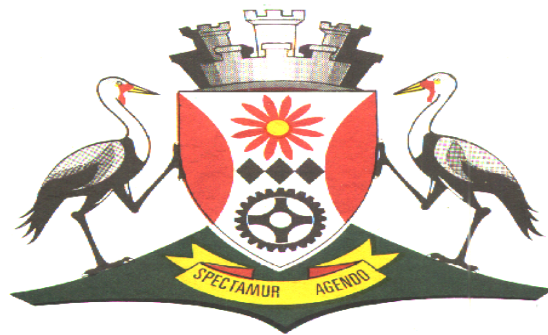


GERT SIBANDE DISTRICT

MUNICIPALITY



ANNUAL REPORT

FOR THE FINANCIAL YEAR

2006/2007

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CHAPTER ONE: INTRODUCTION AND OVERVIEW

1.1 EXECUTIVE MAYOR'S FOREWORD

It is with great pleasure that I present to Council and the public at large, as well as our many stakeholders and partners, the Annual Report for the 2006/2007 financial year. I believe that this Annual Report illustrates the many good reasons why the majority party increased its support during the previous local government elections, notwithstanding dire predictions in the media that public confidence in the integrity, efficiency and effectiveness of municipalities were collapsing.

This Annual Report is a testimony to the fact that we have continued to wrestle with the challenges of maintaining standards of service-delivery and infrastructure in more privileged areas while also rolling out development of facilities and basic services in rural communities. This is by no means a straightforward task in a context where the great majority of our people continue to live in poor conditions and our unemployment rate remains unacceptably high.

It is worth mentioning that indeed the District Municipality has undergone transformation which entailed an overhaul of the governance model which had enabled stability, promoted cohesion and accountability, deepened democracy and strengthened good governance. Equally, the institutional reorganisation premised upon Batho Pele principles had transformed an ailing, bureaucratic system into an accountable, focused and service delivery oriented organisation.

The strategic plans coupled with a streamlined organisation permitted the District Municipality to notch up very significant outcomes over the 2006/2007 year:

- Infrastructure and Service Delivery

The total allocation to Category B municipalities within the district amounted to **R143, 687,992** including multi-year projects from the previous financial year and MIG allocation. This budget was allocated for Water, Sanitation, Roads and other functions. Water and sanitation accounted for **82%** of the total allocation and of which **76%** was achieved in implementation.

The District embarked on a programme of providing local municipalities with construction or industrial vehicles such as graders, front end loaders, tipper trucks and backactors to enhance service delivery.

- Economic Development

On the 29 August 2006, the District Economic Growth Summit was held which culminated into the developments of the Economic Growth Strategy. The strategy amongst other things recommended the establishment of an Economic Development Agency by June 2008. The agency will drive economic development within the following key economic drivers in the municipality as outlined in the economic growth strategy:

- Minerals (coal/gold)
- Forestry
- Agriculture
- Tourism
- Petro-Chemicals Industry

- Institutional Development

In order to align Administration with the objectives the new IDP, a new organisational structure was approved and policies reviewed and developed. Furthermore a new Employment Equity Plan was developed to be in line with the new demographics

- Democracy and Governance

In order to ensure that the community is informed and participating in the affairs of the municipality, Imbizos were held to discuss the budget, IDP and service delivery. Furthermore intergovernmental structures were established for consultation as per the Intergovernmental Framework Act.

- Financial Management

Given the challenges of limited resources and skills that the district is faced with at large, sound financial management is still a priority and this is backed up by an unqualified audit report again in this year. A gap still exists to bring some municipalities on board as far a financial management is concern within the entire District.

As part of our function and to ensure coordination of activities, and ensuring excellence in service delivery the following indirect allocations (implemented district-wide) were provided in the budget:

- Mayoral Excellence Award
- Youth Development
- Sports, Arts and Culture
- People with Disability
- HIV/AIDS and Sexually Transmitted Diseases (HAST)
- Bursaries
- Capacity Building

The above outcomes would not have been possible without a concerted and sustained programme of action. This programme was led by the Mayoral Committee and implemented by the array of departments within the municipality. Therefore, I would like to take this opportunity to thank those that have made the year 2006/2007 an incredibly exciting and positive experience. Although I cannot conceivably mention everyone individually, I will be remiss in of duty if I do not mention the following: Members of the Mayoral Committee, Chief Whip, Speaker, and Executive Mayors from category B municipalities, Councillors, leaders of political parties, Municipal Manager and his management team, and the entire staff of the District Municipality.

I thank you.

Councillor A.M Gamede
Executive Mayor

1.2 MUNICIPAL MANAGER'S FOREWORD

Gert Sibande District Municipality does strive to excel in good governance and quality infrastructure. This is a promise that was renewed when the 2007/08 financial year began. There are a number of development areas that our focus has been on such as addressing backlogs, the development of skills within the District, forging inter-governmental partnerships and working relationships that are envisaged to assist in ensuring that Gert Sibande District Municipality is developmental oriented in its approach.

Capacity building and skills development remains at the core of the function ability of the institutions to excel in the execution of its everyday operations. This Municipality committed itself in developing the skills of its populace. In 2007/08 financial year, the GSDM Expanded Public Works Programme assisted about 600 people with temporal employment created from the 2007/08 project list up to date. Although the initial set target was 555, GSDM exceeded its target for this specific period. A number of youth has been afforded the opportunity to study further at their higher institutions of learning such as the Universities and the former Technikons (Universities of Technology), FET Colleges and Traffic Colleagues. The GSDM could not have achieved these programmes without the cooperation from the constituent seven Local Municipalities. Over 60 students enrolled in various fields within the abovementioned institutions were awarded bursaries. Through this programme, future engineers, finance experts, agriculturalists, plumbers, a variety of technicians, traffic officers and other professionals are being prepared.

In addition, a majority of current professional in municipalities are close to retirement or leaving in high numbers for greener pastures which requires the municipalities to create a model to enhance and retain the skills to address the current and future challenges around capacity issues.

One of the highlights for the 2006/7 financial year is that this municipality received an unqualified report from the Auditor- General when he expressed his opinion. Msukaligwa and Govan Mbeki Local Municipalities respectively, must also be commended for attaining similar achievements whilst others are supported in all means possible towards attaining similar goals.

All three spheres of South African government share a common goal, that of ensuring a better life for all. GSDM strives to ensure proper alignment of the delivery of services as the Provincial flagships constitute part of the programmes within Municipal IDP's. The vital role in the development of IDP is the participation of all the stakeholders, most importantly, the public. To this extent, a number of IDP Imbizo were conducted within all seven constituent Local Municipalities during which fruitful deliberations involving the public at large took place.

One of the critical concerns has been the contamination of drinking water. Although reports regarding the defective water samples are to be forwarded to the Department of Water Affairs and Forestry, it does not end there. The District together with the Local Municipalities recently entered into a partnership with experts, reputable and one of the leading water utility in South Africa in its endeavour to develop a water quality mechanism.

This was initiated to pursue the GSDM's commitment of providing safe and dependable water services within its area of jurisdiction. This partnership will see to it that the building and operation of a water quality testing station is achieved. This venture will also assist in ensuring that the required standards for the potable water set by the Minister for Water Affairs and Forestry are undoubtedly met.

Local government carries the responsibility for ensuring sustainable and efficient water supply, sanitation, roads, electricity, water disposal, health facilities – which are only realistically achievable with appropriate engineering and other related skills in place.

Ugu District Municipality is regarded as one of the successful District Municipalities when it comes to the water service provision in the country. Their operation and maintenance of water, best practices in terms of forming and implementing water policies and master plans, co-ordination of their water services and the control of water demand was the reason GSDM approached the Ugu District for a partnership and good working relations.

It was because of Ugu District Municipality's willingness to share their experiences with our District that lead to the signing of a memorandum of understanding between the two institutions. There is a long list of common water issues that the two municipalities share. The demand for water services is quite similar and the problems, if not all of them, that they have experienced are the same for GSDM. It is of benefit to this District that they already have most solutions to these problems and have enough resources to assist in the development of GSDM's human resources with proper and effective training. It is a good practice and culture for municipalities to share development experiences that would, at the end of the day, benefit the communities within their jurisdiction.

GSDM is also in a process of forging a partnership with the Gert Sibande Local house of Traditional Leaders to enhance and improve co-operative good governance. This will not only ensure compliance with Section 81 of the Municipal Structures Act, Act no. 117 of 1998 regarding the participation of Traditional Leaders in Municipal Councils but it will ensure legislative compliance and cooperation towards implementing legislation such as the Property Rates Act.

The GSDM has not turned a blind eye to the significance, mandated role it must play in the 2010 World Cup preparations and as thus will continue to explore varying opportunities at its disposal as a non-hosting municipality.

The principles of Batho Pele remain a cornerstone of service delivery in the government sector, and as Gert Sibande District Municipality, we remain committed towards upholding them.

