49,026,978
	30-Jun-06	30-Jun-05
	R	R

NOTE 30 - CASH AND CASH EQUIVALENTS

Balance at end of year	50,880,475	6,389,803
Balance at the beginning of the year	6,389,803	649,000
Net increase/(decrease) in cash	44,490,672	5,740,803
Call investment at end of year	24,001,000	24,001,000

Call investment at the beginning of the year	24,001,000	8,001,000
Net increase/(decrease) in call investments	-	16,000,000
Net increase/(decrease) in cash and cash equivalents	44,490,672	21,740,803

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	30-Jun-06	30-Jun-05
	R	R
NOTE 31 - ADDITIONAL DISCLOSURES IN TERMS OF MFMA, 2003		
Section 125(1)(b)		
* Contribution to SALGA		
Opening balance		
Council membership fees payable	604,075	258,746
Amount paid current year	604,075	258,746
Amount paid previous	-	-
Balance unpaid (included in creditors)	-	-
Section 125(1)(c)		
* Audit Fees		
Opening balance	-	-
Fees payable	175,000	-
Amount paid current year	-175,000	-
Amount paid previous	-	-
Balance unpaid (included in creditors)	-	-
* VAT		
VAT inputs/payables and VAT outputs/receivables are shown in Note 11. All VAT returns have been submitted by the due date throughout the year.		
* Pay as you earn (PAYE)		
Opening balance		
Current payroll deductions	5,670,717	4,944,388
Amount paid current year	-5,670,717	-4,944,388
Balance unpaid	-	-
Unemployment Insurance Fund (UIF)		
Opening balance		
Current payroll deductions	664,627	279,646
Amount paid current year	-664,627	-279,646
Balance unpaid	-	-
* Medical Aid		
Opening balance		
Current payroll deductions	5,192,360	1,359,280
Amount paid current year	-5,192,360	-1,359,280
Balance unpaid	-	-
* Pension Fund		
Opening balance		
Current payroll deductions	7,932,037	2,198,042
Amount paid current year	-7,932,037	-2,198,042
Balance unpaid	-	-

* Disclosure concerning councilors

Councilor's arrear consumer accounts

The following Councilors had arrear accounts for more than 90 days as at:

	30 June 2006	Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
Councilor Van Tonder GJ		13,142	2,452	10,690
Councilor Pretorius DJ		16,882	3,481	13,401
Councilor Mabelane VP		7,000	265	6,735
Councilor Nkosi PM		7,394	514	6,880
Councilor Sebola SJ		14,354	649	13,706

During the year the following Councilors had arrear accounts outstanding for more than 90 days.

	30 June 2006	Highest amount outstanding R	Ageing
Councilor Boot JR		1,155	120 days
Councilor Nkabinde AO		956	120 days
Councilor Rankune C		597	120 days

Non-Compliance to chapter 11 of the MFMA

The Municipality has not implemented a supply chain management policy yet, but has approved one which will be implemented from 01 July 2006.

NOTE 32 - CONTINGENT LIABILITY

There is a contingent liability of R416 299.00 in respect of a legal claim against the Council for assessment rates charged. Should the Council be unsuccessful in defending the claim, the levied rates will have to be written back.

APPENDIX A

KUNGWINI LOCAL MUNICIPALITY : SHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2006

EXTERNAL LOANS	Loan No	Redeemable	Balance at 30 June 2005	Interest paid during the period	Received during the period	Redeemed or Written off during the period	Balance at 30 June 2006
			R		R	R	R
ANNUITY LOAN							
DBSA BRONB	906/125		177,815	66,799		44,782	199,832
TOTAL ANNUITY LOANS			177,815	66,799	-	44,782	199,832
DBSA - EXTENSION 8	903/069		27,728,042	5,176,780	10,213	4,512,086	28,402,949
TOTAL OTHER LOANS			27,728,042	5,176,780	10,213	4,512,086	28,402,949
TOTAL EXTERNAL LOANS			27,905,857	5,243,579	10,213	4,556,868	28,602,781

