



vision and mission

## VISION

A District Municipality Striving to Excel in Good Governance and Quality Infrastructure.

## MISSION

Ensuring a better life for all in the district through:

- » Municipal Infrastructure Development
- » Economic and Tourism Promotion
- » Functioning Ward Committee System
- » Community & Stakeholder Participation
- » Efficient Systems and Administration
- » Human Development
- » **Corporate Values**
- » Customer Focus
- » Accountability
- » Responsiveness
- » Excellence
- » Service Oriented

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## Acronyms and Abbreviations

|        |   |
|--------|---|
| AIDS   | Advanced Immune Deficiency Syndrome               |
| BBBEE  | Broad-based Black Economic Empowerment            |
| CBPWP  | Community Based Public Works Programme            |
| CFO    | Chief Financial Officer                           |
| DWAF   | Department of Water Affairs & Forestry            |
| EPWP   | Extended Public Works Programme                   |
| FMG    | Financial Management Grant                        |
| GAAP   | Generally Accepted Accounting Practices           |
| GAMAP  | Generally Accepted Municipal Accounting Practices |
| GDS    | Growth and Development Strategy                   |
| GIS    | Geographic Information System                     |
| GPS    | Global Positioning System                         |
| GRAP   | Generally Recognised Accounting Practices         |
| GSDM   | Gert Sibande District Municipality                |
| HAST   | HIV & Aids  |
| HAZMAT | Hazardous Material                                |
| HDI    | Human Development Index                           |
| HIV    | Human immune-deficiency virus                     |
| HR     | Human Resources                                   |
| HRM    | Human Resource Management                         |
| IAS    | International Accounting Systems                  |
| ICT    | Information Communications Technology             |
| IDP    | Integrated Development Plan                       |
| IGR    | Integovernmental Relations                        |
| LED    | Local Economic Development                        |
| LG     | Local Government                                  |
| LM     | Local Municipality                                |
| MFMA   | Municipal Finance Management Act                  |
| MIG    | Municipality Infrastructure Grant                 |
| MIS    | Management Information System                     |
| MM     | Municipal Manager                                 |
| MPCC   | Multi-Purpose Community Centre                    |
| MSIG   | Municipal Systems Improvement Grant               |
| OHS    | Occupational Health & Safety                      |
| PPE    | Property, Plant & Equipment                       |
| SA     | South Africa                                      |
| SAICA  | SA Institute of Chartered Accountants             |
| SALGA  | South African Local Government Association        |
| SARS   | South African Revenue Services                    |
| Seta   | Sector Education & Training Authority             |
| SMME   | small, medium and micro enterprise                |
| WSDP   | Work Skills Development Programme                 |
| UIF    | Unemployment Insurance Fund                       |
| VAT    | Value Added Tax                                   |





## Executive Mayor's Foreword

**M**y fellow citizens, I am deeply honoured and humbled to present this Annual Report for the 2007/2008 financial year which is the culmination of the hard work and total commitment of the collective political and administrative leadership of our Council.

The year under review has indeed been very challenging. Over and above the remaining challenges pertaining to service backlogs, we had to contend with serious natural disasters in the form of storms at Bethal, where a large number of houses and school buildings were damaged, and fires at Piet Retief and Volksrust where livestock and one life was lost. These disasters placed an added strain on our infrastructure. We therefore would like to thank all our people for rallying behind us during these trying times. Indeed, this vindicates our strongly held belief that in GSDM we exist as one family, which is vibrant, developmental, and united in its diversity.

Despite these notable setbacks, we pride ourselves for once again posting great results in terms of our business. We managed to once more receive an unqualified Audit Report. However, the fact that none of our seven constituent local municipalities joined us in achieving this important audit opinion, leaves a sour taste in the proclamation of our

success. Nevertheless we are grateful for our success and the endeavour made by some of the local municipalities to improve their status in subsequent years. It shall remain our foremost priority to support all our constituent local municipalities to address all the audit issues highlighted therein, as we strive for sound and good collective governance within our jurisdictional area.

The delivery of basic services (water and sanitation) and aggressively tackling the historic backlogs remains our core business. We will therefore continue to take bold new steps to accelerate delivery, as we get closer to meeting the national targets and ultimately the Millennium Development Goals in improving the quality of lives of our populace.

This Annual Report contains the highlights of the work we produced in the period under review. Indeed notwithstanding our collective achievements in creating socioeconomic opportunities, harnessing provision of scarce and critical skills, upgrading our infrastructure and bringing water and sanitation to our people, amongst other things, a lot more work still needs to be done going forward.

I must accordingly place on record my sincere appreciation to my fellow councillors, our officials and staff, our social partners and of course our community at large, for their co-operation and insightful participation to achieve what has been done.

Tapping into the future, we move from the premise that our yesterday was entangled with the enormous challenges of underdevelopment, unemployment, inequality and poverty. Today has afforded us an opportunity to embrace our success, whilst equipping us with best skills to ably respond to emanating challenges. It is against this backdrop we can boldly pronounce that the future will be even brighter for our entire district.

Yours Sincerely



Clr A M GAMEDE  
*Executive Mayor*



## Municipal Manager's Foreword

**W**hen one engages in assembling a report on the annual activities of an organisation, the challenge that one may be faced with is that of ensuring that all areas of performance and activities are covered within the publication. Gert Sibande District Municipality may run out of space to boldly display all the projects and all the achievements made throughout the year but not the work done as such. We have made it a good habit to remind ourselves that our vision is that of 'Striving to excel in good governance and quality infrastructure'. 'Imisebenzi iyabonakala'! With that vision in mind, we align all our projects and activities so that the results are of good quality and that our services to the community are sustainable. This is one of the reasons we present this report with an Unqualified Audit Opinion by the Auditor General. Had it not been for the strong political leadership, the management and the entire administration team, our performance would not have been of such a high standard.

We have put measures in place to ensure that the local municipalities are assisted in terms of performance especially in terms of financial viability which is one of the national Key Performance Areas. Committees such as the Shared Services Audit Committee have been established to deal with issues of Financial Audit Reports and all other financial challenges that the local municipalities are faced with.

Skills development is another area that Gert Sibande District Municipality has dedicated itself to improving. Up to date 74 students have been assisted through bursary funding in various fields of study. This number does not include students that have/are being assisted through contractors

Skills development  
is another area that  
Gert Sibande District  
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itself to improving.

and consultants that were approached by the district. We also appreciate our partnerships with both the governmental and non-governmental sectors which contributed massively to our achievements. We will not forget to mention that our public consultations and participation assisted in improving our services and making clear needs analysis of our community. Nevertheless we do not overlook room for more improvements and we appreciate that as we enter into the new financial year, we will have yet another chance to work harder and smarter.

A special thanks to the Executive Mayor Alderman A.M Gamede and his entire Executive Committee. Serving under his visionary leadership has been an honour and an insightful journey. Our vision remains in the same direction and our community can still expect our persistent excellence in good governance and quality infrastructure.