MR. M.A. NGCOBO, *Pr. Tech. Eng, MSAICE, IMESA, FMWISA*
MUNICIPAL MANAGER

1.3 OVERVIEW OF THE MUNICIPALITY

1.3.1 POPULATION DYNAMICS

The District Municipality is a home to **985,632** people who constitute 25% of the Mpumalanga Province's total population, with an average population density of 30.12 per km². The district comprises of seven category B municipalities within its jurisdiction, table 1 below indicates the name of the municipality and the town where its seat is located

The population dynamics details are given below, table 2 indicates the population and household growth since 2001, table 3 population classification in terms of gender and age, table 4 indicates population profile in categories, table 5 indicates dwellings type namely ; formal, informal, traditional others.

Table 1: Category B Municipalities

Name	Anchor Town
Albert Luthuli	Carolina
Dipaleseng	Balfour
Govan Mbeki	Secunda
Lekwa	Standerton
Mkhondo	Piet Retief
Msukaligwa	Ermelo
Pixley Ka Seme	Volksrust

Table 2: Population and Households Growth

Municipality	Population				Households (HH)			
	Oct 2001	Apr 2007	Current Annual Growth	Communities	Oct 2001	Apr 2007	Current Annual Growth	HH density
Albert Luthuli	187 937	201 861	0.56	44	41 651,00	44 741,00	0.52	4.51
Dipaleseng	38 614	41 150	0.62	6	9 937,00	10 590,00	0.53	3.89
Govan Mbeki	221 743	239 395	0.53	27	64 796,00	69 954,00	0.50	3.43
Lekwa	103 266	113 285	0.60	11	26 460,00	29 025,00	0.55	3.90
Mkhondo	142 894	163 456	0.63	17	29 252,00	33 461,00	0.85	4.89
Msukaligwa	124 813	137 822	0.60	16	31 159,00	34 409,00	0.63	4.01
Pixley Ka Seme	80 736	88 663	0.62	10	18 901,00	20 756,00	0.57	4.27
Provincial Total	900 003	985 632	0.58	131	222 156,00	242 936,00	0.58	4.18

Source: STASSA 2007

Table 3: Population Classification

Permanent Resident Population	Aged Residents (>65 years)	Youth Resident (<18 years)	Male Residents	Female Resident
985 632	438 015	547 617	483 453	502 179

Source: GSDM-WSDP May 2006

Table 4: Population Profile

Population Group	Percentage
Blacks	90.69
Whites	8.02
Coloured	0.67
Asians	0.62
TOTAL	100

Source: Census 2001

Table 5: Dwelling Type/Increment from 2001

Municipality	Formal	Informal	Traditional	Other
Albert Luthuli	21 415	15 762	6 246	70
Dipaleseng	10 593	7 500	2 020	37
Govan Mbeki	82 169	5 247	1 191	192
Lekwa	25 841	4 000	6 207	259
Mkhondo	20 684	4 384	5 251	73
Msukaligwa	14 477	9 240	4 791	70
Pixley Ka Seme	10 524	5 475	2 001	38
GSDM	185 703	51 608	27 707	739

Source: GSDM-WSO 2006

1.4 EXECUTIVE SUMMARY

Gert Sibande District Municipality is proud to present its Annual Report for the 2006/2007 Financial Year in terms of section 127 of the Municipal Finance Management Act and section 46 of the Local Government: Municipal Systems Act.

In an endeavouring to make a significant impact in developing and improving the communities and in terms of the five year local government agenda, the Integrated Development Planning affirms the key strategic thrust for Gert Sibande District Municipality as follows:

- Transformation and Organisational Development
- Financial viability and Management
- Local Economic Development
- Infrastructure Development and Service Delivery
- Social Development and Community Service
- Intergovernmental Relations, Good Governance and Community Participation

This has culminated in the development of over-arching key focus areas for the District Municipality, which are briefly detailed in the table below:

FOCUS AREAS	OBJECTIVES
Organisation Restructuring and Transformation	Institutional re-arrangement to support new vision and mission
Financial Management	Development of a five year integrated financial plan
Inter-Governmental Relations, Social and Community Services	Implementation of the Intergovernmental Relations Framework Act and coordination of transversal function
Cooperate Services [organisational structure]	Corporate Support Services and Human Resources Development
Planning and Economic Development	Coordination of Integrated Planning and Economic Development
Bulk Infrastructure & Technical Services	Planning and coordination and implementation of bulk infrastructure and technical services
Proposed Shared Services	Establishment of the shared services centre
Proposed Regional Water Services	Coordination and support to local municipalities in provision of water and sanitation
Sector Plans	Development of sector Plan and sector collaboration
Performance Management	Adoption and implementation of the Performance Management System

During the 2006/2007, the main focus was on the planning and development of strategies to achieve the above mentioned focus areas. However it is worth recording progress made in the implementation of certain focus areas:

- **76%** on implementation project at category B municipalities which include allocation for the 2006/2007 financial year, multi-year projects from the previous financial year and MIG allocation, with water and sanitation accounting for **82%**.
- Each municipality was allocated at least a grader, tipper truck, front end loader and a backactor through a programme of providing local municipalities with construction or industrial vehicles in order to enhance service delivery.
- The Development of the District-wide Economic Development Strategy which identified economic drivers within the municipality as follows:
 - Minerals (coal/gold)
 - Forestry
 - Agriculture
 - Tourism
 - Petro-Chemicals Industry
- As part of our function and to ensure coordination of activities, and ensuring excellence in service delivery the following indirect allocations (implemented district-wide) were provided in the budget:
 - Mayoral Excellence Award
 - Youth Development
 - Sports, Arts and Culture
 - People with Disability
 - HIV/AIDS and Sexually Transmitted Diseases (HAST)
 - Bursaries
 - Capacity Building
- In striving to create jobs and to implement the extended public works principles, **23** projects were approved to be implemented through labour intensive method or approach. A target of **555** job opportunities were set and **600** job opportunities were created
- In respect of the objectives and the implementation of the Broad Black Based Economic Empowerment Act, **68%** of projects were awarded in line with this act.
- In striving to maintain sound financial management, the District Municipality obtained an unqualified audit report.

CHAPTER 2: PERFORMANCE HIGHLIGHTS

The allocation to local municipalities as per the budget of the District Municipality has been divided into two sections namely; direct allocation which refers to infrastructure and services, and indirect allocation which are allocations that benefit the entire district when implemented, such as mayoral excellence awards, community participation, sport art and culture and etc. Performance highlights would therefore presented in this format.

2.1 Direct Allocation to Local Municipalities

Despite limited resources, the District Municipality undertook key developmental projects during the 2006/2007. The immediate challenges were: to align the capital budget with the objectives of the new Council after March 2006 election, to re-unite the district municipality with category B municipalities and to review the Integrated Development Plan.

The total budget for infrastructure within the district was estimated at **R143,687,992** which is inclusive of direct and indirect allocations to the Local Municipalities, multiyear projects and MIG allocations. The break down is as follows:

DETAILS	AMOUNT
New Allocations	90,000,000
Multiyear Projects	30,100,149
MIG	23,587,843

The information below illustrates achievements and successes of the past year:

2.1.1 WATER

Water related projects could be classified as upgrading of water schemes, extension of water reticulation, installation of water meters, bulk water pipelines and installations of bore and pumps. An amount of **R 57,235,522** was budgeted in respect of these projects.

55% of the approved budget was spent on implementation of these projects. It is worth to mention that during this financial year water blue print report was developed which gives the district picture in terms of the service needs, the challenge is immense however through concerted efforts the demand would be met.

2.1.2 SANITATION

Projects identified for sanitation range from eradication of bucket systems, upgrading of sewer networks, bulk sewer reticulation and construction of VIP Toilets. An amount **R 39,828,132** was provided for in the budget.

88% of the approved budget was spent on implementation of these projects. The District will continue to invest in these projects until the dignity of the communities is restored.

2.1.3 ROADS AND STORMWATER

Projects identified under roads and stormwater can be categorised as rehabilitation and maintenance of roads, construction of roads, re-gravelling and sealing of roads. An amount of **R 19,008,949** was put aside for these activities.

100% of the approved budget was spent on implementation of these projects and in addition **R 530, 535** was spent on roads and stormwater from previous year's allocations.

2.1.4 OTHER PROJECTS

Projects classified as other are repairs and maintenance of equipment and erection of community halls. An amount of **R 4,030,546** was put aside for such projects and **91%** was spent towards their implementation.

2.1.5 EPWP

In striving to create jobs and to implement the extended public works principles, **23** projects were approved to be implemented through labour intensive methods or approach. A target of **555** job opportunities was set.

108% was achieved in job creation which translates to **600** job opportunities; a target was exceeded with **45** more jobs. Furthermore **277** beneficiaries received training in hard and soft skills within the construction industry.

2.1.6 BBBEE

In respect of the objectives and the implementation of the Broad Black Based Economic Empowerment Act, **68%** of projects were awarded in line with this act.

2.2 INDIRECT ALLOCATION TO LOCAL MUNICIPALITIES

2.2.1 MAYORAL EXCELLENCE AWARDS

The Mayoral excellence awards were introduced in order for the district to recognise outstanding service delivery and also to promote sport, arts and culture within the district. An amount of **R520,800** was put aside in order to facilitate this activity. The awards were divided into the following categories; cleanest town competition, best customer service, best ward Councillor and Mayoral cup in volley ball, soccer, netball, cultural dance and chorale music.

