

EXECUTIVE MAYOR'S FOREWARD

It is indeed a pleasant occasion to present the annual report of Vhembe District Municipality for the financial year 2005/6. The annual report is a comprehensive accumulation of achievements and progress made during the 2005/6 financial year by Vhembe District Municipality. It also provides an opportunity to present current challenges the municipality face in its mammoth task in the coming years.

The constitution of the Republic of South Africa (Act 108 of 1996) requires of the municipality to promote good governance in the municipality as a sphere of government. It thus implies that in its implementation of democratic developmental municipal governance, it adheres to the principles of Batho Pele. Fundamental to these is that municipal governance be transparent, accountable, people – centred and people – driven. The ultimate and desired vision and objective remains: contributing to fast tracking the realization of our people's hope of a qualitative, better life of our people.

This annual report is to indeed confirm that 2005/6 financial year has indeed been a year of hope for our people and communities. The financial year 2005/6 which is a subject of this annual report has been a testimony to this. The year saw the celebrations and re dedication to the noble of freedom, human rights and dignity: 50 years celebrations of the 1956 Women's March against passes, Remembrance of the 1976 Youth uprising which change the balance of faces in favour liberation and democracy and 10 years of the adoption of the democratic constitution of the new Republic of South Africa in 1996. The year also was also marked by the second holding of the democratic local government election on 01 March 2006. Indeed the financial year had to challenge of living up to it being part of the age of hope for our unemployed/ poverty- stricken and poorly services communities.

Against this back ground, with all the expectations the 2005/6 financial year place on the Vhembe District Municipality the mammoth task and responsibilities. The annual report thus serves as a monitoring and evaluation tool of the milestones reached and road transversed towards meeting the needs of the people we have taken an oath to serve.

During the year under review, our service delivery plan has been intergrated Development Plan (IDP) which informed the 2005/6 financial year of the Municipality. Using our service delivery and budget implementation (SDBIP), the Municipality used the plan to intensify the fight against poverty, unemployment, diseases such as the HIV-AIDS pandemic, TB, Malaria, and to provide municipal basic services.

The 2005/6 financial year budget had a clear mandate from the IDP objectives for the municipality and other social partners in service delivery i.e. to intensify the fight to reduce backlogs in water and sanitation, roads, electricity, housing, fight unemployment by creation jobs. Through ensuring accelerated and shared growth. This was indeed a tall order but one which is a constitutional mandate as local government is to play a development role.

The 2005/6 annual report is an account of how Vhembe District Municipality and other service providers has responded to the assigned tasks during the financial year. It is also an account of how councilors, officials and the municipal community conducted themselves in their municipal governance and affairs pursuant to the desired quest for creating a qualitative better life for its communities.

The annual report include positive milestones that a dent is being made as the number of water and sanitation provided to households significantly increased, access to electricity, road infrastructure and efforts to create jobs has also had an increase. The municipality has contributed to accelerated and shared growth through the promotion amongst others of internship and labour intensive approach to development in partnership with other spheres of government.

The municipality however still have areas needing improvement in the subsequent years. This becomes important as we strive to meet the service levels and targets set nationally. These mainly include water and sanitation, free basic services, fast tracking service delivery, accelerate and growth through sustainable local economic development to positively impact on the quality of life in the District.

I, on behalf of myself, want to thank all Councillors, municipal administrative staff and community stakeholders for the positive support they provided to the municipality during the 2005/6 financial year.

CLLR MDAKA F. P
EXECUTIVE MAYOR
VHEMBE DISTRICT MUNICIPALITY

MUNICIPAL MANAGERS REPORT

I feel privileged to present to you the annual report of Vhembe District Municipality for the 2005/2006 financial year. The 2005/6 financial year has been a watershed one for Vhembe District Municipality.

This annual report compiled in line with Sections 121 and 46 of the Municipal Finance Management Act, (No. 56 of 2003) and the Municipal Systems Act, (No 32 of 2000) respectively, reflects on the progress and achievements of Vhembe District Municipality.

The also contains a summary of Vhembe District Municipality strategic programmes which are measured against objectives, outputs and service delivery indicators to determine their impact on the District Municipality's ability to reach out to its vision to improve the quality of life through sustainable development and service excellence. The report also contains an Oversight Report compiled in with Section 129 of the Municipal Finance Management Act.

The need to meet community needs for services and establish a developmental local government have been two fundamental priorities during the 2005/6 financial year. The priority to meet community needs has seen Vhembe District Municipality together with other spheres of Government increase investment and spending in social, services during the year under review. It is within this premise that Vhembe District Municipality in particular has increased its spending patterns on basic municipal service such as water, sanitation, roads and bridges are compared to the previous financial years.

The need to establish a developmental local government has led to the creation of value chain of operations based on the need to streamline and intergrate the municipality's operations towards meeting the strategic objectives of the municipality during the financial year.

This strategic approach led to creation of linkages between infrastructure development and economic development programmes. Its implementation has ensured that Vhembe District Municipality provides basic services and simultaneously contribute to economic growth and job creation to fight poverty. Through these efforts the municipality has been able to create a number of jobs and ensure transfer of skills within the areas where projects were implemented.

Through the implementation of expand Public Works Programme principles in the Municipal infrastructure provision an increased number of jobs were created while learnerships were also introduced to construction companies within the District to cement their engagement in creating quality jobs and building partnership with the Municipality to fight joblessness and poverty.

The financial year also saw Vhembe District Municipality starting to implement financial reforms flowing from the enactment of the Municipal Finance Management Act. The implementation of the reforms has yielded increase financial management capacity. Significant within the area of financial reforms was the introduction of new municipal procurement policies and regulations which have assisted the Municipality to seriously consider linking financial management issues to economic development by ensuring that the Municipality contributes to the Broad Based Black Economic Empowerment targets positively contributing to local economic development.

Statement of Relative Financial Health and Important Administrative Considerations

Vhembe District Municipality has during the Financial year under review financially

Performed as follows:

TABLE 1: EXISTING SOURCES OF REVENUE COLLECTION ASSESSMENT

Activity	Trading Services	Intergovernmental Grants	Infrastructure Grants	RSC Levies	Other Income
Budget	76 089 910	61 000 225	115 189 487	26 159 031	5 484 936
Actual	30 595 003	59 660 341	105 225 035	70 329 096	7 647 230
Variance	45 494 907	1 339 884	9 934 452	44 170 065	2 162 294
%	40.2 %	97.8 %	91.4 %	268.9 %	139.4 %

The above table illustrates that the Municipality performed well in collection of the Intergovernmental and Infrastructure Grants and the Regional Services Council Levy.

However Vhembe District Municipality still has in the light of the performance in the collection on trading services finalize transfer of water services as the under

collection on the trading services is resident within the external factors within the sector. With the possibility of the Regional Services Council Levy scrapping the District Municipality will need to consolidate on its collection activities in the trading services as own income independent of Grants.

MUNICIPAL MANAGER VHEMBE DISTRICT MUNICIPALITY

1.3.1 EXECUTIVE SUMMARY

1.3.1 Statement of Goals

Vhembe District Municipality has in its Integrated Development Plan adopted in 2001 outlined the following:

1.3.1.1 Our Vision

Improving the quality of life through sustainable development and service excellence.