**MBULELENI A. NGCOBO,**

*Pr. Tech. Eng, MSAICE, MIMESA, FMWISA, MIPET*

**Municipal Manager**



## Municipal Council



**Alderman Andries M Gamede**  
*Executive Mayor*



**Clr S. Nkonyane**  
*Economic Development  
and Tourism*



**Clr B.G. Kubheka**  
*Corporate and Education*



**Clr Z. Ngwenya**  
*Technical Infrastructure*



**Clr B Sikhonde**  
*Health and Social Services*



**Clr D. Shongwe**  
*Land and Agriculture*



**Flora Maboja-Boltman**  
*District Madam Speaker*

PIC TO COME

**Banele Shabangu**  
*Chief Whip*





## Municipal Administration



**Mbuleleni A. Ngcobo**  
*Municipal Manager*



**Mr. Anil Singh**  
*Chief Financial Officer*



**Mr Johan du Plooy**  
*Executive Director Technical Infrastructure*



**Edy Ngwenya**  
*Executive Director Intergovernmental Relations*



### CHAPTER ONE

# Overview of the Municipality







## Geographic Location

The Gert Sibande District Municipality is bordered by Ekurhuleni Metro to the west and Sedibeng District Municipality to the south-west, both in Gauteng Province, Ehlanzeni District Municipality to the north-east and Nkangala District Municipality to the north, both in Mpumalanga Province, Amajuba District Municipality in KwaZulu-Natal Province to the south-east, and Swaziland to the east.

Spatially Gert Sibande District Municipality (GSDM) is the largest of the three Districts in Mpumalanga Province at 31,846km<sup>2</sup>, covering 40% of the Mpumalanga Province land mass.

The District is made of seven (7) constituent Local Municipalities, viz: Albert Luthuli, Govan Mbeki, Dipaleseng, Lekwa, Mkhondo, Msukaligwa and Pixley Ka Seme. This is the highest number of Local Municipalities within one District in the Province. The spatial size and main Administration Offices of these Municipalities are depicted in Table 1 below.

| Table 1: Local Municipalities Main Administration Offices |                     |                     |                         |  |
|---|---------------------|---------------------|-------------------------|--|
| Local Municipality  | Main Admin Location | Central Place Index | Area (km <sup>2</sup> ) | Average Density (Persons/km <sup>2</sup> ) |
| Albert Luthuli  | Carolina            | 1.03                | 5,572.79                | 33.62                                      |
| Dipaleseng  | Balfour             | 1.20                | 6,016.51                | 20.74                                      |
| Lekwa   | Standerton          | 2.98                | 4,868.15                | 29.35                                      |
| Msukaligwa  | Ermelo              | 3.60                | 5,227.98                | 15.44                                      |
| Mkhondo   | Piet Retief         | 2.15                | 4,586.19                | 22.51                                      |
| Pixley Ka Seme  | Volksrust           | 1.29                | 2,515.28                | 14.77                                      |
| Govan Mbeki   | Secunda             | 3.08                | 2,958.97                | 79.94                                      |
| <b>TOTAL</b>  |                     |                     | <b>31,845.87</b>        | <b>28.26</b>                               |

## District Population Dynamics

The Provincial mid-year population estimates for 2006 by Statistics South Africa was 3,508,000 for Mpumalanga Province. The population for the GSDM area therefore accounts for 25,63% of the total population of the Province; the Nkangala District area for 29,09%, and the Ehlanzeni District for the remaining 45,28%. Throughout the Gert Sibande District more than half of the population (52,76%) and nearly two thirds of the households (62,04%) reside in urbanised areas.

An interesting fact to note is that nearly a third of the households (29,67%) reside on farmland, which increases pressure on local municipalities to provide services upon reaching agreements with farm owners, which has also proven to be a daunting task in most areas across the country. People residing in rural areas more often do not have ownership where they reside, which in turn disqualifies them from housing subsidies and proper services. A proper study and strategy for formalising rural settlements is therefore needed within the GSDM, area.

The District is home to 985,632 people who constitute 25% of the Mpumalanga Province total population, with an average population density of 30.12 people per km<sup>2</sup>. The

average annual population growth rate since 2001 to 2007 for the District is 1.6%. The District's population distribution per Local Municipality is depicted in Table 2 below.

| Table 2: Population and Household Growth |                |                |                       |             |                   |                   |                       |             |
|--|----------------|----------------|-----------------------|-------------|-------------------|-------------------|-----------------------|-------------|
| Municipality                             | Population     |                |                       |             | Households (HH)   |                   |                       |             |
|  | Oct 2001       | Apr 2007       | Current Annual Growth | Communities | Oct 2001          | Apr 2007          | Current Annual Growth | HH density  |
| Albert Luthuli                           | 187,937        | 201,861        | 0.56                  | 44          | 41,651.00         | 44,741.00         | 0.52                  | 4.51        |
| Dipaleseng                               | 38,614         | 41,150         | 0.62                  | 6           | 9,937.00          | 10,590.00         | 0.53                  | 3.89        |
| Govan Mbeki                              | 221,743        | 239,395        | 0.53                  | 27          | 64,796.00         | 69,954.00         | 0.50                  | 3.43        |
| Lekwa                                    | 103,266        | 113,285        | 0.60                  | 11          | 26,460.00         | 29,025.00         | 0.55                  | 3.90        |
| Mkhondo                                  | 142,894        | 163,456        | 0.63                  | 17          | 29,252.00         | 33,461.00         | 0.85                  | 4.89        |
| Msukaligwa                               | 124,813        | 137,822        | 0.60                  | 16          | 31,159.00         | 34,409.00         | 0.63                  | 4.01        |
| Pixley Ka Seme                           | 80,736         | 88,663         | 0.62                  | 10          | 18,901.00         | 20,756.00         | 0.57                  | 4.27        |
| <b>TOTAL</b>                             | <b>900,003</b> | <b>985,632</b> | <b>0.58</b>           | <b>131</b>  | <b>222,156.00</b> | <b>242,936.00</b> | <b>0.58</b>           | <b>4.18</b> |

Source: STATSSA 2007

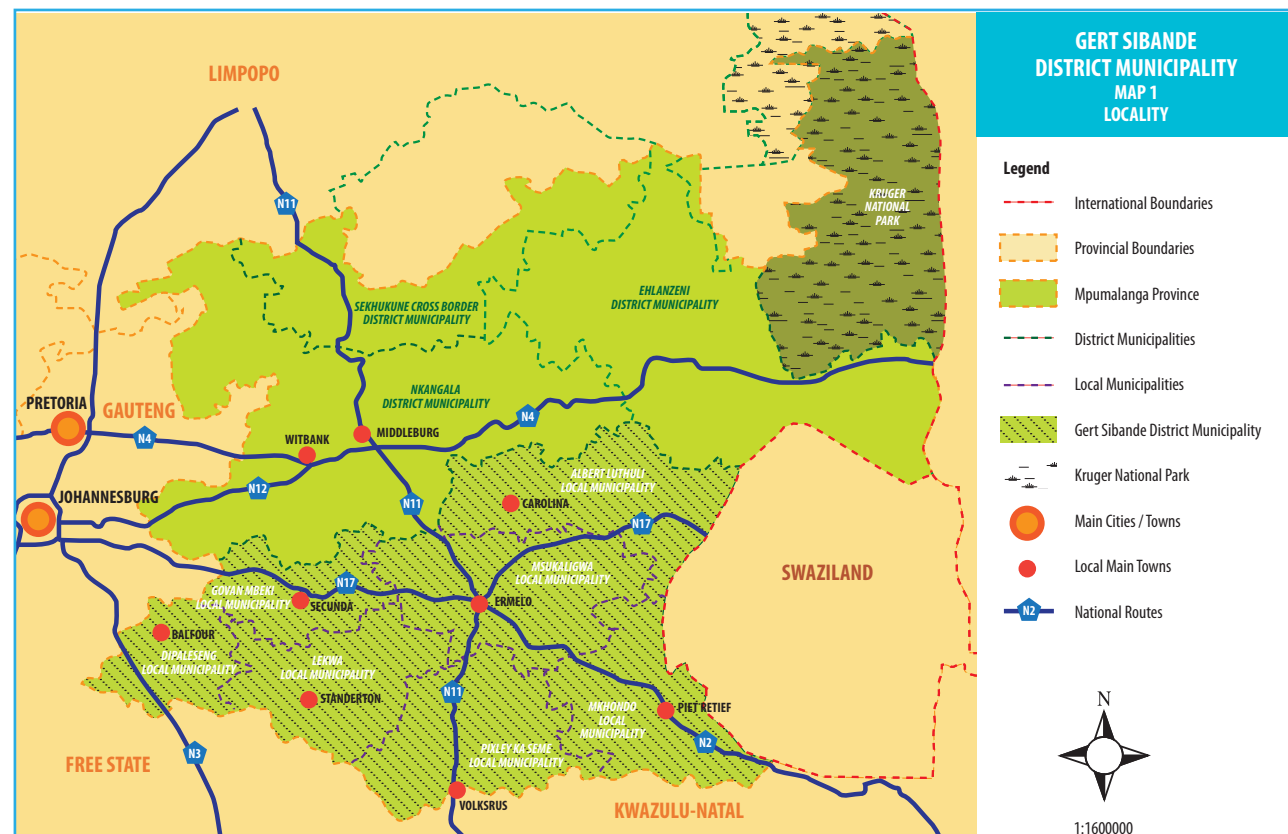
In terms of population density, the District population is concentrated in Municipalities that are rural in nature; this is with the exception of Govan Mbeki Local Municipality, which