77.59% of the approved budget was spent on implementation of the Mayoral excellence award.

2.2.2 BURSARY SCHEME

A bursary scheme for previously disadvantaged students from communities in Gert Sibande District Municipality was introduced during the past financial year. The scheme is intended to address in the long term the skills shortage in the fields of municipal finance, civil engineering and agriculture. An amount of **R 2,000,000** was provided in the budget.

86.58% of the approved budget was spent on implementation of the Bursary Scheme wherein **52** students were taken to different tertiary institutions.

2.2.3 GIS AND DATA CLEANSING

During the past financial year municipalities experienced problems with information system management, often different statistics were given from various sources. In order to have accurate figures, a Geographic Information System project was implemented for the entire district. Coupled with this project is a Data Cleansing Exercise for all municipalities. An amount of **R 6,400,000** was provided in the budget.

The project is implemented in phases and to date **93%** of the approved budget was spent on procurement of equipment and computer hardware and software for implementation of this project.

2.2.4 LOCAL ECONOMIC DEVELOPMENT & AGRICULTURE

In respect to local economic development car wash projects were identified at Lekwa, Dipaleseng, Albert Luthuli and Mkhondo. In order to implement this project and other community projects in this regard, the district municipality is in the process of establishing co-operatives. The intention is to target women and youth groups in municipalities and to support their start up projects. An amount of **R 3,500,000** was provided in the budget for local economic development and agriculture projects.

62.84% of the approved budget was spent on procurement of equipment for car washes and services of professional experts on design and layout of these projects

2.2.5 PEOPLE WITH DISABILITY

In terms of the guidelines from DPSA and the premier's office, a provision was made in the budget in order for the district municipality to support and facilitate activities to enhance participation of people with disability in the municipal affairs. Furthermore a District Officer was appointed to in order to co-ordinate and drive this programme. An amount of **R300,000** was provided in the budget.

51.56% of this allocation was spent on the celebration of the disability day and on forward planning of tangible project to be funded in the coming financial year.

2.2.6 FIRE PREVENTION

This budget provision is an additional expenditure to municipalities for fire related activities. However for this year training was provided for volunteers.

An amount **R 400,000** was provided in the budget and **73%** was spent for training of volunteer cops.

2.2.7 HAST

Provision was made in the budget for facilitation of and support of activities related to HIV/AIDS and sexually transmitted diseases in collaboration with provincial department and NGO's. The District gave support and participated in world aids day, boy child day and 16 day of activism against women abuse. Furthermore District and Local aids Councils were established. An amount of **R 279,200** was provided in the budget to facilitate these activities.

80% of the approved budget spent in support of the above mentioned activities.

2.2.8 PUBLICITY AND COMMUNICATION

Publicity and communication was placed as one of the priorities within the strategies of the District Municipality in order to ensure that the citizens are aware and informed about the activities of the municipality. This was made evident with the release of the first copy of *"INSIGHT"*, a district magazine that informs communities about the activities and highlights of the District municipality.

Furthermore, a marketing video was developed which gives a brief overview on the available natural resources per municipality and also explores investment opportunities in the district. Coupled with the above, branding of the District was presented in various items in the form of corporate gifts.

To acknowledge the above, the Communication Department of the District was awarded first prize in SALGA-Mpumalanga for outstanding performance within the province.

An amount of **R 3,000,000** was provided in the budget in order to achieve the above mentioned and **65.70%** of the said budget was spent.

2.2.9 COMMUNITY PARTICIPATION

An important aspect in assessing success of a municipality is vested in how the community involved in municipal affairs. This is a pre-requisite in order to comply with municipal legislature. Community participation was conducted through compilation of the IDP, budget and community Imbizos. The district successfully held Imbizos at least every quarter in different municipalities.

This allocation was further used to enhance alignment between the district and category B municipalities through a strategic review session.

This was made successful with a budget provision of **R3,500,000** and **94%** of the said budget was spent on community participation and capacity building.

2.3 CAPITAL ITEMS

In order to enhance service delivery at various local municipalities, during the past financial year the district introduced a program of procuring heavy equipment and/or industrial vehicles. The following categories were implemented:

2.3.1 HEAVY EQUIPMENT AND INDUSTRIAL VEHICLES

This category includes procurement of tipper trucks, graders, front end loaders, back actors and water carts. An amount of **R 18,701,000** was provided in the budget.

89.31% expenditure in respect of this budget allocation was attained and municipalities were each allocated a grader, tipper truck, front end loader and backactors.

2.3.2 DISASTER MANAGEMENT EQUIPMENTS AND VEHICLES

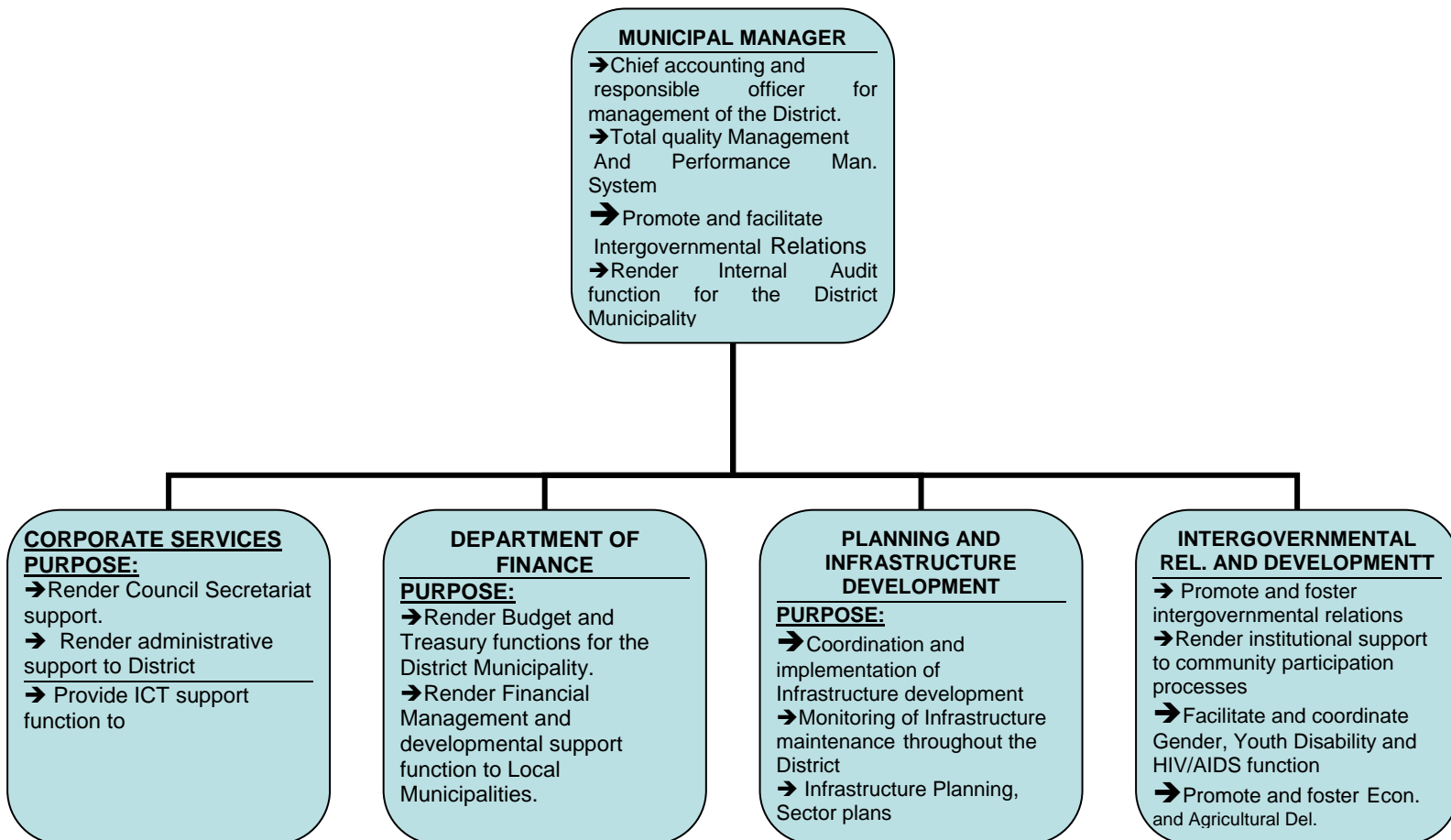
This category includes procurement of disaster management vehicles, rescue vehicles and emergency equipment and each municipality was allocated a fully equipped fire response vehicle. An amount of **R 4,612,100** was provided in the budget.

88.94% of the approved budget was spent on procurement of this equipment and vehicles.

CHAPTER 3: HUMAN RESOURCE AND OTHER ORGANISATIONAL MANAGEMENT

3.1 ORGANISATIONAL DEVELOPMENTS

A macro organisational structure which displays the departments and function was approved as follow:



What could be deduced from this structure, is the inclusion of the Intergovernmental Relations which has brought a paradigm shift from how the district used to operate previously. This department is dedicated to promoting and fostering intergovernmental relations in the district, facilitate and coordinate softer issues like gender, youth development, disability and HIV/AIDS function, and economic development

Furthermore a significant growth is in the Planning and Infrastructure Development Directorate with the inclusion of two significant sections namely; infrastructure maintenance and technical services which is responsible for coordination and implementation of infrastructure development, monitoring of Infrastructure maintenance throughout the District and infrastructure planning, EPWP compliance, and water and sanitation section which is responsible for supporting local

municipalities to carry out their responsibilities as water service providers and a water service authorities.

