

Improve quality of life through
balanced **sustainable**
development and service
excellence.

Nkangala District Municipality



NDM Annual Report 2006/7

Nkangala District Municipality



Nkangala District Municipality

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As we step forward in this second decade of democracy, we also bring in an approach to continue to work close with communities to continue to build appropriate municipal-community partnerships. Community participation will ensure that local programmes and projects are people driven. This approach will maximize local economic development opportunities and build skills and capacity in most of our rural areas.

Improved **quality of life**
through balanced,
sustainable development
& **service excellence,**





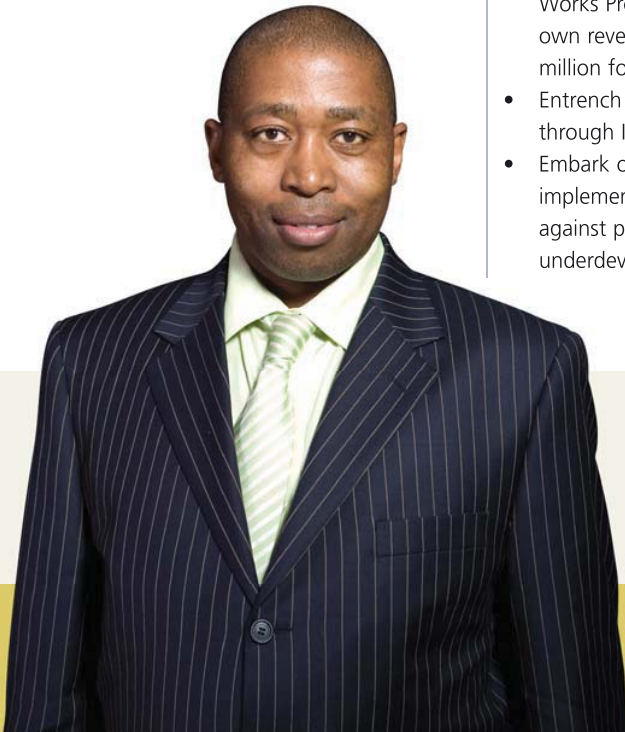
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CHAPTER 1

Executive Mayor's Foreword

FOREWORD

The year 2006 ushered in added responsibilities for those of us elected as public representatives and appointed as municipal officials. Through their votes and their subsequent actions, our communities have continued to work closely with the District Municipality. In the interest of local participatory democracy, this is a matter which we encourage so that municipal programmes and projects are people-orientated and people-driven. The



The noble principle from the Freedom Charter **“The people shall govern”** is thereby expressed.




Cllr SK Mashilo
Executive Mayor
Nkangala District Municipality

noble principle from the Freedom Charter “The people shall govern” is thereby expressed.

As in past years, the 2006/07 financial year saw the Nkangala District Municipality recording significant progress. We shall continue to strive for this, so that the standard of living of our people is improved.

- Continue with the implementation of anchor projects such as the Moloto Rail Development Corridor (which has been defined as an ASGISA project), International Convention Centre, Delmas International Airport, etc;
- Continue with the implementation of the resolutions taken at our Growth and Development Summit,

The National Government has committed itself to the United Nations Millennium Development Goals (Vision 2014) which inter alia set out the following service delivery targets:

<p>Access to drinkable water to all by 2008</p> 	<p>Access to decent sanitation to all by 2010</p> 	<p>Access to electricity to all by 2012</p> 
<p>Halving unemployment by 2014</p>		

Pursuant to the above-mentioned targets, the Nkangala District Municipality committed itself to the following issues or programmes:

- Continue with Expanded Public Works Programme (EPWP) using its own revenue to an amount of R60 million for 2006/07;
- Entrench participatory democracy through IDP and Budget meetings;
- Embark on fast-tracking project implementation relating to the fight against poverty and underdevelopment;

EPWP Conference, District Lekgotla, State of Environment Report (SOER), IDP Indaba and Budget Indaba;

- Continue with our participation in and contributions to the 2010 Soccer World Cup.

As you are aware, after the 2006 local government elections we deployed new councillors as Executive Mayor, Members of the Mayoral Committee, Speaker, Chief Whip, Chairpersons of Section 79 Committees, Members of

Section 79 committees, Members of the IDP forum, members of the LED Forum and Members of LED working groups. Linked to this deployment are municipal officials in the District Municipality and local municipalities who, through their activities, give impetus to service delivery. Surely and steadily our commitment to developmental local government supported by other spheres of government is bearing fruit, provided in response to our toil as servants of the people.

This report covers our achievements as set out in the IDP and budget documents. In line with our vision of "Improved quality of life through balanced, sustainable development and service excellence", we have continuously endeavoured within our fiscal capacity to address the needs of our communities. During the year under review, we held successful IDP outreach meetings, in which our communities and stakeholders participated. Through our own actions and through history we received accolades in 2006/07 such as Vuna Award, Best Skills Development Facilitator, Credible IDP, etc, in recognition of our sterling work

Nevertheless, we still face huge challenges and backlogs around infrastructural development, in particular water supply in the western part of the district and the provision of housing in the district as a whole. Our local municipalities have improved revenue collection and have not experienced protests on service delivery. This is attributed to the continuous interaction we have with our communities, and political stability.

Section 121(2) of the MFMA deals with the purpose of the annual report, which includes the promotion of accountability and the performance of the municipality against its adopted IDP and spent budget. It is on the

basis of the aforesaid reasons and legal provisions that I submit the annual report of Nkangala District Municipality for the period 1 July 2006 to 30 June 2007.

The past financial year has been stable and viable; we shall continue drawing strength out of its positive results. The annual report records the activities and successes of the District Municipality for the year in question. On behalf of Nkangala District Municipality, I would like to thank my office, Members of the Mayoral Committee, the Speaker, the Chief Whip of the ANC and other political parties represented in council, the Municipal Manager and his staff, civil society, organized labour (SAMWU and IMATU), and the community in general.

I quote the words of Comrade Moses Kotane, the icon of our struggle, who said, "At this hour of destiny, the country and your people need you. The future of the country is in your hands and it will be what you make of it." In the same vein, I say to all of us that the District Municipality needs us and it will be what we make of it. It is with great honour and privilege that I present this annual report to you. In the spirit of building a caring society, let us all strive for a better future.

I thank you



Clr SK Mashilo
Executive Mayor

"At this hour of destiny, the country and your people need you. The future of the country is in your hands and it will be what you make of it."

- **Moses Kotane**

Through our own actions and through history we received accolades in 2006/07 such as **Vuna Award, Best Skills Development Facilitator, Credible IDP, etc, in recognition of our sterling work.**

CHAPTER 2

Municipal Overview Of Nkangala District Municipality

This annual report serves to highlight the progress made by the Nkangala District Municipality between July 2006 and June 2007. It highlights the achievements of the District, the services rendered and provided by the municipality, and other developments in which the District is engaged. It further provides audited financial statements for 2006/2007. The main objective of presenting this report is to report back to communities on performance, progress and other related matters

from the beginning of July 2006 to June 2007.

