



Fezile Dabi
District Municipality

**ANNUAL
REPORT**
2006 | 2007





ACKNOWLEDGEMENTS

This annual report is published by the Fezile Dabi District Municipality. It reviews all activities of the municipality for the period July 2006 to June 2007. Every effort has been made to ensure that the facts are correct.





We are pleased to report on 2006/07 annual report and would like to highlight that we are indeed on track.

This annual report by Fezile Dabi District Municipality records some of the achievements made as part of government's continued efforts to respond to the needs of our people in the 2006/07 financial year. These achievements include, inter alia;

The SDBIP for 2006/07 was also developed and approved by Council. The SDBIP 2006/7 detailed the specific projects to be undertaken, the budget allocations and how performance is going to be measured.

The municipality continues to coordinate the District Coordinating Forum which, among others, is intended to serve as a platform to align the local and District IDP. The District IDP has also been aligned to the Provincial Growth and Development Strategy.

Owing to various challenges the municipality continued to encounter difficulties regarding the full implementation of PMS, the municipality issued a tender with a view to procure the services of a service providers to assist. When the financial year end the municipality was still in the process of deciding how to take the process forward.

The municipality ensured that the Workplace Skills Plan was revised and submitted to the Department of Labour and the Local Government and Water Services Training Authority. The implementation of the WSP also saw greater records of success. Like the previous year, the municipality ensured that 90% of targeted trainees attended in all training priority areas identified in the WSP.

A lot of effort has also gone into the area of marketing the region. The municipality ensured that the regional Tourism Brochure was revamped and that 3 self-drive map was developed with an additional map included.

The municipality has also supported local municipalities in the acquisition of the necessary equipment for firefighting and disaster.

The municipality has developed policies, systems, procedures, norms and standards in relation to various areas of environmental health management. It has identified various problems in different areas of environmental health and sought to introduce measures to deal with those.

Also, the Office of the Executive Mayor facilitated the establishment of the Fezile Dabi Aids Council. The Council was established to ensure coordination of HIV/Aids activities in the region. It is envisaged that the Council will work with other structures at provincial and local level to combat the scourge of the pandemic.

CLR JERT RAMOKHOASE
EXECUTIVE MAYOR



OVERVIEW: by the Municipal Manager



It is again with a great pleasure that we present the Annual Report reflecting the Municipality's performance and achievements for the 2006/2007 financial year.

This period focused on developing and coming up with new ways of doing things, new systems and structures to deepen, advance and consolidate democratic breakthrough. This was also made possible by strong working relationship with all the stakeholders and all spheres of government.

There have been a number of small but important changes, which in our view contributed towards improving the quality of life of our people.

The new constitutional dispensation in South Africa and various pieces of Municipal Legislation in the recent years have created an exciting climate of change and challenges. The Municipal Finance Management Act mitigates against spendthrift, wasteful and unauthorised expenditure.

Municipal Legislation creates an environment of accountable spending of all government funds on projects which improve the lives of all our people instead of the privileged minority, as in the past. It sets the policy environment for probably the world's most progressive pieces of legislation-driven delivery and creating a new impetus for equitable growth in our society.

The overwhelming mandate received by the municipality thus far provides our councillors and municipal employees with the scope and flexibility to implement even bolder measures to protect the poor, ensuring provision of services previously denied to them.

In pursuing a developmental local mandate for a better live for all, **FDDM** undertook to realize the following objectives during the period under reporting:

- Aligning local Integrated Development Plan to the District;
- Full implementation of Performance Management System;
- Sustain training and skills programme;
- LED strategy implemented and Tourism is promoted;
- Aligning budget to the Integrated Development Plan objectives;
- Ensure proper management of municipal funds;
- Finalise and implement the Supply Management Policy;
- Ensure proper management of funds;
- Ensure effective management of disasters in the region;
- Ensure effective implementation of Environmental Health Management in the District;
- Promote Sports, Arts and Culture;
- Building more capacity at the district level to discharge quality interventions.

My gratitude goes to the Executive Mayor, Councillor Jonas Ramokhoase, the Speaker, Councillor Sizwe Mbalo and the entire Council for the support they have given me and my management team.

I would also like to express my sincere appreciation to staff members of FDDM for their dedication and hard work during the period under review. Without their dedication and commitment the achievements during the period under review would not have been possible.

S. M. MOLALA
MUNICIPAL MANAGER



CONTENTS:



Chapter 1	○ Introduction and Overview of the Municipality	6
Chapter 2	○ Transforming the Fezile Dabi District Municipality	15
Chapter 3	○ Leadership and Management	16
Chapter 4	○ Vision and Strategy	18
Chapter 5	○ Municipal Services and Programmes	19
Chapter 6	○ Municipal Performance: 2002 – 2003	22
	• Institutional Development and Transformation	22
	• Human Resources Management	23
	• Economic Development	25
	• Social Development	27
	• Service Delivery	34
	• Financial Viability	37
Chapter 7	○ Summary of Plans for the next Financial Year	38

CHAPTER 1: Introduction and Overview of the Municipality



Introduction

The Fezile Dabi District Municipality was established following the local government elections in December 2000. The District Municipality is made of four constituent municipalities, namely: Mophaka, Ngwathe, Mafube and Metsimaholo municipalities. The head office of the Fezile Dabi District Municipality is located in Sasolburg – a town that also serves as home for Metsimaholo municipality.

The District was named after the late Mr Fezile Dabi, one of the heroes and gallant fighters for freedom to have emerged from this region.

Overview of the municipality

Geographic profile

The Fezile Dabi District Municipality area covers 240 190 square kilometers and makes up about 27% of the total area of the Free State area. The District comprises the following towns (Sasolburg, Deneysville, Oranjeville, Vaaldam, Frankfurt, Tweeling, Cornelia, Villiers, Kroonstad, Steynsrus, Viljoenskroon, Kroonkop, Parys, Heilbron, Koppies, Edenville and Koepel). The largest town is Kroonstad and the smallest is Tweeling.

The District is located within the middle and upper Vaal water management area. It is situated 1500 m above sea level in the west, 1350 m in the east and 1400 m in the north.

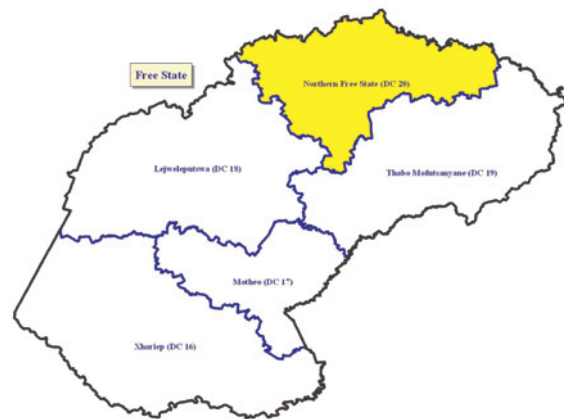


Figure 1: Fezile Dabi District in the Free State Province



Figure 2: The Fezile Dabi District Area





Demographic Realities

Table 7 provides a summary of the current urban population of the Northern Free State District Municipality and subsequently indicates the total urban population per region. Note that council preferred data is used in view of certain anomalies with the data provide by the Demarcation Board.

Table 7
Urban Population : Northern Free State Region (Source: LDO Documents 2001)

METSIMAHOLO		MAFUBE		MOQHAKA		NGHWATHE	
Residential Area	Population (Council Preferred Data)	Residential Area	Population (Council Preferred Data)	Residential Area	Population (Council Preferred Data)	Residential Area	Population (Council Preferred Data)
Zamdela	90 000	Villiers	1 031	Maokeng	120 000	Parys	10 950
Sasolburg	34 000	Qalabotjha	9 800	Marabastad	3 350	Tumahole	61 160
Sub total	124 000	Sub total	10 831	Kroonstrad	25 000	Schonkenville	840
Oranjeville	681	Tweeling	400	Brentpark	7 000	Sub total	72 950
Metsimaholo	5 229	Mafahlaneng	5 070	Sub total	155 350	Heilbron	2 700
Sub total	5 910	Sub total	5 470	Viljoenskroon	2 000	Phiritona	30 912
Deneysville	1 432	Frankfort	36 397	Rammulotsi	49 000	Sub total	33 612
Refengkgotso	20 000	Sub total	36 397	Sub total	51 000	Vredefort	1 300
Sub total	21 432	Cornelia	170	Steynsrus	670	Mokwallo	13 340
		Ntswanatsatsi	6 820	Matwangtlwang	13 000	Vredeshoop	460
		Sub total	6 990	Sub total	13 670	Sub total	15 100
						Koppies	927
						Kwakwatsi	15 500
						Sub total	16 427
						Edenville	402
						Ngwathe	3 292
						Sub total	3 694
Total	151 342	Total	59 688	Total	220 020	Total	141 783
TOTAL URBAN POPULATION							572 833

The Northern Free State is the more developed region of the Free State Province and an approximate 762 387 people resides here. Although a fairly accurate indication can be given of the urban population, data regarding the rural population is mostly unreliable due to various dynamic demographic factors in the region. Available rural population statistics include the 1996 statistical survey and the estimated and preferred population figures of the concerned local Municipalities.

The major factors influencing demographic data in rural areas are the following:

- Influx generally occurs to the Sasolburg/Deneysville area due the existing mining activities and its close proximity to the industrial areas of Vereeniging and Vanderbijlpark. Refengkgotso (Deneysville) increased from 200 to nearly 3300 sites the past 10 years.
- The tendency occurred to a similar extent in the Viljoenskroon area due to its close proximity to the Free

State and North West Province gold mines.

- Fluctuation in the labour force occurs periodically due to the nature of the agricultural practices in the region. There is a general tendency of migration to and from the rural areas depending on the season and demand for labour.
- Urbanisation to urban centers has increased dramatically over the past four years as reflected in population figures of the towns within the districts.
- Land restitution and ownership are contentious issues within the agricultural community and lead to the tendency to rather house farmers in formal residential areas than on farms.

Table 8**Racial Composition of the Regional Population : Northern Free State Region** (Source: Demarcation Board, 2004)

	MOQHAKA	METSIMAHOLO	NGWATHE	MAFUBE	DISTRICT TOTAL
African	144 793	94 004	102 266	53 469	394532
Coloured	4 693	582	3 633	269	9 177
Indian	207	185	74	34	500
White	18 199	21 207	12 836	3 865	56 107
Other	667	507	507	201	1 882
Total	168 559	116 485	119 316	57 838	462 198

Regional Gender and Age Distribution

A Scenario of the age structure in the region, the percentages of different age categories were studied and summarised in Table 11. A large portion of the population (41%) is composed of the age category between 0-19 years of age. This implicates a typical “fertility distribution”. The specific age distribution implicates a future average to high population growth under normal conditions. A fairly low percentage (5%) of the region’s population is composed of the age category 65 years and older. This is typical of a low “mortality distribution”. Changes in this sector of the population will thus not have a severe effect on the total population. Both tendencies emphasise that population growth could, under normal conditions, be expected in the

region. A large part of the population is subsequently composed of the age group 20-49 (53%). It implicates the stronger economic base of the region in comparison to the rest of the Free State and it can be determined that a larger part of the economic independent sector of the provincial population resides in the region.

The phenomena is explained in view of:

- the more developed character of the region,
- by implication more job opportunities and
- the strategic location of the region in terms of the mining and industrial sectors in adjacent provinces.

Table 11**Gender and Age Breakdown** (Source: Demarcation Board 2001)

GENDER	MAFUBE	METSIMAHOLO	NGWATHE	MOQHAKA	NFSDM
Male	26981	59246	56519	83623	226369
Female	30655	56732	62290	84270	233947
Age Breakdown	Mafube	Metsimaholo	Ngwathe	Moqhaka	NFSDM
0-4	5878	10106	11067	14508	41559
5-14	14002	22020	25253	32674	93949
15-34	20583	45869	41461	59755	167668
35-64	13803	33701	32572	59456	131532
Over 65	3371	4281	8457	9500	25609
Age Unknown	–	–	–	–	–



Exact predictions regarding population growth are complicated in view of uncertain migration patterns and the long-term impact of AIDS. It is also important to distinct between traditionally low cost residential and high cost residential areas. Traditional high cost residential areas tend to have a low “fertility distribution” while low cost residential areas in return have a high “fertility distribution”. This phenomenon was generally depicted throughout the region as the low cost residential areas experienced rapid growth in contrast with the high cost residential areas where moderate to slow growth was experienced. It can generally be expected, according to the current status, that an increase in the population will occur in both of the concerned communities.

Gender distribution in the region is well-balanced and 50% of the population is male and 50% female. The tendency subsequently relates to the fairly well balanced gender distribution in the rest of the Free State (male 49.3% and female 51.7%) and the rest of South Africa (male 49.1% and female 51.9%).

Economic Profile

The economic profile of the region is largely based on Gross Geographical Product (GGP) statistics. According to Table 3, which indicates the GGP per former District Municipality region, the Northern Free State District Municipality (NFDC) provides the highest contribution (66,5%) to the Free State Province GGP and could be considered the most economic active region in the province.

The Sasolburg District and to a lesser extent the Heilbron district dominate the economy of the Northern Free State region by contributing 72 % to the GGP. Mining and manufacturing activities contribute primarily to this phenomena. The Kroonstad area is the second largest contributor to the GGP of the Northern Free State District. The agricultural sector contributes exclusively to the GGP in this region. Established and prominent government and para-statal institutions (e.g. Correctional Services, Defense

Table 3
Economic Structure: Regional Contribution to the Free State GGP (Source: Central Statistical Services, 2004)

GROSS GEOGRAPHIC PRODUCT	FORMER DISTRICT MUNICIPALITIES			
	NFSDC (%)	GFDC (%)	EFSDC (%)	BLOEM AREA (%)
Agriculture, Forestry, Fishing	15.34	41.54	30.49	11.39
Mining and Quarrying	100.00	90.52	0.01	0.96
Manufacturing	91.96	12.68	10.27	12.00
Electricity, Water	96.46	6.61	4.01	10.90
Construction	31.28	35.12	21.74	34.00
Trade, Catering	26.34	32.06	16.85	33.91
Transport, Communication	16.77	11.87	12.09	59.28
Finance, Real Estate	32.72	20.99	16.11	45.22
Community Services	32.04	27.85	12.24	45.51
Less Imputations	10.30	21.19	16.65	49.19
General, Government	13.83	15.34	23.67	48.77
Other Products	30.38	14.97	12.77	60.19
TOTAL FREE STATE CONTRIBUTION	66.51	34.04	14.56	26.33

Force, Transnet, etc.) and several other sectors in the Kroonstad area also contribute considerably to the GGP to finally add up to a total average contribution of 20% from the region. It is primarily attributed to the Kroonstad urban area as a prominent and large service center in the district with a strong commercial and industrial component, offering a wide range of professional services to its hinterland.

The Parys/Vredefort area contributes to a lesser extent to the GGP of the region. The Parys area comprises unique nature and environmental assets such as the Vaal River with several islands in the proximity of Parys. The Vredefort Dome has of late become a potential source of exceptional tourism value. Large areas are also underlain with undifferentiated granite. Granite is exploited for the export market directly to the north of Parys. The contribution of the Viljoenskroon area to the GGP of the study area is attributed to the major contribution of the agricultural sector and a number of prominent agricultural related industries (Senwes, Omnia and “Vrystaat Mielies”).

“Because of the important role played by the Vaal Dam and the Vaal-Barrage in providing potable water to the economic heartland of the republic, everything possible must be done to restrict the pollution of these sources to the minimum. With this in view, it is considered undesirable that a large increase in the population concentration takes place in riparian areas.”

“Open spaces must be protected against injudicious use on account of their ecological esthetic or recreational value.”