APPENDIX C

KUNGWINI LOCAL MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT 30 JUNE 2006

	COST					ACCUMULATED DEPRECIATION				Carrying Value	Budget Additions 2005
	Opening Balance	Additions/ Transfers	Under Construction	Disposals	Closing Balance	Opening Balance	Additions/ Transfers	Disposals	Closing Balance		
EXECUTIVE & COUNCIL	2,495,574	19,852	-	-	2,515,426	1,358,177	198,337	-	1,556,514	958,912	160,000
Executive & Council	2,495,574	19,852	-	-	2,515,426	1,358,177	198,337	-	1,556,514	958,912	160,000
FINANCE & ADMINISTRATION	42,914,779	4,069,035	-	-	46,983,814	7,280,748	1,814,393	-	9,095,141	37,888,673	35,000
Finance	1,187,715	-	-	-	1,187,715	978,097	66,705	-	1,044,802	142,913	35,000
Other Admin	-	4,069,035	-	-	4,069,035	-	102,125	-	102,125	3,966,910	-
Property Services	41,727,064	-	-	-	41,727,064	6,302,651	1,645,563	-	7,948,214	33,778,850	-
PLANNING & DEVELOPMENT	1,159,444	1,159,444	-	-	-	695,665	695,665	-	-	-	-
Planning & Development	1,159,444	1,159,444	-	-	-	695,665	695,665	-	-	-	-
ROAD TRANSPORT	80,144,268	1,271,840	-	-	81,416,108	21,903,053	6,131,649	-	28,034,702	53,381,406	5,040,600
Vehicle Licensing & Testing	74,047	112,396	-	-	186,443	73,918	5,101	-	79,019	107,424	-
Roads & Stormwater	57,380,085	-	-	-	57,380,085	17,568,379	3,670,879	-	21,239,258	36,140,827	-
Roads Other	22,690,136	1,159,444	-	-	23,849,580	4,260,756	2,455,669	-	6,716,425	17,133,155	5,040,600
HEALTH	384,943	2,601,688	-	-	2,986,631	299,666	24,197	-	323,863	2,662,768	3,118,500
Clinics	200,926	30,843	-	-	231,769	157,184	10,463	-	167,647	64,122	33,500
Ambulances	96,458	-	-	-	96,458	93,742	2,649	-	96,391	67	-
Health Other	87,559	2,570,845	-	-	2,658,404	48,740	11,085	-	59,825	2,598,579	3,085,000
COMMUNITY & SOCIAL SERVICES	2,196,027	772,795	-	-	2,968,822	444,012	83,437	-	527,449	2,441,373	1,101,980
Libraries & Archives	328,833	68,965	-	-	397,798	226,222	22,982	-	249,204	148,594	386,980
Community Halls & Facilities	62,823	-	-	-	62,823	6,280	2,093	-	8,373	54,450	-
Community Services	112,619	9,785	-	-	122,404	112,524	1,084	-	113,608	8,796	15,000
Cemeteries & Crematoriums	1,691,752	694,045	-	-	2,385,797	98,986	57,278	-	156,264	2,229,533	700,000
PUBLIC SAFETY	8,929,558	351,834	-	-	9,281,392	3,813,453	652,959	-	4,466,412	4,814,980	3,352,180
Fire	7,573,081	351,834	-	-	7,924,915	2,914,391	516,836	-	3,431,227	4,493,688	788,680
Civil Defence	61,236	-	-	-	61,236	61,184	-	-	61,184	52	-
Traffic	1,295,241	-	-	-	1,295,241	837,878	136,123	-	974,001	321,240	2,563,500
SPORT & RECREATION	13,930,726	-	-	-	13,930,726	3,352,330	683,243	-	4,035,573	9,895,153	-
Sport & Recreation	13,930,726	-	-	-	13,930,726	3,352,330	683,243	-	4,035,573	9,895,153	-
WASTE WATER MANAGEMENT	35,518,251	4,506,976	-	-	40,025,227	8,318,120	1,929,127	-	10,247,247	29,777,980	1,240,000
Sewerage	35,518,251	4,506,976	-	-	40,025,227	8,318,120	1,929,127	-	10,247,247	29,777,980	1,240,000
WASTE MANAGEMENT	5,746,808	68,085	-	-	5,814,893	1,721,598	308,934	-	2,030,532	3,784,361	508,000
Solid Waste	5,746,808	68,085	-	-	5,814,893	1,721,598	308,934	-	2,030,532	3,784,361	508,000
HOUSING	1,186,863	-	-	-	1,186,863	16,418	16,418	-	32,836	1,154,027	-
Housing	1,186,863	-	-	-	1,186,863	16,418	16,418	-	32,836	1,154,027	-