has the highest population density due to the economic opportunities therein leading to an influx of people in and around the District.

| Table 3: Dwelling Type/Increment from 2001 |                |               |               |            |
|--|----------------|---------------|---------------|------------|
| Municipality                               | Formal         | Informal      | Traditional   | Other      |
| Albert Luthuli                             | 21,415         | 15,762        | 6,246         | 70         |
| Dipaleseng                                 | 10,593         | 7,500         | 2,020         | 37         |
| Govan Mbeki                                | 82,169         | 5,247         | 1,191         | 192        |
| Lekwa                                      | 25,841         | 4,000         | 6,207         | 259        |
| Mkhondo                                    | 20,684         | 4,384         | 5,251         | 73         |
| Msukaligwa                                 | 14,477         | 9,240         | 4,791         | 70         |
| Pixley Ka Seme                             | 10,524         | 5,475         | 2,001         | 38         |
| <b>GSDM</b>                                | <b>185,703</b> | <b>51,608</b> | <b>27,707</b> | <b>739</b> |

Source: GSDM-WSO 2006





## Socio-Economic Development

The economy of the District is dominated by manufacturing, mining, electricity generation and agriculture. This is not withstanding the significance of other sectors (e.g. community services, construction, finance etc.) in the economy of the District.

### Road Linkages

Transport linkages are excellent through the District to Gauteng to Maputo and KwaZulu-Natal respectively. National Roads that traverse the District include among others N2, N3, N11 and N17 and the District falls within the 50km radius of N4 Maputo Development Corridor.

### Poverty and Unemployment

Accordingly the aforementioned sectors are the main employers within the District. Notwithstanding the role played by the aforementioned sectors, the unemployment and poverty rates in GSDM are 39.4% and 54.8% respectively.

Poverty is more pronounced in Pixley Ka Seme, Albert Luthuli and Mkhondo Local Municipalities, which are characterised by high unemployment coupled with low levels of infrastructure investments for economic development.

**Human Development Index (HDI):** Is a reliable indicator of development, which is measured by life expectancy, literacy and income. The HDI for Gert Sibande District Municipality is 0.55, which is above 0.50, indicating a moderate level of development within the District.

**GINI Coefficient:** Is used as a measure of the distribution

of income across a group of people. The number can range between 0 and 1.0 where "0" represents a perfectly equitable distribution and "1" a completely inequitable distribution. The GINI Coefficient of GSDM is 0.64, which is equal to the National and Provincial figures and varies to that of Ehlanzeni (0.65) and Nkangala (0.62) District Municipalities respectively. The net effect is that the gap between the higher income earners and the lower income earners has grown and this exhibits characteristics of an emerging market driven economy.

**Location Quotient:** Is an indicator of the Comparative Advantage of economy. A Provincial or Magisterial economy has a location quotient larger (smaller) than one or a Comparative Advantage (Disadvantage) in a particular sector when the share of that sector in the Provincial economy is greater (less) than the share of the same sector in the National Economy.

Mpumalanga Province enjoys a Comparative Advantage in four major sectors, viz: agriculture; mining; manufacturing and electricity generation. GSDM exhibits a similar profile to that of the Province in that it has a Comparative Advantage in agriculture; mining; manufacturing and electricity generation.

### Vegetation

Much of the District consists of a great expanse of ancient grassland which is thought to date back well before the breakup of earth's original land mass (Gondwanaland) into continents and oceans. The grassland is largely a product of the climate in the rolling hills, escarpments, and valleys and plateaus of south-east South Africa. The grassland biome survives only in South Africa, and accounts for about 16.5% of the Nation's land area.







## Executive Summary by the Municipal Manager

The 2007/2008 Annual Report indicates the response by the Gert Sibande District Municipality to its Integrated Development Plan (IDP) as was informed by the targets and identified needs by the IDP of the 2007-2011 financial years and the Local Government Five-Year Strategic Agenda.

Its preparation is informed and in line with the Municipal Finance Management Act (MFMA) and the Municipal Systems Act.

Emanating from the previous financial year, in our continued endeavour to better the lives of the citizens of the Gert Sibande District, our strategic agenda has been informed by following the key performance areas:

1. Intergovernmental Relations, Good Governance and Community Participation
2. Transformation and Institutional Development
3. Service Delivery and Infrastructure Development
4. Financial viability and Management
5. Local Economic Development
6. Social Development and Community Service

This has led to the development of over-arching key focus areas and their objective for the District Municipality, which are briefly detailed in the table on the following page:



| FOCUS AREAS   | OBJECTIVES  |
|---|---|
| <b>Intergovernmental Relations, Good Governance and Community Participation</b> |   |
| Intergovernmental Relations, Social and Community Services                      | <ul style="list-style-type: none"> <li>The District will facilitate community development and participation through Mayoral Izimbizo, LED Forums, Transport Forums, Disaster Forums and MPCC Forums, District Communication Forums and IDP Forums.</li> </ul>   |
| Public Participation, Accountability and Transparency                           | <ul style="list-style-type: none"> <li>To popularise the GSDM service delivery programmes by communicating the achievements of Gert Sibande District Municipality.</li> <li>To promote inter-Governmental Relations by mobilising, educating and strengthening partnerships with communities and all sectors.</li> <li>To enhance public participation and ensure that the District honours its corporate values.</li> </ul>  |
| Institutionalisation of house of traditional leaders                            | <ul style="list-style-type: none"> <li>To ensure participation of traditional leaders in the decision making process of Council.</li> </ul>   |
| <b>Institutional Transformation and Restructuring</b>                           |   |
| Oversight Governance  | <ul style="list-style-type: none"> <li>The District will strive to support its service delivery mechanisms through effective and efficient administration (Council and Mayoral Services).</li> </ul>  |
| Strengthening HR and Labour Relations   | <ul style="list-style-type: none"> <li>The District, in consultation with labour, will be revising its organogram and programme to transform the institution and organisational structure.</li> </ul>   |
| Skills Development  | <ul style="list-style-type: none"> <li>Gradual capacitation of staff through implementation of Work Skills Development Program (WSDP).</li> <li>Contribute towards reverting skills shortage in the District through provision of bursaries in identified skills shortages.</li> </ul>  |
| Performance Management  | <ul style="list-style-type: none"> <li>Development, adoption and implementation of the Performance Management System.</li> </ul>  |
| <b>Service Delivery and Infrastructure Development</b>                          |   |
| Bulk Infrastructure and Technical Services                                      | <p>The District will, through partnerships and the support of the private sector and other spheres of government, strive to provide:</p> <ul style="list-style-type: none"> <li>Bulk Infrastructure Provision (planning and implementation)</li> <li>Project Management and Implementation</li> <li>Infrastructure Maintenance and Development</li> <li>Housing (planning and support)</li> <li>Technical Support.</li> </ul> |