Vaal River Complex Guide Plan (1982)

Economical Activities

While mining and industry dominate the Sasolburg District, the remainder of the region accommodates predominantly agricultural related activities. This is also evident from the application of agricultural land, as indicated in Table 4. Only a restricted percentage of the region is unavailable for

agriculture purposes (5%). A fairly significant portion of the region is currently under cultivation, which is attributed to the average rainfall in the area and the general availability of water for irrigation purposes. Virtually, the larger part of the region that is suitable for cultivation is being utilised (48%) and only 1% could still be developed for that purpose.

Stock farming (46%) is mainly extensive, focussing on grazing and dairy farming. It can generally be determined that the region is developed to its optimum with regard to agriculture and future development of this sector is thus not foreseen.

Areas utilised for cultivation are predominantly cultivated with maize, sunflower and sorghum. Wheat is also cultivated, but to a much lesser extent. It is not possible to give an accurate indication of the percentage of each of these cultivations being produced since it varies each year depending on market demands and meteorological conditions.

According to Acocks, there are basically two veld types in the study area namely the transitional *Cymbopogon-Themeda* veld and the dry *Cymbopogon-Themeda* veld, which are both pure grassveld types and considered as part of the grassveld biome. The area to the west of Kroonstad and west of Koppies is characterised by the dry *Cymbopogon-Themeda* veld. This veld type has four variations that are all dominated by the *Themeda triandra* specie. The transitional *Cymbopogon-Themeda* veld occurs to the north and east of the study area. The *Themeda triandra* and the *Eragrostis chloromelas* species also dominate this veld type. The pure grassveld type is found to the north of Parys, while the false grassveld type is found to the south. The field types provide excellent grazing opportunities, which explains the for-mentioned data. Vegetation in the Vredefort Dome area differs largely from the latter and is referred to as the *Banke Veld*.

Acocks (1974, 102) is of opinion that Karoo intervention has established to some extent in the region and a *false* Karoo character may be observed occasionally. It is especially observed in isolated eroded and rocky areas where *karoide*





plants are dominant (*Euryops empetrifolius*). The latter may be a result of the over utilisation of marginal land in some areas.

Another unique plant community appears in the form of riparian bush of “Gallery Bush”, found on riverbanks of the rivers and tributaries crossing through the region and is extremely distinctive in the Free State and North West Provinces. Riparian bush consists of indigenous trees and dense undergrowth, although alien vegetation such as poplar groves and bluegum trees also occur. The vegetation stabilises riparian areas and serves as protection against erosion and also yields shelter to birds and animals. Examples of indigenous trees found on the islands are white stinkwood (*Celtis Africana*), wild olive (*Olea Africana*), buffalo thorn (*Zisiphus macronata*), sweet thorn (*Acasia Karoo*) and the bush willow (*Salix capensis*).

The vegetation community is unique to the Free State and deserves special mentioning, especially concerning the conservation thereof. Riverbanks are certainly one of the most sensitive ecological systems and as far as possible no pressure should be placed on the ecology of these areas. This principle was also clearly outlined in the Vaal River Complex Guide Plan and should ideally be maintained through the entire region.

Unemployment and Economic Difficulties

It is essential to distinct between the different culture groups in the region in order to determine a realistic employment rate. The traditional white communities are primarily composed of higher income and the general unemployment rate of the economic active portion of this community is determined at 6%. In contrast, the traditional black and coloured communities are composed of primarily lower income groups. Unemployment is currently estimated at 38%. Only an approximate 10% of the economic active part of the community assorts under the higher income groups. The region is also typical of other regions with regard to a large quota of pensioners (20%).

The average level of payment for services in the urban areas differs largely. In the traditional high cost residential areas average payment is 98% but much lower in the low cost area ranging between 30 to 45%. In order to address the payment of services, all the Councils are in the process of preparing an Indigent Policy. The latter includes the compilation of Indigent Registers.

The Indigent Policy will aim to assist those inhabitants that are not in a financial position to pay their accounts. Unfortunately exceedingly few people registered and Councils are now in the process of preparing proper indigent

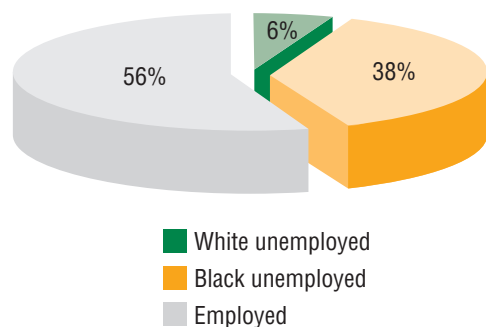
Table 4

Application of Agricultural Land: Northern Free State Region (Source: Department of Agriculture, 1991)

UTILISATION	METSIMAHOLO		MOQHAKA		NGWATHE		NFS DISTRICT MUNICIPALITY	
	(ha)	%	(ha)	%	(ha)	%	(ha)	%
Area unavailable for Agriculture	44 480	6	17 773	3	21 292	4	83 545	5
Area present under cultivation	341 129	42	281 632	49	248 473	57	871 234	48
Area available for cultivation	16 511	2	843	1	972	1	18 326	1
Area present under grazing	398 380	50	271 352	47	164 863	38	834 595	46
TOTAL AREA	800 500	100	571 600	100	435 600	100	1 807 700	100

registers to ensure their fair share of the “National Equitable Share”. Accurate data on the number of indigent people in the region could thus not be presented. The following table provides a general overview of unemployment in the region although a breakdown is not provided between the various economical groups as attempted in the discussion above.

Unemployment: Northern Free State Region



In order to further determine the economic profile of the region, a summary is given in Table 6 of the total budgets of the former TLCs, TRCs and the District Municipality. The summary only reflects certain components of the budgets from which relevant tendencies can be derived. Total budgets

vary considerably from Sasolburg with the highest budget to Tweeling with a relative small budget. The expenditure of the former Local Authorities totals R 362 999 023 excluding the District Municipality budget. The total expenditure for the region is established at R 403 167 948.

The following tendencies are derived (see Table 6):

- It is most alarming that an average of only 1.4 % of budgets is spend on capital projects. It confirms those Local Authorities, especially the former TLCs are exclusively relying on grants and District Municipality funding to maintain and undertake capital projects.
- A fairly large average (45 %) of budgets is spend on salaries (manpower) which is high if a general average of 35 % is considered.
- Although most Local Authorities rely on electricity sales as a major source of income (37%), income derived from other services is very low (18%).
- Smaller Local Authorities rely mostly on grants, average 20 % as a source of income while dependency becomes less in larger Local Authorities (average 10%).

Table 6
Employment : Northern Free State Region (Source: Demarcation Board, 2004)

	MOQHAKA	METSIMAHOLO	NGWATHE	MAFUBE	DISTRICT TOTAL
Employed	42 442	31 486	22 118	9 543	122 497
Unemployed	28 229	18 512	19 656	7 649	45 113
Unspecified	309	270	301	69	949
People under 15 year	41 283	29 971	32 885	17 492	136 149
N/A	3 397	6 487	1 245	673	11 802
Total	115 660	86 726	76 215	35 426	316 510





Regional Influencing Factors

The following factors are determined as prominent influences that currently impact or will in future impact on economic development and growth in the region:

- **Road Infrastructure:** An effective primary road network exists in the study area. The secondary road network provides effective access to the above primary road network.
- **Strategic Location:** The study area is situated strategically in close proximity to the Gauteng and North West Provinces.
- **Available Water Source:** Water resources of national strategic importance are located within the district.
- **Tourism Potential:** The study area has a significant weekend related tourism potential that could in future contribute to the GGP of the district and should be further exploited.
- **Mining Opportunities:** Existing mining activities significantly contribute to the GGP of the district. The possibilities of translating earth gas to the region by means of a pipeline may impact significantly on the region.
- **Agricultural Sector:** The agricultural sector of certain areas in the district is extremely prominent and contributes largely to the GGP of the Northern Free State District which emphasise the agricultural significance of this district. The latter results to industrial development that is agricultural orientated.
- **AIDS:** The impact of AIDS on economic growth patterns is still largely an unknown entity. An increase in mortality will, however, place a large burden on health services and the cost thereof that will influence future economic growth.
- The impact of international trade and competition in agricultural products might result that the agricultural sector is internationally less competitive. The latter implies a negative effect on economic growth leading to a possible loss in employment.
- Impact of pollution on the Barrage and Vaal Dam through high-density development and uncontrolled exploitation.

Environmental Profile

The Northern Free State region is widely known for serious environmental problems. This is mainly due to hazardous waste from chemical industries especially those located in Sasolburg. These industries have, for a long time, posed adverse health problems for the people in this part of the region. This is worsened by the fact that there are no facilities to treat the waste.

An emerging environmental problem is the run off water from brick making sites.

The district is however endowed with important natural and heritage resources. The Vaal River covering some 300 km², runs through various parts of the district and serves as a vital source of water to the region and the Gauteng province. The river also serves to promote tourism especially as it provides for popular water sports and other water related adventures. Apart from the Vaal River, there are other small rivers and dams within the region. These include Vals, Wilge and Renoster rivers and Serfontein, Barend Wessels, Strydom, Weltevrede and Rooipoort dams.

The region also has two prominent pans, namely Vredefort Inland Sea and Molensteen Pan. The latter has historical significance as it was here where the sandstone used to build the Union Building (seat of national government) was quarried.

Found in the district is also the Vredefort Dome. The Dome also has international significance due to its geological importance. That is, the area is an enormous dome shape near Parys and Vredefort. It comprises a central core of granite-gneiss surrounded by a ring of steep inclining rock features forming a mountainous area – one of the only three in the world.



Public Infrastructure Profile

The district has 4 district hospitals, 34 clinics and 5 community health centers (SDF). There are about 282 schools in the region with a total of 13 505 pupils. There is a railway line running through the region (Bloemfontein and Johannesburg). The main form of public transport, however, is taxis. A total of 77% of roads are tarred while 23% are graveled. About 37,6% of streets are tarred while 31,5% are graveled and 3,9% subsurface.





Following the December 2000 local government elections, national government outlined a 10 year trajectory for the local government transformation. In terms of this, it was envisaged that municipalities would go through three phases of transformation, namely; stabilization/establishment, consolidation and sustainability phase.

Stabilisation/Establishment phase (2000–2002)

During this phase municipalities were expected to set up new political structures, allocate roles and responsibilities, develop standing orders, delegation frameworks, revise organograms, integration of financial, IT, human resources, institutional policies, structures, systems from erstwhile individual municipalities. The municipalities were also expected to develop Interim IDPs to guide budgeting for 2001-2002 financial year.

The Fezile Dabi District Municipality was established as a Category C municipality in terms of the Provincial Gazette issued in December 2000. The municipality was established with a Council of 32 members. It was also established as an Executive Mayoral Type municipality. A Mayoral Committee of 6 members was formed consequently.

The municipality adapted and adopted the standing rules and orders issued as guide by the province to its own operations. A delegation framework was also developed to distribute power and authority in the organization to enable efficient decision making. Because the municipality did not have to amalgamate with other municipalities, there was no need to integrate policies, systems and structures. The municipality however, developed an interim IDP, like other municipalities, to guide planning and budgeting for the financial year 2001-2002.

Consolidation Phase (2002-2003)

During this phase, it was envisaged that municipalities would finalise establishment issues, develop and implement new structures, systems and policies in terms of the new legislation, especially Municipal Systems Act 2000, and Municipal Finance Management Act 2003.

In terms of this the municipality developed its final IDP and Performance Management System in line with the Municipal Systems Act. To give effect to its IDP, the municipality revised its organizational structure and developed a new organogram. Implementation of IDP and monitoring of its programmes was further strengthened. Processes to develop new policies commenced.

Consolidation Phase (2003-2004)

During the second year of this phase the municipality continued to implement the IDP. Some elements of Performance Management started with implementation, various policies (financial and human resources) were finalised, strategic frameworks including spatial development, LED, HIV/AIDS, GIS were also finalized.

Sustainability Phase (2005-2010)

This phase kicked-in following the 2005/06 local government elections. This is the phase that saws structures and systems bedding down and thereby generate increase in the culture of performance and excellence in service delivery. The 2006 – 2007 Annual Report marks the second year of term for the current Council.

The municipality which is on Executive Type, has ? Council members. It also has a Mayors Committee of 6 members.

CHAPTER 3: Leadership and Management

Executive Leadership Structure



Cllr JERT Ramokhoase
Executive Mayor



Mr SI Mbalo
Speaker



Cllr KJ Khumalo
Chairperson: IDP and Local Economic Development



Cllr KM Mantsho
Chairperson: Public Safety and Transport



Cllr TR Letsoeny
Chairperson: LED & Tourism



Cllr BV Mangwana
Chairperson: Corporate Support Services



Cllr GN Guza
Chairperson: Social Development



Cllr DPC Colbert
Chairperson: Finance





Executive Management Structure



Mr SM Molala
Municipal Manager



Mr KI Matolong
*Director: Project Management
and Public Works*



Mr Tshabalala
*Director: Corporate Support
Services*



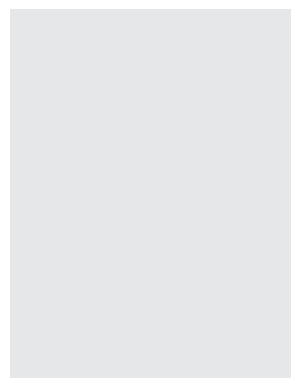
Mr Radebe
*Director: Planning & Economic
Development*



Mr Taye
Director: Finance



Ms Blom
*Director: Social Development &
Tourism*



Vacant
Director: Health & Safety

CHAPTER 4: Vision, Mission and Strategy



Our Vision

To satisfy our communities' agreed needs in a transparent and sustainable manner.

Our Mission

To strive to improve the quality of life for all people, especially the poor in our area of jurisdiction.

Our Strategy

Key elements of the our strategy involve:

- Promoting the economic and social development of the district.
- Ensuring the provision of infrastructure and basic services to all residents in an efficient and financially sustainable manner.
- Facilitating integrated development planning, implementation, review and evaluation.
- Supporting the growth of strong capacitated and financially viable district government.



Our overall mandate

Like the rest of other municipalities, the Fezile Dabi District Municipality is constitutionally obliged to:

- 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.

Municipal Services

- Integrated development planning for the district municipality as a whole;
- Bulk supply of water that affects significant proportion of municipalities in the district;
- Bulk supply of electricity that affects a significant proportion of municipalities in the district;
- Bulk sewer purification works and main sewage disposal that affects a significant proportion of municipalities in the district;
- Solid waste disposal sites serving the area of the district as a whole;
- Municipal roads, which form an integral part of a road, transport system for the area of the district municipality as a whole;
- Regulation of passenger transport services;
- Municipal airports serving the area of the district municipality as a whole;
- Municipal health services serving the area of the district municipality as a whole;
- Fire fighting services serving the area of the district municipality as a whole;
- The establishment, conduct and control of fresh produce workers and abattoirs serving the area of the district municipality as a whole;
- The establishment, conduct of cemeteries and crematoria serving the district as a whole;

- Promotion of local tourism for the area of the district municipality;
- Municipal public works relating to any of the above functions or any other functions assigned to the district municipality;
- The receipt, allocation and if applicable, the distribution of grants made to the district municipality; and
- The imposition and collection of taxes, levies and duties as related to the above functions or as may be assigned to the district municipality in terms of national legislation.

Section 84 as amended by the Municipal Structures Act, 2000, provides for the national Minister of Local Government to divide the powers and functions between the district and local municipalities particularly in relation to income generating functions. Accordingly, the Minister in January 2003, divided by powers and functions between Category B and C municipalities across the country. Consequently municipal health services have since been allocated to the District Municipality.

Our Programmes

Following the restructuring process, the municipality is now administratively organized into six programmes meant to take the vision of developmental local government forward under the leadership of the Municipal Manager. The programmes are:

- Planning and Economic Development
- Corporate Support Services
- Project Management and Public Works
- Social Development and Tourism
- Health and Safety
- Finance

Planning and Economic Development

This was originally a PIMSS, an initiative of the Department of Provincial and Local Government but has since been integrated into the structure of the municipality. The center is now a fully fledged Directorate headed by a Director reporting directly to the Municipal Manager.