WATER	52,444,406	2,131,637	-	-	54,576,043	14,616,083	2,945,246	-	17,561,329	37,014,714	3,500,000
Water Distribution	34,459,865	2,131,637	-	-	36,591,502	8,440,375	2,945,246	-	11,385,621	25,205,881	3,500,000
Water Storage		-	-	-	17,984,541	6,175,708	-	-	6,175,708	11,808,833	-
ELECTRICITY	67,322,670	179,677	-	-	67,502,347	16,366,452	3,338,827	-	19,705,279	47,797,068	800,000
Electricity Distribution	65,892,350	179,677	-	-	66,072,027	15,828,047	3,267,590	-	19,095,637	46,976,390	800,000
Street lighting	1,430,320	-	-	-	1,430,320	538,405	71,237	-	609,642	820,678	-
TOTAL	314,374,317	14,813,975	-	-	329,188,292	80,185,775	17,431,102	-	97,616,877	231,571,415	18,856,260

APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2006

2005	2005	2005		2006	2006	2006	2006	2006
Actual income	Actual expenditure	Surplus/ (Deficit)		Budgeted income	Actual income	Budgeted expenditure	Actual expenditure	Surplus/ (Deficit)
R	R	R		R	R	R	R	R
14,984,632	105,225,635	-90,241,003	Executive & Council	38,319,120	31,470,677	68,608,130	73,244,594	-41,773,917
14,984,632	105,225,635	-90,241,003	Executive & Council	38,319,120	31,470,677	68,608,130	73,244,594	-41,773,917
66,118,448	10,683,850	55,434,598	Finance & Admin	73,595,730	86,670,847	11,517,390	11,278,904	75,391,943
65,764,023	5,836,336	59,927,687	Finance	73,260,730	86,264,667	8,226,050	7,310,311	78,954,356
-	-	-	Human Resources	-	-	-	-	-
-	422,028	-422,028	Information	0	-	-	-	0
354,425	4,425,487	-4,071,061	Technology	335,000	406,180	3,291,340	3,968,593	-3,562,413
			Property Services					
-	-	-	Planning & Development	-	-	-	-	-
-	-	-	Planning & Development	-	-	-	-	-
480,910	2,743,342	-2,262,432	Health	640,000	3,403,089	4,207,380	3,465,094	-62,005
214,155	1,573,662	-1,359,506	Clinics	290,000	722,025	2,172,620	2,084,543	-1,362,518
266,754	1,169,680	-902,925	Health Other	350,000	2,681,064	2,034,760	1,380,552	1,300,513
105,636	2,228,296	-2,122,660	Community Services	128,610	118,488	2,998,799	2,726,698	-2,608,209
43,301	928,806	-885,504	Libraries	57,500	36,900	1,411,390	1,385,878	-1,348,978
-	1,221,543	-1,221,543	Community Services	8,110	8,108	1,336,509	1,154,808	-1,146,700
62,335	77,948	-15,613	Cemeteries	63,000	73,480	250,900	186,012	-112,532
-	-	-	Museums & Art Galleries	-	-	-	-	-
-	-	-	Housing	-	-	-	-	-
-	-	-	Housing	-	-	-	-	-
1,076,608	7,446,452	-6,369,844	Public Safety	1,000	-	6,693,650	6,458,826	-6,458,826
665	4,176,718	-4,176,053	Fire Services	1,000	-	6,463,950	6,243,000	-6,243,000
-	-	0	Civil Defence	-	-	69,600	12,100	-12,100
1,075,943	3,269,734	-2,193,791	Traffic	0	-	160,100	203,726	-203,726
-	-	-	Other	-	-	-	-	-
372,890	3,495,585	-3,122,695	Parks & Recreation	412,800	464,355	3,671,090	3,238,461	-2,774,106
372,890	3,495,585	-3,122,695	Parks & Recreation	412,800	464,355	3,671,090	3,238,461	-2,774,106