1.3.1.4 Our Mission

Vhembe District Municipality is committed to the improvement of the physical, social, economic and institutional environmental in order to address poverty and promote and promote development through:

- Promoting infrastructure development and service provision that meets priority needs of communities
- Promotion of integrated development planning and the proper coordination and integration of development initiatives in the District.
- Ensuring the fair and just allocation and distribution of resources within the District

- Encouraging the effective performance and functioning of municipalities in the District
- Contributing to economic development and growth in the District.

1.3.1.4 Our Core Values and Principles

The execution of the Municipality's day to day activities by both the political and administrative components is guided by the principles which emphasizes that, the municipality shall always:

- Be responsive to the needs of citizens and partner local authorities
- Be transparent , accountable and participatory in its dealings
- Cultivate a work ethic focused on performance , achievements and results
- Promote and pursue key national , provincial and local development goals as enshrined in the Batho Pele and Masakhane initiatives
- Ensure a respective organization
- Be democratic in pursuance of its objectives
- Show mutual respect, trust and ensure high levels of cooperation and discipline in all it dealings.

1.3.1.4 Our Core Mandates

Vhembe District Municipality is contained in chapter 3 and 7 of the Constitution of the Republic of South Africa, Act 108 of 1996.

The District Municipality further draws its mandate from policy and legislative pronouncements within the following:

- White Paper on Local Government(1998)
- Local Government : Municipal Demarcations Act (1998)
- Local Government : Municipal Structures Act (1998)

- Local Government : Municipal Systems Act (2000)

1.3.1.5 Our Powers and Functions

Vhembe District Municipality 's powers and functions as outlined in Section 84 (1) of the Municipal Structures Act ,117 of 1998 are as follows :

- Integrated Development Planning for the District municipality as a whole including a framework for integrated development plans for the local municipalities within the area of the district municipality taking into account the integrated development plans of those local municipalities
- Bulk supply of water that significant proportion of municipalities in the District
- Bulk electricity that affects a significant proportion of municipalities in the District
- Bulk Sewerage purification works and main sewage disposal that affects significant proportion of municipalities
- Solid waste disposal sites serving the area of the District as a whole
- Municipal roads which form an integral part of road transport system for the entire area of the District as a whole
- Regulation of passenger transport services

EXECUTIVE SUMMARY

Since its establishment in December 2000 Vhembe District Municipality has been expected, through its council and administrative components to deliver on its Constitutional Mandate of local government. This mandate continues with added impetus with the March 2006 local government elections.

Statement of Goals

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Our Mission

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- Municipal roads which form an integral part of road transport system for the entire area of the District as a whole
- Regulation of passenger transport services
- Fire fighting services serving the area of the District as a whole
- Promotion of local tourism for the area of the District municipality
- The receipt , allocation and if applicable the Distribution of grants made to the District
- The imposition and collection of taxes, levies and duties as related to the above-mentioned functions or as may be assigned to the District Municipality in terms of National legislation.

Vhembe District Municipality's Priorities and their Impact on Communities

Vhembe District Municipality's Integrated Development Plan clustered the Priorities of the Municipality as follows:

Social Cluster Priorities

- a. Provision of Environmental Health Services**
- b. Promotion of culture of Learning**
- c. Maintain Safety and Security**
- d. Promotion of Interests of Aged , Youth ,children and people with disabilities**
- e. Water and Sanitation Infrastructure and services supply.**

- f. Energy supply**
- g. Roads Infrastructure supply**
- h. Provision of Housing**
- i. Solid Waste Infrastructure Supply**

Economic Cluster Priorities

- a. Increase the levels of employment in the District
- b. Increase Economic Growth of the District
- c. Improve access and use of Resources in Agriculture, Tourism, Mining, Manufacturing and Forestry
- d. Coordination of Land Reform Programmes

Institutional Cluster priorities

- *Building capacity to render basic services*
- *Strategic Leadership and Programme Management*
- *Service Delivery Excellence and Performance Management*
- *Increasing Financial capacity and Management*
- *Strengthening Intergovernmental relations*

1. INTROUCTION & OVERVIEW

1.1 MUNICIPAL PROFILE

Geographic Location

Vhembe District Municipality is a municipality established in terms of the Municipal Structures Act, 117 of 1998 and formally constituted after the 2000 elections. The Municipal area covers 21407 square kilometers and is located in the Northern parts of the Limpopo Province bordering Zimbabwe in the north,

Mopani District in the east and Capricorn District in the southern direction. The area covered by Vhembe District Municipality covers four local Municipalities, namely, Thulamela, Mutale, Makhado and Musina.

The District settlement patterns are sparsely rural composed of 576 dispersed villages while the total number of households is 274 148.

Demographic Profile

Vhembe District Municipality has as per 2001 census results had a population of 1.199 884 people. The population distribution within the local Municipalities in the District as per 2001 stats South Africa results reflect that 575 675 people are found in Thulamela Municipality , 496 198 in Makhado , 40 836 in Musina and 57 643 in Mutale .

The population of the District is mainly comprised of women who forms 55% of the population while 50% of the population is composed of people under the age of 20 years. The languages that are spoken in the District are Tshivenda, Xitsonga, English, Afrikaans and Sepedi.

The poverty rate in the District as per the 2001 census has been recorded at 63.3% covering 176 464 households.

- Strengthening alignment of IDPs of the District and Local Municipalities with the Provincial Growth and Development Strategy and the National Spatial Development Programme

- **District Competitive Advantage Areas**

The Intergrated Development Plan of Vhembe District Municipality as adopted in 2001 outlines the following as development potential areas offering competitive advantage to the District:

Agriculture: comprised of crop farming and livestock farming activities and forestry. The District produce a wide range of fruits such as Mangoes, Bananas etc. and vegetables from the commercial farming activities which are supplemented by subsistence activities. Livestock farming activities ranging from cattle, goats to other types of livestock are undertaken within the District.

Tourism: comprised of tourist attraction centres which includes World heritage Site at Mapungubwe, Thalami, dzata Ruins, Tshatshingo Potholes, Lake Fundudzi and many more. The District is also on the gateway to Zimbabwe and the Kruger National Park and also has the Zoutpansberg Biosphere and forms part of the Limpopo Ivory route tourism belt.

Mining: comprised of both active mining activities and mineral occurrences which need further processing. The Venetia Diamond Mine in Musina and Tshikondeni Coal Mine are the most active mines within the District.

Manufacturing: Focusing on Agro-Processing industry. The district is current directing its focus on activation of agro-processing industry to take advantage of the horticulture produce.

Employment & Income Indicator	District Municipality Vhembe	Local Municipality Musina	Local Municipality Mutale	Local Municipality Thalami	Local Municipality Makhado
Employed					
Unemployed					
Not economically active					

Total					
Income: R					
Income: R					
Income: R					
Total Households					

1.2 GOVERNANCE AND POLITICAL ORGANISATIONAL STRUCTURE

Vhembe District Municipality: Executive and Council Structure

COUNCIL

52 COUNCILLORS

21 Directly Elected

31 Representatives of Locals

MAYORAL COMMITTEE

Executive Mayor

5 Portfolio councillors

POLITICAL STRUCTURE

During the year under review Vhembe District Municipality had the following components; Council, Governance and Administration.