PROGRAMME OBJECTIVE	KEY FOCUS AREAS
To facilitate integrated development planning, implementation, review and evaluation.	<ul style="list-style-type: none">• Integrated Development Planning (IDP)• Performance Management• Public Participation• Managing Service Partnerships• Disaster Management• Organisational Systems• Capacity Building• Governance

Corporate Support Services

This programme is meant to provide organizational support services to the municipality. The programme headed by a manager reporting directly to the Municipal Manager.

PROGRAMME OBJECTIVE	KEY FOCUS AREAS
To support the growth of a strong, capacitated and financially viable district government.	<ul style="list-style-type: none">• Human Resource Management• Skills Development• Corporate Support• Organisational Structures and Systems

Project Management and Public Works

The programme is primarily responsible for infrastructure development, service delivery and maintenance. The programme is headed by a manager reporting directly to the Municipal Manager.

PROGRAMME OBJECTIVE	KEY FOCUS AREAS
To ensure the provision of services to communities in a sustainable manner.	<ul style="list-style-type: none">• Infrastructure and Basic Services• Poper Project Management• Service Partnerships• Sourcing of funds• Efficient Revenue Collection



Social Development and Tourism

The programme is meant to contribute to social and economic development of the district and thereby alleviate poverty. The programme is headed by a manager reporting directly to the Municipal Manager.

PROGRAMME OBJECTIVE	KEY FOCUS AREAS
To promote economic and social development of the district.	<ul style="list-style-type: none">• Tourism Development• Poverty Alleviation• HIV/AIDS• Arts and Culture• Sports and Recreation• Youth Development

Disaster Management and Health

PROGRAMME OBJECTIVE	KEY FOCUS AREAS
To prevent and manage disasters and facilitate the provision of District Health services	<ul style="list-style-type: none">• Disaster Management• Health

Finance

This programme is responsible for the general management of finances of the municipality. The programme is headed by a manager accounting directly to the Municipal Manager.

PROGRAMME OBJECTIVE	KEY FOCUS AREAS
To support the growth of a strong capacitated and financially viable district municipality.	<ul style="list-style-type: none">• Revenue Management• Taxes and Service Charges• Finance Contracts, Policies, Systems and Procedures• Management Accounting• Budgeting and Financing

CHAPTER 6: Municipal Performance

Municipal Performance 2006-2007

The performance review will be undertaken in relation to Planning & Institutional Development, Human Resources Management, Economic Development, Social Development, Service Delivery and Finance Transformation.

6.1 Institutional Development and Transformation

Challenges

- Ensure integrated planning within the municipality.
- Align plans at local and regional level.
- Monitor the implementation plans and projects.
- Build capacity at local level.

Key performance indicators

- IDP for 2005/6 revised and adopted by Council.
- Local IDP, aligned to the District IDP.
- Various core components of PMS Policy implemented.
- Financial and other support given to build capacity local level.

Key performance highlights

The municipality ensured that its 2005/6 IDP was revised and a new 2006/7 IDP was adopted by Council in time in compliance with the Municipal Systems Act. Attendant Sector Plans have also been developed to give more details to various aspects of the IDP.

The SDBIP for 2007/8 was also developed and approved by Council. The SDBIP 2007/8 details the specific projects to be undertaken, the budget allocations and how performance is going to be measured.

The municipality continues to coordinate the District Coordinating Forum which, among others, is intended to serve as a platform to align the local and District IDPs. The District IDP has also been aligned to the Provincial Growth and Development Strategy.

Owing to various challenges the municipality continued to encounter regarding the full implementation of PMS, the municipality issued a tender with a view to procure the services of a service providers to assist. At the end

of the financial year, the municipality was still in the process of deciding how to take the process forward.

It is significant however to note that PMS has since been moved to the office of the Municipal Manager. This was to ensure that this area of work receives high priority attention in the municipality.

There are other aspects of the PMS policy that the municipality continued to implement. These included the performance evaluation of senior managers, the compilation of the Annual Report etc.





6.2 Human Resources Management

Challenges

- Align the organizational structure to the IDP priorities and other Strategic imperatives of the municipality.
- Develop and effectively implement human resources management policies.
- Build internal capacity of staff
- Maintain a vibrant and healthy labour relations environment in the municipality.
- Promote service excellence.

Key Performance Indicators

- Organisational structure reviewed and the organogram finalised.
- All Human Resources policies and policy manual developed and implemented.
- Workplace Skills Plan revised and implemented.
- Labour Relations Structures established and functional.

Key Performance highlights

With the arrival of the new municipal manager and other new challenges and developments in the organization, the municipality decided to revise the organizational structure. In the main, the new organizational structure saw the establishment of the new Directorate, Planning & Economic Development. This Directorate takes over many of the functions that were previously with the erstwhile PIMMS and LED Directorates. As the top structure below would show, the Directorate, Disaster Management and Health was renamed Directorate, Health & Safety.

The organisational restructuring also saw more capacity created in the Office of the Municipal Manager. Consistent with the high premium the municipality places on strategic planning, coordination and economic development, the municipality decided to locate the Directorate, Planning and Economic Development within the Office of the Municipal Manager. This is apart from the other strategic and administrative posts created to

CURRENT CAPACITY CONSTRAINTS AND GAPS IN TERMS OF ASSESSMENT

NFSDM	MAFUBE L.M.	MOQHAKA L.M.	NGWATHE L.M.	METSIMAHOLO L.M.
Implementation of PMS, and cascading it to individual performance	Finalization and implementation of urgent systems (PMS)	Implementation of PMS, and cascading it to individual performance	Implementation of PMS, and cascading it to individual performance	Implementation of PMS, and cascading it to individual performance
Review of IDP 2005 /6	Review of IDP 2005 /6	Review of IDP 2005 /6	Review of IDP 2005 /6	Review of IDP 2005 /6
Capacitating cllrs. As well be having new cllr's after the elections	Completion and updating of Assets Register according to GAMAP			
Community participation	Community participation	Community participation	Community participation	Community participation
Embarking on awareness campaign, disaster & IDP	Strategic session for officials and councilors			
	Assistance with compilation of implementation of Rate Policy and finalizing rural valuations			

strengthen this office to assume the leadership role it is required to play.

Following the restructuring, the municipality ensured that all critical positions were filled. This was done through internal movements and external appointments. At a high level, the Director of Corporate Services was moved to Planning and Economic Development while a new Director was appointed to head Corporate Services.

At middle management and lower levels, staff was also moved accordingly.

Following the restructuring of the organization and placement of staff, the municipality also ensured that job descriptions were compiled for all staff. Grading of posts however continues to be a challenge. Due to the delays at provincial level to implement TASK as well as ongoing discussions on the matter in the Local Bargaining Forum, not much progress has been made in this respect.

In respect of Human Resources policies, the municipality ensured that all the policies that were reviewed last year, were approved by Council and implemented.

Although the Employment Equity targets were taken into account in the filling of posts, the municipality has not moved far enough in meeting its targets. Top management remains 20% women.

The municipality has also finalized the policy manual that simplifies the policies, and also serves as a procedure manual. The policy manual has been distributed and staff taken through it.

To further strengthen internal human resources systems, the municipality purchased the Pay-Day Human Resources Management System. This System has assisted the municipality to integrate all its human resources systems and policies and ensure that various Human Resource aspects are managed seamlessly.

The municipality has however identified the need to develop a comprehensive Human Resource Strategy. The Strategy will seek to deal with all aspects of human resources management in an effort to build a strong administrative machinery to deliver on the priorities contained in the IDP. As part of this, a further set of policies will be reviewed.

Regarding training and development, the municipality ensured that the Workplace Skills Plan was revised and submitted to the Department of Labour and the Local Government and Water Services Training Authority. The implementation of the WSP also saw greater records of success. Like the previous year, the municipality ensured that 90% of targeted trainees attended in all training priority areas identified in the WSP. The municipality spent R 1 3 96 900 of the R1 761 900 total budget for training and development. In turn, the municipality received R72 271.85 in rebates from LGWSETA.

On labour relations, the municipality continued to experience challenges with respect to the functioning of the Local Labour Forum. For quite sometime now, the Forum has not functioned well owing to various factors including, major disagreements over its terms of reference and leadership issues. Measures are currently being taken to improve the overall functionality of the municipality.

The municipality has had to deal with various labour relations cases during the period under review. Typically, the cases ranged from unfair labour practice, misconduct and so forth. The municipality managed to settle most of the cases that were reported.





6.3 Economic Development

Challenges

- Implement of the LED Strategy.
- Stimulate growth in different sectors of the regional economy.
- Support growth and development of the small business sector.
- Support the creation of jobs.
- Alleviate poverty.

Key Performance Indicators

- LED initiatives implemented.
- Tourism promoted, Agricultural Sector Plan implemented.
- Small business/entrepreneurs in the region supported.
- Projects contributing to job creation supported.
- Projects contributing to poverty alleviation supported.

Owing to various factors including uncertainties regarding where LED was to be driven from in the municipality (following restructuring), very little progress has been recorded with respect to the implementation of the LED Strategy. The municipality has however started with setting firm building blocks for implementation. A process to raise awareness about the LED Strategy and set up institutional frameworks has commenced. The intention is to set up an LED Forum at a district level and various LED Fora at local municipality.

The municipality however continues to support various economic development initiatives which have been running before the LED Strategy was finalized. These initiatives have however since been incorporated into the Strategy. These include support to emerging entrepreneurs, and other support directed at stimulating different sectors of the economy. These are explained in detail below.

In respect of tourism promotion, the municipality participated and influenced the development of various policies and strategies affecting tourism in the province. First, the municipality facilitated consultations in the

region during the formulation of the Free State Tourism Investment Promotion Strategy. The municipality made inputs that greatly shaped the Free State Tourism Safety and Security Policy and Strategy.

In support of the all important work of building a Gateway Information Centre at the potential tourism icon of the region, Vredefort Dome World Heritage Site, the municipality continued to participate and support intergovernmental mechanisms set up to ensure coordination among all Stakeholders involved in the project.

With inputs from the municipality, the Gateway Information Centre Plan was developed and finally approved by the National Department of Environmental Affairs and Tourism. The municipality greatly derived value from the study trips undertaken by officials to the Geoparks Conference in Ireland, the Cape Nature World Heritage Site as well as searches at Maruping and Mapungubwe Heritage Sites.

The municipality also negotiated and concluded an agreement with Ngwathe Local Municipality for the release of land to build the Gateway Information Centre. Consequently, the construction of the Centre has commenced after the sod-turning ceremony was held attended by DEAT, among others.

As part of the effort to promote the region, the municipality continued to provide support to the Local Tourism Offices (LTOs). An amount of R20 000 was disbursed to each LTO as subsidy towards supporting District tourism and marketing efforts.

A lot of effort has also gone into the area of marketing the region. The municipality ensured that the regional Tourism Brochure was revamped and that 3 self-drive map was developed with an additional map included. These served to make it easy for tourists to travel throughout the region.

Further, the municipality attended the Tourism Indaba in Durban, the Outdoor Adventure Show in Kyalami (at

which the District received the Best Stand Award) and the Gateway Show in Randburg. The municipality also produced two DVDs about the region and distributed them at the Tourism Indaba. Adverts were also placed in various tourism and marketing publications. The publications included the Traveller Africa Wild, African Safari, Flora and Things, Roots, SAT Fact Filer, Out There etc. These were efforts geared towards showcasing the tourism potential of the region.

Agriculture also remains one of the critical economic sectors in the region. The municipality has thus introduced various measures to support the growth of this sector. The municipality has particularly focused on building capacity of emerging Black farmers and stimulating agro-processing segment of the agricultural economy in the region. With regard to capacity-building, the municipality ensured the provision of training to Community Development Workers, youth and women in basic agriculture, project management and food gardening. Equipment and materials were also provided to the merging entrepreneurs.

The municipality has also compiled a database of cooperatives in the region. This was done with a view to provide targeted training and support to these cooperatives. Jala Peo was subsequently contracted to provide technical skills to these cooperatives.

In respect of agro-processing, the municipality is planning to engage an external service provider to provide training to emerging entrepreneurs. The aim is to train the entrepreneurs and establish three agro-processing plants in Tweeling, Edenville and Deneysville.

In relation to SMME development, the municipality continued to implement the Entrepreneur Support System (ESS). This is some kind of an incubation system where small businesses and entrepreneurs are subjected to an intensive and systematic training programme and through practical learning exercises, are groomed to become fully – fledged business people. The ESS has been made possible by a public private

partnerships with companies like INNCOR, ESKOM, SASOL, Probike etc. During the period under review, the municipality saw a number of the trainees graduating and establishing fairly successful business ventures. The municipality thus added 10 new entrants to the system.

A great deal of effort also went into supporting emerging entrepreneurs in the hospitality industry. This financial year, a total of 6 emerging entrepreneurs were assisted. These included Masechaba B&B, M&M Guest House, Mopani Coffee Shop, Khatholohang Resturant and Ize Khaya B&B. These entrepreneurs received support in various ways including the development of start-up business cards, logos, banners, sign boards as well as exposure to various trade and exhibition shows. They have also been provided with information and financial support that them some to be graded.

To further improve standards in the hospitality industry, the municipality organized workshops for about 80 owners of tourism facilities on various skill areas including how to better standards and maintain the market share by the Grading Council. This year, a total of 8 more tourism facilities were graded.

Further, following the arrival of bicycles from Australia the previous year, the municipality has supported the entrepreneurs involved leading to about 4 Bicycle Repair Shops established. Three of these are doing well as a result of various interventions including the training provided by Probike.

Regarding poverty alleviation, the municipality continued to support various ventures, especially in the food security sector. A total of 25 food gardens continued to receive support in the form of seeds, irrigation systems and fencing. Three gardens became great success and thus came to be recognized as some of the success stories of ASGISA. Further, the municipality facilitated an agreement with the FET College to support and train entrepreneurs involved with these projects.





6.4 Social Development

Challenges

- Ensure effective management of disasters in the region.
- Ensure effective implementation of Environmental Health Management in the region.
- Alleviate poverty in the communities.
- Promote sports, arts and culture.

Key Performance Indicators

- Disaster Management Framework implemented.
- Policies, procedures, norms and standards for Environmental Management Health developed and implemented.
- 80% of sports, arts and culture projects financially supported by the municipality, implemented.

Performance highlights

The Disaster Management Centre identified some weaknesses in the District Disaster Management Framework. Following consultations, it was agreed that the Framework be reviewed with a view to strengthen it. Subsequently a draft Disaster Risk Management Policy Framework was developed. The Framework covers the following critical areas:

- Integrated Institutional Capacity;
- Disaster Risk Assessment;
- Disaster Risk Reduction;
- Disaster Response and Recovery;
- Information management and communication
- Knowledge management and
- Funding

The Framework is still in its draft form and will be consulted on widely within the region before adoption by Council.

The municipality however continued to implement other elements of the existing Disaster Management

Framework and Plan. In relation to the Disaster Management Centre, the municipality previously encountered a few challenges in setting up this Centre. During the period under review, the municipality was seized with the renovation of the building acquired for purposes of the Centre. To date, an Emergency Operating Centre has been constructed as well as the boardroom.

Following difficulties the previous year with personnel capacity to manage the Centre, the municipality has now ensured that at least two officials have been deployed into the Centre. This is apart from the appointment of the new Director of Health and Safety who is overall responsible for the operations of the Centre. The municipality is still looking at ways to improve capacity at the Centre.

The municipality also unfolded a disaster awareness campaign in the region. The aim of the campaign was to raise awareness in the communities about the disaster management policies, plans and laws while seeking to create a culture of risk prevention. Awareness workshops were held in various parts of the region including Koppies, Frankfort, Deneysville, Heilbron and Viljoenskroon.