The following table gives personnel statistics at the end of June 2007.

DETAILS	TOTAL STAFF	FILLED POST	VACANT POST
Office of the MM	32	12	20
Finance	17	11	6
Corporate Services	54	26	28
Infrastructure	29	14	15
IGR	20	4	16
TOTAL	152	67	85

The district has in the beginning of the new financial year addressed the vacancy rate which stood at 55% in the 2006/2007 financial year. The delay in filling vacant positions could be attributed to the consultative process that needed to be followed in order to ensure that the organizational structure is agreed to among all roles players.

3.2 TRAINING AND SKILL DEVELOPMENT

Through the process of job assessment and skill development the following intervention were provided:

- VIP (payroll system) training for personnel section
- MINCOM (document management system) for secretariat and procurement personnel
- Training of secretaries
- ABET
- Batho Pele Principles for managers
- Roles and responsibilities of the training committee

An amount of **R 200,000** was provided for training of staff and **99%** percent was spent on implementation of the above-mentioned interventions. A further amount of **R 300,000** was provided for training of the unemployed people in terms of the EPWP principles, 100% of the allocated amount was spent and **51** unemployed people were trained in road maintenance skills.

The details of students awarded bursaries through the scheme mention previously in the report are as follows:

COURSE	NUMBER OF STUDENTS		TOTAL STUDENTS
	MALE	FEMALE	
Finance	3	4	7
Civil Engineering	26	17	43
Agriculture	2	0	2
Total	31	21	52

3.3 EMPLOYMENT EQUITY

An employment equity plan was submitted as per the requirement of the Act, the following table gives the job profile in terms of the occupational categories:

Occupational Categories	Male			Female				White Male	Foreign Nationals		TOTAL
	A	C	I	A	C	I	W	W	Male	Female	
	Legislators, senior officials and managers	3	0	1	2	0	0	1	2	0	
Professionals	4	0	0	4	0	0	2	3	0	0	13
Technicians and associate professionals	7	0	0	3	0	0	2	1	0	0	13
Clerks	6	0	0	20	1	1	7	0	0	0	35
Service and sales workers	0	0	0	0	0	0	0	0	0	0	0
Skilled agricultural and fishery workers	0	0	0	0	0	0	0	0	0	0	0
Craft and related trades workers	1	0	0	0	0	0	0	0	0	0	1
Plant and machine operators and assemblers	0	0	0	0	0	0	0	0	0	0	0
Elementary occupations	1	0	0	8	0	0	0	0	0	0	9
TOTAL PERMANENT	22	0	1	37	1	1	12	6	0	0	80
Non – permanent employees	2	0	0	0	0	0	0	0	0	0	2
GRAND TOTAL	24	0	1	37	1	1	12	6	0	0	82

CHAPTER 4: AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION

4.1 AUDITED FINANCIAL STATEMENTS

GERT SIBANDE DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2007

I am responsible for the preparation of these annual financial statements, which are set out on pages 3 to 22, 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 13 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.

MA Ngcobo
MANAGER

20 AUGUST 2007 MUNICIPAL

GERT SIBANDE DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2007

	Note	2007 R	2006 R
NET ASSETS AND LIABILITIES			
NET ASSETS		175 227 589	127 204 066
Non distributable reserve		0	0
Accumulated Surplus/(Deficit)		175 227 589	127 204 066
NON - CURRENT LIABILITIES		69 684	5 746 929
Long - term liabilities	1	0	5 661 961
Retirement Benefit	2	69 684	84 968
CURRENT LIABILITIES		55 638 051	82 697 536
Creditors	3	40 354 099	72 934 229
Unspent conditional grant and receipts	4	9 621 991	4 904 941
Current portion of long term liabilities	1	5 661 961	4 858 365
TOTAL NET ASSETS AND LIABILITIES		230 935 325	215 648 530
ASSETS			
NON - CURRENT ASSETS		35 105 442	13 069 389
Property, plant and equipment	6	34 801 720	12 556 165
Investments	7	0	0
Long term receivables	8	303 722	513 224
CURRENT ASSETS		195 829 883	202 579 141
Debtors	9	12 975 641	7 903 711
Investment Deposits	10	12 000 000	5 103 385
Theft and losses	21	940 057	
VAT	5	16 064 442	17 113 587
Bank balance and cash	11	153 664 024	171 670 944
Current portion of long term debtors	8	185 719	787 514
TOTAL ASSETS		230 935 325	215 648 530

**GERT SIBANDE DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30th JUNE 2007**

		Actual 2007	Actual 2006
NOTE		R	R
<u>REVENUE</u>			
Regional Services Levies – remuneration		2 785 021	32 514 617
Regional Services Levies – turnover		13 254 558	123 696 567
Interest earned - external investments		15 802 585	11 181 351
Interest earned - outstanding debtors		407 013	1 336 621
Government grants and subsidies	12	166 208 681	61 496 582
Other income	13	128 874	577 888
Gains on disposal of property, plant and equipment		0	11 944
TOTAL REVENUE		198 586 733	230 815 570
<u>EXPENDITURE</u>			
Employee related cost	14	19 764 413	19 402 820
Remuneration of Councillors	15	4 930 907	4 382 424
Collection cost		118 617	375 252
Depreciation		1 829 956	1 416 971
Repairs and maintenance		476 903	373 445
Interest on external borrowings		0	0
Contracted services		236 224	795 225
Grants and subsidies paid	16	117 375 060	170 788 334
General expenses – other	19	5 788 346	8 578 111
Contribution to Bad Debt Provision		0	8 218 075
Loss on disposal of assets		42 783	392 047
TOTAL EXPENDITURE		150 563 209	214 722 704
NET SURPLUS/(DEFICIT) FOR THE YEAR		48 023 524	16 092 867

GERT SIBANDE DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007

	ACCUMULATED	TOTAL
	SURPLUS/ (DEFICIT)	
	R	R
Balance on 1 July 2005	111 111 199	111 111 199
Net Surplus for the year	16 092 867	16 092 867
Asset disposal	0	0
Current year receipts	0	0
	127 204 066	127 204 066
Change in accounting policy	0	
	127 204 066	127 204 066
Balance on 1 July 2006	127 204 066	127 204 066
Net Surplus for the year	48 023 524	48 023 524
Transfer to offset depreciation	0	0
Property, plant and equipment purchase	0	0
Transfer from Disaster fund		
Asset disposal	0	0
Current year receipts	0	0
	175 227 589	175 227 589
Balance on 1 July 2007	175 227 589	175 227 589

GERT SIBANDE DISTRICT MUNICIPALITY
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		779 710 086	503 952 168
Cash paid to suppliers and employees		<u>-776 344 272</u>	<u>-502 664 787</u>
Cash generated from operating activities	17	3 365 814	1 287 381
Interest received		15 802 585	11 181 351
Interest paid		-1 571 830	-2 427 501
NET CASH FROM OPERATING ACTIVITIES		<u>17 596 569</u>	<u>10 041 232</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-25 179 201	-500 987
Proceeds on disposal of fixed assets		519 395	567 569
(Increase) / decrease in non current receivables		811 297	1 298 586
NET CASH FROM INVESTING ACTIVITIES		<u>-23 848 509</u>	<u>1 365 168</u>
CASH FLOW FROM FINANCING ACTIVITIES			
New loans repaid		-4 858 365	-4 224 847
Other Capital receipts			
NET CASH FROM FINANCING ACTIVITIES		<u>-4 858 365</u>	<u>-4 224 847</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>-11 110 305</u>	<u>7 181 553</u>
Cash and cash equivalent at the beginning of the year		176 774 329	169 592 777
Cash and cash equivalent at the end of the year	18	165 664 024	176 774 329

GERT SIBANDE DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
1 LONG-TERM LIABILITIES		
Annuity loans	5 661 961	10 520 326
Less : Short-term portion transferred to Current Liabilities		
Annuity loans	5 661 961	4 858 365
Total External Loans	-	5 661 961
Refer to Appendix A for more detail on long-term liabilities		
The loans are not secured by any assets		
2 RETIREMENT BENEFIT		
Contribution: Medical aid	69 684	84 968
	69 684	84 968
Provision has been made for contribution for the medical aid for one person after retirement.		
This was previously prescribed by the medical aid to contribute after retirement.		
3 CREDITORS		
Trade creditors	22 012 910	44 772 376
Retention	15 465 501	16 931 409
Other	1 948 691	9 477 950
Staff leave pay	926 997	1 752 494
Total	40 354 099	72 934 229

4 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

MIG Grant	5 101 968	3 616 007
MSIG Grant	1 219 766	264 081
FMG Grant	348 157	1 024 853
CBPWP	2 952 100	
Total	9 621 991	4 904 941