Council

The legislative and executive authority of the municipality resides in council headed by the Speaker. In the year under review the Council was headed by Councillor S. Sibiyi as the Speaker. Council was composed of 52 Councillors. 21 Councillors are directly elected and 31 are proportionally representatives of the 4 local Municipalities within the District.

Governance

The governance component of the municipality resides with the Executive Mayor assisted by the Mayoral Committee. During the 2005/2006 financial year the Executive Mayor of Vhembe District Municipality was councilor I Mutsila who assumed office after march 2006 municipal election. The Executive Mayor was assisted by 9 Members of the Mayoral Committee each heading a portfolio of responsibilities as follows:

- Finance: Cllr . Silinda
- Technical Services : Cllr . D Phologa
- Community Services:Cllr.M.M.Lerule.
-
- Electricity, Water and Sanitation Services: Call. F.P.I. Make
- Transport, Agriculture, Land and Economic Development: Call. C. Leshiba
- Human Resource Management and Development : Cllr. R.L. Mulaudzi

1.3ADMINISTRATION

The administrative component of the municipality is headed by the Municipal Manager as an accounting officer and head of Administration. The Municipal Manager of Vhembe District Municipality in the year under review was Mr Shandu Mulovhedzi. Administration in the year under review was composed of 5 Departments, namely, Administration, Finance , Community Services , Human Resources and technical Services Departments.

CHAPTER TWO: 2005/2006 FINANCIAL YEAR

PERFORMANCE HIGHLIGHTS

1. INTRODUCTION

The 2005/2006 financial year has been characterized by improved service delivery to communities in Vhembe District. The provision of basic municipal services to communities by Vhembe District Municipality, local municipalities, sector departments, other organs of state and parastatals within the district has seen an increase in the number of households having access to basic services such as water, sanitation, electricity, housing, refuse removal and others.

The financial year under review has also seen an increase level in our ability to collect revenue and expenditure patterns and increased financial management capacity.

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The financial year under review has also seen an increase level in our ability to collect revenue and expenditure patterns and increased financial management capacity.

2. PERFORMANCE HIGHLIGHTS FOR 2005/2006 FINANCIAL YEAR

2.1. Service Delivery Backlogs and Analysis

The performance highlights for the 2005/2006 financial year can be outlined as follows:-

2.1.1 2005/2006 Service Backlogs

The Integrated Development Plan (IDP) of Vhembe District Municipality for the 2005/2006 outlined , based on the 2001 stats Census results , the basic services backlogs as follows:

Table 1: Basic Services Backlogs

SERVICE	NO. OF HOUSEHOLDS
Water	111 772
Sanitation	219 049
Electricity	106 719
Housing	6 894
Refuse Removal	245 137

2.1.2. Service Delivery Analysis

Informed by the backlogs in services Vhembe District Municipality's Integrated Development Plan for 2005/2006 financial year has prioritized Water and Sanitation , Electricity , Housing , Roads and Bridges as developmental priority areas for the year .

The District Municipality, Local Municipalities , Sector Departments and other Organs of the state in the District have during the period 2005-2006 played a Pivotal role in the eradication of the backlog in services. To date over **287 000 households have access to water as compared to 173 000 households in 2001**. Access to sanitation services and

electricity by households within the district has also increased .

The impact of investments made by the District municipality and other services providers within the district have quantitatively contributed to the better life for all during the year under review.

However much work still needs to be done in fighting the sanitation and refuse removal backlogs while in the water services backlogs work still needs to be done to improve the service levels in order to be in line with national targets.

2.2. Summary of Performance highlights of the District during the 2005/2006 financial year

The performance of the District in addressing the service backlogs during the 2005/2006 financial year has been as follows per focus area:

2.2.1. INFRASTRUCTURE DEVELOPMENT AND SERVICES HIGHLIGHTS

2.2.1.1 Water Infrastructure and Services Provision

The provision of water services was done through the following focus areas:

Focus area 1: Regional Water Schemes

In the year under review 10 regional water schemes projects were undertaken using own resources amounting to R28 500 000 from the budgeted amount of R31 307 921 from own resources of the municipality.

The projects undertaken through this focus area covers a total of 143 villages composed of 139 659 households and a total of 749 193 people.

Activities undertaken includes construction of reservoirs, refurbishment of boreholes, abstraction sand wells, construction elevated tanks, upgrading pump stations, drilling and electrification of boreholes.

The activities undertaken through the Regional Water Schemes focus area were geared at increasing capacity of bulk water supply systems and further accelerate access of communities to water services on regular basis. Water Demand Management Regional schemes programmes were also implemented in Vondo and Middle Letaba water schemes with the purpose of controlling water demand and conserving the water resource

Focus area 2: Households Water Reticulation

During the 2005/2006 financial year through the Municipal Infrastructure Grant Programme Implementation fourteen water reticulation projects were undertaken amounting to R47 307 394.

The 14 water projects undertaken through this focus area cover a total of 54 508 households .

From the District own financial resources an amount of R7 237 606 was utilized on this focus area to supplement Municipal Infrastructure Grant implementation programme through the

construction of communal standpipes and household water connections.

The purpose of the projects undertaken through this focus area was to increase access to water services and thereby impact on the backlogs in water services through the reduction of such backlogs.

Water Services Authority capacity building activities were also undertaken during the year under review with the purpose of ensuring the development of Vhembe District Municipality as a Water Service Authority.

2.2.1.2 Sewerage Treatment Works and Sanitation

Focus area 3: Sewerage Treatment Works

Vhembe District Municipality as a Water Services Authority has in the year under review engaged in projects amounting to R12 422 739 aimed at ensuring the improvement of the sewerage treatment works capacity. These projects, jointly funded with local municipalities were destined to ensure infrastructure development to cater for the growing settlements in local municipalities.

The treatment works, namely Siloam Oxidation in Makhado and the Thohoyandou Waste treatment works in Thulamela were upgraded while 2 major sewer lines were reticulated during the financial year to cater for growing community needs for these services.

Focus area 4: Household sanitations

During the year under review Vhembe District Municipality has in a bid to reduce the sanitation services backlogs constructed 3 507 households ventilated pit latrines.

This focus area had a budget of R14,9 million. R 2,5 million was received from Department of Water Affairs and Forestry (DWAF) while the balance thereof was sourced from own funds has covered 55 villages in the District.

The District Municipality as a water service authority however still has need to work on alternative methods of sanitation beyond the ventilated pit latrines so as to balance the provision of the sanitation services and the need to preserve and conserve the underground water from contamination .

Focus area 5: Free Basic Water and Drought Relief Interventions

The District Municipality as a Water Services Authority is responsible for the provision of Free Basic Water. In the year under review the Free Basic Water services were expended to the poor households.