Also, the municipality in conjunction with local municipalities ran fire awareness campaign in some of the farms in the region. This was necessitated by the vulnerability of farm residents to fire hazards due to lack of requisite capacity on farms to deal with these. As part of this campaign, information sessions were held in parts of Ngwathe and Mafube local municipalities. Information booklets and T-shirts were also distributed.

Further, the District ran a disaster awareness campaign in schools. This was partly because of the significance the national policy and legislation attach to ensuring that disaster management education should start with children at school going age. A number of high schools

including LE Notsi, Thabang, Felasizwe, Phiritona, were visited and information sessions held.

The District also had to intervene in various disaster incidents in the region and provide assistance in different forms. These include:

- Worked with Ngwathe Local Municipality to respond to the disaster in which a few house-roofs were blown away following a windstorm in Koppies.
- Worked with Moqhaka Local Municipality to respond to the water crisis in Viljoenskroon.
- Worked with Ngwathe Local Municipality to respond to the water shortage in Edenville.

The municipality has also supported local municipalities in the acquisition of the necessary equipment for firefighting and disasters. Among others the municipality assisted with the repair and maintenance of fire vehicles in Ngwathe and Mafube, municipalities helped Mafube farmers purchase a fire fighter as well as enabling Mafube and Moqhaka local municipalities to purchase fire response vehicles.

Further, in terms of the Disaster Management, 57 of 2002, the municipality has to establish a Disaster Management Volunteer Unit. Accordingly, the municipality identified a total of 35 volunteers from across the region and trained them to act as spare capacity in the event of disasters in the region.

The municipality has also set up a Disaster Management

Advisory Forum, as required by the legislation. The Forum comprises NGOs, CBOs, experts and other stakeholders. It serves as a sounding board for the municipality in dealing with various aspects of disaster management.

Environmental Health Management is a fairly new area of work for the municipality. This came following the transfer of environmental health services from local municipalities to the District. Fortunately the transfer of functions was followed by personnel and resources. Therefore, the municipality has a budget and solid core of environmental health management professionals who have greatly assisted the municipality to render services in this specialized area of work. The function involves the following:

- Environmental Health Policy.
- Environmental Health Education and Training.
- Surveillance and prevention of communicable diseases.
- Environmental Pollution Control.
- Surveillance of chemicals, water and food.
- Surveillance of premises and built environment.
- Waste management.

The municipality has developed policies, systems, procedures, norms and standards in relation to various areas of environmental health management. It has identified various problems in different areas of environmental health and sought to introduce measures to deal with those.





Below is a detailed scorecard and status of implementation of various EHHM interventions.

KEY PRIORITY AREA	STATUS AT THE END OF 2005/06	KEY PRIORITIES	KEY PERFORMANCE INDICATORS	ACHIEVEMENTS
FOOD	60%	Evaluate all food premises	% of premises complying	60%
	n/a	Dairy farms	% of premises complying	66%
	Only took part in National Chemical Food Sampling Runs	Take food samples for Bacteriological and Chemical analysis	% Samples complying	
	231	R918 certificates of acceptability for food premises issued	Number of certificates issued for year	108
	20	Cert of acceptability for milk premises issued	Number of certificates issued for month	22
	34%	Take milk samples for analysis	% Samples complying	36%
PROGRAMME				
	FDDM has taken part in National Food Sampling Runs (Chemical). No critical negative results received back	Implement food sampling programme at all relevant food premises and food manufacturers	Implement food sampling programme	yes

KEY PRIORITY AREA	STATUS AT THE END OF 2005/06	KEY PRIORITIES	KEY PERFORMANCE INDICATORS	ACHIEVEMENTS
WATER	63%	Determine status of all domestic water supplies through sampling	% of domestic water samples complying to SAWQG	67%
	30%	Implement proper sewage water sampling program	% of samples complying with minimum final effluent standards	18%
	Programme Implemented	Implement effective recreational water sampling programme	Recreational water sampling programme implemented	Programme Implemented
	49%		% of recreational water samples complying with SAWQG standards	93%
WASTE MANAGEMENT	n/a	Community awareness campaigns	Yes / No	12
	115308	Door to door waste collection	Number of households with access to door to door collection	115976
	1173/1245	Attend to complaints	Number of Complaints attended to	674
PROGRAMME				
	yes	Implement effective waste management projects	Number of effective waste management projects	12
ENVIRONMENTAL POLLUTION CONTROL	911	Identify point source pollution	Number of point source pollution cases attended to	643
	712	Resolve all complaints received	Number of complaints resolved	496
	YES	Participate in all projects, developments and EIA's	Participation in projects, developments and EIA's	YES
PROGRAMME				
	71%	Ensure that public premises businesses comply to tobacco control act	% of public premises complying to tobacco control act	88%
VECTOR CONTROL	1934	Conduct vector control projects	No of successful vector control projects implemented	41



KEY PRIORITY AREA	STATUS AT THE END OF 2005/06	KEY PRIORITIES	KEY PERFORMANCE INDICATORS	ACHIEVEMENTS
HEALTH SURVEILLANCE OF PREMISES AND BUILD ENVIRONMENT	62%	Ensure compliance of all premises with Relevant Legislation /BSF	% of premises not complying with relevant Legislation	68.25%
	n/a	Ensure effective and adequate sanitary facilities at all schools in district	Number of reached schools without effective and adequate sanitary facilities	15/39
	96%	Ensure compliance of building plans with relevant legislation	% of building plans complying	99%
	50	Issue Health Certificate according to the guidelines for places of care	Number of places of care issued with Health Certificate measured against guidelines	17
	n/a	Initiation Schools	Schools visited	9
SURVEILLANCE AND PREVENTION OF COMMUNICABLE DISEASES EXCLUDING IMMUNIZATIONS	8	Reporting of communicable disease cases - Drs & clinics	yes / no (If yes, what action has been taken)	14
CHEMICAL SAFETY	7	Reporting cases of chemical poisoning - Drs and clinics	Incidence of reported cases of chemical poisoning (Yes / No)	yes
	n/a	Implement proper end user education programme at schools on chemical safety	% of schools reached with education on chemical safety	
DISPOSAL OF DEAD	65%	Ensure that activities (exhumations) comply with regulations	% of activities reached complying with requirements	74%
	31	Issue certificate of acceptability according to the regulations	Number of premises issued with certificate of competency	4

KEY PRIORITY AREA	STATUS AT THE END OF 2005/06	KEY PRIORITIES	KEY PERFORMANCE INDICATORS	ACHIEVEMENTS
ENVIRONMENTAL HEALTH EDUCATION AND TRAINING	100%	Develop effective ENVH promotion material	% of initiated ENVH promotion material developed	100% 100%
	100%	Train EHP's in minimum one technical course per year	% of EHP's trained in minimum one technical course per year	
	New Objective	Accommodate students for ENVH training from tertiary institutions	Number of students accommodated for ENVH training from tertiary institutions	3
	New Objective	Implement Environmental Awareness Campaign	Number of local Area Awareness Campaign on Environmental Health	7
	New Objective	Workshops, Seminars, congresses (other)	Number of workshops attended	158
MANAGEMENT	Ongoing	Implement all ENVH policies and procedures	Implemented policies and procedures for ENVH	Done
	Service Level Agreement with Prov DoH	Develop working agreements with cross border areas/dept's	Develop cross border working agreements	FDDM in service level agreement with DEAT
	Ongoing Process	Develop uniform norms and standards for ENVH	Developed uniform norms and standards for ENVH	Ongoing Process Developed norms
	Done	Implement developed uniforms and standards for ENVH	Developed uniform norms and standards for ENVH implemented	Develop norms and standards implemented by FDDM
	Budget	Ensure proper costing of ENVH services	Proper costing of ENVH services ensured?	Budget Done
	1:50 181	Implement proper ratio EHP's versus population	Ratio of EHP's per population	1:41 818
	Plan to develop GIS / HIS	Develop proper health information system for the District as Phase 1	Phase 1 of HIS developed?	GIS / HIS Done by Netgroup Consultants
	Waiting	Develop Phase 2 of HIS to include mapping and graphics	Phase 2 of HIS developed?	Waiting
	Outlook	Implement effective complaint reporting system via HIS	% of received ENVH complaints effectively reported	Outlook



The municipality has been supporting the Adventure Tourism initiative in the region. The initiative is meant to raise awareness among the previously disadvantaged (esp learners) of the importance of adventure tourism and the job opportunities that go with its. This year, the municipality ensured that the three learners from the region who qualified from the national competition, were supported to further studies at Stamford Lake College in Limpopo.

The municipality also supported various sports groups and terms with sporting material.

In respect of arts and culture, the municipality supported the local group, Three Tenors to go into the Conservatoire Music School to further enhance their talent. It also supported members of the ZAPEC Group to audition with UMOJA – an internationally acclaimed musical group.

Special Programmes

Through the Special Programmes Unit in the Office of the Mayor, the municipality has been actively involved in various special initiatives to support the weak and vulnerable in the communities. First, the Office ensured the establishment and launch of the Fezile Dabi Disability Forum on 14 April 2007. The Forum is considered the first of its kind in the province. It has been established to mobilize the disabled in the communities, lobby and highlight the plight of the disabled as well to coordinate interventions in support of their cause.

Also, the Office of the Mayor facilitated the establishment of the Fezile Dabi Aids Council. The Council was established to ensure coordination of HIV/Aids activities in the region. It is envisaged that the Council will work with other structures at provincial and local level to combat the scourge of the pandemic.



6.5 Service Delivery

Challenges

- Ensure the upgrading of water and sewer networks in the region. Ensure that rural households have access to basic water.
- Ensure the upgrading of electricity networks in the region.
- Ensure continuous provision of basic sanitation.
- Ensure the upgrading of road networks in the region.

Key Performance Indicators

- % of infrastructure projects supported by the District completed.
- % reduction of erven without water services in local areas as a result of part financial support from the District.
- % reduction of erven in local areas without electricity as a result of part financial support from the District.
- % reduction of erven in local areas without basic sanitation as a result of part financial support from the District.

- Kilometers of tarred internal roads as a result of part contributions from the District.

Key Performance indicators

Once again, it is important to state that Fezile Dabi District Municipality does not engage in direct provision of services and infrastructure.

Rather, the District facilitates the provision of basic services and infrastructure through the planning, allocation of MIG resources, monitoring and provision of technical support to local municipalities

For the year under review, the District allocated resources to local municipalities for infrastructure development and services. Below is a list of projects supported by MIG in the region. As the table will show, on average about 75% of projects were completed while the remainder are either in progress or extended for a variety of reasons.

NGWATHE				
PROJECT DESCRIPTION	FUND AGENT	VALUE (R)	EXP (R)	%EXP
Water master plan	MIG	499,719.00	312,000.00	62.44%
Cemeteries	MIG	1,554,699.00	775,695.00	49.89%
Water supply Heilbron & Vredefort	MIG	1,129,128.00	998,245.00	88.41%
Parys water treatment works	MIG	1,557,144.00	1,557,144.00	100.00%
Edenville bucket eradication	MIG	622,319.00	364,197.00	58.52%
Parys bucket eradication	MIG	2,933,440.00	2,933,440.00	100.00%
Heilbron bucket eradication	MIG	1,524,250.00	1,009,285.00	66.22%
Waterbourne sewer Koppies	MIG	753,713.00	608,598.00	80.75%
Vredefort bucket eradication	MIG	896,548.00	896,548.00	100.00%
High mast lights - Parys	MIG	1,707,158.00	1,452,715.00	85.10%
High mast lights - Koppies	MIG	2,300,868.00	1,998,345.00	86.85%
High mast lights - Heilbron	MIG	2,918,418.00	2,851,650.00	97.71%
High mast lights - Edenville	MIG	1,755,153.00	1,493,484.00	85.09%
High mast lights - Vredefort	MIG	2,346,319.00	2,346,319.00	100.00%
Roads & stormwater	FDDM	5,000,000.00	4,583,333.00	91.67%
Tumahole stadium	FDDM	1,800,000.00	195,000.00	10.83%
Vredefort sewer treatment plant	FDDM	1,550,000.00	506,710.00	32.69%
TOTAL		30,848,876.00	24,882,708.00	80.66%



MAFUBE				
PROJECT DESCRIPTION	FUND AGENT	VALUE (R)	EXP (R)	%EXP
Water purification works	MIG	170,125.00	104,299.00	61.31%
Bucket eradication	MIG	5,682,098.00	5,682,098.00	100.00%
Pump station - Tweeling	MIG	141,253.00	–	0.00%
Bucket eradication -Tweeling	MIG	232,766.00	232,766.00	100.00%
Bucket eradication -Cornelia	MIG	104,299.00	–	0.00%
Cemetries - Frankfort	MIG	497,100.00	375,769.00	75.59%
Outfall sewer - Qalabotjha	MIG	207,121.00	207,121.00	100.00%
Construction of delivery pipeline	MIG	275,108.00	275,108.00	100.00%
Purchase of equipments	FDDM	3,000,000.00	2,431,506.00	81.05%
Bucket eradication - Tweeling	FDDM	2,000,000.00	129,130.00	6.46%
TOTAL		12,309,870.00	9,437,797.00	76.67%

METSIMAHOLO				
PROJECT DESCRIPTION	FUND AGENT	VALUE (R)	EXP (R)	%EXP
Gortin sanitation	MIG	9,656,012.59	7,835,576.00	81.15%
Water supply Gortin & Amelia	MIG	6,629,243.00	5,441,612.00	82.08%
Harry Gwala water reticulation	MIG	36,806.00	36,806.00	100.00%
Bucket eradication - Refengkgotso	MIG	98,496.15	82,022.00	83.27%
Roads & stormwater	FDDM	6,500,000.00	5,123,879.00	78.83%
TOTAL		22,920,557.74	18,519,895.00	80.80%

FEZILE DABI DISTRICT MUNICIPALITY				
PROJECT DESCRIPTION	FUND AGENT	VALUE (R)	EXP (R)	%EXP
Sanitation rural areas	FDDM	3,000,000.00	1,553,244.00	51.77%
Cetral substation - Kroonstad	FDDM	5,000,000.00	2,566,645.00	51.33%
Community hall Steynsrus	FDDM	685,000.00	685,000.00	100.00%
Purchase of vechicles	FDDM	400,000.00	329,666.00	82.42%
Erection of car ports & parking	FDDM	400,000.00	398,317.00	99.58%
Access control	FDDM	500,000.00	359,678.00	71.94%
Telephone system	FDDM	400,000.00	296,852.79	74.21%
Seeisoville sports stadium	FDDM	1,350,000.00	1,043,806.31	77.32%
Weltevreden small holdings	FDDM	450,000.00	–	0.00%
Master plans	FDDM	500,000.00	445,754.00	89.15%
TOTAL		12,685,000.00	7,678,963.10	60.54%

	MAFUBE	NGWATHE	MOQHAKA	METSIMAHOLO
SEWER	2,000,000.00	1,550,000.00		
WATER				
ROAD & STORMWATER		5,000,000.00		6,500,000.00
EQUIPMENTS	3,000,000.00			
FASCILITIES (Sport & Recreation)		1,800,000.00	685,000.00	
ELECTRICITY			5,000,000.00	1,000,000.00
TOTAL	5,000,000.00	8,350,000.00	5,685,000.00	7,500,000.00

The municipality has also strengthened its internal systems to ensure overall improvement in financial and project management. Part of this included the establishment of the District Coordination Forum. The Forum brought together all key stakeholders in an attempt to ensure that challenges within a variety of projects are dealt with and implementation is accelerated. Consequently, this year a total of % of the infrastructure budget was spent.

As far as access to basic services to communities is concerned, the District has ensured overall improvement.

Water

Below is a detailed comparative assessment of the performance as the District in various areas and services.