5 VAT

VAT receivable	16 064 442	17 113 587
VAT is payable on the receipt basis. Only once payment is received from debtors, VAT is paid over to SARS.		
	16 064 442	17 113 587

6 PROPERTY, PLANT AND EQUIPMENT

30 June 2007	Cost	Accumulated Depreciation	Nett Book Value
OWNED PROPERTY, PLANT AND EQUIPMENT			
Buildings	11 808 754	1 712 380	10 096 374
Other	29 509 086	4 803 740	24 705 346
Total	<u>41 317 840</u>	<u>6 516 120</u>	<u>34 801 720</u>

Total fixed assets

30 June 2006	Cost	Accumulated Depreciation	Nett Book Value
OWNED PROPERTY, PLANT AND EQUIPMENT			
Buildings	10 067 287	1 338 788	8 728 499
Other	6 713 244	2 885 579	3 827 665
Total	<u>16 780 532</u>	<u>4 224 367</u>	<u>12 556 165</u>

Refer Appendix C for more detail on property, plant and equipment

7 INVESTMENTS

Financial instruments

Fixed deposits

-

-

Total

-

-

Allocation on external investments

In terms of legislation, surplus cash is invested until used for specific purposes. All interest are being capitalized. Investments are allocated on the following basis:-

Operating accounts

-

-

Total

-

-

8 LONG TERM RECEIVABLES

Study Loans

144 959

180 693

Motor Loans

344 483

1 120 045

-

Total

489 441

1 300 738

Less : short term portion

(185 719)

(787 514)

Total

303 722

513 224

MOTOR LOANS

Senior staff are entitled to motor loans which attract interest at 8.5% per annum and which are repayable over a maximum period of 6 years. As from 1 July 2004 no new loans were approved as it is not allowed with the MFMA.

9 DEBTORS

Current debtors	7 134 568	8 590 457
Other Debtors	171 293	38 767
Local authorities	12 867 991	7 492 562
	<hr/>	<hr/>
Less: Provision for bad debts	7 198 210	8 218 075
	<hr/>	<hr/>
Total	12 975 641	7 903 711

Regional Services Levies: Ageing

Current (0-30 days)	27 670	449 123
31-60 Days	40 277	265 906
61-90 Days	294	(60 816)
91-120 Days	1 215	701 252
+365 Days	7 065 112	7 234 992
	<hr/>	<hr/>
Total	7 134 568	8 590 457

Other and local Authority Debtors: Ageing

Current (0-30 days)	3 238 473	7 531 329
31-60 Days	4 840 701	
61-90 Days	-	
91-120 Days		
120 - 365+ Days	4 960 110	
	<hr/>	<hr/>
Total	13 039 284	7 531 329

Reconciliation of the bad debt provision

Balance at beginning of the year	-	-
Contribution to provision	8 218 075	8 218 075
Bad Debts written off against provision	-	-
Reversal of provision	1 019 865	-
	<hr/>	<hr/>
Balance at end of year	7 198 210	8 218 075

10 INVESTMENT DEPOSITS

Other Deposits	12 000 000	5 103 385
Total	12 000 000	5 103 385

11 BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following bank account:

Current account(Primary Bank Account)

ABSA BANK- Secunda

Account no 01053971462

Cashbook balance at the beginning of the year	171 670 944	164 926 445
Cashbook balance at the end of the year	<u>153 664 024</u>	<u>171 670 944</u>
Bank statement balance at the beginning of the year	171 777 512	165 133 583
Bank statement balance at the end of the year	<u>153 714 212</u>	<u>171 777 512</u>

12 GOVERNMENTAL GRANT AND SUBSIDIES

Equitable share	2 641 995	2 140 454
Revenue Replacement Grant	147 158 654	
MIG Grant	14 525 668	54 280 585
MSIG Grant	705 668	3 709 439
FMG Grant	1 176 696	1 366 104
Total	<u>166 208 681</u>	<u>61 496 582</u>

12.1 Equitable share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. Due to the fact that the District Municipality do not render services this grant forms part of the income.

12.2 MIG Grant

Balance unspent at the beginning of the year	3 616 007	8 967 121
Current year receipts	16 011 629	48 929 471
Conditions met - transfer to revenue	<u>14 525 668</u>	<u>54 280 585</u>
Conditions still to be met - transfer to liabilities (see note 4)	<u>5 101 968</u>	<u>3 616 007</u>

This grant is being used for several project with-in the Category B Municipalities in the Gert Sibande region. This project is being implemented by the District Municipality.

12.3 MSIG Grant

Balance unspent at the beginning of the year	264 081	2 973 520
Correction from previous year	661 353	
Current year receipts	1 000 000	1 000 000
Conditions met - transfer to revenue	<u>705 668</u>	<u>3 709 439</u>
Conditions still to be met - transfer to liabilities (see note 4)	<u>1 219 766</u>	<u>264 081</u>

12.4 FMG Grant

Balance unspent at the beginning of the year	1 024 853	890 957
Current year receipts	500 000	1 500 000
Conditions met - transfer to revenue	<u>1 176 696</u>	<u>1 366 104</u>
Conditions still to be met - transfer to liabilities (see note 4)	<u>348 157</u>	<u>1 024 853</u>

13 OTHER INCOME

Tender Deposits	81 365	155 650
Other income	47 509	422 238
Total other income	<u>128 874</u>	<u>577 888</u>

14 EMPLOYEE RELATED COST

Employee related cost - Salaries and wages	13 457 105	13 166 392
Employee related cost - Contributions for UIF, pensions and medical aids	3 749 908	3 349 527
Travel and other allowances	1 741 145	1 842 837
Housing benefits and allowances	168 353	143 498
Overtime payment	324 166	245 226
Performance bonus	323 736	655 340
	<hr/>	<hr/>
Total Employee related cost	<u>19 764 413</u>	<u>19 402 820</u>

There were no advances to employees. No new loans were approved. Current loans are set out in note 8.

Remuneration of the Municipal Manager

Annual Remuneration	779 835	573 300
Performance bonuses	129 358	-
Car allowances	151 866	201 348
Contributions to UIF, Medical and pension funds.	109 686	114 617
	<hr/>	<hr/>
Total	<u>1 170 746</u>	<u>889 265</u>

Remuneration of the Chief Financial Officer

Annual Remuneration	607 162	545 259
Performance bonuses	97 189	-
Car allowances	99 562	95 070
Contributions to UIF, Medical and pension funds.	43 996	124 363
	<hr/>	<hr/>
Total	<u>847 909</u>	<u>764 692</u>

Remuneration of Individual Executive Directors

30 June 2007	Corporate Services	MIS	PDP
	R	R	R
Annual Remuneration	486 179	310 336	-
Performance bonuses	97 189	-	-
Car allowances	101 746	76 293	-
Contributions to UIF, Medical and pension funds.	132 741	73 799	-
	<hr/>	<hr/>	<hr/>
Total	<u>817 855</u>	<u>460 429</u>	<u>-</u>

30 June 2006	Corporate Services	MIS	PDP
	R	R	R
Annual Remuneration	423 349	401 866	424 629
Performance bonuses	-	-	-
Car allowances	120 882	106 933	118 200
Contributions to UIF, Medical and pension funds.	112 285	116 636	118 765
Total	656 516	625 436	661 595

An amount of R 299 000.00 is provided for performance bonuses for management, and included as a creditor in note 3.

15 COUNCILLORS REMUNERATION

Executive Mayor	408 804	397 799
Speaker	329 176	219 307
Mayoral Committee's allowance	1 947 753	1 706 191
Councillor's	1 678 192	1 595 256
Councillor's pension fund	426 335	352 045
Medical aid contribution	130 788	101 009
UIF Contribution	9 859	10 818
Total Councillors Remuneration	4 930 907	4 382 424

IN-KIND BENEFITS

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Mayor is staying in a house of Council.

16 GRANTS AND SUBSIDIES PAID

Grants paid to local Municipalities	117 368 060	170 748 811
Grants paid to charities	7 000	39 523
Total Grants and Subsidies	117 375 060	170 788 334

17 CASH GENERATED BY OPERATIONS

Net surplus (deficit) for the year	48 023 524	16 092 867
Adjustments for:-		
Depreciation	2 371 469	1 416 971
Gain on disposal of property, plant and equipment		(11 944)
Loss on disposal of property, plant and equipment	42 783	392 047
Capital receipts realized		-
Disaster fund written back		-
Study loans		-
VAT corrections		-
Furniture removal		-
Purchase of property plant and equipment		-
Loans repaid		-
Investment income	(15 802 585)	(11 181 351)
Interest paid	1 571 830	2 427 501
Operating surplus before working capital charges	36 207 020	9 136 091
(Increase)/decrease in Debtors	(6 011 987)	5 525 087
Increase/ (decrease) in conditional grant and receipts	4 717 050	(7 926 656)
(Increase)/decrease on VAT receivable	1 049 145	(9 197 678)
Increase/(decrease) in Creditors	(32 595 414)	3 750 538
Cash generated by operations	3 365 814	1 287 381

18 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

Bank balances	153 659 924	171 666 844
Petty cash	4 100	4 100
Investments	12 000 000	5 103 385
Total	165 664 024	176 774 329

19 GENERAL EXPENSES

Included in general expenses are the following:-

Operating leases

Operating leases i.r.o. automated office machines - minimum	482 423	-
---	---------	---

payments.