| FOCUS AREAS   | OBJECTIVES   |
|---|--|
| Planning and Economic Development Services          | <p>Coordination of spatial planning and Local Economic Development in order to address the following key developmental priorities:</p> <ul style="list-style-type: none"> <li>• Support and capacitate local municipalities with township establishment and other development applications</li> <li>• Facilitate provision of Electricity</li> <li>• Facilitation of efficient transport network (airports, rail, roads) through implementation of Integrated Transport Planning</li> <li>• Provision of integrated waste management</li> <li>• Provision of integrated environmental plan</li> <li>• Plan for regional cemetery.</li> </ul> |
| Water and Sanitation Services                       | <p>The District will, in partnership with the other spheres of government, support and capacitate the establishment and support of water services authorities through the following:</p> <ul style="list-style-type: none"> <li>• Water quality control and monitoring</li> <li>• Water testing laboratory development</li> <li>• Water Services Development Plans</li> <li>• Water Loss Management</li> <li>• Institutional Development and capacity building</li> <li>• Provision of bulk water and sanitation infrastructure.</li> </ul>  |
| <b>Municipal Financial Viability and Management</b> |  |
| Financial Services                                  | <ul style="list-style-type: none"> <li>• The District will, through its Budget and Treasury Office guide the compliance to all MFMA requirements and regulations, including its Audit Committee.</li> </ul>  |
| Proposed Shared Services                            | <ul style="list-style-type: none"> <li>• The District, in support of local municipalities and strengthening of administration, will strive to create a platform that will facilitate capacity building and support.</li> </ul>   |
| <b>Local Economic Development</b>                   |  |
| Job Creation and Poverty Alleviation                | <ul style="list-style-type: none"> <li>• The District will facilitate support programmes aimed at halving unemployment and poverty as we move towards 2014.</li> <li>• Will strive towards job creation.</li> <li>• Will facilitate, support and address initiatives that are aimed at addressing economic inequalities with emphasis on women, youth and the disabled.</li> </ul>   |

| FOCUS AREAS  | OBJECTIVES  |
|--|---|
| Development and Implementation of the Regional Growth and Development Strategy | <p>The objectives of the GDS are to:</p> <ul style="list-style-type: none"> <li>• Broaden and diversify the economic base of the District</li> <li>• Increase investment opportunities and create a conducive environment for economic growth and development</li> <li>• Facilitate and support the development, capacity building and skills development of SMMEs, including emerging entrepreneurs</li> <li>• Facilitate, promote and support agriculture, mining, manufacturing, tourism development, down streaming and local beneficiaries</li> <li>• Establish and support institutional mechanisms that will facilitate and support Local and District Economic Forums.</li> </ul> |
| <b>Social Development and Community Service</b>                                |   |
| Disaster Management  | To control, mitigate, minimise, enable timeous response and enable a quick recovery from the post disaster impacts within the district.   |
| Coordination of Inter-governmental programmes                                  | <ul style="list-style-type: none"> <li>• Health and Social Services</li> <li>• Education</li> <li>• Roads and Transport.</li> </ul>   |







The following chapters will deal with improvements on implementation towards the timeous achievements of set objectives through the Key Focus Areas. However, it is imperative that we briefly show recorded progress towards the achievement of our main objectives, which is to better the lives of all citizens within the Gert Sibande District Municipality.

- ▶ The GSDM achieved 77% expenditure on the implementation of projects in category B municipalities, which included the 2007/2008 financial year budget allocation and the funding allocated for multi-year projects from the previous financial year, with water and sanitation accounting for 97% of this expenditure.
- ▶ Each municipality was allocated at least a grader, tipper truck, front end loader and a back actor through a programme of providing local municipalities with construction or industrial vehicles in order to enhance service delivery.
- ▶ With much focus given to service delivery and Infrastructure development, we have been able to ensure provision of water and proper sanitation, and this has led to a reduction of backlogs in the year 2007/2008. In the previous financial year, backlogs stood at 67,524 households and 95,485 households for basic water and sanitation provision respectively.
- ▶ The development of the District-wide Economic Development Strategy, which identified economic drivers within the Municipality as follows:
  - Minerals (coal/gold)
  - Forestry
  - Agriculture
  - Tourism
  - Petro-Chemicals Industry

- ▶ As part of the plan to ensure service excellence, plans to develop and equip youth with necessary skills, including talent development, it became the prerogative of the District to ensure proper coordination of activities with the common goal of building a progressive community of the District. This led to ensuring budget for the following indirect allocations which had focus on the total population of the district.

- o Mayoral Excellence Award
- o Youth Development
- o Sports, Arts and Culture
- o People with Disabilities
- o HAST
- o Bursaries
- o Capacity building.

- ▶ In our pursuit of creating more job opportunities, reducing poverty and developing skills amongst our communities, 32 of our infrastructure development projects were approved to be implemented through labour intensive methods for the 2007/2008 financial year. Our estimated target was the creation of 500 job opportunities and we are very proud to announce that a total of 516 job opportunities were created, of which 313 benefited the youth, 191 benefited women and 15 benefited disabled people.
- ▶ In respect of the objectives and the implementation of the Broad Black Based Economic Empowerment Act, 68% of projects were awarded in line with this act.
- ▶ A testimony to the District's endeavour to maintain sound financial management, the District Municipality attained an unqualified audit report.

## CHAPTER TWO

# Performance Highlights







The allocation to Local Municipalities as per the budget of the District Municipality has been divided into two sections namely: Direct Allocation which refers to infrastructure and services, and Indirect Allocation which are allocations that benefit the entire District when implemented, such as mayoral excellence awards, community participation, sport, art and culture etc. Performance highlights would therefore be presented in this format.

## Direct Allocation to Local Municipalities

Despite limited resources, the District Municipality undertook key developmental projects during the 2007/2008 financial year and implemented a number of projects in terms of the Integrated Development Plan.

The total budget for infrastructure within the District was estimated at R106,051,857 which is inclusive of multi-year project allocations. The breakdown is as follows:

| DETAILS                | AMOUNT              |
|------------------------|---------------------|
| New Allocation 2007/08 | R60,937,441         |
| Multi-year Projects    | R45,114,416         |
| <b>TOTAL</b>           | <b>R106,051,857</b> |

The following is presented as the achievements and successes of the past financial year:

### Water

Water-related projects could be classified as upgrading of water schemes, extension of water reticulations, installation of water meters, bulk water pipelines and installations of hand pumps. An amount of R74,462,638.39 was put aside in respect of these projects.