Local Area	Services							
	Water		Sanitation		Electricity		Roads	
	05/06	06/07	05/06	06/07	05/06	06/07	05/06	06/07
Ngwathe	100% in formal sites	100%	60% in proclaimed areas	78% in proclaimed areas	75% in proclaimed areas	All have access to area lighting	40% tarred	6,8km more tarred
	40% in rural areas				62% in rural areas			
Melzimaholo	75% of formal sites	85% of formal sites	90% of formal sites	100% of formal sites	83% of formal sites	91.5% of formal sites	35% tarred	8,5km more tarred
Mafube	90% of formal sites	95% of formal sites	85% of formal sites	100% of formal sites	70% of formal sites	85% of formal sites	35% tarred	6,7km more tarred
Moqhaka	100% of formal sites	100% of formal sites	80% of formal sites	100% of formal sites	95% of formal sites	Area lighting in all areas	35% of formal sites	More streets resurfaced
	60% of formal sites	More household in Steynsrus	80% of formal sites	100% of formal sites	95% of formal sites 42% in rural area	Area lighting in all areas	35% of formal sites 45% graveled	More streets resurfaced



6.6 Financial Viability

Challenges

For this financial year, the municipality was faced with the following challenges:

- Align budget to the IDP and improve budgeting processes.
- Ensure proper management of municipal funds.
- Finalise and implement of Supply Chain Management Policy.

Key performance indicators

- Budget aligned to the IDP and approved by the Council in time.
- Cash flow stable, books balanced and necessary statutory reports submitted in time
- Creditors paid within 30 days of receipt of invoices

Achievements

The municipality went through the budgeting process in terms of the applicable legislation as well as its own Budget Process that, among others, defines the budgeting cycle and consultations with the communities during the budgetary processes.

However the municipality could not properly align the budget to the IDP mainly because the IDP process was completed when the budget had been approved. Also, the municipality could not adopt and approve its budget in time owing to various factors including the fact that the local municipalities also held their budget meetings at about the same time.

Despite the challenges the municipality had to face due to phasing out of the RSC levies, the municipality still managed to maintain a stable cash flow and balance books. There was also compliance with regards to the submission of all statutory reports. That is, the municipality ensured that all the Section 71 reports were submitted in time.

The Supply Chain Management Policy could not be approved by Council due various factors. However, the municipality continued to use existing procurement policy instruments. As part of this, and in compliance with the MFMA, the municipality ensured that all creditors were paid within 30 days of the receipt of the invoices

CHAPTER 7: Summary Plans for the next Financial Year

Below is a set of plans corrective measures and interventions to be made by the municipality to improve on this year's performance.

7.1 Planning and Institutional Development

- Revise the IDP and ensure for further improvements in aligning it to local and provincial plans.
- Procure external professional services to assist the municipality with the implementation of PMS and therefore improve monitoring and reporting on the IDP.
- Further, consolidate the support to local municipalities through MSIG.
- Finalise preparations for the implementation of GIS.

7.2 Human Resources Management

- Finalise the development of the Human Resources Strategy.
- Ensure the implementation of the job-evaluation system, TASK.
- Finalise the development of the Employment Equity Policy and Plan.
- Finalise the review of outstanding Human Resources Policy.
- Finalise outstanding matters on new organizational structure.
- Revive the LLF and ensure that it is fully functional.

7.3 Economic Development

- Give the implementation of LED Strategy a renewed and increased focus and attention.
- Build a broad coalition with municipalities and sector departments in the implementation of the LED Strategy
- Build capacity at local municipality level towards effective implementation of the Strategy.
- Consolidate interventions in the second economy especially support to SMMEs.
- Continue to explore ways of stimulating growth in other economic sectors.
- Strengthen poverty alleviation interventions.

- Consolidate the work around the promotion of tourism in the region with particular focus on Vredefort Dome project.

Social Development

- Accelerate the establishment of the Disaster Management Centre and ensure that all administrative and Human Resource issues are attended to.
- Strengthen the Environmental Health Management Unit and its relationship with municipalities.
- Continue to support poverty alleviation initiatives.
- Continue to support the interventions geared towards the promotion of sports, arts and culture.

Service Delivery

- Use financial Support from DME to electrify new houses in Metsimaholo, Ngwathe, Mafube.
- Continue to support the provision of basic services in rural areas of Metsimaholo, Ngwathe and Mafube.
- Give focused attention on roads and stormwater in Metsimaholo.
- Accelerate the provision of basic sanitation in Ngwathe.
- Provision, rehabilitation and maintenance of infrastructure networks.
- Prioritise water shortage in various parts of Maqhaka.

Finance

- Improve on the alignment of Budgeting and IDP processes
- Ensure approval and implementation of the Supply Chain Management Policy.
- Build internal capacity and train staff
- Develop/refine the delegations framework



INDEX:



General information	40
Report of the Auditor-General	41
Statement of Financial Position	
Statement of Financial Performance	
Statement of Changes in Net Assets	
Cash Flow Statement	
Accounting Policies	
Notes to the Annual Financial Statements	
Appendix A: Analysis of Property, Plant and equipment	
Appendix B: Segmental Analysis of Property, Plant and equipment	
Appendix C: Segmental Statement of Financial Performance	
Appendix D (1) : Actual versus Budget (Revenue and Expenditure)	
Appendix D (2): Actual versus Budget (Acquisition of Property, Plant and equipment)	
Appendix E: Disclosure of Grants and Subsidies in Terms of the Municipal Finance Management Act	
Appendix F: Schedule of External Loans	
Abbreviations	



GENERAL INFORMATION: for the year ended 30 June 2007

Grading of the Municipality	Low Capacity
Registered address	John Voster Road Sasolburg
Postal address	P. O. Box 10 Sasolburg 1947
Auditors	The Auditor - General
Bankers	ABSA Bank

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these financial statements, which are set out on page 3 to 31, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 15 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager Date

S M MOLALA

BA(HED),FED(Educ Management), BA(Hons), MA(Geography)

EXECUTIVE MAYOR

Mr JERT Ramokhoase

SPEAKER

Mr S I Mbalu

MEMBERS OF THE MAYORAL COMMITTEE

Cllr D Colbert

Cllr K Khumalo

Cllr NG Guza





1. Basis of Presentation

I have audited the accompanying financial statements of the Fezile Dabi District Municipality which comprise the statement of financial position as at 30 June 2007, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the accounting officer's report, as set out on pages [x] to [XX].

2. Responsibility of the accounting officer for the financial statements

The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the entity-specific basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

3. Responsibility of the Auditor-General

As required by section 188 of the Constitution of the Republic of South Africa, 1996, read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126 of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance

whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the:

- appropriateness of accounting policies used
- reasonableness of accounting estimates made by management
- overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

4. Basis of accounting

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

Basis for qualified opinion

Statement of changes in net assets

5. Accumulated Surplus – Comparatives

According to the financial statements (submitted for audit), the opening balance of the accumulated surplus was restated at 30 June 2006 and disclosed as R40 811 372. Based on the audited financial statements of the 2005/06 financial year, the opening balance

should be R89 279 357. A difference of R48 467 985 was not disclosed in the financial statements. In this regard:

- Management indicated that an adjustment of R47 662 833 was made in respect of DBSA – loans. No valid supporting documentation could be submitted for the adjustment. The occurrence (validity) and accuracy thereof could not be audited.
- Included in the statement of changes in net assets is a line item “changes in accounting policy” amounting to R14 320 586. In this regard a note to this effect was not included in the financial statements as required by GRAP 3 (par. 28) and no supporting documentation could be provided for audit purposes. The occurrence (validity) and accuracy thereof could not be audited.
- In the absence of reasons by management and supporting documentation, the validity and correctness of depreciation transactions included in the statement in changes in net assets for the 2005-06 financial year amounting to R5 906 663 could not be determined. There were no alternative procedures that I could perform to obtain reasonable assurance that the depreciation transactions were indeed valid and correct.

6. Capital Replacement Reserve and Accumulated Surplus

According to the accounting policy the amount transferred to the capital replacement reserve is based on the municipality's need to finance future capital projects included in the Integrated Development Plan. Contrary to the accounting policy the current year's depreciation of R1 385 305 was incorrectly offset against the capital replacement reserve. Consequently, the capital replacement reserve is understated and accumulated surplus is overstated with this amount.

Unauthorised expenditure

In terms of section 15 of the MFMA, a municipality may incur expenditure only:

- in terms of an approved budget; and
- within the limits of the amounts appropriated for the

different votes in an approved budget.

The Fezile Dabi District Municipality incurred the following unauthorised expenditure during the year under review:

Grants and subsidies: Council approval for specific line items amounting to R6 634 963 could not be submitted.

Electricity projects in Moqhaka Local Municipality: Expenditure of R588 244 was incurred before council approval on 13 October 2006. Proof that this expenditure was reported to the council for ratification could not be submitted.

The aforementioned matters were not disclosed in the financial statements as required by section 125(2) of the MFMA.

7. Irregular expenditure

With reference to section 1 of the MFMA, FDDM incurred the following irregular expenditure:

Three quotations have not been obtained for expenditure amounting to R2 625 335 as stipulated in paragraph 12(1)(c) of the Municipal Supply Chain Management Regulations.

A competitive bidding process for five procurement transactions amounting to of R1 037 308 were not followed as stipulated in paragraphs 12(1)(d)(i), 19(a) and 35(2) of the Municipal Supply Chain Management Regulations.

The aforementioned matters were not disclosed in the financial statements as required by section 125(2) of the MFMA.

8. Investments

Interest received amounting to R758 978 on an investment account was not recorded in the financial records of the municipality. Revenue and investments





are therefore understated with this amount.

Supporting documentation for an investment of R313 603 could not be submitted. Management indicated that an over-provision for interest was made and that the investment is not valid. Investments are therefore overstated with this amount.

9. Property, plant and equipment (includes infrastructure assets)

Included in the opening balance of R15 885 587, are property, plant and equipment amounting to R10 274 919 of which the fair value could not be confirmed. This was mainly due to the absence of documented and authorised processes followed by the municipality to calculate the fair value as well as the fact that supporting documents could still not be submitted to substantiate the calculation of the fair value of property, plant and equipment. There were no alternative procedures that I could perform to obtain reasonable assurance as to the accuracy of the fair value estimate of property plant and equipment.

10. Provisions

According to the accounting policy 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. Contrary to GAMAP 19 and paragraph 1.11 of the accounting policy, provision for unpaid service bonuses was not made for the year under review. Management indicated that the unpaid service bonus was R354 870 as at 30 June 2007.

11. Revenue and receivables

The levying of Regional Service Council Levies (RSC) was abolished by the Small Business Tax Amnesty and Amendment of Taxation Laws Act, 2006 on 30 June 2006. Revenue from RSC levies of R9 896 629 as

reflected in the financial statements consist mainly of levies received in respect of previous financial years. The completeness, validity and accuracy of revenue and the completeness of receivables could not be determined due to the following:

- Returns for Regional Council Levy amounts received could not in all instances be submitted for audit purposes.
- The FDDM did not take steps to collect outstanding RSC levies in terms of the above-mentioned act. The balance and details of outstanding levies as at 30 June 2007 could therefore not be determined.

12. Qualified opinion

In my opinion, except for the effects of the matters described in the Basis for qualified opinion paragraphs 9 to 19, the financial statements of Fezile Dabi District Municipality (FDDM) as at 30 June 2007 and its financial performance and cash flows for the year then ended have been prepared, in all material respects, in accordance with the basis of accounting as set out in accounting policy note 1 and in the manner required by the MFMA.

Emphasis of matters

I draw attention to the following matters:

13. Other information

During the audit process the annual report of the district municipality was not available for review. It was therefore not possible to perform all the procedures that I deemed necessary to verify that no material inconsistencies existed between the published financial statements and other information published in the annual report.

OTHER MATTERS

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

14. Non-compliance with applicable legislation

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

- Tax clearance certificates were not always obtained before written quotations or a bid was considered. Section 112(l)(iii) of the MFMA and paragraph 13(b) of the Supply Chain Management Regulations, refers.
- Contrary to section 115 (1)(b) of the MFMA a fraud prevention plan for the 2006/07 financial year could not be submitted.
- The Audit Committee did not meet at least four times a year in terms of section 166(4)(b) of the MFMA.
- The Audit Committee did not review the financial statements as required by section 166(2)(b) of the MFMA.
- The municipality did not maintain an effective system of expenditure control, including procedures for the approval, authorisation and payment of funds. Five payments amounting to R694 565 were not properly approved in terms of section 65(2)(a) of the MFMA.
- Section 78(1)(e) of the MFMA was not adhered to in that the district municipality did not implement a policy to ensure control over vehicles. Secondly a verification report of a contractor reported that 62 asset items could not be found.
- Contrary to Section 62(1)(c)(i) of the MFMA, a risk management policy was not in place.
- The following requirements of the MFMA regarding Annual Reports were not adhered to:
 - Section 127(2): The Mayor of the municipality did not table in the municipal council the annual report of the municipality within 7 months after the end of the 2005/06 financial year. The annual report was only tabled on 11 October 2007.
 - Section 127(3): No written explanations were submitted to the Council by the Mayor regarding the non-tabling of the annual report.
 - Section 127(5): The accounting officer did not immediately after the 2005/06 annual report was tabled in the council make the annual report public, and invite the local community to submit representations in connection with such annual

report, and submitted the annual report to the Auditor-General, the provincial treasury and the provincial department responsible for local government matters.

- Section 129: The council did not adopt an oversight report containing the council's comments on the annual report. The oversight report and the annual report should have been submitted to the Provincial Legislature in terms of section 132(1).

15. Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA)

- Contrary to section 4(2)(c) of the MSA, certain staff members of the municipality engaged in business without prior consent of the council.
- Contrary to section 7 of the MSA certain of the council members did not declare in writing to the municipal manager their financial interests. Various instances were reported to management of financial interests in business undertakings that were not declared by the council members.

16. Supply Chain Management (SCM) Regulations

- A regular updated database of suppliers was not in place in terms of paragraph 14 of the SCM regulations.
- Reasons were not always quoted in the cases it was not possible to obtain three quotations. Paragraph 17(1)(c) of the SCM regulations refers.
- An effective system of acquisition management was not always followed in order to ensure that goods and services are procured with authorised processes only. Various approved requisitions and order forms could not be submitted on request. Paragraph 11(1)(a) of the
- The council and accounting officer did not delegated additional powers and duties in terms of paragraph 4 & 5 of the SCM regulations.
- The various prescribed reports on final awards made during a month were not submitted within 5 days of the end of each month to the persons as specified in





paragraph 5 of the SCM regulations.

- The council did not maintain oversight over the implementation of the SCM policy and did not ensure that the following requirements were adhered to in terms of paragraph 6 of the SCM regulations:
 - The accounting officer should submit to the council within 30 days after the end of the financial year a report on the implementation of the SCM policy of the municipality
 - The accounting officer should submitted to the mayor within 10 days after the end of each quarter a report on the implementation of the SCM policy of the municipality.
 - The reports were not made public in accordance with section 21A of the Municipal Systems Act.
- A report was not submitted to the CFO within 3 days from the end of each month on approvals given by an official delegated by the CFO on awards made based on less than 3 quotations within the month. Paragraph 17(2) of the SCM regulations refers.
- The accounting officer or CFO was not notified on a monthly basis in writing of all written or verbal quotations and formal written price quotations accepted by an official acting in terms of a sub delegation. Paragraph 18(d) of the SCM regulations refers.
- The following SCM sections were not established in the year under review:
 - Risk management
 - Performance management

17. Unemployment Insurance Fund Act, 2002 (Act No. 4 of 2002) (UIF Act)

Contrary to the prescripts of section 5 of the UIF Act, 2002, the district municipality did not deduct UIF from full-time councillors’ remuneration and pay it over to the South African Revenue Services where such councillors were deemed employees as defined by the act.