The activities undertaken through this focus area included the subsidization of indigent households, tinkering supplies to households without access to water infrastructure , provision of water storage facilities, equipment of boreholes and extension of pipelines to promote access to the water services.

In the year under review Vhembe District Municipality has been able to:

- Supply 1 840 000 liters to free basic water beneficiaries
- Traveled 103 780 320 km through water tankers delivering water to communities
- Diesel pump 257 supplied

- Servicing 737 hand pumps (grease, elements etc)
- Electrified 320 boreholes

The above measures were relief actions intended at provision of infrastructure and promotion of access to water services and particularly free basic water by the poor. The total number of households served through tankering intervention relief measure is 22 458.

The Premier's Emergency Infrastructure had a budget of R17, 709, 105 for the water projects in the Thulamela, Makhado and Mutale local municipalities. The beneficiary villages were the following: Damani, Nzhelele, Mudimeli, Vondo, Kutama Sinthumule, Malamulele, Muhotoni, Mtshenzheni, Vhurivhuri, Green Farm, Twera and Lufhasi.

The total number of households served within the free basic water facility focus area in the financial year under review totals 75 647 .The beneficiaries exclude the number of the intervention efforts done through tankering .

Focus area 6: Electricity Reticulation coordination

6.1 Electricity Reticulation

Vhembe District Municipality operates in an area in which ESKOM, Musina and Makhado Municipalities are currently electricity license holders. Musina and Makhado municipalities are license holders to the former proclaimed towns of Musina and Louis Trichardt towns respectively, while the rural areas comprised of former Venda and Gazankulu homelands are serviced by ESKOM.

The District Municipality in the year under review played a coordination role in this focus area.

In the year under review the performance of Municipal area has been as follows:

Municipality area	No. of households connections
Makhado (Mabayeni, Ndouvhada, Sane A & B , Smokey and Maranikwe	612
Thalami (Dididi, Maphophe, Thukhutha, Mavambe and Tshivhiludulu.	3546
Mutale (Folovhodwe)	750
Musina	0
Total connections	4 908

6.2 Free Basic Electricity

Municipalities in the district has signed Service Level Agreements with ESKOM for the provision of Free Basic electricity during the year under review the total number of beneficiaries with access to free basic electricity per municipal area has been as follows:

Municipality area	No. of Beneficiaries
Makhado	9 823
Thulamela	9 890
Mutale	697
Musina	242
Total Beneficiaries	20 652

6.3 Provision of electricity public infrastructure

During the year under review to supplement efforts of municipalities and Eskom, The Premier's Emergency Infrastructure Fund had a budget of R19,126 800 for Makhado, Thulamela and Mutale local municipalities. The District was charged with the responsibility to coordinate the programme.

Municipality area	No. of Beneficiaries
Makhado (Tshakhuma phase 1 and Mashamba)	1 657
Thulamela (Itsani, Tshisaulu and Pfananani)	1120
Mutale (Ngalavhani/Gwangwatini, Dambale, Masisi and Mataula)	679
Musina	0
Total Beneficiaries	3 456

Focus area 7: Housing Programmes

During the 2005/2006 financial year Vhembe District Municipality played a coordinating role in the delivery of housing. The Department of Local Government and Housing and the local municipalities have delivered houses within the District Municipality as follows:-

Municipality area	No. of houses
Makhado	871
Thulamela	429
Mutale	373

Musina	303
Total of Housing Units	1 976

Focus area 8: Roads and Bridges

In the year under review Vhembe District Municipality has embarked on the roads infrastructure projects categorized as follows with their values:

Category	Kms	Value
Road gravelling	19	R 5,3 million
Tarring Access	3,7	R2,8 million

2.3. ECONOMIC DEVELOPMENT MANAGEMENT AND SERVICES

During the year under review the focus area activities were based on the following:

- ◆ Local Economic Development
- ◆ Job Creation
- ◆ Marketing
- ◆ Monitoring of investments and implementation programmes and their impact on Local Economic Development
- ◆ Provision of capacity Building of Municipalities and other stakeholders

The activities of the focus area during the 2005/2006 financial year were implemented as follows :

- ◆ 948 jobs were created through the Infrastructure development programme. The programmes made significant consideration to ensure that women, youth and people with disabilities were catered for. 533 of the total number of jobs created were reserved and occupied by

women while the youth employed formed 281 employees in the projects under taken.

- ◆ The total investment spent on local businesses amount to R58 million during the 2005/2006 financial year.
- ◆ In line with the Preferential Procurement Policy of the Municipality 19 companies were commissioned for the work in Municipal capital projects during the financial year. 69.41% of these companies were classified as composed of the Historically Disadvantaged Individuals while 30.59 % fell outside this category.
- ◆ The financial year under review also saw the consolidation in job creation activities started under the Community Based Public Works Programme. The Lwamondo and Budeli Clusters of job creation projects have started to operate. The Itsani Main Services has in the 2005/2006 financial year gone into the last stages of construction and the completion will be in the 2006/2007 financial year when the last phase of construction is undertaken.

2.4. SOCIAL DEVELOPMENT AND COMMUNITY SERVICES HIGHLIGHTS

The Social development and community services cluster during the 2005/2006 financial year has performed its activities within the following focus areas:

Focus Area 1: Fire and Rescue Services

The focus area activities in the year under review centred on inspections of fire hydrants , awareness campaigns , trainings of publics on safety and fire prevention , fire fighting responses , Rescue responses and special services such as Hazmat incidents , Bees control , pits rescue and special events coverage.

During the year under review the Fire and Rescue services focus area performed as follows :

- ◆ 266 Fire fighting Services
- ◆ 694 Rescue Services
- ◆ 139 special services
- ◆ 143 Fire inspections
- ◆ 35 Building Plans
- ◆ 3 Occupancy certificate
- ◆ 117 Awareness campaigns whereby 13 100 community members benefited
- ◆ 584 community members were trained on community fire

Focus Area 2 : Disaster Management Services

The District Municipality together with Local Municipalities in Vhembe District share responsibilities over disaster management services. In year under review the activities within the Disaster Management focus area were the following :

- ◆ Awareness campaigns
- ◆ Capacity building for communities , officials and councilors
- ◆ Relief Intervention on disasters
- ◆ Safety campaigns
- ◆ Disaster Management Planning

During 2005/2006 financial year the focus area performed the following :

- ◆ 5 centers established during the festive Ester operations
- ◆ 2 Disaster management capacity building workshop
- ◆ 410 food parcels were distributed as disaster relief whereas 20 tents and 10 blankets were distributed as relief to households affected by disasters in the District.