The end of each financial year is the perfect time for reflecting on all aspects of development, especially after a year marked by such an enthusiasm, zeal and gusto in the shaping of the new South Africa politically and economically.


The sound financial situation at year-end and the number of manuscripts developed by our office have led to a number of achievements. Nkangala was awarded the prestigious VUNA Award for 2006, as the best District Municipality in category C municipalities in South Africa, for its municipal service excellence. The NDM was assessed in all the KPAs and it was able to take individual KPA Awards on Municipal Transformation and Institutional Development, and Financial Viability and Good Governance.

As we continue to extensively focus on the service excellence in this second decade of democratic South Africa, our approach is always to work closely with communities to build appropriate municipal-community partnerships. The local knowledge of the people is combined with the local government developmental mandate to ensure sustainable, people-centred development. This approach maximizes

local economic development opportunities and builds skills and capacity in most of our rural areas.

The year 2006 brought significant change to the Nkangala District Municipality (NDM), beginning with the introduction of the new Political Executive Committee (new councillors), and the Administrative Management, involving all staff members. The new team has brought with it a heightened determination for a more results-orientated, broad-based programming stance. With this has come a major realignment, whereby activities in local municipalities and the district were synchronized more effectively, with new strategies aimed at responding to President Mbeki's call and the nation's desire for better service delivery. These new strategies and resulting Programme activities were aimed at helping to unblock government resources, rapidly scaling up proven approaches, influencing government policies and driving for more rigorous monitoring and evaluation of activities.

In his 2007 State of the Nation address President Thabo Mbeki said: "Upon review of progress towards attainment of its objectives, Cabinet had come to a realization that none of the great social problems we have to solve is capable of resolution outside the context of the creation of jobs and the alleviation and eradication of poverty... This relates to



Nkangala was awarded the prestigious VUNA Award, as **the best District Municipality in category C municipalities in South Africa**, in 2006, for **municipal service excellence**.

Mr. TC Makola
Municipal Manager
Nkangala District Municipality

everything, from the improvement of the health of our people, to reducing the levels of crime, raising the levels of literacy and numeracy, and opening the doors of learning and culture to all..." In reviewing our Integrated Development Plan (IDP) in 2007, we were cognizant of these twin objectives and the approach which the Government as a whole will be embarking on for the coming year and beyond.



Our seven Key Strategic Focal Areas are envisaged to guide our response to these objectives and all the developmental challenges confronting our District. These Strategic Focal Areas are briefly discussed below:



- The need to fast-track Infrastructural Development initiatives and Service Delivery, focusing on the provision of free basic services, water, sanitation, electricity, roads and stormwater;
- The need for our Local Economic Development interventions to adequately address issues of economic development, skills development, job creation and poverty alleviation;
- The need to deepen the alignment of our IDP with the PGDS and the NSDP as an inclusive instrument around which planning should take place towards addressing the socio-economic challenges confronting our Region;
- The need to enhance our Financial Performance and Management to enable our adequate response to all the developmental challenges confronting our communities;
- The need to enhance the performance of the District by inculcating the culture of Performance Management in all our processes;
- The need to deepen Public Participation and Intergovernmental Relations in all our processes geared towards bettering the lives of our communities;
- The need to continuously monitor the implementation and attainment of the developmental objectives encapsulated in the District IDP.

“The country and your people needs you, the future of the country is in your hands and it will be what you make of it”

Our 2007/8 Integrated Development Plan (IDP) serves as a barometer both for the Nkangala District Municipality, its social partners and citizens towards adequately responding to these strategic areas, and the ultimate realization of our vision - “Improved quality of life through balanced, sustainable development and service excellence “.

In conclusion I would like to emphasize that the NDM will continue to be one of South Africa's leading District Municipalities, setting the developmental pace, addressing poverty through constructive community participation, and expanding on realistic evaluations of the local economic potential – appreciating that local economic development is based on local initiative and driven by local stakeholders.

Thank you

TC Makola
Municipal Manager

CHAPTER 3 Key Highlights 2006/2007

3.1. VUNA AWARDS

30 November 2006 NDM scooped a Provincial Vuna award in Graceland Casino in Secunda, Mpumalanga, which is under Gert Sibande District Municipality. NDM received a cheque of R750 000, a Certificate and a Vuna trophy. It then qualified for the national Vuna Awards which took place in Sandton. NDM retained its victory as a best district in the country which has gone beyond standards to give communities excellent services and good governance. It went away with a cheque of R2 Million, three certificates and two Vuna trophies.

Municipalities were assessed on five broad Key Performance Areas (KPA), service delivery, local economic development, municipal financial viability, municipal transformation and institutional development and good governance. These five KPA's are also addressed in the NDM IDP Document. Nkangala District was assessed in all

NDM went away with a cheque of R2 Million, three certificates and two Vuna trophies.



the KPAs hence it managed to win in all the categories unchallenged in the Province and Nationally.

Vuna Awards comes from the Nguni word – Vuna and translated into the English language, it simply means reaping what one sows. The Vuna Awards is an initiative established by the Department of Provincial and Local Government (DPLG in partnership with the Development Bank of South Africa (DBSA), National Productivity Institute (NPI) and South African Local Government Association SALGA).

3.2. STATE OF ENVIRONMENTAL REPORT (SOER)

The National Environmental Management Act (NEMA) provides us with a framework legislation to enable us to ensure that the environment is protected and managed in a sustainable manner. In terms of NEMA each and every organ of state, including municipalities, has an obligation to ensure that the environment is protected and that each and every citizen lives in an environmental that is not harmful to their health or well-being.



NDM retained its victory as a best district in the country which has gone beyond standards to give communities excellent services and good governance.

Vuna Award
Nkangala District Municipality

Nkangala District Municipality (NDM) and Mpumalanga Department of Agriculture and Land Administration (DALA), joined hands to develop and launch a State of Environmental Report (SoER) for Nkangala District Municipality on the 14 September 2006. The State of Environmental Reporting is an emerging municipal

management tool designed to monitor and increase awareness of the current status, changes and trends of the local environmental conditions.

It is an important way of identifying, assessing and setting priorities for environmental issues, as well as in determining whether environmental

policies and actions are effective. The purpose of this report is therefore to support sustainable development decision making through the provision of credible environmental information, as well as to increase awareness and understanding of environmental trends and conditions.

3.3. WOMEN SUMMIT

The NDM convened the women's summit as a process to gather, concretize and consolidate the municipality's women's development and empowerment programme of action based on women's self-expressed developmental and empowerment needs and aspirations within the broader framework of accelerating and fast-tracking service delivery at local government levels. The summit was held at Nkangala District Municipal offices on the 06th – 07th October 2006.

“Women seen in action through democratic local development.”

The main objectives of the Summit were:

- To track and celebrate the successes of the NDM's Women's Development and Empowerment Programmes
- To Share and identify challenges faced in planning and implementing Women Development and Empowerment programmes in NDM.
- To evaluate NDM's programmatic impact and contribution to the improvement of the status of women in its region.
- To Collectively Strategize and Develop a Plan of Action to advance and strengthen implementation of the National Policy Frameworks and Guidelines, different provincial legislative prescripts and other relevant provisions with regard to Women's Development and Empowerment.
- To Identify areas for further interventions (capacity-building, support, etc.) to fast-track Women's Development and Empowerment in NDM.