Seventy-nine percent of the approved budget was spent on the implementation of these projects. It is worth mentioning that during this financial year a comprehensive backlog study was completed, which gives the District a picture in terms of where infrastructure is required. The challenge is immense, however through consented efforts the demand can be met.

### Sanitation

Projects identified for sanitation include the upgrading of bulk sewerage treatment plants, the eradication of bucket systems, upgrading of sewer networks, bulk sewer reticulation and construction of VIP Toilets. An amount of R28,576,539 was provided for in the budget.

Seventy-two percent of the approved budget was spent on implementation of these projects. The District will continue to invest in these projects until the dignity of the communities is restored.

### Roads and Stormwater

Projects identified under roads and storm water can be categorised as rehabilitation and maintenance of roads, construction of roads, and re-gravelling and sealing of roads. An amount of R378,992 was put aside for these activities.

Seventy-six percent of the approved budget was spent on the implementation of these projects.

### Other Projects

Projects classified as 'other' are the provision of electricity and the servicing of loans. An amount of R2,633,688 was put aside for such projects and 86% of the allocated budget was spent towards their implementation.

### EPWP

In striving to create job opportunities, reduce poverty and develop skills among our communities, 32 projects were approved to be implemented through labour intensive methods for the 2007/2008 financial year. A total of 516 job opportunities were created of which 313 youth benefited, 191 women benefited and 15 disabled people benefited.

A total of 144 people received hard skills training on brick and pipe laying and fitting. Another total of 138 people received training on Occupation Health and Safety.

The target for the 2007/2008 financial year was 500 people and the District exceeded its target by achieving 103%. Another key achievement for the District was to reach the finals of the national Kamoso Awards for 2008.

### BBBEE

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



## Indirect Allocation to Local Municipalities

### Mayoral Excellence Awards

The Mayoral Excellence Awards proved to be a huge success again in recognising and promoting outstanding service delivery in the District as a whole. The Mayoral Excellence Awards also aims at promoting sport, arts and culture within the District. The Awards were divided into a few categories, such as cleanest town, best customer service, best Ward Councillor, etc. Other codes such as sport, art and culture were also promoted with success. Included in the Mayoral Cup were volley ball, soccer, netball, cultural dance and choral music. For this purpose an amount of R600,000 was provided for in the Budget and 100% of the funds were spent.

### Bursary Scheme

A bursary scheme for previously disadvantaged students from communities in Gert Sibande District Municipality has been running since the 2006/2007 financial year. This







programme proved invaluable and opened doors for students in the District. The success stories are already evident in that some students successfully completed their studies and are entering the labour market. The scheme focuses on Municipal finance, civil engineering and agriculture, and has in 2007/2008 added traffic management. Gert Sibande District Municipality is committed to capacitate the students in the District and for this purpose an amount of R2,150,000 was provided for in the Budget.

Seventy-two-and-a-half-percent of the approved budget was spent on the implementation of the Bursary Scheme wherein 51 students were taken to different tertiary institutions.

### GIS and DATA Cleansing

The project kicked off during the 2006/2007 financial year, with the approved budget of R6,400,000 going to the purchase of required equipment, hardware and software. This project was implemented with an objective of ensuring that there are accurate figures in terms of the Geographic Information System project. This project has been coupled with a Data Cleansing Exercise for all municipalities.

In the financial year of 2007/2008 the approved budget stood at R4,500,000 and the implementation phase saw the completion of:

- The installation of servers at the Gert Sibande District Municipality and the seven Local Municipal Offices.
- The installation of all software on the hardware purchased.
- The development of various field data capture programmes required for the hand held GPS units.
- The development of the websites for each Local Municipality and a combined one for GSDM.

- The sourcing of various datasets available in electronic format, from different sources.
- The servicing of the abovementioned datasets on the eight (8) websites.

An expenditure of 70% was realised for this phase of the project, mainly due to the fact that the GIS manager left and was replaced, which placed the project behind schedule.

### Information Technology

The internet connection for Gert Sibande District Municipality enabling the connection to municipalities, including the District Municipality, were upgraded, having a more streamlined and faster data transfer rate and an increased communication structure. A new server was implemented for the Geographic Information System. Gert Sibande District Municipality's server room was upgraded and the wiring was redone to connect to an Uninterrupted Power Supply for power outages.

### Religious Affairs

The District, in its quest to facilitate moral regeneration and support local religious and traditional forums, was successful in coordinating and hosting successful moral regeneration events that were supported by the church councils and traditional authorities.

An amount of R200,000 was provided in the budget for religious affairs and 63% of the approved budget was spent to achieve goals of moral regeneration and support to local religious and traditional forums.

### People with Disabilities

The District, in its quest to support all endeavours which care for and develop the disabled, facilitated and coordinated a

joint response to disability challenges with all stakeholders. Thus the District was able to provide people with disabilities with wheelchairs and improve their participation in municipal issues. An amount of R300,000 was approved in the budget of 2007/2008 and a total expenditure of 95% was utilised to address the needs.

### Disaster Management

The District was successful in developing and supporting the Disaster Management cops training, capacitated local municipalities with a fire fleet and training, awareness campaigns and successfully coordinated support and relief efforts during local disaster incidents including improving coordination and communication on disaster issues with relevant stakeholders.

An amount of R200,000 was provided in the budget and 76.93% was spent in the year 2007/2008.

### HAST

The District successfully launched local HIV and AIDS forums, supported their activities, donated first aid bags to local home based care givers and improved coordination with the Department of Health and Social Services, as well as the private sector.

An amount of R400,000 was provided in the budget to facilitate these activities, and 99,97% of the approved budget was spent in support of the abovementioned activities.

### Sport, Art and Culture

Successful games were held within the District to promote and support local talent and coordination of relevant federations to develop sports, arts and culture. An amount of R700,000 was

set aside for the sporting activities and a total of 98,42% was spent to achieve the objective.

### Promotion and Communication

For the second year in succession the Communication Department of the District was awarded first prize by SALGA-Mpumalanga for outstanding performance on issues of Local Government Communication within the province.

This has enhanced and encourages the District to put more emphasis on the issue around Communication and Promotion of the District. The newsletter, *Insight* still serves as an effective tool of communication between the District Municipality and the community of the District. *Insight* informs communities about the activities and highlights of the District Municipality, as well as opportunities that are out there for their benefit.

In the year 2007/2008 we also managed to procure a Communication truck fitted with all the technology needed for communication. This was done with a purpose of ensuring that government is taken to people in the furthest areas without experiencing communication breakdown.

Coupled with the above, the branding of the District was presented in various ways, including banners that specifically communicate the message of our Vision, Mission and Core Values.

An amount of R2,500,000 was provided in the budget in order to achieve the abovementioned and 84.650% of the said budget was spent in the year 2007/2008.

### Community Participation

Chapter Four of Local Government: Municipal Systems Act





32 of 2000 requires the communities to be involved in the affairs of the Municipality and the Municipality to set up ways or mechanisms that allow communities to take part in the affairs of the municipalities. During the year 2007/2008 we engaged in a number of community participation programmes including IDP consultation processes, budget consultations and Izimbizo within all our local municipalities. The District held quarterly *Izimbizo* whereby two were taken to Msukaligwa Municipality in Ermelo and two to Mkhondo Municipality in Piet Retief.