- ◆ 07 Disaster Management Planning meetings were held
- ◆ 1 Disaster Management Plan compiled

Focus Area 3 : Municipal Health Services

The focus area activities during the 2005/06 financial year centred on the following:

- ◆ Environmental planning and management
- ◆ Establishment, coordination and management of HIV/AIDS information centres
- ◆ Coordination of nutrition and poverty alleviation intervention projects
- ◆ Establishment and management of District Health Council
- ◆ Provision of community services such as fencing of graveyards and cemeteries

In the year under review the focus area led to the following:

- Establishment of a waste dumping site at Malamulele

Focus Area 4 : Special Programmes

The focus area activities are the following:

- ◆ Gender issues
- ◆ People with disabilities
- ◆ Aged and Senior Citizen
- ◆ Youth and children
- ◆ Moral regeneration

The focus area led to the establishment of the following within the district:

- 4 workshops and Camps were conducted
- 2 Road shows on moral charter were conducted

Focus Area 5 : Transport

The activities within the transport focus area were directed at the following:

- Planning of passenger transport system
- Re-launching of local transport focus
- Promotion of transport public safety and awareness

The focus area conducted the following activities in the year under review:

- 1 DOTY competition conducted
- 5 campaigns conducted
- Coordinated District Public Transport Forum
- Review of Public Transport Plans

Focus Area 6 : Sports, Arts and Culture

The focus area is directed at coordination of sports, arts and cultural activities. In the year under review the focus area performed the following together with the Department of Sports, Arts and Culture:

- Hosting National Dance sport championship
- Hosting Provincial Basketball championship
- Hosting District Indegenous food festival
- O.R. Tambo games preparation

Focus Area 7 : Education

The focus area activities were aimed at promotion of the culture of learning and teaching within the district and together with the Department of Education, the following developments were performed in the district:

- 70 delegates from local municipalities attended the capacity building workshops
- 100 delegates trained as Special Olympics Coaches

Focus Area 8 : Safety and Security

The focus area focused on coordination of interventions to prevent and combat crime jointly with the South African Police Services.

During the year under review the focus area had the following activities:

- Workshops to community members on crime prevention
- Organization of youth in activities to combat crime
- Crime prevention awareness campaigns

2.4. INSTITUTIONAL SUPPORT: ADMINISTRATION, FINANCE AND HUMAN SERVICES

Focus Area 1 : Administration

The focuses are in the year under review focused on the following:

- Provision of secretariat function to Council
- Provision of support services to Councillors
- Provision of registry and filing systems
- Property and asset management
- Fleet management services
- Public Participation
- Communication and legal services
- Coordination of Intergovernmental Relations

During the year under review, the focus area was able to –

- Ensure administrative support to Mayoral Committee and Council meetings
- Coordination of 10 District Mayors Forum meeting
- Coordination of 9 District Geographical Names Committee meetings
- Provided support services to institutional functionaries and structures
- Held 8 District Communicators Forum and formulated District Communication Strategy

Focus Area 3 : Finance and Budget Services

The focus area activities during the 2005/2006 financial year centred on the following:

- Revenue collection
- Budget
- Implementation of Financial Reforms
- Expenditure

During the year under review, the focus area performed as follows:

- Revenue collection has increased without the municipality has met the credit policy targets as planned
- Budget – The focus area has ensured that the Budget reforms are implemented and budgetary process is consultative in nature and ensure internal controls
- Implementation of MFMA financial reforms, the municipality has been able to implement the MFMA in its totality
- Expenditure – The expenditure patterns in the municipality has increased to **56%** of the budget in the year under review

Focus Area 3 : Human Resource Management and Development

The focus are activities in the year under review were:

- Capacity building and skills development
- Recruitment, selection, placement and retention
- Employment Equity and transformation
- Performance Management System and Service standards
- Implementation of Collective Agreements

The activities for focus are in the financial year were performed as follows:

- Reviewal of the organizational structure to attend to issues flowing from the transfer of the Water Services , Municipal Health Services and the new establishment expectations informed by the MFMA
- Review of Key Performance Areas , development of work plans and training of Management on electronic systems
- Development of Service standards and implementation thereof.
- Development of Work place skills Plans and implementation thereof.
- Formation of partnerships with Sector Education and Training Authority (SETA) and University of Venda for funding of learnerships on Local Economic Development.
- Organizational Development and recruitment .
- Conditions of Services and collective agreements implementation led to the development and review of Human Resource policies and approval thereof by Council and implementation thereof.
- Labour relations workplace implementation led to Establishment of the Local Labour Forum and induction workshops thereof
- Employment Equity work force analysis and development of workforce profile and the Municipality still has work to be done on the setting of employment equity targets and their implementation thereof.

**FOCUS AREA 4 : INTERGRATED DEVELOPMENT PLANNING (IDP) and
PLANNING IMPLEMENTATION MANAGEMENT SUPPORT (PIMMS)
CENTRE**

The focus area activities in the year under review were directed to 4 areas:

- Integrated Development Planning
- Performance Management Systems Monitoring and Support
- Capacity Building Programs
- Intergovernmental Relations planning alignment

The performance of the focus area in the year under review has been as follows :

- The IDP for 2005/2006 was reviewed
- Provision of support to the District and Local Municipalities in planning and performance management implementation
- Offering support to capacity building programmes for councilors, municipal officials and other stakeholders in Integrated Development Planning
- Strengthening alignment of IDPs of the District and Local Municipalities with the Provincial Growth and Development Strategy and the National Spatial Development Programme

**CHAPTER 3 : HUMAN RESOURCES AND OTHER ORGANISATIONAL
ISSUES**

3.1.3 OVERVIEW

During the year under review Vhembe District Municipality had the following components ; Council , Governance and Administration.

3.1.3 Council

The legislative and executive authority of the municipality reside in council headed by the Speaker. In the year under review the Council was headed by Councilor S. Sibiya as the Speaker. Council was composed of 43 Councilors.

3.1.3 Governance

The governance component of the municipality resides with the Executive Mayor assisted by the Mayoral Committee. During the 2005/2006 financial year the Executive Mayor of Vhembe District Municipality was councilor S.E. Moeti. Executive Mayor Councilor I Mutsila succeeded in the current term of the council. The Executive Mayor was assisted by 9 Members of the Mayoral Committee each heading a portfolio of responsibilities as follows:

- Administration : Cllr. L. Mabija
- Finance : Cllr . Ahmed Omar
- Technical Services : Cllr . R. R. Ngobeni
- Health Services : Cllr. G. Mashaba
- Disaster Management , Safety and Security : Cllr . S.E. Makhumisane
- Electricity , Water and Sanitation Services : Cllr . F.P.I. Mdaka
- Transport ,Agriculture , Land and Economic Development : Cllr. C. Leshiba
- Human Resource Management and Development : Cllr. R.L. Mulaudzi

3.1.3 ADMINISTRATION

The administrative component of the municipality is headed by the Municipal Manager as an accounting officer and head of Administration. The Municipal Manager of Vhembe District Municipality in the year under review was Mr. Shandu Mulovhedzi. Administration in the year under review was composed of 5 Departments, namely, Administration, Finance, Community Services, Human Resources and Technical Services Departments.