2005	2005	2005		2006	2006	2006	2006	2006
Actual income	Actual expenditure	Surplus/ (Deficit)		Budgeted income	Actual income	Budgeted expenditure	Actual expenditure	Surplus/ (Deficit)
R	R	R		R	R	R	R	R
16,751,052	9,883,502	6,867,550	Waste Management	16,493,080	23,107,950	11,488,310	12,140,324	10,967,626
8,714,493	5,728,482	2,986,012	Sewerage	8,523,860	14,726,226	6,769,330	7,175,345	7,550,880
-	-	0	Public Toilets	-	-	-	-	0

8,036,558	4,155,021	3,881,538	Refuse Removal	7,969,220	8,381,724	4,718,980	4,964,979	3,416,745
6,097,975	14,171,881	-8,073,906	Road Transport	6,564,570	8,374,838	24,380,767	21,305,148	-12,930,310
-	-	0	Roads	-	-	-	-	0
3,322,663	1,053,082	2,269,581	Vehicle Licenses	3,686,800	4,627,778	10,810,307	4,900,859	-273,081
2,775,312	13,118,799	-10,343,486	Transport Other	2,877,770	3,747,060	13,570,460	16,404,289	-12,657,229
32,805,268	26,350,509	6,454,759	Water	35,694,700	39,482,447	25,829,700	28,534,288	10,948,159
32,805,268	26,350,509	6,454,759	Water Distribution	35,694,700	39,482,447	25,829,700	28,534,288	10,948,159
-	-	-	Water Purification	-	-	-	-	-
43,563,522	41,349,935	2,213,587	Electricity	44,098,500	47,576,431	41,585,000	44,165,576	3,410,855
43,563,522	41,349,935	2,213,587	Electricity Distribution	44,098,500	47,576,431	41,585,000	44,165,576	3,410,855
-	-	-	Street Lighting	-	-	-	-	-
182,356,941	223,578,986	-41,222,045	SUB TOTAL	215,948,110	240,669,123	200,980,216	206,557,913	34,111,210
-	-	-	Less: Inter-Department Charges	1,733,830	1,713,182	1,725,680	1,713,182	-
182,356,941	223,578,986	41,222,045	TOTAL	214,214,280	238,955,941	199,254,536	204,844,731	34,111,210

APPENDIX E(1)

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2006

	2006 Actual	2006 Budget	2006 Variance	2006 Variance	Explanations of Significant Variances greater than 10% versus Budget
	R	R	R	%	
REVENUE					
Property Rates	83,739,732	72,000,000	11,739,732	16.31	
Service charges: Electricity	46,979,906	43,708,000	3,271,906	7.49	
Refuse Removal	8,346,066	7,946,220	399,846	5.03	
Sewerage	9,788,485	8,500,000	1,288,485	15.16	
Water	37,463,583	34,994,700	2,468,883	7.06	
Rental of facilities and equipment	630,288	544,000	86,288	15.86	
Interest earned - external investments	1,447,322	200,000	1,247,322	623.66	
Interest earned - outstanding debtors	-	-	-	-	
Fines	1,600,810	702,400	898,410	127.91	
Licences and permits	3,033,915	3,001,600	32,315	1.08	
Revenue for agency services	209,378	170,000	39,378	23.16	
Government grants and subsidies - Operating	27,663,459	38,139,000	-10,475,541	-27.47	
Government grants and subsidies received - Capital	5,986,731	-	5,986,731	-	
Other income	12,066,267	4,308,360	7,757,907	180.07	
Gain on disposal of property, plant and equipment	-	-	-	-	
Total Revenue	238,955,941	214,214,280	24,741,661	11.55	
EXPENDITURE					
Employee related costs	50,396,538	56,813,930	-6,417,392	-11.30	
Remuneration of Councillors	3,801,147	4,508,830	-707,683	-15.70	
Bad debts	33,669,866	1,000,000	32,669,866	3,266.99	
Collection costs	-	-	-	-	
Depreciation	17,431,102	13,009,601	4,421,501	33.99	
Repairs and maintenance	11,600,288	16,362,500	-4,762,212	-29.10	
Interest on external borrowings	5,253,792	-	5,253,792	-100.00	
Redemption Payments	-	5,000,000	-5,000,000	-100.00	
Bulk purchases: Electricity	32,842,283	30,200,000	2,642,283	8.75	
Water	9,701,293	8,000,000	1,701,293	21.27	
Contracted services	823,513	1,000,000	-176,487	-17.65	
Grants and subsidies paid	80,500	159,000	-78,500	-49.37	