The municipality lease office automation machines from various service providers over a lease of a maximum period of 5 years. The last lease agreements will terminate in March 2010.

Future minimum lease payments at 30 June 2007:

Up to 1 year	1 - 5 years	More than 5 years
R	R	R
482 423	238 647	-

20 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

20.1 Contributions to organized local government

Opening balance	-	-
Council subscriptions	113 609	115 800
Amount paid - current year	113 609	115 800
Amount paid - previous year	-	-
Balance unpaid included in creditors)	-	-

20.2 Audit fees

Opening balance	-	-
Current year audit fees	848 867	591 595
Amount paid - current year	848 867	591 595
Amount paid - previous year	-	-
Balance unpaid(included in creditors)	-	-

20.3 VAT

All VAT returns have been submitted by the due date throughout the year.
The VAT receivables are shown in note 5, and Vat payable is included in note 3.

20.4 Payee and UIF

Opening balance	-	-
Current year payroll deduction and Council Contributions	4 104 223	3 848 194
Amount paid - current year	4 104 223	3 848 194
Amount paid - previous year	-	-
Balance unpaid(included in creditors)	-	-

20.5 Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deduction and Council Contributions	5 709 651	4 847 028
Amount paid - current year	5 709 651	4 847 028
Amount paid - previous year	-	-
Balance unpaid(included in creditors)	-	-

21 THEFT AND LOSSES

Forged cheque

940 057

A cheque to the amount of R 1 942 718.50 was forged during the year. Absa was able to recover the amount of R 1 002 661.40. Currently the insurance is still busy with an investigation to recover the outstanding amount.

22 CHANGES OF ACCOUNTING POLICIES

The current year accounting policy (in accordance with the exemptions in Gazette no. 30013 of 29 June '07) differ from that applied in the prior year. The changes in accounting policy will be applied prospectively and refers to the following accounting

policy notes:

Note 4 - Property, plant and equipment

The estimate useful lives of property, plant and equipment and depreciation methods have not been reviewed and the impairment of assets was not assessed in the current

financial year.

Note 5 - Financial instruments; cash and bank balance, investments, trade

receivables and borrowing

Financial instruments were initially measured at cost in the current financial year.

Note 6 - Trade creditors

Trade creditors were initially measured at cost in the current financial year.

Note 15 - Leases

Operating leases were not recognised on a straight-lined basis over the lease period and was expensed at cost as a general expense.

Comparative information and amounts have not been reclassified and may, therefore, not be consistent with the current year information and amounts.

21 CAPITAL COMMITMENTS

Commitment in respect of capital expenditure

- Approved and contracted for

Other assets: Vehicles

601 340

624 391

Total

601 340

624 391

This expenditure will be financed from:

-Own Resources

601 340

624 391

Total

601 340

624 391

GERT SIBANDE DISTRICT MUNICIPALITY

APPENDIX A

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2007

					Balance at 30/06/2006	Received during the year	Redeemed or written off during the year	Balance at 30/06/2007
					R	R	R	R
EXTERNAL LOANS								
Issued	Type	Rate	Loan description	Redeemable				
Jan 1999	Annuity Loan	18.4%	EAST-00-0001	April 2008	5 481 272		2 731 832	2 749 440
Jan 1999	Annuity Loan	18.6%	EAST-00-0002	April 2008	5 039 054		2 126 533	2 912 521
TOTAL EXTERNAL LOANS					10 520 326	-	4 858 365	5 661 961

**GERT SIBANDE DISTRICT MUNICIPALITY
APPENDIX B**

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	COST				ACCUMULATED DEPRECIATION				CARRYING VALUE	BUDGET 2007
	OPENING BALANCE	ADDITIONS	DISPOSALS	CLOSING BALANCE	OPENING BALANCE	ADDITIONS	DISPOSALS	CLOSING BALANCE		
	R	R	R	R	R	R	R	R		
LAND AND BUILDINGS										
Building	10 067 288	1 741 466	-	11 808 754	1 338 788	373 592	-	1 712 380	10 096 374	2 100 000
	10 067 288	1 741 466	-	11 808 754	1 338 788	373 592	-	1 712 380	10 096 374	2 100 000
OTHER ASSETS										
Equipment	3 760 360	802 443	11 004	4 551 799	2 189 239	851 774	2 801	3 038 211	1 513 588	390 000
Furniture	1 428 606	110 511	6 500	1 532 617	466 827	145 388	975	611 240	921 377	110 000
Paintings	6 698	-	-	6 698	2 672	668	-	3 340	3 358	-
Vehicles	1 517 580	22 524 781	624 389	23 417 972	226 840	1 000 047	75 939	1 150 948	22 267 024	25 035 660
	6 713 244	23 437 735	641 893	29 509 086	2 885 579	1 997 877	79 715	4 803 740	24 705 346	25 535 660
TOTAL	16 780 532	25 179 201	641 893	41 317 840	4 224 367	2 371 469	79 715	6 516 120	34 801 720	27 635 660

GERT SIBANDE DISTRICT MUNICIPALITY

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2007

	COST				ACCUMULATED DEPRECIATION				CARRYING VALUE
	OPENING BALANCE	ADDITIONS	DISPOSALS	CLOSING BALANCE	OPENING BALANCE	ADDITIONS	DISPOSALS	CLOSING BALANCE	
	R	R	R	R	R	R	R	R	
Executive and Council	15 853 190	4 870 799	641 893	20 082 096	3 832 611	1 675 575	79 715	5 428 470	14 653 626
Finance and admin	493 775	13 044	-	506 819	234 990	84 606	-	319 596	187 223
Planning and development	433 567	82 594	-	516 161	156 766	69 775	-	226 541	289 620
Local Authorities	-	20 212 764	-	20 212 764	-	541 513	-	541 513	19 671 251
TOTAL	16 780 532	25 179 201	641 893	41 317 840	4 224 367	2 371 469	79 715	6 516 120	34 801 720

**GERT SIBANDE DISTRICT MUNICIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2007**

2006	2006	2006		2 007	2 007	2 007
Actual income	Actual expenditure	Surplus (Deficit)		Actual income	Actual expenditure	Surplus (Deficit)
R	R	R		R	R	R
<u>SECTION 12(6) A</u>						
REGIONAL FUNCTIONS						
0	0	0		0	0	0
0	0	0	Water	0	0	0
0	0	0	Sewerage	0	0	0
0	0	0	Electricity	0	0	0
54 280 585	170 961 383	-116 680 798		14 525 668	117 368 060	-102 842 392
54 280 585	170 961 383	-116 680 798	<u>SECTION 12(6) B</u>	14 525 668	117 368 060	-102 842 392
			Contribution to Local Authorities	14 525 668	117 368 060	-102 842 392
176 534 985	43 721 798	132 813 187		184 061 066	33 188 148	150 872 916
148 643	15 987 881	-15 839 238	<u>SECTION 12(6) C</u>	10 984	16 814 884	-16 803 901
172 660 468	15 854 407	156 806 061	Corporate Services	183 331 895	6 645 818	176 686 076
1 056	711 402	-710 346	Budget & Treasury	1 427	670 355	-668 928
3 724 240	8 405 372	-4 681 132	Health	716 182	6 326 554	-5 610 372
578	1 634 451	-1 633 873	MIS & PDP	528	1 684 398	-1 683 870
0	1 128 285	-1 128 285	Municipal Buildings	50	1 046 139	-1 046 089
			Computer Services			
0	39 523	-39 523		0	7 000	-7 000
0	39 523	-39 523	<u>SECTION 12(6) E</u>	0	7 000	-7 000
			Donations	0	7 000	-7 000
230 815 570	214 722 704	16 092 867		198 586 734	150 563 209	48 023 524
230 815 570	214 722 704	16 092 867		198 586 734	150 563 209	48 023 524

GERT SIBANDE DISTRICT MUNICIPALITY
APPENDIX E (1)
UNAUDITED ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED
30 JUNE 2007

	Actual 2007	Budget 2007	Variance 2007	Variance 2007	Explanation of variances greater than 10%
	R	R	R	%	
REVENUE					
Regional Services Levies - remuneration	2 785 021	2 600 000	185 021	7%	-
Regional Services Levies - turnover	13 254 558	12 800 000	454 558	4%	-
Interest earned - external investments	15 802 585	13 400 000	2 402 585	18%	Due to projects not finalised as budgeted, more funds were available for investment. The increase in the interest rate also had a positive influence on the income from investments
Interest earned - outstanding debtors	407 013	30 000	377 013	1257%	The decrease in the adjustment for bad debt resulted in more interest earned than budgeted
Government grants and subsidies	166 208 681	162 589 930	3 618 751	2%	-
Other income	128 874	131 820	-2 946	-2%	-
Gains on disposal of property, plant and equipment	0	0	0	0%	-
TOTAL REVENUE	198 586 733	191 551 750	7 034 983	4%	