In these *Izimbizo*, the communities were given an opportunity to ask questions regarding service delivery in general, with specific reference to their wards. After the question sessions, Executive Mayors were given an opportunity to reply to their respective communities. The District further delivered capital items such as tipper trucks, graders and front end loaders to all local municipalities.

Furthermore, there have been various speakers forum meetings and district community participation meetings, with a view to promoting interactions between category B municipalities and their ward committees. Two Provincial community participation meetings were held within our District, for further engagements with municipalities within the Province, with a view to promote and enhance community participation.

An amount of R3,5 million was set aside for this function and a total of 85.57% was spent to achieve the above.

## Capital Items

In order to enhance service delivery at various local municipalities, during the past financial year the District introduced a programme of procuring heavy equipment and/or industrial vehicles. The District furthermore embarked on two projects relating to the quality of water and the establishment of office space central to the Gert Sibande District Municipality area of jurisdiction. The following categories were implemented:

### Heavy Equipment and Industrial Vehicles

This category includes procurement of front end loaders for each municipality and an amount of R5,866,000 was used in providing the vehicles to the respective municipalities.

### Planning of Regional Water Quality Testing Laboratory

This project related to the planning of a Regional Water Quality Testing Laboratory. In the 2007/2008 financial year the GSDM completed the design, following examples of best practice and solicited tenders for the construction of the Laboratory.

### Planning of District Office Accommodation

This project related to the planning of a central located office accommodation complex which allowed for the planning and design of a building completed based on a conceptual design model presented to Council. In the 2007/2008 financial year the GSDM completed the design, following examples of best practice and solicited tenders for the construction of phase 1 of the office complex.

## CHAPTER THREE

# Human Resources and other Organisational Management

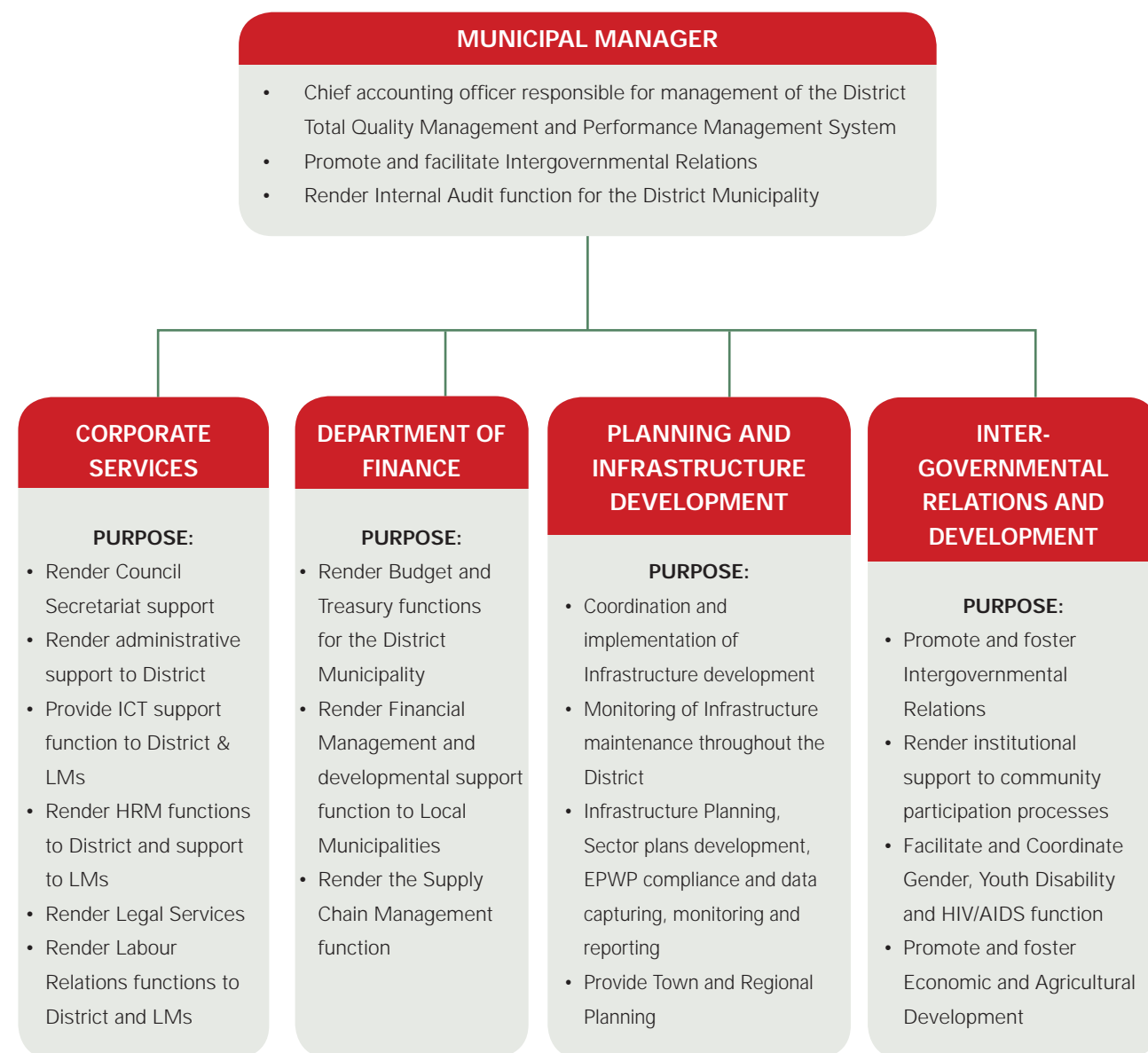






## Organisational Developments

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



The Intergovernmental Relations Department, which was established in the 2006/2007 financial year, was fully incorporated and with the appointment of an Executive Director and staff to complement the department, it is now fully functional. The department coordinates and assists with issues such as gender, youth development, disability, HIV/AIDS function, and economic development. Plans are already in place to incorporate the District Community and Health function, which in the past has been the function of Local Municipality.

The IDP section is also now fully staffed under the control of the Municipal Manager and the development of the District, including the development of sector departments which will be properly aligned with the budget in a comprehensive document.

Furthermore, a significant growth is in the Planning and Infrastructure Development Directorate with the inclusion of two significant sections namely: infrastructure maintenance and technical services, which is responsible for coordination and implementation of infrastructure development, monitoring of infrastructure maintenance throughout the District infrastructure planning and EPWP compliance; and the water and sanitation section, which is responsible for supporting local municipalities to carry out their responsibilities as water service providers and water authorities.

The Gert Sibande District Municipality plans the building of a Water Laboratory in its quest to assist the Local Municipalities in providing clean water to the District and the safe discharge of sanitation effluent.

The table at the bottom of the page gives personnel statistics as at the end of June 2008.

The District is constantly addressing the vacancy rate which stood at 55% in the 2007/2008 financial year. The delay in filling vacant positions could be attributed to the consultative process that needed to be followed in order to ensure that the organisational structure is agreed to amongst all roles players and that sufficient office space is available.

### Training and Skills Development

Through the process of job assessment and skills development the following interventions were provided:

- Fire fighting Level 1 (25 unemployed volunteers)
- HAZMAT Training (Hazardous Material) and 25 unemployed volunteers were trained
- An in-service training for staff was provided
- Leadership and Management Development for Councillors training was also provided.