Table : ORGANISATIONAL STRUCTURE OF Vhembe District Municipality



3.1.3.1. STAFFING INFORMATION FOR 2005/2006 FINACIAL YEAR

The Staffing information in Vhembe District Municipality for the 2005/2006 financial year in Vhembe District Municipality was as follows:

3.1.3.1.1. TOTAL NUMBER OF STAFF

The total number of staff establishment in Vhembe District Municipality during the year under review was as follows :

FUNCTION	TOTAL POSTS	FILLED POSTS	VACANCIES
ADMINISTRATION	44	30	14
COMMUNITY SERVICES	73	48	25

FINANCE	31	23	8
HUMAN RESOURCES	10	06	4
TECHNICAL SERVICES	31	10	21
TOTAL	189	117	72

Table 3.1. Total Staff Establishment

**STAFFING INFORMATION:
POSTS BUDGETED FOR FILLING DURING THE 2005/2006 FINANCIAL YEAR**

DEPARTMENT/ OFFICE	NUMBER OF POSTS	FILLED POSTS	VACANCIES	RESIGNATIONS
Office of the Mayor	2	-	2	-
Office of the Municipal Manager	2	1	1	-
Finance	5	3	2	2
Human Resources	3	1	2	-
Administration	1	-	1	-
Technical Service	2	2	-	-
Community Services	43	34	9	1
TOTAL	58	41	17	3

EMPLOYMENT EQUITY STATISTICS PER OCCUPATIONAL CATEGORY BY JUNE 2006

Occupational category	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Senior officials and Managers	21				5				26

Professionals	2				2				4
Technicians and associate professionals	11				5				16
Clerks	13				21				34
Service & sales workers	42			1	13				56
Elementary occupations	5				10				15
TOTAL	94			1	56				151

SKILLS DEVELOPMENT PROGRAMMES

The table below reflects training programmes implemented during the year under review in line with the Workplace Skills Plan.

PROGRAMME	NO OF PEOPLE TRAINED	SERVICE PROVIDER	ACCREDITATION
Skills programme for Personal Assistants	2	LE-MARK COMMUNICATION	NQF Level 5 Certificates
Electronic Payroll system operation	2	PAYDAY	Certificate of competence
Electronic HR system operation	1	PAYDAY	Certificate of competence
Fire prevention and Safety	2	Fire protection Association of SA	Certificate of competence
Firefighter 1 & 2	13	Fire Raiders	NQF Level 5 Certificates
Hazmat Awareness and Operations	10	Fire Raiders	NQF Level 5 Certificates
Cash Management and Bank Reconciliation	5	IMFO	
Professional Certificate in CIO	1	WITS Business School	Certificate of competence
TOTAL: R642 052.03			

LABOUR DISPUTES , DISCIPLINARY CASES AND GRIVENCES

<u>CATEGORY</u>	<u>RECEIVED/ INSTITUTED</u>	<u>RESOLVED</u>	<u>OUTSTANDING</u>

<u>DISCIPLINARY CASES</u>	1	1	0
<u>GRIEVANCES</u>	2	2	0
<u>LABOUR DISPUTES</u>	1	1	0

MEDICAL AID SCHEMES

This table represents the number of employees who participated in accredited medical schemes during the year under review.

NAME OF SCHEME	BONITAS	GLOBAL HEALTH	HOSMED	SAMWUMED	MUNIMED
Number of members	29	5	28	1	24

PENSION FUND

This table represents the number of employees who participated in accredited Pension Funds in the year under review.

Name of Pension Fund	Municipal Gratuity Fund	SAMWU National Pension Fund	Municipal Employee Pension fund	National Fund for Municipal Workers	Joint Municipal Pension Fund	Municipal Councillors Pension Fund	
Number of Members	107	2	43	2	30 2%	1	12

ARREARS OWED TO THE MUNICIPALITY BY COUNCILLORS AND SENIOR OFFICIALS

	30 DAYS +	60 DAYS +	90 DAYS +
COUNCILLORS	0	0	0
SENIOR OFFICIALS	0	0	0

3.1.3.1.2. EMPLOYMENT EQUITY STATUS AND PROGRAMMES

- The above table illustrates the status of employment equity in the municipality per occupational category based on the gender split in the year under review. The Municipality has work to do in ensuring equity at senior and middle management. In the year under review programmes were undertaken to reverse the imbalances and assessment on the impact of these will have to be carried during subsequent years.

3.1.3.2. TRENDS ON TOTAL PERSONNEL EXPENDITURE FROM 2002 TO 2004

The following table represents personnel expenditure trends within the municipality and analysis reveal an incremental trend on personnel expenditure resulting from the accelerated process of filling of vacancies :

FINANCIAL YEAR	BUDGET R 000	EXPENDITURE R 000	VARIANCE %
2002/3	21 293	8 429	60%
2003/4	41 000	18 000	55%
2004/5	39 312	23 677	40%

3.1.3.3. MEDICAL AID

The following table discloses medical schemes to which employees and the number of employees were participating :

NAME OF SCHEME	BONITAS	HOSMED	SAMWUMED	MUNIMED
Number of members on scheme	28	10	1	16

3.1.3.4. PENSION FUND

The following table discloses pension funds to which employees were participating the number of members per each fund :

NAME OF PENSION FUND	MUNICIPAL GRATUITY FUND	SAMWU NATIONAL PENSION FUND	MUNICIPAL EMPLOYEE PENSION FUND	NATIONAL FUND FOR MUNICIPAL WORKERS	JOINT MUNICIPAL PENSION FUND
Number of employees	74	2	31	3	1

3.1.3.5. SKILLS DEVELOPMENT PROGRAMMES

During the year under review the municipality conducted the skills audit and the skills gaps were identified leading to participation in the following skills focus by the municipality employees as hereunder reflected :

PROGRAMME	NO OF PEOPLE TRAINED
1. Sustainable Safety	2
2. Disaster Management	1
3. Fire and Rescue	6
4. Fire Fighter One and Two	7
5. Safety Africa	1
6. Conflict Management	1
7. Project Management	5
8. Change Management	1
9. Communication Management	1
10. Strategic Planning and Leadership	1
11. Advance Fire Protection	1
12. Fire Services Instructor One	5
13. Disaster and Development	2
14. Our People, Our World	2
TOTAL	R245 249.99

The total expenditure for the programmes amounts to R 245 249

3.1.3.6. ARREARS OWED TO THE MUNICIPALITY BY COUNCILLORS AND SENIOR OFFICIALS

	30 DAYS +	60 DAYS +	90 DAYS +
COUNCILLORS	0	0	0
SENIOR	0	0	0

OFFICIALS			
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During the year under review as illustrated in the table above no councilor nor senior official was in arrears in respect to municipal services.

3.1.3.7. RESIGNATIONS

In the year under review the municipality has had three resignations from officials.