We continue to focus on service excellence in this second decade of democratic South Africa, bring an approach of working close with communities and business to build appropriate municipal-community partnerships.

3.4. MOLOTO CORRIDOR

The project commenced in October 2006 and is executed as a joint inter-governmental initiative consisting of the Department of Transport assisted by the SA Rail Commuter Corporation as the government's rail commuter agency; the Provincial Governments of Mpumalanga together with Nkangala District Municipality (as the main project principal), Limpopo and Gauteng; and on local government sphere the District Municipalities of Nkangala, Sekhukhune and Metsweding and Tshwane Metropolitan Municipality.

The Moloto Corridor is situated in the western regions of the Mpumalanga Province. Its name is derived from the R573 provincial road (the Moloto Road) which connects the main employment destinations within the Tshwane metropolitan areas with the rural communities situated in the Nkangala District (Thembisile and Dr JS Moroka) of Mpumalanga Province and some adjacent areas of the Sekhukhune District of Limpopo Province.

The Moloto Rail System came as a result of legacy problem that developed systematically over a long period in time in terms of the un-sustainability of transporting large numbers of people by bus over long distance with excessive travel times and high cost to both the

authorities and passengers; with associated pressures on road infrastructure, increasing traffic congestion in urban areas and road accidents with injuries and loss of life.

3.5. MINING INDABA

The mining indaba was successfully held in January 2007. The objectives of the Mining Indaba were:

- Ensure that government is committed to tackling the challenges of poverty and unemployment
- Ensure that the mining industry makes a meaningful contribution in terms of Corporate Social Responsibility (CSR), Social and Labour Plans (S&LPs), therefore plough back to community
- Ensure that the mining industry contributes to skills development
- Ensure that municipalities are aware of all impending mining rights, so as to plan for impending job and skills development opportunities that will arise from the mining projects
- Negotiate the revitalisation, re-use and rehabilitation as well as environmental adherence of mining land
- Engage the Department of Mineral and Energy with a view of obtain necessary information on mining rights issued in the area and including the lifespan of mining in the district
- Encourage the establishment of partnerships between stakeholders to ensure that the mining industry benefits the majority of the people within the NDM
- Support to small scale mining initiatives
- Encourage the mining industry to participate and commit in the forthcoming Growth and Development Summit
- Broad Based Black Economic Empowerment opportunities in mining
- Participation of communities in business start ups in the industry







“We therefore declare by our own signature indicated hereunder that we understand and commit to the developmental path of our region as summarized in this agreement”

3.6. GROWTH AND DEVELOPMENT SUMMIT

The Nkangala District Municipality (NDM) held its first Growth and Development Summit in May 2005. The Summit was successful in achieving broad commitments from the social partners - business, government, labour and the community – to define and implement initiatives toward accelerated growth and development and poverty reduction in the region.

The 2007 Summit came as a review summit and provided the social partners with the opportunity to reach broad agreement on a joint programme of action between the social partners to advance the following issues:-

- The implementation of a regional skills audit and gap analysis

- Programmes to facilitate skills development, skills transfer and learnerships
- Collaborative action towards the exploitation of the growth potential in the NDM
- The role of industry in commissioning research on sector growth and development trends, opportunities and constraints
- Programmes to enhance local procurement and Broad-Based Black Economic Empowerment (BBBEE)
- Enhanced programmes for developing a class of working youth
- Programmes to enhance the financial viability of the NDM

The NDM Growth and Development Summit Agreement was signed by the following stakeholders below with a commitment statement uttered as follows:

“We the delegates drawn from the social partners of business, government, labour and civil society organizations including the broadest section of our society within Nkangala Region reaffirm our commitment to the

development trajectory of our region as encapsulated in this Summit Agreement. We are firm in our resolve to act in unison in a fight against poverty, unemployment and underdevelopment. We therefore

declare by our own signatures indicated hereunder that we understand and commit to the developmental path of our region as summarized in this Agreement”.

We are firm in our resolve to act in unison in a fight against **poverty, unemployment and underdevelopment.**

“Executive Mayor of Nkangala, with the Executive mayor of Steve Tshwete & **business partners who signed the Summit Agreement.**”



3.7. TWINNING AGREEMENT

On the 19 to 23 March 2007 a delegation led by the Municipal Manager, Corporate Manager and the PA to the Executive Mayor of the Nkangala District Municipality (NDM) visited the Democratic Republic of Congo in the small Town of Likasi to investigate the possibilities of a twinning agreement between Nkangala District Municipality and the Town of Likasi. NDM was invited by the office of the Mayor (Bougestre in French) of Likasi. The invitation proposed for the establishment of an exchange programme which will focus on development in administration, agriculture, socio-culture and tourism.

During the engagements between NDM officials and Bougestre of Likasi, a framework on mutual co-operation was used by both representatives.

It emerged that the following areas could be focal points for exchange programmes and mutual development:

1. Institutional Development (training of municipal personnel);
2. Infrastructure and service delivery;
3. Local Economic Development;
4. Community participation;
5. Agriculture and Tourism Development; and
6. Good governance, HRD and human capacity.



CHAPTER 4

Audited Financial Statements and Related Financial Information

The **FINANCE DEPARTMENT** is responsible for the management of the corporate financial affairs of the municipality and to ensure maximum utilisation of the available financial resources.

The department provides strategic financial management, is responsible for compiling the annual municipal budget and financial statements and maintaining an internal control system to ensure that accurate information about the municipality's financial position is available for internal and external role-players to take informed decisions.

The vision, mission, objectives and functions of the Finance Department support the following strategic focus areas of the Municipality as contained in the Integrated Development Plan:



4.1 FUNCTIONS OF THE DEPARTMENT

Treasury Management	Accounting Services	Revenue Management	Financial Management	Support Services
Insurance & risk management	Cash flow management	Credit control	Budget compilation	Programme management of People's Housing Project (PHP Verena & Rebone)
Loans & investments			Budget control & reporting	
Payroll	Cost accounting	Debt collection	Compilation of annual financial statements	
	Financial recording	Sundry debtors		
Asset management		RSC debtor collection		



NDM retained its victory as a best district in the country which has gone beyond standards

01 **Clr. B M Mothibi**
MMC - Finance
Nkangala District
Municipality



02 **Mr H M Lala**
Manager:
Finance Department
(CFO)

The mandate of the function is to collect RSC levy replacement grant and equitably redistribute such to local municipalities within the area of jurisdiction of the municipality, and in accordance with Council's criteria which is as follows:-

- Population 60%
- Levels of services 10%
- Performance & Capacity 10%

- Revenue 10%
- Historical Levels of payment 10%

4.2. PERFORMANCE

The department has the following functions and the Service Delivery and Budget Implementation plan (SDBIP) where compiled taking these functions into account.