General expenses	37,333,436	58,807,275	-21,473,840	-36.52
Loss on disposal of property, plant and equipment	-	-	-	-
Contributions to/(transfers from) provisions	1,910,973	4,393,400	-2,482,427	-56.50
Total Expenditure	204,844,731	199,254,536	5,590,195	2.81
NET SURPLUS/(DEFICIT) FOR THE YEAR	34,111,210	14,959,744	19,151,466	128.02

APPENDIX E(2)

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2006

	2006 Actual	2006 Under Construction	2006 Total Additions	2006 Budget	2006 Variance	2006 Variance	Explanations of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	%	
EXECUTIVE & COUNCIL	19,852	-	19,852	160,000	(140,148)		
Executive & Council	19,852	-	19,852	160,000	(140,148)	(87.59)	
FINANCE & ADMINISTRATION	4,069,035	-	4,069,035	35,000	4,034,035		
Finance	-	-	-	35,000	(35,000)	(100.00)	
Other Admin	4,069,035	-	4,069,035	-	4,069,035	100.00	
Property Services	-	-	-	-	-	-	
PLANNING & DEVELOPMENT	(1,159,444)	-	(1,159,444)	-	(1,159,444)		
Planning & Development	(1,159,444)	-	1,159,444	-	(1,159,444)	100.00	
ROAD TRANSPORT	1,271,840	-	1,271,840	5,040,600	(3,768,760)		
Vehicle Licensing & Testing	112,396	-	112,396	-	112,396	100.00	
Roads & Storm water	-	-	-	-	-	-	
Roads Other	1,159,444	-	1,159,444	5,040,600	(3,881,156)	(77.00)	
HEALTH	2,601,688	-	2,601,688	3,118,500	(516,812)		
Clinics	30,843	-	30,843	33,500	(2,657)	(7.93)	
Ambulances	-	-	-	-	-	-	
Health Other	2,570,845	-	2,570,845	3,085,000	(514,155)	(16.67)	
COMMUNITY & SOCIAL SERVICES	772,795	-	772,795	1,101,980	(329,185)		
Libraries & Archives	68,965	-	68,965	386,980	(318,015)	(82.18)	
Community Halls & Facilities	-	-	-	-	-	-	
Community Services	9,785	-	9,785	15,000	(5,215)	(34.77)	
Cemeteries & Crematoriums	694,045	-	694,045	700,000	(5,955)	(0.85)	
PUBLIC SAFETY	351,834	-	351,834	3,352,180	(3,000,346)		
Fire	351,834	-	351,834	788,680	(436,846)	(55.39)	
Civil Defense	-	-	-	-	-	-	
Traffic	-	-	-	2,563,500	(2,563,500)	(100.00)	
SPORT & RECREATION	-	-	-	-	-	-	
Sport & Recreation	-	-	-	-	-	-	
WASTE WATER MANAGEMENT	4,506,976	-	4,506,976	1,240,000	3,266,976		
Sewerage	4,506,976	-	4,506,976	1,240,000	3,266,976	263.47	
WASTE MANAGEMENT	68,085	-	68,085	508,000	(439,915)		
Solid Waste	68,085	-	68,085	508,000	(439,915)	(86.60)	
HOUSING	-	-	-	-	-	-	
Housing	-	-	-	-	-	-	
WATER	2,131,637	-	2,131,637	3,500,000	(1,368,363)		
Water Distribution	2,131,637	-	2,131,637	3,500,000	(1,368,363)	(39.10)	
Water Storage	-	-	-	-	-	-	
ELECTRICITY	179,677	-	179,677	800,000	(620,323)		
Electricity Distribution	179,677	-	179,677	800,000	(620,323)	(77.54)	