3.1.3.8. LABOUR DISPUTES , DISCIPLINARY CASES AND GRIVIENCES

<u>CATEGORY</u>	<u>RECEIVED/INSTITUTED</u>	<u>RESOLVED</u>	<u>OUTSTANDING</u>
<u>DISCIPLINARY CASES</u>	0	0	0
<u>GRIVIENCES</u>	5	4	1
<u>LABOUR LEGAL DISPUTES</u>	1	1	0

CHAPTER 4 : AUDITED FINANCIAL STATEMENTS AND OTHER RELATED INFORMATION

4.1. REPORT OF THE CHIEF FINANCIAL OFFICER

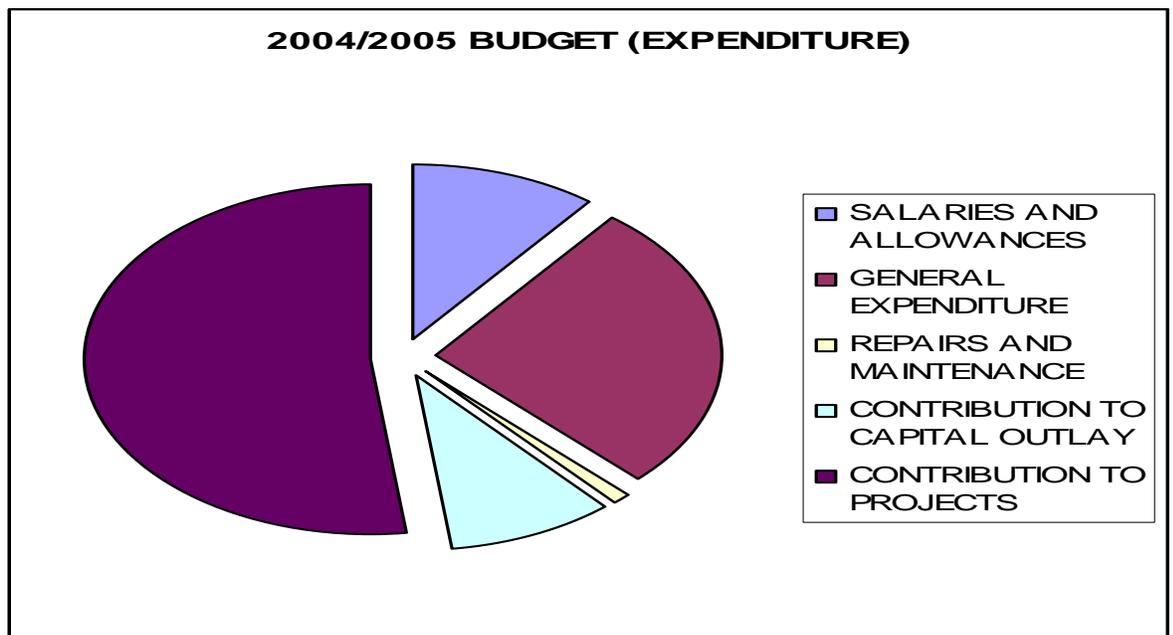
4.1.1. Introduction

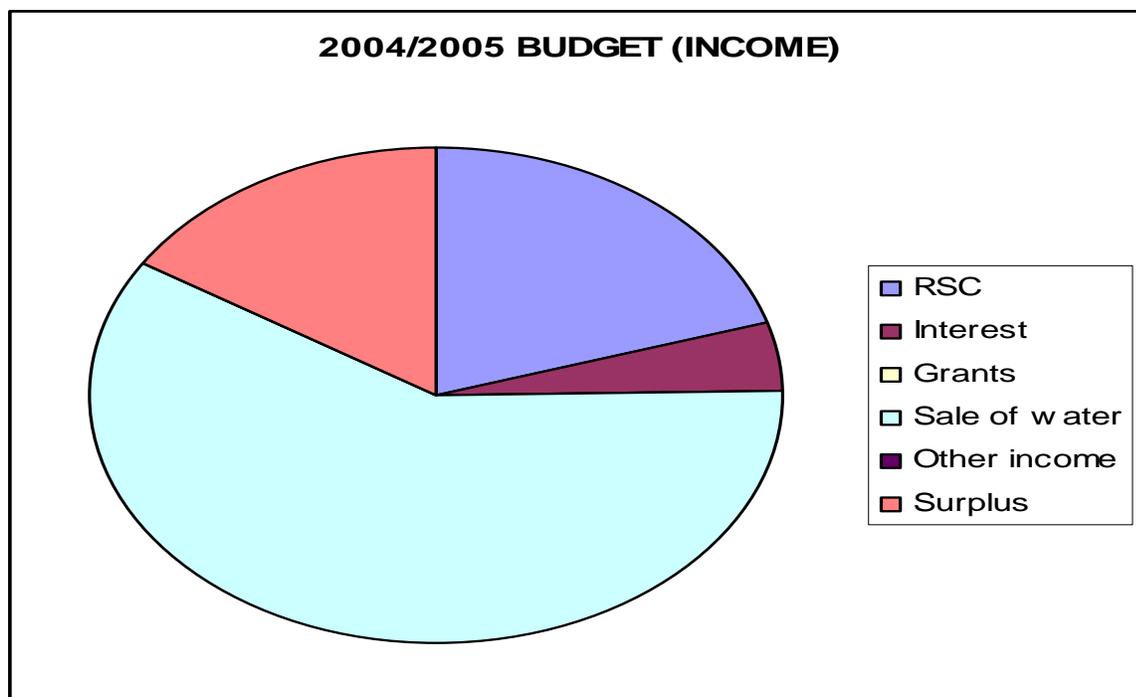
Vhembe District Municipality has been growing since its inception. All components of the Municipality were fully established where human capital and resources were put into place. The District Municipality has been able to identify its key priorities through the IDP process where the IDP and the budget were aligned to address the priorities. Public Participation was also encouraged through participation in IDP forums at District and Local level. The Municipal Finance Management Act (MFMA) was also implemented during the financial

year, where financial policies and procedures were reviewed to be in line with the Act.

4.1.2. Approved Budget

Council approved an operating budget of R135.2 million and capital budget of R230.2 million for the 2004/2005 financial year. The council incurred actual expenditure of R130.7 million in terms of operating requirements and R111.7million on capital expenditure.





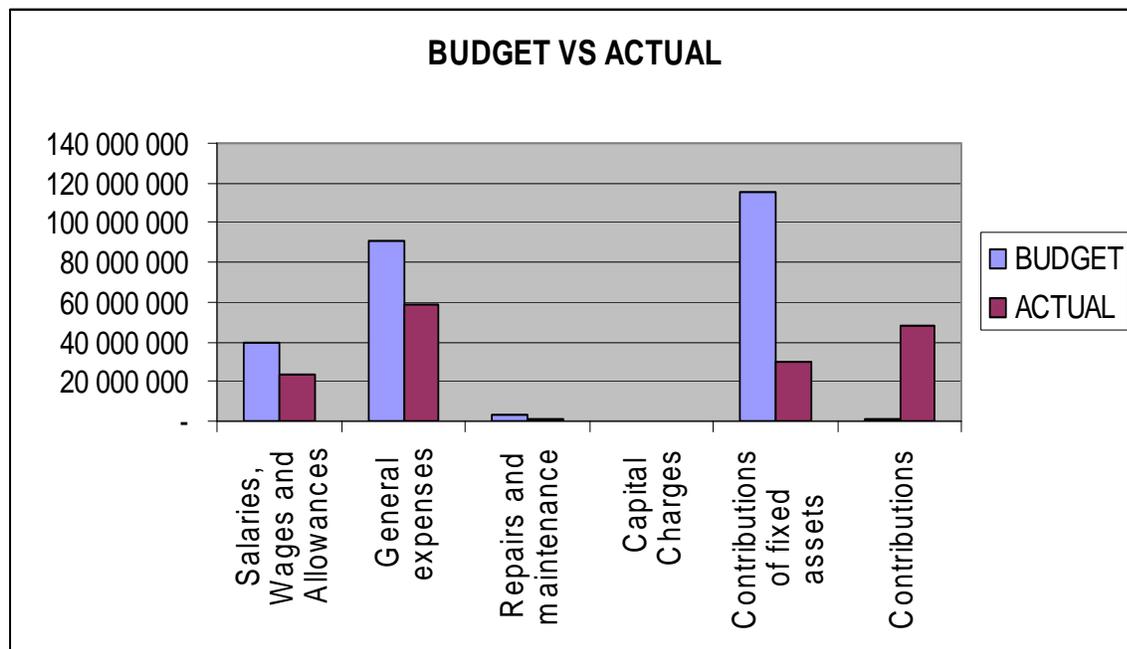
4.1.3 Operating Results.