18. Other

- The municipality did not draft, approve and implement an Employment Equity Plan in terms of the Employment Equity Act, 1998, the Fezile Dabi District Municipality Organisational Policy and Procedure Manual.
- Regarding overtime worked, not all the stipulations of the Basic Conditions of Employment Act, 1997 were adhered to.

Matters of governance

19. Budget

The council approved various allocations and re-allocations of budgeted funds. These amendments were contrary to section 28 of the MFMA in that they were not taken up in an approved adjustment budget. In the absence of supporting documentation it could not be determined if the allocations and shifting of funds were recorded in the financial records of the municipality and were applied:

COUNCIL MEETING	DETAIL
First Ordinary Meeting (No 1 of 2006/07) – 13/10/06	Allocations of R17 080 000 Shifting of R1 000 000
Third Special Meeting (No 3 of 2006/07) – 31/01/07	Shifting of funds of R575 000
Third Special Meeting (No 3 of 2006/07) – 31/01/07	Shifting of funds of R2 000 000
Third Ordinary Meeting (No 3 of 2006/07) – 03/04/07	Allocation of R2 500 000

The expenditure on the toilets and electricity in rural areas project exceeded the approved budgeted amount with R790 225.

The following unexplained material differences between the approved budget and the budgeted amounts disclosed in Appendix D(1) of the financial statements were found:

- R58 347 177 and corrected to R56 961 872
- The total of Bank and Cash was incorrectly disclosed as R31 007 188 and was corrected to R35 026 680.
- Note 15: The total of remuneration of councillors for 2007 was not adding up correctly and added up to R3 949 529 instead of R3 831 855.
- Note 18: The comparative total was not adding up

ITEM	APPROVED BUDGET	APPENDIX D(1) FINANCIAL STATEMENTS	DIFFERENCE
	R	R	R
General expenses	21 355 000	29 007 000	(7 652 000)
Grants & subsidies paid	29 000 000	39 710 889	(10 710 889)
Revenue: RSC: Levies	2 500 000	9 500 000	(7 000 000)

20. Provincial Accounts Committee (PROPAC)

For the financial year under review, a retention policy was not in place to ensure that the necessary knowledge remains in the municipality as recommended in PROPAC resolution 31/2007.

21. Material corrections made to the financial statements submitted for audit

The financial statements, approved by the accounting officer and submitted for audit on 30 August 2007, have been significantly revised in respect of the following misstatements identified during the audit:

- The accounting policy was amended as follows:
 - To include the useful lives of all asset classifications
 - To include the policy for leases that was applied
 - To amend the policy regarding the valuation of land and buildings from yearly to every 5 years.
- Note 19 was amended to ensure that adjustments were in terms of the requirements of GRAP 3
- Various casting errors were rectified:
 - Note 15: The total for remuneration of councillors was incorrectly disclosed as R3 831 855 in stead of R3 949 529
 - Statement of Changes in Net Assets: The balance at 30 June 2007 was incorrectly disclosed as

correctly. The note added up to R22 772 546 instead of R25 554 591.

- Annexure D1&2: The variances and percentages were not always correctly calculated.
- Note 21 was amended to ensure that reclassifications were complete and in terms of the requirements of GRAP 3
- Note 33: The classification and the overstatement of R2 167 165 were corrected.
- Explanations for restatements of various comparative balances were omitted and now included in the financial statements.
- Note 10: The balance of the Rural Council Bank Account for 2006 of R4 019 491 was omitted and now included.
- Note 11: The comparative balances of the Government Grants and Subsidies did not agree to the prior year and did not reconcile to the Statement of Performance. The note was amended and is now correct.
- Note 14: The comparative amounts did not agree with the previous years financial statements and is now corrected.
- The balances in Annexure E did not agree to the actual expenditure for the year and was rectified.



22. Value for money

Material under-spending of R10 327 779 on projects allocated to local municipalities for the year under review took place. No expenditure took place on four projects to the amount of R8 665 000. Three projects were rolled over from the 2005/06 financial year. No funds were spent on these rolled over projects.

23. Internal control

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

REPORTING ITEM	CONTROL ENVIRONMENT	ASSESSMENT OF RISKS	CONTROL AND ACTIVITIES	INFORMATION COMMUNICATION	MONITORING
Basis for qualification of opinion					
Statement of changes in net assets			X		X
Unauthorised expenditure Irregular			X		X
Expenditure Investments			X		X
Property, plant and equipment	X				
Provisions	X				
Revenue & receivables	X		X		X
Emphasis of matter					
Other information	X		X		X
Other matters					
Non-compliance with applicable laws and regulations	X		X		X
Matters of governance	X		X		X
Material corrections made to the financial statements			X		X

24. Information system audit of the general controls

The above-mentioned audit was completed in November 2006.

The most significant weaknesses identified during the audit were the following:

- A comprehensive Information Technology (IT) security policy and user account management procedures had not been developed.
- Duties for Information Systems processes were inadequately segregated from the finance function as the management of revenue and IS are handled by the same person.
- The user account parameters with regard to passwords were set to an inadequate level to ensure sufficient logical access control.

The above-mentioned weaknesses indicate that management has not established the required level of control over key IT processes, which are consequently exposed to significant controls risks.

25. Control environment

The municipality did not establish key elements of a control environment to achieve sound financial management. This resulted in:

- an inadequate level of skills and knowledge to enable the financial statements to be accurately prepared, which in turn gave rise to the many corrections to the financial statements resulting from matters identified;
- the incurrence of material unauthorised expenditure that was not prevented or detected by the municipality and;
- an inadequate level of skills and knowledge of the various legislation that is applicable to the local government environment which has resulted in the various issues of non compliance that has been identified.

26. Control activities

The effectiveness of control activities over business and accounting processes was not adequate. This is evident from the various instances where adequate supporting documentation could not be provided in support of various expenditure and revenue transaction. The inadequate control activities also gave rise to the various non compliance issues identified which was as a result of the fact that all controls which are necessitated by the prescripts of relevant legislation have not been designed or implemented or current processes have not been aligned with legislative requirements. The inadequacies of the control activities also contributed to the incurrence of the unauthorised expenditure which was not prevented or detected and corrected by internal processes of the district municipality.

27. Monitoring

The monitoring of controls, such as regular review of investments, creditors and debtors, the adequate review of expenditure requisition documentation and the lack of monitoring of compliance to relevant legislation was not effective. This contributed to the matters reported relating to interest not recorded, the recoverability of debtors as well as to the incurrence of unauthorised expenditure.

OTHER REPORTING RESPONSIBILITIES

28. Reporting on performance information

I was engaged to audit the performance information.

29. Responsibility of the accounting officer for the performance information

In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Local





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

30. Responsibility of the Auditor-General

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

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

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

Audit findings (performance information)

31. Non-compliance with regulatory requirements

The annual performance report of the municipality that should have been prepared by the municipality in terms of section 46 of the MSA, as required by section 121(3)(c) of the MFMA was not submitted for auditing.

No formal performance management system was developed, adopted and implemented by FDDM as required by section 38 of the MSA.

32. No quarterly reporting on performance information

No quarterly reports were provided on the progress made in achieving measurable objectives and targets by the different department managers and as a whole for FDDM to facilitate effective performance monitoring, evaluation and corrective action.

33. Existence and functioning of a performance audit committee

The audit committee did not review the FDDM's performance management system and make recommendations in this regard to the council of FDDM and did not at least twice during the financial year submit an audit report to the council of FDDM regarding the performance management system in terms of Municipal Planning and Performance Management Regulations, 2001 Section 14(2), (3) and (4).

34. Internal auditing of performance measurements

The FDDM did not develop and implement mechanisms, systems and processes for auditing the results of performance measurement as part of its internal auditing processes as required by section 45 of the MSA.

35. Development of priorities and objectives

The consistency of development priorities and objectives as reflected in the IDP could not be evaluated as there was no clear link with the development priorities and objectives per budget as well as development priorities and objectives per performance report.

35. Measurable performance targets

No measurable performance targets relating to each key performance area and set objectives were identified.

36. Late finalisation of the audit report

In terms of section 126(3)(b) of the MFMA I am required to submit my report to the accounting officer within three months of the receipt of the financial statements. In the interest of improving accountability and due to the process implemented by me to ensure consistency in the manner in which material audit findings are reported, the finalisation of this report has been delayed.

37. APPRECIATION

The assistance rendered by the staff of the Fezile Dabi District Municipality during the audit is sincerely appreciated.

The Auditor-General

Bloemfontein

31 May 2008



STATEMENT OF FINANCIAL POSITION: as at 30 June 2007



	Note	2007 R	2006 R (restated)
NET ASSETS AND LIABILITIES			
Net assets		56 961 872	44 830 864
Capital Replacement Reserve	1	2 634 187	4 019 492
Accumulated Surplus/(Deficit)		54 327 685	40 811 372
Non-current liabilities			
Long - term liabilities	2	42 094 640	45 067 463
Current liabilities		10 921 022	8 742 241
Creditors	3	8 085 759	5 329 777
Unspent conditional grants and receipts	4	-	300 000
VAT	5	-	517 094
Current portion of long-term liabilities	2	2 835 263	2 595 370
Total Net Assets and Liabilities		109 977 534	98 640 568
ASSETS			
Non-current assets		11 369 052	10 642 078
Property, plant and equipment	6	11 112 253	9 978 924
Long - term receivables	8	256 799	663 154
Current assets		98 608 482	87 998 489
VAT	5	2 101 039	-
Other debtors	9	143 479	18 251
Current portion of long-term debtors	8	289 228	432 646
Investments	7	85 534 793	52 520 911
Bank and cash	10	10 539 944	35 026 680
Total Assets		109 977 534	98 640 568

STATEMENT OF FINANCIAL PERFORMANCE:

for the year ended 30 June 2007

	Note	2006 R	2007 R
REVENUE			
RSC: Levies	12	9 896 629	78,319,652
Rental of building		119 463	179,195
Interest earned - external investments		4 193 843	4,018,994
Interest earned - outstanding debtors		161 164	383,049
Interest - other		1 795 177	–
Government grants and subsidies	11	79 763 585	5,572,941
Other income	13	995 464	299,7720
Total Revenue		96 925 326	88 773 603
EXPENDITURE			
Employee related costs	14	19 249 846	16,635,545
Remuneration of Councillors	15	3 831 855	2,782,270
Collection costs		627 355	1,188,489
Depreciation		1 385 305	1,178,743
Repairs and maintenance		556 261	661,231
Interest paid	16	5 822 812	5,766,818
Contracted services	17	6 038 048	6 537 000
Grants and subsidies paid	18	23 516 174	25,554,591
General expenses	34	25 260 761	13,497,537
Total Expenditure		86 288 416	73 802 225
SURPLUS FOR THE YEAR		10 636 910	14 971 378

Refer to Appendix D(1) for the comparison with the approved budget

STATEMENT OF CHANGES IN NET ASSETS:



for the year ended 30 June 2007

	Pre- GAMAP/GRAP Reserves and Funds	Capital Replacement Reserve	Accumulated Surplus/(Deficit)	TOTAL
2006				
Balance at 1 July 2005	–	–	30,893,980	30,893,980
Change in accounting policy	–	–	14,320,586	14,320,586
Accumulated depreciation	–	–	(4,727,920)	(4,727,920)
Additions	–	–	1,565,001	1,565,001
Depreciation for the year	–	–	(1,178,743)	(1,178,743)
Balance at 30 June 2006	–	–	40,872,904	40,872,904
Change in accounting policy(see note 19)	4,019,492	–	–	4,019,492
Transfer to Capital Replacement Reserve	(4,019,492)	4,019,492	–	–
Correction of error (see note 20)	-	-	(61,533)	(61,533)
Restated balance at 30 June 2006	-	4,019,492	40,811,372	44,830,864
Net surplus for the year	–	–	10,636,910	10,636,910
Transfer from income statement	–	–	1,852,961	1,852,961
Transfer to income statement	–	–	(358,862)	(358,862)
Offsetting depreciation	–	(1,385,305)	1,385,305	–
Balance at 30 June 2007	–	2,634,187	54,327,685	56,961,872

CASH FLOW STATEMENT:

for the year ended 30 June 2007

	Note	2007 R	2006 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other	30	88 190 014	86 861 706
Cash paid to suppliers and employees	31	(75 288 451)	(67 260 788)
Cash generated from / (required by) operating activities	32	12 901 563	19 600 919
Interest received		6 150 184	4 402 042
Interest paid		(5 822 812)	(5 766 818)
NET CASH FLOW FROM OPERATING ACTIVITIES		13 228 935	18 236 143
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2 518 633)	(1 565 001)
Decrease in non-current receivables		549 773	614 640
NET CASH FROM INVESTING ACTIVITIES		(1 968 860)	(950 361)
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised/(repaid)		(2 732 930)	(2 449 094)
NET CASH FROM FINANCING ACTIVITIES		(2 732 930)	(2 449 094)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		87 547 591	72 710 903
Cash and cash equivalents at the end of the year	33	96 074 737	87 547 591

PRINCIPAL ACCOUNTING POLICIES :



for the year ended 30 June 2007

1.1 BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

1.2 PRESENTATION CURRENCY

The annual financial statements are presented in South African Rand.

1.3 GOING CONCERN ASSUMPTION

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

These standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 9	Revenue
GAMAP 7	Accounting For Investments in associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent asset

GAMAP 6,7 and 8 have been complied to the extent that the requirements in these standards relate to the municipality's separate financial statements.

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in note 35 to the financial statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

1.4 RESERVES

Capital Replacement Reserve

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can be utilised only to finance items of property, plant and equipment. The CRR is reduced by a corresponding amount when amounts in the CRR are utilised.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Intergrated Development Plan.

1.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation, except land and buildings, which are revalued every five years. Similarly, land is not depreciated as it is deemed to have an indefinite life.

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

Other assets	Years
Office equipment	3-10
Furniture & fittings	3-10
Motor vehicles	5
Buildings	30
Computer equipment	4-5
Miscellaneous equipment	3-7

1.6 INVESTMENTS

Financial Instruments

Financial instruments which include fixed deposits and short term deposits invested in registered commercial banks, are stated at cost.

1.7 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 during the year in which they are identified.

1.8 TRADE CREDITORS

Trade creditors are stated at their nominal value.

1.9 REVENUE RECOGNITION

Interest and rental are recognised on a time proportion basis.

Government grants are recognised as revenue when all conditions associated with the grant have been met. Where grants have been received but the municipality

has not met the condition, a liability is raised.

Amounts received from government and donors for the purpose of acquiring item of property, plant and equipment are also recognised as revenue.

1.10 CONDITIONAL GRANTS AND RECEIPTS

Revenue received 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.

1.11 PROVISIONS

Provsions 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 each balance sheet date and adjusted to reflect the current best estimate.

1.12 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 purpose of 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.

1.13 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms 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





Municipal Finance Management Act(No. 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.

1.14 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act(No 56 of 2003), the Municipal Systems Act(No. 32 of 2000), the Public Office Bearers Act(No 30 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 subsequent accounted for as revenue in the Statement of Financial Performance.

1.15 FRUITLESS AND WASTEFULL EXPENDITURE

Fruitless and wastefull expenditure is expenditure that was made in vain and would have been avoided had reasonable care been excercised. Fruitless and wastefull 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.

1.16 LEASES

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalized at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and capital repayments are allocated between the lease finance cost and 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.

1.17 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 income in the year they become payable. The defined benefits funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

1.18 COMPARATIVE INFORMATION

Current year comparatives

Budgeted amounts have been included in the annual financial statements for the current financial year only.