An amount of R209,600 was provided for training of staff

| DETAILS            | TOTAL STAFF | FILLED POST | VACANT POST |
|--------------------|-------------|-------------|-------------|
| Office of the MM   | 16          | 8           | 8           |
| Finance            | 20          | 11          | 9           |
| Corporate Services | 62          | 41          | 21          |
| Infrastructure     | 48          | 22          | 21          |
| IGR                | 12          | 3           | 9           |
| <b>TOTAL</b>       | <b>158</b>  | <b>85</b>   | <b>68</b>   |





and 38% percent was spent on implementation of the abovementioned interventions. A number of unemployed people were also trained in terms of the Expanded Public Works Programme. A further amount of R100,000 was provided for the training of Councillors in different fields. Councillors received training on the Executive Leadership

Municipal Development Programme and also development of IDPs and Budget processes training. Of the total budget, 83% was utilised for this function.

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

| COURSE            | NUMBER OF STUDENTS |           | TOTAL STUDENTS |
|-------------------|--------------------|-----------|----------------|
|                   | MALE               | FEMALE    |                |
| Finance           | 3                  | 4         | 7              |
| Civil Engineering | 12                 | 17        | 29             |
| Agriculture       | 2                  | 0         | 2              |
| Traffic           | 11                 | 2         | 13             |
| <b>Total</b>      | <b>28</b>          | <b>23</b> | <b>51</b>      |



## Workforce Profile

### Occupational Categories

Please report the total number of employees (including employees with disabilities) in each of the following occupational categories: Note: A=Africans, C=Coloureds, I=Indians and W=Whites

| Occupational Categories                    | Male                                       |          | Female   |           |          |          | White Male | Foreign Nationals |          | TOTAL    |           |
|--|--|----------|----------|-----------|----------|----------|------------|-------------------|----------|----------|-----------|
|  | A  | C        | A        | C         | I        | W        | Male       | Female            |          |          |           |
|  | Legislators, senior officials and managers | 13       | 0        | 1         | 2        | 0        | 0          | 2                 | 6        |          | 0         |
| Professionals                              | 0  | 0        | 1        | 0         | 0        | 0        | 1          | 0                 | 0        | 0        | 2         |
| Technicians and associate professionals    | 6  | 0        | 1        | 4         | 0        | 0        | 2          | 1                 | 0        | 0        | 14        |
| Clerks                                     | 6  | 0        | 0        | 22        | 1        | 1        | 7          | 0                 | 0        | 0        | 37        |
| Service and sales workers                  | 2  | 0        | 0        | 0         | 0        | 0        | 0          | 0                 | 0        | 0        | 2         |
| Skilled agricultural and fishery workers   | 0  | 0        | 0        | 0         | 0        | 0        | 0          | 0                 | 0        | 0        | 0         |
| Craft and related trades workers           | 0  | 0        | 0        | 0         | 0        | 0        | 0          | 0                 | 0        | 0        | 0         |
| Plant and machine operators and assemblers | 0  | 0        | 0        | 0         | 0        | 0        | 0          | 0                 | 0        | 0        | 0         |
| Elementary occupations                     | 3  | 0        | 0        | 8         | 0        | 0        | 0          | 0                 | 0        | 0        | 11        |
| <b>TOTAL PERMANENT</b>                     | <b>30</b>                                  | <b>0</b> | <b>3</b> | <b>36</b> | <b>1</b> | <b>1</b> | <b>12</b>  | <b>7</b>          | <b>0</b> | <b>0</b> | <b>90</b> |
| Non-permanent employees                    | 4  | 0        | 0        | 4         | 0        | 0        | 0          | 0                 | 0        | 0        | 8         |
| <b>GRAND TOTAL</b>                         | <b>34</b>                                  | <b>0</b> | <b>3</b> | <b>39</b> | <b>1</b> | <b>1</b> | <b>12</b>  | <b>7</b>          | <b>0</b> | <b>0</b> | <b>98</b> |







## Disclosure Concerning Councillors and Senior Officials

In terms of section 124 of the Municipal Finance Management Act, the following is disclosed (also in the financial statement):

### Councillors' Remuneration

| Details                                | Amount           |
|--|------------------|
| Executive Mayor                        | 438,816          |
| Speaker                                | 351,268          |
| Mayoral Committee                      | 1,546,744        |
| Councillors                            | 2,124,239        |
| Councillors' Pension Fund              | 438,905          |
| Medical Aid Contribution               | 140,334          |
| <b>Total Councillors Remunerations</b> | <b>5,052,321</b> |

The Executive Mayor, Speaker, Chief Whip and members of the Mayoral Committee are full time and therefore provided with secretariat support and office accommodation. The Executive Mayor is staying in a Municipal House.

| Details                                    | Municipal Manager | CFO            | MIS            | Corporate Services | IGR            | Mayor's Office |
|--|-------------------|----------------|----------------|--------------------|----------------|----------------|
| Annual Remuneration                        | 627,030           | 466,472        | 460,333        | 496,467            | 273,810        | 459,946        |
| Performance Bonus                          | 69,167            | 48,217         | 54,167         | 54,167             | 43,06          | 54,167         |
| Car Allowance                              | 132,652           | 102,870        | 102,880        | 91,574             | 68,812         | 55,895         |
| Contributions to UIF, Medical, and Pension | 151,004           | 10,104         | 119,246        | 103,784            | 4,589          | 126,657        |
| <b>TOTAL</b>                               | <b>979,853</b>    | <b>627,960</b> | <b>736,625</b> | <b>745,992</b>     | <b>351,517</b> | <b>696,666</b> |

### Senior Officials

**NOTE:** The payment of performance bonuses are subjected to an assessment and approved by Council.

|   |                   |
|---|-------------------|
| Municipal Manager                                   | R979,853          |
| Chief Financial Officer                             | R627,960          |
| Exec Director: Corporate Services                   | R745,992          |
| Exec Director: Mayor's Office                       | R696,666          |
| Exec Director: Municipal Infrastructure and Support | R736,625          |
| Exec Director: Inter-Governmental Relations         | R351,517          |
| <b>TOTAL</b>  | <b>R4,138,613</b> |

## CHAPTER FOUR

# Annual Financial Statements for the year ended 30 June 2008





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## Approval of Financial Statements

I am the person responsible for the preparation of these Annual Financial Statements, which are set out on pages 33 to 73, in terms of Section 126(1) of the Municipal Finance Management Act 2003 (Act 56 of 2003) and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 15 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act 1998 (Act 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.



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

28 August 2008



# Report of the Auditor-general to the Mpumalanga Provincial Legislature and the Council on the Financial Statements and Performance Information of the Gert Sibande District Municipality for the year ended 30 June 2008

## REPORT ON THE FINANCIAL STATEMENTS

### Introduction

I have audited the accompanying financial statements of the Gert Sibande District Municipality (municipality) which comprise the statement of financial position as at 30 June 2008, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages [xx] to [xx].

### Responsibility of the accounting officer for the financial statements

The accounting officer is responsible for the preparation and fair presentation of these financial statements 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 Local Government Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2007 (Act No.1 of 2007) (DoRA). This responsibility includes:

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

### Responsibility of the Auditor-General

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

I conducted my audit in accordance with the International Standards on Auditing and *General Notice .616 of 200B*, issued in *Government Gazette No. 31057 of 15 May 200B*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.

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

An audit also includes evaluating the:

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

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 not effective for this financial year, 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.