We are firm in our resolve to act in unison in a fight against **poverty, unemployment and underdevelopment.**

Treasury Management	Accounting Services	Revenue Management	Financial Management	Support Services
Insurance & risk management	Cash flow management	Credit control	Budget compilation	Programme management of People's Housing Project (PHP Verena & Rebone)
Loans & investments			Budget control & reporting	
Payroll	Cost accounting	Debt collection	Compilation of annual financial statements	
	Financial recording	Sundry debtors		
Asset management		RSC debtor collection		

Priority Area	Performance Area	Objective	Indicators	Measurement Source	Baseline	2006		2007	
						30/9	31/12	31/3	30/6
DEVELOPMENT IMPACT PERSPECTIVE									
Financial Management	Budget	To compile a budget timetable	Budget timetable compiled and submitted to Council.	Council Records A	Approved budget timetable for 07/08	X			
		To submit a mid-year budget review	Mid-year budget review submitted to the Municipal Manager.	Council Records A	0%		X	X	
		Adjustment Budget	-	-	-			X	
		To compile the operating & capital budget in accordance with the IDP	First draft budget to Municipal Manager submitted	Council Records A	100%				X

Priority Area	Performance Area	Objective	Indicators	Measurement Source	Baseline	2006		2007	
						30/9	31/12	31/3	30/6
DEVELOPMENT IMPACT PERSPECTIVE cont.									
Integrated Development Planning	Participation in the IDP Process	To participate in the IDP process of the NDM.	Report on financial implications on projects identified in the IDP submitted.	Council Records M	100%			X	
			Report on indicative figures to be allocated to local municipalities submitted	Council Records A	100%		X		
		To review Council's long term financial plan	Reviewed annual financial plan submitted.	Council Records A	100%			X	
			Reviewed long term financial plan	Council Records A	100%			X	
RESOURCE MANAGEMENT PERSPECTIVE									
Revenue Management	Revenue Collection	To ensure that maximum monies due to Council are collected	100 % Budgeted income collected	Trail Balance Q	100%	X	X	X	X
		To ensure that arrear levies are collected.	100% Reduction in outstanding levies.	Age Analysis Q	ZERO	X	X		
		To ensure proper close off of every RSC Levy Debtor account	Report submitted to council on all RSC Debtors closed	RSC Levy Debtor Ledger	RSC Levy Debtor Ledger as at 1 July 2006			X	
		To ensure that Council's Credit Control Policy is in line with the MFMA.	Reviewed Credit Control Policy submitted to Council	Council Resolution A	Current Credit Control Policy				X

Priority Area	Performance Area	Objective	Indicators	Measurement Source	Baseline	2006		2007	
						30/9	31/12	31/3	30/6
RESOURCE MANAGEMENT PERSPECTIVE cont.									
Financial Management	Expenditure Management	To ensure that the approved expenditure budget is not exceeded.	Budget control report submitted to Council	Council Records Q	100%	X	X	X	X
		To ensure alignment of capital budget spending to IDP (National KPI)	A report on actual spending in line with IDP submitted	Council Records & IDP Q	100%	X	X	X	X
		To put in place mechanisms to monitor timeous payment of creditors and project.	Report on claims paid as per council policy submitted.	Council Records Q	80%	X	X	X	X
	Supply Chain Management (SCM)	To ensure that Council's SCM policy is in line with the MFMA.	Reviewed SCM Policy submitted to Council	Council Resolution A	Current SCM Policy			X	
		To ensure that SCM Unit implements the SCM policy.	Regular reporting as provided for in legislation to Council	Council Approved	100%	X	X	X	X
	Cash & Investment Management	To ensure that an appropriate, effective cash management & investment policy is established.	Reviewed Cash & Investment Management Policy compiled and submitted to Council.	Council Records A	Current Invest-ment Policy		X		
		To ensure Council is able to meet its debt repayments	a) Timeous repayment of loans A = B - C D "A" represents debt coverage. "B" represents total operating revenue received.	Deposit Slips Q	1:9,65		1:02		1:02

Priority Area	Performance Area	Objective	Indicators	Measurement Source	Baseline	2006		2007	
						30/9	31/12	31/3	30/6
RESOURCE MANAGEMENT PERSPECTIVE cont.									
Financial Management cont.	Cash & Investment Management	To ensure Council is able to meet its debt repayments	"C" represents operating grants. "D" represents debt service payments (i.e. interest plus redemption) due within the financial year.	Deposit Slips Q	1:9,65		1:02		1:02
			Semi-annually payments on loans made.	Deposit Slips BA	100%	- X	-	- X	-
		To maintain a healthy cash flow	Timeous repayment of creditors A = B+C D "A" represents cost coverage. "B" represents all available cash at a particular time. "C" represents investments. "D" represents monthly fixed operating expenditure	Financial Records Q	1:104,69		1:08		1:08
	Asset Management	To ensure that all assets of Council are accounted for.	An updated asset register compliant with legislation submitted	Council Records A	100% Asset Register as at 30/06/06				X
	Information System	To ensure that accurate financial information is provided for decision making	Accurate trial balance and debtors records produced and submitted	Council Records Q	- 100%	X	X	X	X
To ensure that the MFMA is implemented		Progress report on MFMA Implementation Plan compiled and submitted to Council	Council Records A	- MFMA	X	X	X	X	
		Primary bank account designated	Council Records A	-	X				

Priority Area	Performance Area	Objective	Indicators	Measurement Source	Baseline	2006		2007	
						30/9	31/12	31/3	30/6
RESOURCE MANAGEMENT PERSPECTIVE cont.									
Financial Management cont.	Workplace Skills Plan	To submit skills need of finance staff to be included in the workplace skills plan of Council	Skills needs submitted to Manager Corporate Services	Council Records (memo) A	100%	X			
GOVERNANCE PROCESS PERSPECTIVE									
Financial Management	Financial Reporting	To ensure that all financial reports are submitted to Council	Submission of monthly financial reports as per MFMA to Council	Council Minutes M	100%	X	X	X	X
		To ensure that all financial reports are submitted to Council	Submission of monthly financial reports as per MFMA to Council	Council Minutes M	- 100%	X	X	X	X
			Submission of quarterly financial reports as per MFMA & Council policy to Council	Council Minutes Q	- 100%	X	X	X	X
			Submission of annually financial reports as per MFMA to Council.	Council Minutes A	- 100%				X
		To ensure that monthly reports are submitted in terms of DORA	Consolidated quarterly reports on the basis of monthly reports submitted	Council Records Q	- 100%	X	X	X	X
		To compile annual financial statements in accordance with legislation	Annual Financial statements completed and submitted for audit.	Council Records A	- 100%	X			
			Annual financial statements submitted to Council.	Council Records A	- 100%	X			

Priority Area	Performance Area	Objective	Indicators	Measurement Source	Baseline	2006		2007	
						30/9	31/12	31/3	30/6
RESOURCE MANAGEMENT PERSPECTIVE cont.									
Financial Management cont.		To submit Auditor-General report to Council to relevant authorities.	Report with recommendation to Council	Auditor General's Report & Council Records A	- 100%			X	
		Auditor General's office and Department of Local Government informed per notice of the meeting to table AG report	Council Records A	100%	-	-	- X	-	
		-	-	-	-				
		Report on spending patterns on projects submitted to Municipal Manager.	Council Records Q	- 0%	X	X	X	X	

4.2.1. Local Government Finance Management Grant

The purpose of this grant is to promote and support reforms to municipal financial management and to implement the Municipal Finance Management Act, Act 56 of 2003.