Prior year comparatives

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 2007

	2007 R	2006 R
1. RESERVES		
Capital Replacement Reserve	2 634 187	4 019 492
Total Reserves	2 634 187	4 019 492
Refer to note 19 for the explanation.		
2. LONG TERM LIABILITIES		
External loans	44 929 903	47 662 833
Less: Current portion transferred to current liabilities	(2 835 263)	(2 595 370)
Total External Loans	42 094 640	45 067 463
Refer to Appendix F for more detail on long-term liabilities.		
3. CREDITORS		
Trade Creditors	4 701 471	626 837
Councillors salaries adjustment	–	491 526
Debtors payments not yet receipted	23 029	129 236
TRC Vierfontein	–	7 915
Unclaimed monies	–	30 190
Retentions	2 236 956	3 037 216
Staff Leave	1 083 085	1 006 857
Other creditors	41 219	–
Total Creditors	8 085 759	5 329 777
4. UNSPENT CONDITIONAL GRANTS AND SUBSIDIES		
District Aids Grant	–	300 000
Total Conditional Grants and Receipts	–	300 000
All the conditional grants were fully spent at the end of the financial year.		
5. VAT		
VAT payable/(receivable)	(2 101 039)	517 094

VAT is payable on the receipt basis. Only when payment is received from debtors is VAT paid over to SARS.



Reconciliation of Carrying Value	Land and		
	Buildings	Other Assets	Total
	R	R	R
Carrying values at 1 July 2006	6 340 426	3 638 498	9 978 924
Cost	7 605 303	8 280 284	15 885 587
Accumulated depreciation	(1 264 877)	(4 641 786)	(5 906 663)
- Cost	(1 264 877)	(4 641 786)	(5 906 663)
Acquisitions	–	2 518 633	2 518 633
Depreciation	–	(1 385 305)	(1 385 305)
- based on cost	–	(1 385 305)	(1 385 305)
Carrying values at 30 June 2007	7,605,303	4,771,827	11,112,253
Cost	7,605,303	10,798,917	18,404,220
Accumulated depreciation	–	(6,027,091)	(7,291,968)
- Cost	–	(6 027 091)	(7 291 968)
Carrying values at 1 July 2005	6,587,976	3,004,690	9,592,666
Cost	7 605 303	6 715 283	14 320 586
Accumulated depreciation	(1 017 327)	(3 710 593)	(4 727 920)
- Cost	(1 017 327)	(3 710 593)	(4 727 920)
Acquisitions	–	1 565 001	1 565 001
Depreciation	(247 550)	(931 193)	(1 178 743)
- based on cost	(247 550)	(931 193)	(1 178 743)
Carrying values at 30 June 2006	6 340 426	3 638 498	9 978 924
Cost	7 605 303	8 280 284	15 885 587
Accumulated depreciation	(1 264 877)	(4 641 786)	(5 906 663)
- Cost	(1 264 877)	(4 641 786)	(5 906 663)

Refer to Appendix B for more detail

	2007 R	2006 R
7. INVESTMENTS		
Financial instruments		
Investments	85 534 793	52 520 911
Total Cash Investments	85 534 793	52 520 911
<p>Fixed deposits are for periods which are less than 12 months but greater than three months.</p>		
8. LONG TERM RECEIVABLES		
Car loans	546 027	1 095 801
Less: Current portion transferred to current receivables	(289 228)	(432 646)
Total	256 799	663 154
<p>CAR LOANS</p> <p>Before the enactment of the MFMA senior staff were entitled to car loans which attracted interest at 8% to 8.5% per annum and which were repayable over a maximum period of 5 years. The last loan will be repayable in the year 2009.</p> <p>No advances were made to employees during the year.</p>		
9. OTHER DEBTORS		
Fuel deposit	1,000	1,000
Pick n pay card	2,251	2,251
SA Post Office-deposit	15,000	15,000
Prepaid expenses	3,350	–
Suspense	121,877	–
Total Other Debtors	143 479	18 251

Suspense accounts include payments rejected by the bank





	2007 R	2006 R
10. Current Account (Primary Bank Account)		
ABSA Bank - Bloemfontein Branch Account number: 520000100		
Cash book balance at beginning of year - (overdrawn)	1 485 554	(2 510 313)
Cash book balance at end of year - (overdrawn)	1 933 622	1 485 554
Bank statement balance at beginning of year - (overdrawn)	2 034 731	493 867
Bank statement balance at end of year - (overdrawn)	2 501 797	2 034 731
Savings Account ABSA Bank - Bloemfontein Branch Account number: 9070399717		
Sports and recreation bank account-closing balance	1 967	1,967
Rural Council Bank Account	-	4,019,492
Cash float	500	500
Cash book balance at beginning of year - (overdrawn)	29 519 167	29 519 167
Cash book balance at end of year - (overdrawn)	8 603 854	29 519 167
Bank statement balance at beginning of year - (overdrawn)	29 519 167	29 519 167
Bank statement balance at end of year - (overdrawn)	8 603 854	29 519 167
Total Bank and Cash	10 539 944	35 026 680

	2007 R	2006 R
11. GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	78 263 585	1 672 941
Financial Management Grant	500 000	–
MIG Grant	–	2 400 000
MSIG	1 000 000	1 000 000
District Aids Grant	–	400 000
Provincial LED Projects	–	40 000
Spatial Development Framework Grant	–	60 000
Total Government Grant and Subsidies	79 763 585	5 572 941
11.1 Equitable Share		
Balance unspent at beginning of year	–	–
Current year receipts	78 263 585	1 672 941
Conditions met - transferred to revenue	(78 263 585)	(1 672 941)
	–	–
The Equitable Share is an unconditional grant and is utilised to assist the local municipalities undertake service delivery.		
11.2 MIG		
Balance unspent at beginning of year	–	–
Current year receipts	–	2 400 000
Conditions met - transferred to revenue	–	(2 400 000)
Conditions still to be met - transferred to current liabilities (see note 4)	–	–
This grant was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlements areas.		
11.3 MSIG		
Balance unspent at beginning of year	–	–
Current year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 000 000)	(1 000 000)
Conditions still to be met - transferred to liabilities (see note 4)	–	–

The fund is used to assist the district in building capacity of the local municipalities to perform their functions and stabilise institutional and governance systems as required by the Municipal Systems Act of 2000.





	2007 R	2006 R
11.4 District Aids Grant		
Balance unspent at beginning of year	300 000	–
Current year receipts	–	400 000
Conditions met - transferred to revenue	(300 000)	(100 000)
Conditions still to be met - transferred to liabilities (see note 4)	–	300 000
<p>The grant was allocated by the Free State Province health department to the district to fund aids related programmes.</p>		
11.5 Provincial LED Projects		
Balance unspent at beginning of year	–	–
Current year receipts	–	40 000
Conditions met - transferred to revenue	–	(40 000)
Conditions still to be met - transferred to liabilities (see note 4)	–	–
<p>Provincial LED Projects grants are used to promote Small, Medium and Micro. The grant is spent in accordance with a business plan approved by the Provincial Government.</p>		
11.6 Spatial Development Grant		
Balance unspent at beginning of year	–	–
Current year receipts	–	60 000
Conditions met - transferred to revenue	–	(60 000)
Conditions still to be met - transferred to liabilities (see note 4)	–	–
11.7 Changes in levels of government grants		
<p>Based on the allocations set out in the Division of Revenue Act, (Act of 2006), no significant changes in the level of government grant funding are expected over the forthcoming two financial years.</p>		
12. RSC LEVIES		
Establishment levies	8 460 908	67,461,160
Service levies	1,435,721	10,858,492
Total RSC Levies	9,896,629	78 319 652

	2007 R	2006 R
13. OTHER INCOME		
Donations received	20,415	16 361
Recovery of debt councillors	160,772	23 305
Skills levy (SETA)	243,562	123 488
Sundries:	548 966	136 618
Telephone deductions: Officials and councillors	303,494	–
Various deductions: Officials and councillors	7,793	–
Conferences cancelled	17,860	–
Accommodation repaid	3,070	–
Other	216,748	136 618
Tender deposits	21,750	–
Total Other Income	995 464	299 772
<p>The municipality has restated the note. The reason for the restatement is to comply with the requirements of GRAP 1 (Presentation of Financial Statements) on materiality and comparative information.</p>		
14. EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	11 267 376	10 266 158
Employee related costs - Contributions for UIF, pensions and medical aids	2 731 523	2 335 305
Travel, motor car and other allowances	2 932 875	2 599 969
Housing benefits and allowances	179 189	181 204
Overtime payments	187 730	129 666
Annual bonus	707 535	–
Performance bonus	554 236	431 200
Redemption of leave	689 381	692 043
Total Employee Related Costs	19 249 846	16 635 545
Remuneration of the Municipal Manager		
Annual Remuneration	481 498	427 065
Car Allowance	148 629	90 000
Performance Bonuses	135 397	155 053
Contributions to UIF, Medical and Provident Funds	78 418	94 867
Total	843 942	766 985
Remuneration of the Chief Finance Officer		
Annual Remuneration	268 331	303 658
Car Allowance	130 743	76 800
Performance Bonuses	108 317	158 545
Contributions to UIF, Medical and Provident Funds	66 657	79 385
Total	574 048	618 388



	2007 R	2006 R
Remuneration of Director: LED		
Annual Remuneration	114 152	319 117
Car Allowance	161 353	152 944
Performance Bonuses	108 318	72 000
Contributions to UIF, Medical and Provident Funds	37 164	69 527
Total	420 987	613 588
Remuneration of Director: PMU		
Annual Remuneration	333 168	314 309
Car Allowance	155 273	62 800
Performance Bonuses	36 286	148 097
Contributions to UIF, Medical and Provident Funds	90 627	79 182
Total	615 354	604 388
Remuneration of Director: Social Development		
Annual Remuneration	338 264	304 783
Car Allowance	161 353	72 000
Performance Bonuses	108 318	157 516
Contributions to UIF, Medical and Provident Funds	80 671	79 289
Total	688 606	613 588
Remuneration of Director: Corporate Services		
Annual Remuneration	387 378	303 658
Car Allowance	156 217	158 545
Performance Bonuses	57 600	-
Contributions to UIF, Medical and Provident Funds	27 555	79 385
Total	628 750	541 588

	2007 R	2006 R
15. REMUNERATION OF COUNCILLORS		
Mayor	519 329	290 010
Speaker	384 263	300 757
Mayoral Committee Members	1 554 685	1 697 071
Councillors	1 146 563	406 068
Councillors' pension contribution	227 015	88 364
Total Councillors' Remuneration	3 831 855	2 782 270
In kind benefits		
The Executive Mayor, Deputy Executive Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor has use of a Council owned vehicle for official duties		
16. INTEREST PAID		
Long term liabilities	5 822 812	5 766 818
Total Interest on External Borrowings	5 822 812	5 766 818
17. CONTRACTED SERVICES	6 038 048	6 537 000
These payments are contract which have been entered into during the current and prior financial year.		
The note was restated in order to comply with the requirements of GRAP 1(Presentation of Financial Statements), materiality and comparative information.		
18. GRANTS AND SUBSIDIES PAID		
Metsimaholo Local Municipality	2 131 733	7 489 407
Ngwathe Local Municipality	5 276 249	1 912 286
Moqhaka Local Municipality	6 501 924	9 385 881
Mafube Local Municipality	3 706 918	3 893 366
District Rural areas	5 899 351	2 873 650
Total Grants and Subsidies	23 516 174	25 554 591

The Municipality identifies projects which are funded through grants and subsidies in the various local municipalities within the District. Projects are identified through the Integrated Development Plan. The operation and control of items of property, plant and equipment funded through these grants and subsidies vests in the local municipalities.

The municipality has restated the note. The reason for the restatement is to comply with the requirements of GRAP 1(Presentation of Financial Statements) on materiality and comparative information.





	2007 R	2006 R
19. CHANGE IN ACCOUNTING POLICY		
<p>The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GAMAP:</p> <p>The conversion from IMFO to GAMAP/GRAP on 1 July 2005 has resulted in a Trust Fund to be transferred into new Capital Replacement Reserve in order to comply with the requirements of GRAP 1(Presentation of Financial Statements). These amendment constitute a change in accounting policy in terms of GRAP 3(Accounting Policies, Change in Accounting Estimate and Errors). These changes have been implemented retrospectively and the comparative amounts have been restated.</p>		
19.1 Trust Fund		
Balance previously reported		4 019 492
Implementation of GAMAP		
Transferred to Capital Replacement Reserve		4 019 492
20. CORRECTION OF ERROR		
<p>During the year ended 30 June 2006, an amount of R 61 533 was erroneously disclosed as VAT receivable.</p> <p>The comparative amount has been restated as follows: -</p>		
Credit to VAT receivable		61 533
Net effect on accumulated surplus/(deficit)		(61 533)

	2007 R	2006 R
21. RECLASSIFICATION OF COMPARATIVE AMOUNTS		
VAT payable was reclassified as a line item in the statement of financial position. The effect in the financial statements is as follows:		
Decrease in Creditors		(517 094)
Increase in VAT		517 094
Net effect		-
 Rural Council Bank Account		
The Rural Council bank was reclassified as a line item in the statement of financial position: The effect in the financial statements is as follows:		
Decrease in bank and cash		(4 019 492)
Increase in investments		4 019 492
Net effect		-
 22. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
 Contributions to Local Government Organisation		
Opening balance	-	-
Current year's contribution	90 835	322 843
Amount paid - current year	(90 835)	(322 843)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-
 Audit fees		
Opening balance	-	-
Current year's contribution	1 039 662	1 154 544
Amount paid - current year	(1 039 662)	(1 154 544)
Balance unpaid (included in creditors)	-	-
 VAT		
Opening balance	517 094	2 744
Current year input VAT	(5 952 068)	(5 702 814)
Current year output VAT	1 385 393	10 971 584
Amount paid (received) - previous year	1 948 542	(4 754 420)
	(2 101 039)	517 094



	2007 R	2006 R
PAYE and UIF		
Opening balance	–	–
Current year payroll deductions	4 140 645	3 551 986
Amount paid - current year	(4 140 645)	(3 551 986)
Amount paid - previous years	–	–
Balance unpaid (included in creditors)	–	–
Pension and Medical Aid Deductions		
Opening balance	–	–
Current year payroll deductions and council contributions	2 912 574	3 788 938
Amount paid - current year	(2 912 574)	(3 788 938)
Amount paid - previous years	–	–
Balance unpaid (included in creditors)	–	–
<p>The municipality has restated the note. The reason for the restatement is to comply with the requirements of GRAP 1 (Presentation of Financial Statements) on comparative information.</p>		
23. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure		
Approved and contracted for:		
Infrastructure	–	16 250 709
Approved but not yet contracted for:	760 273	1 100 000
Vehicles	–	300 000
Telephone System	–	450 000
Furniture & equipment	410 273	–
Air Conditioners	350 000	350 000
This expenditure will be financed from:		
Income	760 273	17 350 709
Government Grants	–	–
Total	760 273	17 350 709

24. RETIREMENT BENEFIT INFORMATION

Councillors and employees belong to two defined benefit retirement funds which are the Free State Pension Fund and the Councillors Pension Fund. These Funds are subject to triennial actuarial valuation. The last valuation of the Free State Municipal Pension Fund was performed in June 2002.

The Free State Municipal Pension Fund, net assets that are available for benefits at 30 June 2002 was R 1 169 565.00. This valuation indicates that the fund is in sound financial position. The estimated liability of the funds is R 817 138.00 which is adequately financed. No information was available for the Councillors Pension Fund when the financial statements were prepared.