Street lighting	-	-	-	-	-	-
TOTAL	14,813,975	-	14,813,975	18,856,260	(4,042,285)	(21.44)

APPENDIX F

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Name of Grants	Balance unspent at beginning of year	Quarterly Receipts					Quarterly Expenditure					Balance unspent at end of year	Reason for delay/with-holding of Funds See notes ref	
		Sept	Dec	Mar	Jun	Total	Sep	Dec	Mar	Jun	Total			
Provincial Health Subsidies						-					-	-		
Health & Clinics	-				1,287,775	1,287,775				1,287,775	1,287,775	-	21.2	
Management Support	193,204					-					-	193,204	21.3	
Performance Management System	13,055					-			13,055	13,055	-	-	21.4	
Municipal Management Grant	555,264					-	249,286	148,029	10,369	137,463	545,147	10,117	21.5	
Debtors Cleansing	206,852					-	105,933				105,933	-	21.7	
Customer Care	500,000					-					-	500,000	21.8	
Fleet Management	500,000					-					-	500,000	21.9	
Valuation Roll	500,000					-			500,000	500,000	-	-	21.10	
Municipal Improvement Grant	-	660,000				660,000					-	660,000	21.11	
Water Service Development Plan	-				342,000	342,000	136,800				136,800	205,200	21.12	
Parks & Recreational Facilities	-	500,000				500,000					-	500,000	21.13	
Ekgangala Roads	-	4,694,549				4,694,549	1,923,872				1,923,872	2,770,677	21.14	
Aids	281,115	510,000			150,000	660,000	-	-	34,735	625,265	660,000	281,115	21.15	
Water Disaster	-				4,024,000	4,024,000				557,886	557,886	3,466,114	21.16	
SEDA	-	37,500				37,500					-	37,500	21.17	
TOTAL	2,749,490	6,402,049	-	-	5,803,775	12,205,824	2,415,891	148,029	45,104	3,121,444	5,730,468	9,224,846		

APPENDIX G

Statistical information for the year ended 30 June 2006

	30-Jun-06	30-Jun-05
GENERAL STATISTICS	R	R
Population	105,675	105,675

Total Valuations		
Taxable	1,743,652,506	1,687,820,718
Non Taxable	4,439,000	46,458,000
Residential	1,230,798,906	1,145,741,118
Commercial	508,413,600	537,621,600

Date of Valuation: 2 January 2002

Number of Properties		
Residential	29,200	28,540
Commercial	620	620

Assessment rates		
Basic (per Rand)	0,0876c	0,0876c
Rebate - Pensioners	15% - 40%	15% - 40%

Number of Employees of the Local Authority	407	407
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ELECTRICAL STATISTICS

Units bought (KWH)	174,049,867	176,027,726
Units sold (KWH)	168,034,261	157,032,457
Units lost in distribution (KWH)	6,015,606	18,995,269
Percentage lost in distribution	3,46%	10,79%
Cost per unit sold	24.46C	25.28c
Income per unit sold	28.31C	27.74c

WATER

Kilolitre bought	23,446,773	20,646,347
Kilolitre sold	22,282,923	18,374,621
Kilolitre lost in distribution	1,163,850	2,271,726
Percentage lost in distribution	4,96%	11%
Cost per kilolitre sold	125.20C	139.20c
Income per kilolitre sold	177.19C	178.50c

6.3 INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

The analysis of Annual Financial Statement 2005/2006 is in accordance with the following heading below:

6.3.1 Government Grants v/s Revenue generated

The following is the summary of Grants and Subsidies received compared to revenue generated, the Grant funding constitute 14% of our total income. This percentage may change depending on our increased capacity to generate revenue as well the changes in grant funding which can either be increasing or decreasing depending our capacity to spend grants.