An amount of R500 000 was allocated to the district municipality by National Treasury.

The following projects were financed from this grant:

- VIP Salary system: Financial management reforms consultation on VIP.
- Training: Wits Business School: Certificate programmed in management development for managers.

- MFMA Compliance implementation plan risk management document compiled.
- Recruitment of the audit committee members.
- Munsoft classic municipal upgrade version 2i.

The NDM Growth and Development Summit visited the Democratic Republic of Congo in the small Town of Likasi to investigate the possibilities of a twinning agreement between Nkangala District Mun Bougmestre of Likasi, a

4.2.2. Other projects

The finance department established a district Finance Working Group / Chief Financial Officer (CFO) Forum where various item relating to local government finance are discussed and

networking is done. The CFO's of the district and the six local municipalities as well as representatives of provincial treasury, SALGA and DPLG is represented on these forums. Die forum meetings takes place every quarter.

The following projects were identified during these forums and will be addressed in the IDP 2007/2008:

- MPRA Implementation
- Establishment of a District Valuation Appeal Board
- Funding of Infrastructure maintenance Programs
- Revenue Collection
- Revenue enhancement
- Revenue enhancement
- Implementation of REDS
- Implementation of MFMA

REPORT OF THE AUDITOR GENERAL

Report of the auditor-general to the mpumalanga provincial legislature on the **financial statements** and performance information of the nkangala district municipality for the **year ended 30 june 2007**



AUDITOR-GENERAL



AUDITOR-GENERAL

Report on the Financial Statements

Introduction

1. I have audited the accompanying financial statements of the Nkangala 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 and the accounting officer's report, as set out on pages 33 to 89

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) (PM), 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:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
7. Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1 Presentation of Financial Statements 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 Nkangala 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

OTHER MATTERS

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

Matters of governance

12. A formal internal audit approach and methodology was not followed. Therefore internal audits were not performed on a risk-based audit operation plan in terms of section 165(2)(a) of the MFMA. Furthermore, the internal auditor did not effectively advise the accounting officer and report to the audit committee on the implementation of the internal audit plan as well as certain matters relating to internal audit, internal controls, accounting procedures and practices, risk and risk management, performance management, and loss control; and compliance with the MFMA. the annual Division of Revenue Act and any other applicable legislation as required by section 165(2)(b) of the MFMA.

13. Although an audit committee existed, it had to serve the district municipality and six 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 and evaluation
- effective governance and compliance with the MFMA. the annual Division of Revenue Act and any other applicable legislation.

Internal control

14. 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	Monitoring
governance (paragraph 12 & 13)				✓	✓

Unaudited supplementary schedules

15 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.

be submitted for audit together with the financial statements within two months after the end of the financial year.

Responsibility of the Auditor-General

18. I conducted my engagement in accordance with section 13 of the PM read with General Notice 646 and section 45 of the MSA

19. 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.

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

OTHER REPORTING RESPONSIBILITIES

Reporting on performance information

16. I was engaged to audit the performance information.

Responsibility of the accounting officer for the performance information

17. 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 General Notice 646 of 2007, issued in Government Gazette No. 29919 of 25 May 2007 (General Notice 646), the performance information should

Audit findings (performance information) Internal auditing of performance measurements

21. The municipality did not develop and implement mechanisms, systems and processes for the auditing and reporting of the

results of performance measurements as part of its internal auditing processes, 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

22. 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

23. 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

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

Donaldson - General

Nelspruit
30 November 2007



AUDITOR-GENERAL

FINANCIAL STATEMENTS

NKANGALA DISTRICT MUNICIPALITY Financial Statements 30 June 2007

The department provides strategic financial management, is responsible for compiling the annual municipal budget and financial statements and maintaining an internal control system to ensure that accurate information about the municipality's financial position is available for internal and external role-players to take informed decisions.



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Improved **quality of life** through
balanced, sustainable development
and **service excellence**

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General Information

MEMBERS OF THE MAYORAL COMMITTEE

Councillor	S K Mashilo	Executive Mayor
Councillor	N Mtsweni	Member of the Mayoral Committee
Councillor	S A Malefo	Member of the Mayoral Committee
Councillor	B M Mothibi	Member of the Mayoral Committee
Councillor	J L Dikgale	Member of the Mayoral Committee
Councillor	E N Makhabane	Member of the Mayoral Committee
Councillor	T Maseko	Member of the Mayoral Committee

Grading of Local Authority

Grade 9
Auditors

The Auditor-General
Bankers

ABSA Bank Middelburg
Primary Bank Account

Name of Bank: ABSA
Account No: 1040 161 836
Branch Code: 334350
Type of Acc: Current Account
Registered Office

2A Church Street, Middelburg, 1050

Mr T C Makola
Municipal Manager/Accounting Officer

Mr H M Lala
Manager: Finance/Chief Financial Officer

Executive Mayor's Foreword

On the 1st of March 2006, South Africa conducted the third democratic local government elections. The voters elected the public representative's of their choice, and thus gave meaning to the noble principal of making local government plan working better for all.

Those of us who are deployed in local government structures since are conscious of the principle that says "the people shall govern". To this end, Nkangala District Municipality had and will continuously interact with communities and other stakeholders through amongst others the IDP and Budget processes. The District Municipality is faced with many challenges and backlogs but it has recorded significant progress. Grants to Local Municipalities had increased though we are finding creative ways of increasing spending on infrastructure.

We are committed to and our budget priorities are:

- To continue with EPWP budgeted at R57,6million for the 2006/07 financial year;
- To contribute in finding a suitable alternative for the replacement of RSC levies;
- To contribute in finding a suitable alternative for the replacement of RSC levies;

- To deal with water and sanitation projects;
- To contribute with the implementation or finding of resources for the implementation of anchor projects as contained in our LED Strategy.

Our Fitch Rating, which is an international ranking is at BBB+, which therefore confirm our good financial management and adherence to good governance.

Having won the Vuna Awards Competition and the ZK Mathews Award respectively bestowed on us by the National Department of Local Government and the Executive Committee of the ANC in 2004, we therefore commit ourselves to continue serving our people unselfishly. To this end we shall strive to attain our vision of an "Improved quality of life through balances, sustainable development and service excellence."

As required by legislation and government policies, Nkangala District Municipality wish to present this report for the period between 1 July 2006 to 30th June 2007. These financial statements are made available to members of the communities, stakeholders and South Africans in general, to enhance participatory democracy, and thus adding impetus on the "People's contract for a better life for all."

Our Fitch Rating, which is an international ranking is at **BBB+**, which therefore confirm **our good financial management and adherence to good governance.**

Our people have trust in our elected public representatives and officials and we thus collectively aim to serve their needs and aspirations which they raised prior elections and during our IDP Outreach meetings.