	Actual 2007	Budget 2007	Variance 2007	Variance 2007	Explanation of variances greater than 10%
	R	R	R	%	
EXPENDITURE					
Employee related cost	19 764 413	24 937 630	-5 173 217	-21%	Not all positions were filled on the organogram, resulting in less expenditure than budgeted for
Remuneration of Councillors	4 930 907	5 091 020	-160 113	-3%	-
Collection cost	118 617	200 000	-81 383	-41%	Contract for collection services were not extended after 30 September 2006, resulting in saving on commission to be paid
Depreciation	1 829 956	1 582 880	247 076	16%	No provision for depreciation was made for additional vehicles procured.
Repairs and maintenance	476 903	760 160	-283 257	-37%	Less was spent on repairs and maintenance than budgeted
Contracted services	236 224	535 000	-298 776	-56%	Less was spent on contracted services than anticipated
Grants and subsidies paid	117 375 060	159 380 627	-42 005 567	-26%	Due to projects not completed as anticipated, saving on grants paid arose
General expenses - other	5 788 346	7 102 590	-1 314 244	-19%	Less was spent on general expenditure than budgeted for
Provision for Bad Debt	0	0	0	0%	-
Loss on disposal of assets	42 783	0	42 783	100%	No provision was made for nett loss of assets stolen
TOTAL EXPENDITURE	150 563 209	199 589 907	-49 026 698	-25%	
NET SURPLUS/(DEFICIT) FOR THE YEAR	48 023 523	-8 038 157	56 061 680	-697%	

GERT SIBANDE DISTRICT MUNICIPALITY

APPENDIX E(2)

UNAUDITED ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR 30 JUNE 2007

	2007 ACTUAL	2007 UNDER CONSTRUCTION	2007 TOTAL ADDITIONS	2007 BUDGET	2007 VARIANCE	2007 VARIANCE	EXPLANATION OF SIGNIFICANT VARIANCES GREATER THE 5% VERSUS BUDGET
	R	R	R	R	R	%	
LAND AND BUILDINGS							
Building	1 741 466	-	1 741 466	2 100 000	(358 534)	(17)	Not all alterations to the building was done
	1 741 466	-	1 741 466	2 100 000	(358 534)	(17)	
OTHER ASSETS							
Equipment	802 443		802 443	390 000	412 443	106	IT equipment was budget as an indirect allocation.
Furniture	110 511		110 511	110 000	511	0	
Vehicles	22 524 781		22 524 781	25 035 660	510 879) ⁽²⁾	(10)	Several vehicles was only received in the next financial year.
	23 437 735	-	23 437 735	25 535 660	(2 097 925)	(8)	
TOTAL	25 179 201	-	25 179 201	27 635 660	(2 456 459)	(9)	

GERT SIBANDE DISTRICT MUNICIPALITY

APPENDIX F

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

GRANTS AND SUBSIDIES RECEIVED

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts						Quarterly Expenditure						Grants and Subsidies delayed/withheld				Reason for delay/withholding of funds	Did your Municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		June	Sept	Dec	March	June	Total	Sept	Dec	March	June	Total	Sept	Dec	March	June	Yes / No			
Equitable share			880 665		1 761 330		2 641 995											N/A	YES	
MIG Grant		3 616 007				16 011 629	19 627 636	2 269 415	1 822 228	813 488	9 620 537	14 525 668						N/A	YES	
MSIG Grant		264 081	500 000	500 000			1 264 081	161 896	168 882	184 736	190 154	705 668						N/A	YES	
FMG Grant		1 024 853	500 000				1 524 853	369 346	352 744	194 112	260 494	1 176 696						N/A	YES	
Revenue Replacement			49 062 871	37 450 162	60 645 621		147 158 654											N/A	YES	

4.2 AUDIT REPORT

The Accounting Officer
Gert Sibande District Municipality
P.O. Box 550
Secunda
2302

Reference: 07334REG06/07

30 November 2007

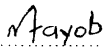
Dear Sir

**REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS AND
PERFORMANCE INFORMATION OF GERT SIBANDE DISTRICT MUNICIPALITY FOR THE YEAR
ENDED 30 JUNE 2007**

1. The above-mentioned report of the Auditor-General are submitted herewith in terms of section 21(1) of the Public Audit Act, 2004 (Act No. 25 of 2004 read in conjunction with section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 121(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003)(MFMA)
2. In terms of section 121(3) and 127(2) of the MFMA municipalities have to include the audit report in the municipality's annual report for tabling within seven months after the end of the financial year.
3. Until tabled as required by section 127(2) the report is **not a public document** and should therefore be treated as **confidential**.

4. As your municipality will be responsible for publishing the attached audit report as part of the annual report, you are required to do the following please:
 - Submit the final printer's proof of the annual report (which includes the audit report) to the relevant audit manager of the Auditor-General for verification of the audit-related references before it is printed or copied. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.
 - The signature at the end of the hard copy of the audit report should be scanned in when preparing to print the report. The typeset initials and surname of the signatory, with the words 'for Auditor-General' on the same line, as well as the place and date of signing and the logo should also appear at the end of the report, as in the hard copy that is provided to you. The official logo will be made available to you in electronic format.
5. Please notify the Provincial Auditor-General (Business Executive) well in advance of the date on which the audit report, or the annual report containing this audit report, will be tabled at the municipality.
6. Your cooperation to ensure that all these requirements are met would be much appreciated.
7. Kindly acknowledge receipt of this letter johnk@agsa.co.za .

Yours faithfully


.....

for Auditor-General

Enquiries: JW Kruyt
Cellphone: 082 453 2475
Email: johnk@agsa.co.za

REPORT OF THE AUDITOR-GENERAL TO THE MUNICIPAL COUNCIL AND THE MPUMALANGA PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE GERT SIBANDE LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2007

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Gert Sibande District Municipality (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, as set out on pages xx to xx.

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the applicable 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

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

4. 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.

5. An audit involves performing procedures to obtain audit evidence about the amounts and

disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 controls.
6. An audit also includes evaluating the:
<ul style="list-style-type: none"> • appropriateness of accounting policies used • reasonableness of accounting estimates made by management • overall presentation of the financial statements.
7. Paragraph 11 <i>et seq.</i> of the Statement of Generally Recognised Accounting Practice, GRAP 1 <i>Presentation of Financial Statements</i> requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is still in the process of being developed, I have determined that my audit of any disclosures made by the municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.
Basis of accounting
9. The municipality's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.
Opinion
10. In my opinion the financial statements present fairly, in all material respects, the financial position of the Gert Sibande District Municipality as at 30 June 2007 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting, determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the MFMA.
Emphasis of matter
11. Without qualifying my audit opinion, I draw attention to the following matter:
Basis of accounting

12. As set out in accounting policy note 1, the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of *General Notice 522 of 2007*, issued in *Government Gazette No. 30013 of 29 June 2007*.

OTHER MATTERS

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

Matters of governance

14. Although an audit committee existed, it had to serve the district municipality and seven local municipalities in the district. The audit committee could therefore not effectively advise management and council on the following matters as prescribed in section 166 of the MFMA:

- accounting policies
- the adequacy, reliability and accuracy of financial reporting and information
- performance management
- effective governance
- compliance with the MFMA, the annual Division of Revenue Act and any other applicable legislation
- performance evaluation.

Internal control

15. 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 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 control component.

Reporting item	Control environment	Assessment of risks	Control activities	Information and communication	Monitoring
Matters of governance (paragraph 14)			✓	✓	✓

Unaudited supplementary schedules
16. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion on them.
OTHER REPORTING RESPONSIBILITIES
Reporting on performance information
17. I was engaged to audit the performance information.
Responsibility of the accounting officer for the performance information
18. 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). Furthermore, in terms of clause 4 of <i>General Notice 646 of 2007</i> , issued in <i>Government Gazette No. 29919 of 25 May 2007 (General Notice 646)</i> , the performance information should be submitted for audit together with the financial statements within two months after the end of the financial year.
Responsibility of the Auditor-General
19. I conducted my engagement in accordance with section 13 of the PAA read with <i>General Notice 646</i> and section 45 of the MSA.
20. 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.
21. 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)

Content of integrated development plan (IDP)

22. The IDP of the municipality did not include measurable objectives, key performance indicators and performance targets in terms of section 26(c) (i) of the MSA. Furthermore, the key performance indicators set by the municipality did not include any general key performance indicators applicable to the municipality, as prescribed in terms of section 43(1) of the MSA.

Internal auditing of performance measurements

23. The municipality did not develop and implement mechanisms, systems and processes for the auditing of, and reporting on, results of performance measurements as part of its internal auditing programme, in terms of section 45 of the MSA and regulation 14(1) of the Local Government: Municipal Planning and Performance Management Regulations, 2001.

Existence and functioning of a performance audit committee

24. The audit committee did not advise the municipal council on matters relating to performance management and performance evaluation, as required by section 166(2)(a)(v) and (viii) of the MFMA and regulation 14(4)(a) and (b) of the Local Government: Municipal Planning and Performance Management Regulations, 2001.

Performance information not received in time

25. I was not able to complete an evaluation of the consistency and quality of the performance information to be reported in the annual report, since this information was not available as required by clause 4 of *General Notice 646*.