	2007 R	2006 R
25. CONTINGENT LIABILITY		
No contingent liabilities are outstanding.		
26 CONTINGENT ASSET		
No contingent assets are expected.		
27. IN - KIND DONATION AND ASSISTANCE		
No In-kind donation and assistance were received by the municipality during the year.		
28. COMPARISON WITH THE BUDGET		
The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures D (1) and D (2).		
29 EVENTS AFTER BALANCE SHEET DATE		
There were no events after balance sheet date.		
30. CASH RECEIVED FROM CUSTOMERS AND GOVERNMENT		
Total revenue	96 925 326	88 773 603
Adjusted for items presented separately:		
Interest received on investments	(4 193 843)	(4 018 994)
Interest on outstanding debtors	(161 164)	(383 049)
Interest- other	(1 795 177)	–
Adjustments in respect of previous years' operating transactions	(358 862)	–
Adjusted for changes in working capital:		
(Increase)/decrease in VAT receivable	(2 101 039)	–
(Increase)/decrease in other debtors	(125 227)	2 490 146
	88 190 014	86 861 706

The municipality has restated the note. The reason for the restatement is to comply with the requirements of GRAP 1(Presentation of Financial Statements) on comparative information and to give more understanding to the users of financial statements as to how cash received from customers using the direct method in terms of GRAP 2(Cash Flow Statements), is reconciled.



	2007 R	2006 R
31. CASH PAID TO SUPPLIERS AND EMPLOYEES		
Total expenditure	86 288 416	73 802 225
Adjusted for non-cash items:		
Depreciation	(1 385 305)	(1 178 743)
Adjustments in respect of previous years' operating transactions	(1 852 961)	(1 784 143)
Adjusted for items presented separately		
Interest paid	(5 822 812)	(5 766 818)
Adjusted for changes in working capital:		
(Increase)/decrease in creditors	(2 755 982)	2 488 267
(Increase)/decrease in unspent conditional grants	300 000	(300 000)
(Increase)/decrease in VAT payable	517 094	–
	75 288 451	67 260 788
<p>The municipality has restated the note. The reason for the restatement is to comply with the requirements of GRAP 1(Presentation of Financial Statements) on comparative information and to give more understanding to the users of financial statements as to how cash paid to suppliers using the direct method in terms of GRAP 2(Cash Flow Statements), is reconciled.</p>		
32. CASH GENERATED BY OPERATIONS		
Reconciliation of net operating profit to cash generated in operations		
Net operating profit/(loss)	10 636 910	14 971 378
Adjusted for:		
Depreciation	1 385 305	1 178 743
Investment income	(4 193 843)	(4 018 994)
Interest on outstanding debtors	(161 164)	(383 049)
Interest- other	(1 795 177)	–
Interest paid	5 822 812	5 766 818
Adjustments in respect of previous years' operating transactions	1 494 099	1 784 143
Changes in working capital:		
(Increase)/decrease in other debtors	(125 227)	2 490 146
(Decrease)/Increase in conditional grants	(300 000)	300 000
(Increase)/decrease in creditors	2 755 982	(3 005 361)
(Increase)/decrease in VAT	(2 618 133)	517 094
	12 901 563	19 600 919

The municipality has restated the note. The reason for the restatement is to comply with the requirements of GRAP 1(Presentation of Financial Statements) and the requirements of GRAP 2(Cash Flow Statements).

	2007 R	2006 R
33. CASH AND CASH EQUIVALENTS		
Bank and cash	10 539 944	35 026 680
Investments	85 534 793	52 520 911
	96 074 737	87 547 591
34. GENERAL EXPENSES		
General expenses include the following significant figures:		
Campaigns Executive Mayor	1 953 373	1 187 627
Mayor's inauguration	–	471 061
Public Participation Meetings	1 288 279	482 668
NCOP Visit	986 499	–
Agricultural Projects	952 650	734 802
Audit fees	1 039 662	1 154 544
Shared service centre implementation	2 220 974	–
Special programmes	970 948	389 936
Other	15 848 377	9 076 900
	25 260 761	13 497 537

The municipality has restated the note. The reason for the restatement is to comply with the requirements of GRAP 1 (Presentation of Financial Statements) on materiality and comparative information.





35. DETAILS OF THE EXEMPTION IN TERMS OF GENERAL NOTICE 552 OF 2007

FINANCIAL REPORTING STANDARD		EXTENT OF EXEMPTION FROM STANDARD
GRAP 3	Accounting policies, changes in accounting estimates and errors	Identification and impact of GRAP standards that have been issued but are not yet effective and changes to accounting policies (paragraphs 14,19 and 30 - 31)
GAMAP 17	Property, plant and equipment (PPE)	Review of useful life of items of PPE recognized in the annual financial statements (paragraphs 59 - 61, and 77)
		Review of depreciation method applied to PPE recognized in the annual financial statements (paragraphs 62 and 77)
		Impairment of non-cash-generating assets(paragraphs 64 - 69 and 75(e)(v) - (vi)
		Impairment of cash-generating asset (paragraphs 63 and (e)(v) - (vi)
IAS 36 (AC 128)	Impairment of assets	Entire standard
GAMAP 12	Inventories	The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17
		The entire standard to the extent that it relates to water stock that was not purchased by the municipality
IAS 40 (AC 135)	Investment property	The entire standard to the extent that the property is accounted for in terms of GAMAP 17
		Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of this standard (paragraphs 79(e)(i) - (ii)
IAS 17 (AC 105)	Leases	Recognising operating lease payments / receipts on a straight - line basis if the amounts are recognised on the basis of the cash flows in the lease agreement. (SAICA circular 12/06paragraph 8 - 11 and paragraphs 33, 34, 50, 51 of IAS 17 / AS 105)

35. DETAILS OF THE EXEMPTION IN TERMS OF GENERAL NOTICE 552 OF 2007 (continued)

FINANCIAL REPORTING STANDARD		EXTENT OF EXEMPTION FROM STANDARD
IAS 38 (AC 129)	Intangible assets	The entire standard except for the recognition, measurement and disclosure of computer software and website costs (SIC32/AC 432) and all other costs are expensed.
IAS 19 (AC 116)	Employee benefits	Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information. (paragraphs 29, 48-119, 120A(c) - (q))
GAMAP 9	Revenue	Initial measurement of fair value discounting all future receipts using an imputed rate of interest.(SAICA circular 09/06 and paragraph 12)
IAS 39 (AC 133)	Financial instruments: Recognition and measurement	Initially measuring financial assets and financial liabilities at fair value.(SAICA circular 09/06, paragraph 43, AG 79, AG 64 and AG 65 of IAS 39 / AC 133)
IFRS 5 (AC 142)	Non-current asset held for sale and discontinued operations	Classification, measurement and disclosure of non-current assets held for sale (paragraphs 6 - 14, 15 - 29)in so far as it relates to non-current assets held for sale), 38 - 42)
IFRS 7 (AC144)	Financial instruments: Disclosures	Entire standard to be replaced by IAS 32 (AC125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998
IAS 14 (AC 115)	Segment reporting	Entire Standard
IFRS 8 (AC 145)	Operating segments	Entire Standards
IAS 11 (AC 109)	Construction contracts	Entire Standard
IFRS 3 (AC 140)	Business combinations	Entire Standard
IAS 20 (AC 134)	Accounting for government grants and disclosure of government assistance	"Entire standard excluding paragraph 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42 - 46 of GAMAP 9



APPENDIX A: Analysis of property, plant and equipment



for the year ended 30 June 2007

	Cost			Accumulated Depreciation			Carrying Value
	Opening Balance	Additions	Closing Balance	Opening Balance	Additions	Closing Balance	
Other Assets							
Buildings	7 605 303	750 425	8 355 728	1 264 877	247 550	1 512 427	6 843 301
Office equipment	759 689	520 597	1 280 286	525 500	145 860	671 361	608 925
Furniture and Fittings	2 533 176	167 035	2 700 211	1 216 672	293 436	1 510 108	1 190 103
Computer equipment	3 354 065	707 895	4 061 960	1 918 981	465 421	2 384 402	1 677 559
Miscellaneous equipment	202 379	202 379	–	87 226	29 431	116 657	85 721
Motor Vehicles	1 430 975	372 682	1 803 657	893 407	203 606	1 097 013	706 644
TOTAL	15 885 587	2 518 633	18 404 220	5 906 663	1 385 305	7 291 968	11 112 253

The municipality has restated Appendix A. The reason for the restatement is to reflect all asset classes in terms of GAMAP 17.

APPENDIX C: Segmental statement of financial performance

for the year ended 30 June 2007

2006 REVENUE	2006 EXPENSES	2006 Surplus/ (Deficit)		2007 REVENUE	2007 EXPENSES (Deficit)	2007 Surplus/ R
R	R	R		R	R	R
–	16 186 241	(16 186 241)	Executive & Council	–	20,860,355	(20,860,355)
–	3 629 670	(3 629 670)	Corporate Support Services	–	7,114,563	(7,114,563)
–	1 549 525	(1 549 525)	Municipal Manager	–	4,026,562	(4,026,562)
–	4 926 696	(4 926 696)	Finance	–	3,266,942	(3,266,942)
–	5 379 280	(5 379 280)	PIMMS	–	5,788,029	(5,788,029)
–	2 817 994	(2 817 994)	Information Technology	–	4,659,963	(4,659,963)
–	29 514 486	(29 514 486)	PMU	–	28,398,282	(28,398,282)
–	3 930 485	(3 930 485)	Environmental Health	–	5,052,309	(5,052,309)
–	1 461 305	(1 461 305)	Disaster Management	–	1,964,867	(1,964,867)
–	4 406 543	(4 406 543)	LED	–	5,156,544	(5,156,544)
88 773 603	–	88 773 603	Income	96,925,326	–	96,925,326
88 773 603	73 802 225	14 971 379	TOTAL	96,925,326	86,288,416	10 636 910

APPENDIX D (1): Actual versus budget (revenue and expenditure)



for the year ended 30 June 2007

	2007 Actual R	2007 Budget R	2007 Variance R	2007 Variance %
REVENUE				
RSC: Levies	9 896 629	9 500 000	396 629	4.18%
Rental of building	119 463	193 000	(73 537)	-38.10%
Interest earned - external investments	4 193 843	1 950 000	2 243 843	115.07%
Interest earned - outstanding debtors	161 164	50 000	111 164	222.33%
Interest - other	1 795 177	-	1 795 177	0.00%
Government grants and subsidies	79 763 585	80 017 000	(253 415)	-0.32%
Other income	995 464	83 000	912 464	1099.35%
Total Revenue	96 925 326	91 793 000	5 132 326	5.59%
EXPENDITURE				
Employee related costs	19 249 846	23 600 000	(4 350 154)	-18.43%
Remuneration of Councillors	3 831 855	3 576 000	255 855	7.15%
Collection costs	627 355	875 000	(247 645)	-28.30%
Depreciation	1 385 305	1 000 000	385 305	38.53%
Repairs and maintenance	556 261	549 000	7 261	1.32%
Interest paid	5 822 812	6 130 000	(307 188)	-5.01%
Contracted services	6 038 048	6 537 000	(498 952)	-7.63%
Grants and subsidies paid	23 516 174	39 710 889	(16 194 715)	-40.78%
General expenses	25 260 761	29 007 000	(3 746 239)	-12.91%
Total Expenditure	86 288 416	110 984 889	(24 696 473)	-22.3%
NET SURPLUS/(DEFICIT) FOR THE YEAR	10 636 910	(19 191 889)	5 132 326	-26.74%

APPENDIX D (2): Actual versus budget (acquisition of property, plant and equipment)

for the year ended 30 June 2007

Construction	2007 Actual Additions R	2007 Under R	2007 Total R	2007 Budget R	2007 Variance R	2007 Variance %
Executive & Council	750 425	–	750 425	–	750 425	100.00%
Corporate Support Services	372 682	–	372 682	40 000	332 682	831.70%
Municipal Manager	9 636	–	9 636	–	9 636	100.00%
Finance	–	–	–	40 000	(40 000)	–100.00%
Information Technology	1 223 485	–	1 223 485	2 600 000	(1 376 515)	–52.94%
PMU	–	–	–	1 700 000	(1 700 000)	–100.00%
Environmental Health	135 600	–	135 600	200 000	(64 400)	–32.20%
LED	26 805	–	26 805	28 000	(1 195)	–4.27%
PIMMS	–	–	–	65 000	(65 000)	–100.00%
TOTAL	2 518 633	–	2 518 633	4 673 000	(2 154 367)	–46.10%

APPENDIX E: Disclosure of grants and subsidies in terms of section 123 of MFMA, Act 56 of 2003



for the year ended 30 June 2007

Name of Grants	Name Organ of State or Municipal entity	Quarterly Receipts			
		September	December	March	June
Equitable share	National Treasury	26,093,079	19,565,896	32,604,610	–
FMG	National Treasury	500,000	–	–	–
MSIG	National Treasury	500,000	500,000	–	–

Name of Grants	Name Organ of State or Municipal entity	Quarterly Expenditure			
		September	December	March	June
Equitable share	National Treasury	14,927,388	29,218,754	11,637,876	28,929,146
FMG	National Treasury	49,362	317,240	171,151	37,500
MSIG	National Treasury	278,008	–	580,649	141,343

Name of Grants	Name Organ of State or Municipal entity	Grants and Subsidies delayed / withheld			
		September	December	March	June
Equitable share	National Treasury	–	–	–	–
FMG	National Treasury	–	–	–	–
MSIG	National Treasury	–	–	–	–

Name of Grants	Name Organ of State or Municipal entity	Reasons for delay/ withholding of funds	Compliance with conditions (Y/N)	Reasons for non-compliance
Equitable share	National Treasury		Y	
FMG	National Treasury		Y	
MSIG	National Treasury		Y	

APPENDIX F: Schedule of external loans

as at 30 June 2007

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 01/07/06 R	Received during the period R	Redeemed written off during the period R	Balance at 30/06/07 R
LONG-TERM LOANS						
Stock Loan @ 10%-TUMAHOLE-PARYS	10,055	12/8/14	4,284,943	–	312,358	3,972,584
Stock Loan @ 10%-MAOKENG	10054/1	3/11/16	4,225,792	–	308,046	3,917,746
Stock Loan @ 12.00%-MAOKENG	10054/2	12/8/14	2,015,847	–	103,914	1,911,933
Stock Loan @ 12.00%-MAOKENG-BRENTPARK	10,057	10/9/15	6,193,681	–	378,145	5,815,536
Stock Loan @ 12.00%-MOKWALLO-VREDEFORT	10,056	9/5/15	5,705,258	–	348,325	5,356,934
Stock Loan @ 10%-PHIRITONA-HEILBRON	10,058	1/9/16	14,659,648	–	841,813	13,817,836
Stock Loan @ 10%-VILJOENSKROON	10,066	12/19/14	739,977	–	49,693	690,284
Stock Loan @ 10%-ZAMDELA	10076/1	12/8/14	439,389	–	32,030	407,359
Stock Loan @ 10%-ZAMDELA	10076/2	12/8/14	771,723	–	56,256	715,467
Stock Loan @ 15,25%-SASOLBURG	10,243	8/17/16	1,703,495	–	73,387	1,630,107
Stock Loan @ 16,50%-SASOLBURG	13304/1	7/6/18	2,587,792	–	71,233	2,516,559
Stock Loan @ 16,50%-SASOLBURG	13304/2	7/7/18	1,866,829	–	51,388	1,815,442
Stock Loan @ 15,25.00%-SASOLBURG-KROONSTAD	10,243	7/8/18	2,468,461	–	106,342	2,362,118
Total long-term loans			47,662,834	–	2,732,931	44,929,903

ABBREVIATIONS



ASALGP	Australian South African Local Government Programme
CMIP	Consolidated Municipal Infrastructure Programme
GIS	Geographical Information System
IDP	Integrated Development Plan
LED	Local Economic Development
LGWSETA	Local Government and Water Services Sector Training Authority
MSIG	Municipal Systems Improvement Grant
NFSDM	Northern Free State District Municipality
PIMSS	Planning and Implementation Management Support System
PMS	Performance Management System
RSC	Regional Services Council
SMME	Small- and Medium-Enterprises





Contact Details

John Vorster Road, Sasolburg

P.O. Box 10, Sasolburg 1947

Tel: (016) 976 0765

Fax: (016) 976 0769

Website: www.nfsdc.co.za