I wish to thank all the Members of the Mayoral Committees, Councillors, the Municipal Manager and his staff for the efficient and effective way in managing the affairs of the Nkangala District Municipality. Our people must continue their participation in the Local Government. On behalf of Nkangala District Municipality I thank all stakeholders for their participation in the Integrated Development Plan IDP) and Budgetary processes.

I thank you!

The noble principle from the Freedom Charter **"The people shall govern"** is thereby expressed.

ClIr SK Mashilo
Executive Mayor
Nkangala District Municipality



Report Of The Manager: Finance

Revenue

Total Revenue for the year under review is R212 422 453 compared to R235 928 418 for the previous financial year.

The reason for this decline of 9,9% is that during the 2005/2006 financial the municipality received a grant of R33 232 418 for the Municipal Infrastructure Grant (MIG). This grant was for infrastructure projects in local municipalities. Subsequently the MIG is remitted directly to local municipalities.

Primary sources of revenue include the "Replacement of RSC levy Grant" of R187 628 982. This grant is in terms of

Interest received on investments in call and fixed deposits increased from **R7 373 620 to R10 606 750** in the year under reviews.

the Division of Revenue Act and is intended to provide temporary replacement of the RSC levies that were abolished in July 2006.

Interest received on investments in call and fixed deposits increased from R7 373 620 to R10 606 750 in the year under reviews. Improved cash management and attractive interest rates can be attributed to this improvement.

Collection of arrear RSC levies account for R3 745 921. Legislation provides for the collection of arrear levies prior to 1 July 2006 and this window of opportunity is available until June 2008.

Other income represents an amount of R3 455 959 received as penalty due to late completion from the main contractor of the office building. The other amounts include tender deposits and rental of office facilities.

Expenditure

Expenditure amounts to R186 573 607 compared to the corresponding period

last year of R227 771 312.

Main drivers of expenditures are Grants to Local municipalities amounting to R133 932 364 (2006: R137 453 533). This represents investment in infrastructure projects at local municipalities.

Staff related cost is R24 204 375 (2006: R22 204 492) and represents 24,6% of the total expenditure. Remuneration of councillors amounts to R5 124 542 (2006: R4 974 681) and is paid in accordance with the "Determination of upper limits of councillors allowances".

Bad debts represent levy payers for whom provisional assessments have been raised and have subsequently ceased to trade. This increased to R1 884 740 from R203 292.

Collection costs represents commissions paid to the service provider for the tracing of unregistered levy payers and collection of arrear levies. Due to the abolishment of the RSC levies this has decreased by 46% to R220 242.

Depreciation increased by 73% to R1 915 869 mainly due to depreciation for a full financial year on the office building and its contents. Interest paid declined from R4 008 026 (2006) to R3 810 109 due to the reduction in the balance outstanding. The municipality has two loans viz INCA for the financing of the office building and DBSA for infrastructure programme.

Good Governance, sound financial management and financial viability remain critical success factors for the municipality.

Mr H M Lala

Manager:
Finance Department (CFO)



General expenses declined from R 13 318 208 by 33% mainly due to savings on office rentals paid. Loss on disposal of property plant and equipment represents the assets transferred to Dr. J. S. Moroka Municipality for the Mdala DMA as a result of a re-demarcation of the DMA AREA. This accounting loss is treated in terms of GAMAP 17.

The overall performance is described as good with a need to improve spending on grants to local municipalities.

Financial Position

Financial position represents the financial strength of the municipality by a comparison of assets over liabilities. Total assets of the municipality improved by R 10 621 282 to R315 353 929.

Major contributions to total assets are an increase in call investments deposits and bank balances and cash. This can be attributed to the slower rate of spending on projects. Included in non-current assets is a long term investment due to mature during December 2007 and the estimated proceeds are R32 878 542. With the abolishment of RSC levies RSC levy debtors are discontinued.

Liabilities

Long-term liabilities represent the INCA and DBSA loan and this declined from R70 453 227 to R64 828 27. No new loans have been taken up.

Current Liabilities

Key Ratios

CURRENT RATIO: This represents the ability of the municipality to pay its short-term obligations within the next 12 months.

R	R		
CURRENT ASSETS	CURRENT LIABILITIES		
99 405 665	53 994 414	1,84	-2006
204 802 582	45 327 232	4,52	-2007
40 135 000	22 086 000	1,88	(Benchmark Statssa)

eral expenses declined from R 13 318 208 by 33% mainly due to savings on office rentals paid. Loss on disposal of property plant and equipment represents the assets transferred

The national benchmark as per financial census of municipalities for the year ended 30 June 2006 is 1, 8. The municipality's current ratio improved from 1,84 to 4,52 which means the value of current assets is 4,52 times more than current obligation.

Solvency

This represents the ability of the municipality to pay both its long term and short-term obligations.

R		R		
TOTAL ASSETS		TOTAL LIABILITIES		
216 273 415	÷	124 449 636	= 1,74	-2006
315 353 929	÷	110 155 499	= 2,86	-2007
136 820 000	÷	58 707 000	= 2,33	(Benchmark Statssa)

The national benchmark as per financial census of municipalities for the year ended 30 June 2006 is 2, 33 times. The municipality's solvency ratio improved from 1, 74 times to 2, 86 times. This improvement is also above the national benchmark of 2, 33 times.

Credit Rating

The municipality was rated by the international rating agency Fitch Ratings as follows:

Financial position represents the financial **strength of the municipality** by a comparison of **assets over liabilities**. Total assets of the municipality improved by **R 10 621 282 to R315 353 929**.

International Rating Scale:

BBB+ =

"Good credit quality as there is currently expectations of low credit risk. The capacity for payment of financial commitments is considered adequate but adverse changes in circumstances and economic conditions are more likely to impair this capacity." The '+' means that the direction of the rating is more towards the A rating category.

National Rating Scale:

A + =

"High credit quality. "A" ratings expectation of low credit risk. The Capacity for payment of financial commitments is considered strong. This capacity may, nevertheless be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

A summary of international comparisons.

Nkangala District Municipality		Bucharest (Romania)	Istanbul (Turkey)	Katowice (Poland)	Blagoevgrad (Bulgaria)	Moscow (Russia)	GHB/Aubagne (France)
Rating/Outlook	(BBB+/Stable)	(BBB-/Stable)	(BB-/Positive)	(BBB+/Positive0)	(BBB/Stable)	(BBB+/Stable)	BBB+/Positive

Good Governance, sound financial management and financial viability remain critical success factors for the municipality.

Vuna Awards

The Municipality has been awarded the 1st position of the 2006 National Vuna Awards for Category C Municipalities. Included in the assessment criteria is "Municipal Financial Viability."

GRAP Compliance

These annual financial statements are prepared in accordance with Generally Recognised Accounting Practice (GRAP) together with Government notice No 522 dated 22 June 2007 regarding "Local Government: Municipal Finance management Act, 2003: Exemptions" read together with Circular 44 dated 25 July 2007 issued by National Treasury.

As a high capacity municipality the municipality has opted to take advantages of the total exemption granted to Gazette 30013 (Regulation 522).