APPRECIATION

26. The assistance rendered by the staff of the municipality during the audit is sincerely appreciated.

Nelspruit

30 November 2007



A U D I T O R - G E N E R A L

4.3 RESPONSE TO THE AUDIT REPORT

The Auditor General without qualifying the opinion on the financial affairs of the District and supported by the Audit Committee drew the attention of Council to the following matters:

- Accounting Policies
- Adequacy, reliability and accuracy of financial reporting and information
- Performance Management
- Effective Governance
- Compliance with the MFMA, the annual Division of Revenue Act and any other applicable legislation
- Performance Evaluation

Council resolved that the above mentioned matter should be attended to within the next five months from the date of the Council meeting wherein the annual report was tabled.

Council further congratulated the Executive Mayor and his team, and the staff for the excellent work done and the assistance offered to the Office of the Auditor General.

CHAPTER 5: FUNCTIONAL AREA SERVICE DELIVERY REPORTING

5.1 FINANCE

5.1.1 Overview

Activities in the finance section include; financial management- budget and treasury office, debtors and creditors management and support to local municipalities.

5.1.2 Description of Activities

5.1.2.1 Financial Management-Budget and Treasury Function

The budget and treasury office is responsible for the following:

- Compilation of multi-year operating and capital budgets.
- Compilation of annual financial statements.
- Financial reporting – monthly, quarterly, mid-year and annually.
- Cash Flow Management and Investments.

5.1.2.2 Debtor Management & Credit Control

- Effective management of debtors and credit control.
- Administration of investments.
- Administration of payroll.
- Managing insurance portfolios.
- Managing of creditors – claims and other creditors

5.1.2.3 Supply Chain Management

- Administration and implementation of the supply chain management

5.1.2.4 Support Services to Local Municipalities

The following support functions will be rendered to Local Municipalities:

- Compilation of financial statements.
- Switch over to GRAP/GAMAP.
- Compilation of multi-year budgets.
- Financial reporting.
- Data Cleansing.

5.1.3 Analysis of Function

5.1.3.1 Regional Levies

DETAILS	NO.	AMOUNT
Number and value of returns	8 200	16 039 579
Total Establishment levy		13 254 558
Total Services levy		2 785 021
Levies collected for the current year		17 495 468

5.1.3.2 Debtors Analysis

Details	Amount
Current(0-30 days)	27 670
31 – 60 days	40 277
61 - 90 days	294
91 – 120 days	1 215
+365 days	7 065 112
TOTAL	7 134 568

5.1.3.3 External Loans

EXTERNAL LOANS					Balance as at 30/06/2006	Received during year	Redeemed/Written off during year	Balance as at 30/06/2007
Issued	Type	Rate	Loan Description	Redeemable	R	R	R	R
22 Jan '99	Annuity Loan	18.40%	EAST-00-0001	April 2008	5 481 272	0	2 731 832	2 749 440
22 Jan '99	Annuity Loan	18.60%	EAST-00-0002	April 2008	5 039 054	0	2 126 533	2 912 521
TOTAL EXTERNAL LOANS					10 520 326	0	4 858 365	5 661 961

5.2 INFRASTRUCTURE AND TECHNICAL SERVICES

5.2.1 Overview

This department is responsible for; coordination and implementation of Infrastructure development, monitoring of Infrastructure maintenance throughout the District, provide GIS, Town and Regional Planning services, infrastructure planning, sector plans development, monitoring, EPWP compliance, data capturing and reporting

5.2.2 Description of Activities

5.2.2.1 Infrastructure maintenance and technical service

- Technical support (bulk)
- Water maintenance program (bulk)
- Sewer maintenance program (bulk)
- Co-ordination of infrastructure development
- Co-ordination and support on basic electricity (maintenance)
- Co-ordination of road maintenance and operations
- Municipal Support on road maintenance and operations

5.2.2.2 Project Implementation and support

- Implementation of Infrastructure projects
- Implementation of projects with the following:
 - EPWP Compliance
 - OHS Compliance
 - Data capturing/monitoring
 - Reporting
 - Co-ordination and support of basic electricity (Infrastructure)

5.2.2.4 Planning and Development

- Policy development and support
- Establish integrated transport plan
- Dev & maintenance of traffic system
- Dev of road hierarchy plans
- Land use management
- Provide GIS function
- Provide Town & Regional Planning function
- Provide Spatial Development Framework
- Provide Regional Waste Disposal Planning

- Regional Crematoria Cemetery Planning

5.2.2.5 Water and Sanitation

- Review WSDP and ensure pre appraisal of water and sanitation projects
- Redress water and sanitation backlog
- Ensure sufficient water resources (raw)
- Ensure water quality of high standard
- Ensure project viability in terms of sustainable standard
- Provide for Water Loss Management Programme

5.2.3 Analysis of Function

5.2.3.1 Bulk water service

The roles and responsibilities between Municipalities have been shared in order to encourage intergovernmental cooperation and to improve service delivery as follows:

Roles & Responsibilities

Local Municipalities	District Municipality
Planning (WSDP)	Planning (WSDP)
Water Services Authority Activities	Bulk Water & Sanitation Supply (including plants treatments)
Water Reticulation and Distribution	Water Quality Management & Pollution Control
Water and Sanitation network O & M	Rudimentary Water Supply (Rural and Farms Area)
Water metering installation & maintenance	Water Loss Management
Meter reading for distribution	Water Conservation and Water Demand Management
Tariff and standards	Bulk meter installation / maintenance & reading
Billing and collection	

5.2.3.2 Sanitation

Plans have been compiled by the municipalities to eradicate the backlogs. These have been linked as higher impact projects for the Water for All Flagship project with specific targets. MIG shall be utilized for the eradication of the backlogs and own funds from municipalities. Project business plans have been prepared for the roll-out purposes.

5.2.3.3 Infrastructure

In relation to infrastructure projects, **76%** of approved budget was implemented at category B municipalities. This includes new allocation for the 2006/2007 financial year, multi-year projects from the previous financial year and MIG allocation. **82%** of the allocation was for water and sanitation

5.2.3.4 EPWP

In respect of the EPWP, 600 job opportunities were created which means that a 108% target rate was achieved and the set target of 555 job opportunities was exceeded by 45 more jobs that were created.

In addition to the above achievement, 277 additional beneficiaries received accredited training in hard and soft skills relating to the Construction industry.

5.3 CORPORATE SERVICES

5.3.1 Overview

Corporate Services Department includes activities relation to Human Resources Management (Administration and Development), Administration and Secretariat Services, Registry, Legal and Labour Relation Services and Support Service to Community Participation and Political Office bearers.

5.3.2 Description of Activities

5.3.2.1 Human Resource Management:

The HRM facilitates the staffing processes in the municipality. Policies have been developed to guide management decisions with regard to HR and to minimize disputes. For the financial year 2006/07, the following policies were reviewed and taken for council endorsement:

- Recruitment selection appointments, transfers, demotions & promotions
- Training & development
- Performance management
- Employee Assistance Program
- Induction
- Employee conditional study grant
- Funeral policy

In relation to staff mobility, total staff recruited in this financial year is ten (10) and total staff resigned in this financial year is eight (8)

Key Performance Areas:

- Human Resource Activities administration
- human Resource Development
- Human Resource Recruitment and exit Management
- Employee wellness and Occupational health Services

5.3.2.2 Legal Services

The aim of this unit is to provide effective Legal and Labour Relations Services

5.3.2.3 Administration Directorate

This unit focuses mainly on Council and Administrative support services and the following key performance areas:

- Council Committee Secretariat services
- Fleet management
- General household services and security
- Information and Communication Technology

5.3.2.4 Community Participation Services

The unit focuses facilitation of community participation through in decision making and identification of priorities and objectives in the IDP and the budget of the District Municipality.

5.3.3 Analysis of Function

The statistic in relation to employee details is as follows:

DETAILS	NUMBER	COST
Section 57	4	R 2,126,782-94
Management	19	R 4,394,755-26
Supervisors	27	R 5,826,585-66
Support staff	35	R 4,376,753-22
Temporary Staff	6	R 515,638-82
Total	91	R 17,240,515-90

5.4 INTERGOVERNMENTAL RELATIONS

5.4.1 Overview

This department was newly established to facilitate among other promotion and foster intergovernmental relations; facilitate and coordinate Gender, Disability and HIV/AIDS function, promoting and foster Economic, tourism and Agriculture Development, render Municipal Health services and Disaster Management and provide the environmental planning management

5.4.2 Description of Activities

5.4.2.1 Municipal Health services and environmental Planning management

- Render Municipal Health Services in the District
- Regulate, liaise and monitor the effective rollout of the Municipal Health Services
- Render environmental planning and management

5.4.2.2 Disaster

- Develop District Disaster Management Plan
- Coordinate the recruitment, training and deployment of Volunteers
- Provide for the development and functioning of District Disaster Management Centre

5.4.2.3 Gender, Disability and HIV/AIDS

- Facilitate and coordinate Gender, Disability and HIV/AIDS activities within the district

5.4.2.4 Economic, Tourism and Agriculture Development

- Promote and foster Economic, Tourism and Agricultural development
- Development of Tourism plan
- Local Economic Development