However despite the long tendering processes to be followed, it is our commitment to ensure that the municipality complies with the conditions of the allocated grants to be able to utilize as much as possible for the benefit of the community.

Grants	Revenue	Total	Percentage (%)
R33 650 190	R205 305 751	R238 955 941	14.0821

6.3.2 Actual Revenue v/s Budgeted Revenue

There has been an outstanding performance on operational revenue generated in that the actual operational revenue generated exceeded the budgeted operational revenue by 12.49% as per the amounts indicated below.

Actual Operational Revenue	Operational Revenue Budgeted	Variance	Percentage (%)
R224 141 966	R199 254 536	R24 887 430	12.4902

6.3.3 Actual Expenditure v/s Budgeted Expenditure

Out of the budgeted expenditure amount of R199 254 536, an amount of R204 844 731 in actual spending was incurred and that results in a variance of 2.80% overspending which is insignificant.

Total Actual Expenditure	Total Budgeted Expenditure	Variance	Percentage (%)
R204 844 731	R199 254 536	R5 590 195	2.8055

6.3.4 Collection of Consumer Debtors

Our collection period with regard to consumer debtor's collections has improved from 385 days in 2004/2005 to 342 days in 2005/2006.

2005/2006

Consumer Debtors	Operating Revenue	Collection Period
R187 048 069	R199 254 536	342

2004/2005

Consumer Debtors	Operating Revenue	Collection Period
R165 557 691	R156 921 220	385

6.3.5 Asset Management

Our asset management system needs to be reviewed. The assessment of our financial accounting system with a view to have an integrated financial management system that will provide for a proper integration of information that caters for all financial aspects, will dictate our strategy in addressing this problem of assets management. The restructuring of the Finance Directorate, which will of course culminate in the appointment of personnel having the required experience and skill, is imperative for the success of an asset management system.

6.3.6 Loan Funding

The 24.68% of our source of funds for assets was derived from loan funding. This is a clear indication of minimum reliance on loan funding which is healthy for the municipality.

Total Liabilities	Total Assets	Percentage (%)
R94 614 238	R383 222 864	24.6890

6.3.7 Personnel Cost to the Total Operating Expenditure

Our personnel cost is 26% of the total operating budget which is far below 35% of the norm.

Personnel Costs	Total Operating Expenditure	Percentage (%)
R54 197 685	R204 844 731	26,4579



CONCLUSION

The Municipality is making encouraging progress in improving service delivery, and continues to do so. The achievements outlined in the report are proof that KLM has the potential to achieve its ultimate goal: "Meeting the basic needs and improving the quality of life for all residents". The Municipality has approved plans that seek to address all areas of responsibility as set out in the Constitution, and the implementation of these plans will address areas such as provision of affordable houses for the poor members of the community; improvement of roads; provision of water and sanitation; and the development of policies and systems that aim to improve administration and alleviate poverty.

In dealing with the backlog in service delivery, the Municipality engaged measures that would ensure redress in areas where community members are dissatisfied. Strategies to exploit economic opportunities that exist in the Metsweding District have been developed. These strategies focus on areas such as agriculture, mining, tourism and manufacturing. The Municipality has formed partnerships with other government entities to access funds to address priority projects identified through the IDP process, which could not be covered by available Municipal funds.

In the spirit of corporate governance, it is imperative that all role players in government participate in ensuring the success of this Municipality. Role players not only include the three spheres of government, but also embrace Community Based Organisations, Non-Governmental Organisations and the Community at large.



Kungwini Council in session







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