Taking advantage of the exemption means that a municipality need not fully comply with GAMAP 6,7 and 8. However the following paragraphs in these standards have not been exempted and must be applied:

GAMAP 6 paragraph 38; 40 and 43 (c)
GAMAP 7 paragraph 18; 31(b) and 31 (c)
GAMAP 8 paragraph 40 and 44.

	BENCHMARK	NKANGALA DISTRICT MUNICIPALITY
	%	%
Operating Expenditure		
Salaries, Wages & Allowances	26,6	13
Electricity bulk purchases	0,15	n/a
Water Bulk purchases	2,66	n/a
Repairs & maintenance	4,44	0,23
Other	66,09	86,80
	100,00	100,00
Revenue		
RSC levies	0,00	2
Property Rates	0,04	n/a
Electricity	0,11	n/a
Water	7,86	n/a
Subsidies/Grants	76,82	90
Other	15,16	8
	100,00	100

Source: Local Government Budgets and Expenditure Review: 2002/2002 – 2007/2008: National Treasury October 2006).

Conclusion

Good Governance, sound financial management and financial viability remain critical success factors for the municipality. Engagement with various stakeholders on the options on the replacement of RSC levies remain a priority for the municipality.

Acknowledgement

I would like to extend my appreciation to the Honourable Executive Mayor, Mayoral Committee and Councillors for the strategic direction and leadership demonstrated during the financial year.

The guidance and vision of the Municipal Manager and Heads of

Departments are acknowledged with gratitude. A special word of appreciation is extended to all my colleagues for their loyalty and support and especially for their role in winning the 2006 Vuna Award.

Thank you



H M LALA
MANAGER: FINANCE
(B.COMPT, MBA, ND VALUATION:
FIMFO)

Accounting Policies To The Annual Financial Statements For The Year Ended 30 June 2007

1. BASIS OF PREPARATION

The 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:

- Government Notice 991 of 2005, issued in Government Gazette no. 28095 of 15 December 2005;
- Government Notice 992 of 2005, issued in Government Gazette no. 28095 of 7 December 2005;
- Government Notice 522 of 2007, issued in Government Gazette no. 30013 of 29 June 2007.

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 standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes of the annual financial statements.

A summary of the significant accounting policies, which have been consistently

3. GOING CONCERN ASSUMPTION

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

4. RESERVES

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.

4.1 Capitalisation Reserve - Future Depreciation Reserve

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

The balance on the Future Depreciation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a

The Standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
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 with 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

applied except where an exemption has been granted, are disclosed below.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

transfer is made from the Future Depreciation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Future Depreciation Reserve relating to such item is transferred to the accumulated surplus.

4.2 Government Grant Reserve

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

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

4.3 Donations and Public Contributions Reserve – Future Depreciation Reserve

When items of property, plant and equipment are purchased from public contributions and donations, a transfer is made from the accumulated surplus to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by

National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from donations and public contributions is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus.

5 PROPERTY, PLANT & EQUIPMENT

The municipality has taken the advantage of the transitional provision in GAMAP 17 paragraph.86. An item of property plant and equipment which qualifies for recognition as an asset shall initially be measured at cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Directly attributable costs include the following:

- Cost of site preparation.
- Initial delivery and handling costs.
- Installation cost.
- Professional fees.
- Estimate cost of dismantling the asset and restoring the site to the

extent that it is recognised as a provision.

Property, plant and equipment are stated at cost less accumulated depreciation. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

The useful life of an item of property plant and equipment is reviewed periodically and, if expectations are significantly different from previous estimates, the depreciation charge from the current and future periods shall be adjusted. The useful lives and depreciation methods was not reviewed in the previous and current financial years as required by GAMAP 17 as these requirements have been exempted in terms of government notice 552 of 2007.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairment testing on assets was not performed by the municipality in the previous and current financial years as required by GAMAP 17 as these requirements have been exempted in terms of government notice 552 of 2007.

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

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:- The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales

DETAILS	YEAR	DETAILS	YEARS
Infrastructure		Other	
Electricity		Buildings	30
Supply & Reticulation	20	Office Equipment	
Roads		Computer Hardware	5
Roads	10	Computer Software	3
Bridges	30	Office Machines	3
Sewerage		Air Conditioners	5
Sewers	20	Furniture & Fittings	
Water		Chairs	7
Supply & reticulation	20	Tables/Desks	7
Reservoirs & tanks	20	Cabinets/Cupboards	7
Pumps	15	Miscellaneous	7
		Emergency Equipment	
		Fire	15
		Ambulances	5
Community Assets		Fire hoses	5
Buildings		Emergency Lights	5
Clinics	30	Plant & Equipment	
Parks	30	General	5
Community Centres	30	Telecommunication equipment	5
Recreational Facilities		Radio	5
Fire Breaks	20	Vehicles	
		Fire Engines	20
		Motor Vehicles	5
		Bakkies	5

proceeds and the carrying value and is recognised in the Statement of Financial Performance.

6. FINANCIAL INSTRUMENTS

There are four categories of financial instruments: fair value through profit or loss (which includes trading), loans and receivables, held-to-maturity and available for sale. All financial assets that are within the scope of IAS 39 are classified into one of the four categories

Financial instruments include cash and bank balance, investments, trade receivables and borrowings.

The municipality classifies its financial assets as loans and receivables.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairment testing on financial instruments was not performed by the municipality in the previous and current financial years as required by IAS 39 as these requirements have been exempted in terms of government notice 552 of 2007

6.1 Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months. These are classified as non current assets. Loans and receivables are classified as "trade and other receivables" in the statement of financial position.

Loans and receivables are recognised initially at fair value. After initial recognition financial assets are measured at amortised cost using the effective interest rate.

6.1.1 Accounts Receivable

Trade and other receivables are recognised initially fair value and

subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

6.2 Financial liabilities

Financial liabilities are recognised initially at cost which represents fair value. After initial recognition financial liabilities are measured at amortised cost using the effective interest rate.

6.3 Gains and losses

Gains and losses arising from changes in financial assets or financial liabilities at amortised cost are recognised in profit and loss when the financial asset or liability is derecognised or impaired through the amortisation process

6.4 Investments held-to-maturity

Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost calculated using the effective interest method. The requirement of IAS 39, 43, AG64, AG65, AG79 and SAICA Circular 9 that financial instruments should initially be measured at fair value has been exempted in terms of General notice 552 of 2007 and was not applied in the previous and current financial statements.

7. TRADE CREDITORS

Trade creditors are recognized initially at fair value and subsequently

measured at amortized cost using the effective interest method. Trade creditors was not recognised initially at fair value by the municipality in the previous and current financial years as required as these requirements have been exempted in terms of government notice 552 of 2007

8. REVENUE RECOGNITION

Revenue shall be measured at the fair value of the consideration received or receivable. No settlement discount is applicable.