Operating income for the current year has increased from R36 082 730 in the previous year to R134 879 503 in the current year. This represents and 273% increase. RSC levies increased from R21 140 378 in the previous year to R33 435 680 in the current year. This is a 58% increase. This is an indication of improvement in the Municipality to collect revenue.

Table of operating results:

Income	Actual		Variance	Budget	
	2004	2005		2004/5 %	2005
Opening Surplus	26 761 373	79 233 507			
Operating income	134 879 504	169 061 180	25	250 288 200	(48)
Closing deficit	-	-		-	
	161 640 877	248 294 687		250 288 200	
EXPENDITURE					
Opening Deficit	-	11 460 083			
Operating expenditure	82 407 369	160 874 731	95	250 288 200	(56)

Sundry transfers	-	-		-	
Closing surplus	79 233 507	75 959 872	(4)	-	
	161 640 877	248 294 687		250 288 200	



4.1.4. Capital Expenditure

Capital expenditure in the current year amounted to R29 744 091, whilst it was R2 509 429 in the previous year. An amount of R28 415 874 was expended on community projects. These projects go a long way in improvement of lives of the people as well as poverty alleviation. These projects were financed from the internal sources and grants (e.g. MIG)

4.1.5 External loans, investments and cash

An external loan was obtained during the 2001/2002 financial year; during the current year redemption amounting to R90 253 was effected with a balance of R65 132 repayable during the next financial year.

At the end of the financial year R35 734 420 was invested on a short term basis.

At the end of the financial year interest of R 6 835 865 was earned.

At 30 June 2005, cash at bank amounted to R 102 125 769.

4.1.6. Funds, reserves and provisions

At 30 June 2005, the balance in the trust fund account was R36 272 372. An amount R105 255 035 was received in the 2004/2005 financial year. An amount of R 81 990 195 was utilized in capital projects. At year end, the balance in the account was R 59 537 212 and it represents retentions and other projects that are in progress.

4.1.7. Appreciation

My appreciation goes to the Executive Mayor, the Speaker Councilors, the Municipal Manager, Heads of Departments and the staff for their support and cooperation received during the year.

I wish to convey a special word of appreciation to all the staff members who assisted me during the compilation of the financial statements for their dedication and hard work, as well as to all the staff in the Finance department for their full support and dedication in all the operations of the Municipality.

Ramathlape L

4.2. AUDITED FINANCIAL STATEMENTS : 2004/2005 FINANCIAL YEAR

4.2. 2004/2005 AUDITOR-GENERALS REPORT



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

6

REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL ON PERFORMANCE MEASUREMENT AT VHEMBE DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2005

1. ASSIGNMENT

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

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

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

2. AUDIT OF RESULTS OF PERFORMANCE MEASUREMENT

2.1 Nature and scope

The audit of the legislative control regarding the municipality's performance management system embraces the standards for assurance engagements recommended by the South African Institute of Chartered Accountants.

I assessed the controls implemented by municipal management regarding the municipality's performance management system against the criteria included in Chapter 6 of the Municipal Systems Act, Act 32 of 2000, as well as the Local Government Municipal Planning and Performance Management Regulations, 2001 (No. R 796)

For this audit no opinion will be expressed on the fair presentation or accuracy of the results of performance measurements.

3. AUDIT OPINION

In my opinion, the financial statements fairly present, in all material respects, the financial position of the Vhembe District Municipality at 30 June 2005 and the results of its operation and cash flows for the year then ended, in accordance with the Institute of Municipal Financial Officers (IMFO) in its Code of Accounting Practice (1997) and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

4 EMPHASIS OF MATTER

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

4.1 Unauthorised Expenditure

4.1.1 Contract amount exceeded

No council resolution to approve an over expenditure on project amounting to R1 115 322, could be provided for audit purposes. This was as a result of lack of proper monitoring of projects.

4.2 Non-compliance with laws

4.2.1 None Contribution to CDF

No minimum contribution of 1 percent of the defined income of a local authority for the immediately preceding financial year was made by Vhembe District Municipality to the Capital Development Fund during the year ended 30 June 2005. Vhembe District Municipality's Accounting Policy number 5.1 and Ordinance No 9 of 1978 were not adhered to.

4.3 Weakness in internal control system

4.3.1 Amount budgeted for projects but not spent

A total amount of R10 498150 budgeted for some projects in 2004/2005 financial year was not utilised and no proper explanation could be provided. This was as a result of poor project management or lack of capacity.

4.3.2 Mayor's Discretionary fund

An amount totaling R56 941 was spent by the Mayor from Discretionary Fund during the financial year, which is no longer applicable in terms Municipal Finance Management Act 2003.

4.3.4 Cash and Bank do not reconcile to financial statements

The closing balance of bank and bank as at 30 June 2005 was shown in the financial statements as R102 958 590 whereas the closing reconciling statements showed R102 970 183, resulting in a difference of R11 593. This was as a result of lacking proper framework for performing independent reconciliations and checks.

4.3.5 No interest was earned on Statutory funds and Reserves

An amount totaling R1 086 139, being Capital Development funds and Reserves, did not earn any interest during the year under review. This was caused by improper accounting system or lack of skills.

5. APPRECIATION

The assistance rendered by the staff Vhembe District Municipality during the assignment is sincerely appreciated.

NA Dzuguda
for Auditor-General



Polokwane
25 November 2005

4.3 MANAGEMENT RESPONSES TO AUDIT FINDINGS AND CORRECTIVE MEASURES

1. NON –COMPLIANCE TO LAWS

AUDIT FINDING : Non –contribution to capital development fund

Management Response :

Corrective Measures :

2. WEAKNESSES IN INTERNAL CONTROLS

AUDIT FINDINGS :

4.3.1. Amount budgeted for not spent

Management Response :

Corrective Measures :

4.3.2. Mayor ‘Discretionary Fund

Management Response :

Corrective Measures :

4.3.3. Cash and Bank do not reconcile to financial statements

Management Response :

Corrective Measures :

4.3.4. No interests earned on statutory funds and reserves

Management Response :

Corrective Measures :