Rendering of service:

When the outcome of a transaction can be estimated reliably relating to the rendering of a service, revenue associated with the transaction shall be recognized by reference to the stage of completion of the transaction at the reporting date. The outcome of the transaction can be measured reliably when all of the following conditions are satisfied:

- The amount of revenue can be measured reliably
- It is probable that the economic benefits or services potential associated with the transaction will flow to the entity,
- The stage of completion of the transaction at the reporting date can be measured reliably, and
- The cost incurred for the transaction and the cost to complete the transaction can be measured reliably.

Government Grants:

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services. Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Government grants are recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably, and
- To the extent that there has been compliance with any restrictions associated with the grant

Other grants and donations received:

Other grants and donations shall be recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably, and
- To the extent that there has been compliance with any restrictions associated with the grant

Levies:

Levies shall be recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably

Interest:

Revenue arising from the use of assets by others of the municipal assets yielding interest shall be recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably

Interest shall be recognised on a time proportionate basis that takes into account the effective yield on the asset.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue for the current and prior financial year was initially recognised at cost. The requirement of GAMAP 9.12 and SAICA circular 9/06 that the initial measurement of revenue be recognised at fair value through discounting all future receipts using an imputed rate of return have been exempted in terms of General Notice 552 of 2007.

9. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

10. 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.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

11. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 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.

12. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

13. FRUITLESS AND WASTEFUL EXPENDITURE

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

14. COMPARATIVE INFORMATION

14.1 Current year comparatives:

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

14.2 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.

15. RETIREMENT BENEFITS

(i) Defined contribution plans:

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

Contributions to the defined contribution pension plan in respect of service in a particular period are included in the employees' total cost of employment and are charged to the statement of financial performance in the year to which they relate as part of cost of employment.

(ii) Defined benefit plans

a. Post employment medical care benefits:

The municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post – retirement medical benefits is based on employee remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment.

Actuarial gains and losses arising from experience adjustments are debited or credited to Statement of Financial Performance in the period in which it occurs. Valuations of these obligations are carried out annually by independent qualified actuaries.

16. BORROWING COSTS

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

17. EVENTS AFTER BALANCE SHEET DATE

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at the balance sheet date. Events after the balance sheet date that are indicative of conditions that arose after the balance sheet date are dealt with by way of a note to the financial statements

18. LEASES:

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risk and rewards of ownership to the lessee. All other leases are classified as operating leases. Operating lease payments are recognised as an expense on a straight-lined basis over the lease period.

Operating leases were not recognised on a straight-lined basis over the lease period and was expensed at cost as a general expense as these requirements have been exempted in terms of government notice 552 of 2007

19. INVENTORY:

Infrastructure projects not fully completed by the municipality are disclosed in terms of GAMAP 12 and disclosed as work in progress at the cost based on the stage of completion as it will be transferred to local municipalities upon completion.





Statements Of Financial Positions At June 2007

	Note	2007 R	2006 R
NET ASSETS AND LIABILITIES			
Net assets		205,198,470	179,394,923
Government grant reserve future depreciation reserve		150,440	195,739
Donations and public contribution future depreciation reserves		300,000	300,000
Accumulated Surplus/(Deficit)		204,748,030	178,899,184
Non-current liabilities		67,910,601	73,075,374
Long-term liabilities	1	64,828,227	70,453,222
Non-current provisions	2	3,082,374	2,622,152
Current liabilities		42,244,859	52,262,370
Creditors -Retention	3	11,840,460	22,193,409
Provisions	4	1,707,475	1,438,214
Creditors	5	21,535,462	21,726,368
Unspent conditional grants and receipts	6	1,624,756	2,644,284
Current portion of long-term liabilities	1	5,536,705	4,260,095
Total Net Assets and Liabilities		315,353,929	304,732,667
ASSETS			
Non-current assets		110,551,347	116,867,751
Property, plant and equipment	8	75,960,380	82,153,760
Investments	9	34,500,000	34,500,000
Long-term receivables	10	90,967	213,991
Current assets		204,802,582	187,864,916
VAT 7		1,582,126	1,751,108
Inventory	11	58,731,061	88,459,251
RSC Levy debtors	12	-	18,471,591
Other debtors	13	5,253,613	8,327,917
Grants Receivable from other spheres of Government	14	3,252,987	3,231,090
Current portion of long-term debtors	10	93,046	256,596
Call investment deposits	15	127,940,277	63,695,515
Bank balances and cash	16	7,949,472	3,671,848
Total Assets		315,353,929	304,732,667

Statements Of Financial Performance For The Year Ended 30th June 2007

	Note	2007 R	2006 R
REVENUE			
1,500,000	RSC - Regional Services - Turnover	2,697,113	139,393,252
500,000	RSC - Regional Services -Remuneration	1,048,808	44,271,091
-	Rental of facilities and equipment	50	-
5,250,000	Interest earned - external investments	10,606,756	7,373,620
660,000	Interest earned - outstanding debtors	1,173,314	1,431,763
1,470,062	Income for agency services/ donars	277,462	255,000
192,330,571	Government grants and subsidies	192,218,476	41,535,041
1,550,000	Other income	4,400,474	1,668,651
203,260,633	Total Revenue	212,422,453	235,928,418
EXPENDITURE			
33,876,904	Employee related costs	24,204,375	22,209,492
7,374,457	Remuneration of Councillors	5,124,542	4,974,681
2,000,000	Bad debts	1,884,740	203,292
250,000	Collection costs	220,242	409,232
2,440,000	Depreciation	1,915,869	516,905
573,500	Repairs and maintenance	421,428	489,064
3,876,015	Interest paid	3,810,109	4,008,026
208,990,952	Grants and subsidies paid	134,911,675	181,642,412
26,310,626	General expenses	8,867,184	13,318,208
-	Loss on disposal of property, plant and equipment	5,213,442	-
285,692,454	Total Expenditure	186,573,607	227,771,312
(82,431,821)	SURPLUS/(DEFICIT) FOR THE YEAR	25,848,847	8,157,106

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

STATEMENT OF CHANGES IN NET ASSETS for the year ended 30th June 2007

	Note	Government Grant Reserve R	Donations and Public Contribution Reserve R	Accumulated Surplus/ (Deficit) Work in progress	Accumulated Surplus/ (Deficit) R	Total R
2006						
Balance at 1 July 2005	-	195,739.00	300,000	-	178,899,183	179,394,922
Implementation of GAMAP (Note 24)	-	-	-	76,795,094	(76,795,094)	-
Restated balance	-	195,739.00	300,000	76,795,094	102,104,089	179,394,922
Surplus/(deficit) for the year					-	-
Work in progress complete				(76,795,094)	76,795,094	-
Carry over to work in progress				88,459,251	(88,459,251)	-
Balance at 30 June 2006	-	195,739	300,000	88,459,251	90,439,932	179,394,922
2007						
Restated balance	-	195,739.00	300,000	88,459,251	90,439,932	179,394,922
Surplus/(deficit) for the year					25,848,847	25,848,847
Work in progress complete				88,459,251	88,459,251	-
Carry over to work in progress				58,731,061	(58,731,061)	-
Offsetting of depreciation		(45,299.19)	-		-	(45,299)
Balance at 30 June 2007	-	150,440	300,000	58,731,061	146,016,968	205,198,469