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

### Basis of accounting

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

In my opinion the financial statements present fairly, in all material respects, the financial position of the Gert Sibande District Municipality as at 30 June 2008 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 and DoRA.

### Other Matters

Without qualifying my audit opinion, I draw attention to the

following, matters that relate to my responsibilities in the audit of the financial statements:

### Non-compliance with applicable legislation

#### Municipal Systems Act

Most members of the council did not declare their business interests, as required by schedule 1, section 5(1)(a) of the Local Government Municipal Systems Act, 2000, (Act No. 32 of 2000) (MSA).

#### Matters of governance

The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

| MATTER OF GOVERNANCE   | Yes | No |
|--|-----|----|
| <b>Audit Committee</b>   |     |    |
| • The municipality had an audit committee in operation throughout the financial year.  |     | ✓  |
| • The audit committee operates in accordance with approved, written, terms of reference.   | ✓   |    |
| • The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.   |     | ✓  |
| <b>Internal audit</b>  |     |    |
| • The municipality had an internal audit function in operation throughout the financial year.  |     | ✓  |
| • The internal audit function operates in terms of an approved internal audit plan.  |     | ✓  |
| • The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.   |     | ✓  |
| <b>Other matters of governance</b>   |     |    |
| • The annual financial statements were submitted for audit as per the 17 legislated deadlines in section 126 of the MFMA.  | ✓   |    |
| • The annual performance report was submitted to the auditor for consideration prior to the date of the auditor's report.  |     | ✓  |
| • The financial statements submitted for audit were not subject to any material amendments resulting from the audit.   | ✓   |    |
| • No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.  | ✓   |    |
| • The prior year's external audit recommendations have been substantially implemented.   | ✓   |    |
| <b>Implementation of Standards of Generally Recognised Accounting Practice (GRAP)</b>  |     |    |
| • The municipality submitted an implementation plan, detailing progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 30 October 2007.                                   | ✓   |    |
| • The municipality substantially complied with the implementation plan it submitted to the National Treasury and the relevant provincial treasury before 30 October 2007, detailing its progress towards full compliance with GRAP | ✓   |    |
| • The municipality submitted an implementation plan, detailing further progress towards full compliance with GRAP to the National Treasury and the relevant provincial treasury before 31 March 2008.                              | ✓   |    |



## Unaudited supplementary schedules

The municipality provided supplementary information in the financial statements on whether resources were obtained and used in accordance with the legally adopted budget, in accordance with GRAP 1 *Presentation of Financial Statements*. The supplementary budget information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. Accordingly I do not express an opinion thereon.

## Other reporting responsibilities

### Report on performance information

I was engaged to review the performance information.

### Responsibility of the accounting officer for the performance information

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

### Responsibility of the Auditor-General

I conducted my engagement in accordance with section 13 of the PAA read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008 and section 45 of the MSA.

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

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

### Audit findings (performance information)

#### Non-compliance with regulatory requirements

The internal auditors of the municipality did not audit the performance measurements on a continuous basis and did not submit quarterly reports on their audits to the municipal manager and the performance audit committee.

#### Lack of systems generating performance information

I was unable to obtain sufficient appropriate audit evidence in relation to the performance information of the municipality, as there is no system for generating reports for purposes of the evaluation.

#### Performance information not received in time

I was not able to complete a revaluation of the quality of the reported performance information as set out on pages xx to xx of the annual report, since the information was not received in time.

## APPRECIATION

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

*Auditor-General*

Nelspruit  
26 November 2008



## STATEMENT OF FINANCIAL POSITION as at 30 June 2008

|  | Note | 2008<br>R          | 2007<br>R          |
|--|------|--------------------|--------------------|
| <b>NET ASSETS AND LIABILITIES</b>          |      |                    |                    |
| <b>NET ASSETS</b>                          |      |                    |                    |
| Accumulated Surplus                        |      | 230,935,464        | 175,227,589        |
| <b>NON-CURRENT LIABILITIES</b>             |      |                    |                    |
| Long-term liabilities                      | 1    | 0                  | 0                  |
| Retirement Benefit                         | 3    | 64,149             | 69,684             |
| <b>CURRENT LIABILITIES</b>                 |      |                    |                    |
| Creditors                                  | 4    | 36,034,274         | 40,354,099         |
| Provisions                                 | 2    | 6,805,149          | 0                  |
| Unspent conditional grant and receipts     | 5    | 3,511,911          | 9,621,991          |
| Current portion of long-term liabilities   | 1    | 0                  | 5,661,962          |
| <b>TOTAL NET ASSETS AND LIABILITIES</b>    |      | <b>277,350,947</b> | <b>230,935,325</b> |
| <b>ASSETS</b>                              |      |                    |                    |
| <b>NON-CURRENT ASSETS</b>                  |      |                    |                    |
| Property, plant and equipment              | 7    | 53,892,236         | 34,801,720         |
| Long-term receivables                      | 8    | 228,365            | 303,722            |
| <b>CURRENT ASSETS</b>                      |      |                    |                    |
| Debtors                                    | 9    | 13,218,050         | 12,975,641         |
| Investment Deposits                        | 10   | 0                  | 12,000,000         |
| Irregular Expenditure – Recoupment         | 21   | 940,057            | 940,057            |
| VAT  | 6    | 13,266,300         | 16,064,442         |
| Bank balance, cash and matured investments | 18   | 195,587,311        | 153,664,024        |
| Current portion of long-term receivables   | 8    | 218,627            | 185,719            |
| <b>TOTAL ASSETS</b>                        |      | <b>277,350,946</b> | <b>230,935,325</b> |



**STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ended 30 June 2008

|  | Note | Actual             | Actual             |
|--|------|--------------------|--------------------|
|  |      | 2008<br>R          | 2007<br>R          |
| <b>REVENUE</b>                                     |      |                    |                    |
| Regional Services Levies – remuneration            |      | 68,344             | 2,785,021          |
| Regional Services Levies – turnover                |      | 289,285            | 13,254,558         |
| Interest earned – external investments             |      | 21,621,274         | 15,802,585         |
| Interest earned – outstanding debtors              |      | 602,506            | 407,013            |
| Government grants and subsidies                    | 12   | 179,508,732        | 166,208,681        |
| Other income                                       | 13   | 1,139,593          | 128,874            |
| Gains on disposal of property, plant and equipment |      | 13,892             | 0                  |
| <b>TOTAL REVENUE</b>                               |      | <b>203,243,624</b> | <b>198,586,733</b> |
| <b>EXPENDITURE</b>                                 |      |                    |                    |
| Employee related cost                              | 14   | 23,801,942         | 19,764,413         |
| Remuneration of Councillors                        | 15   | 5,052,321          | 4,930,907          |
| Collection cost                                    |      | 45,370             | 118,617            |
| Depreciation                                       |      | 1,501,287          | 1,829,956          |
| Repairs and maintenance                            |      | 665,058            | 476,903            |
| Contracted services                                |      | 708,842            | 236,224            |
| Grants and subsidies paid                          | 16   | 108,738,723        | 116,837,858        |
| Grants and subsidies paid: Depreciation            | 16   | 1,658,077          | 537,202            |
| General expenses – other                           |      | 8,452,176          | 5,788,346          |
| Loss on disposal of assets                         |      | 0                  | 42,783             |
| <b>TOTAL EXPENDITURE</b>                           |      | <b>150,623,796</b> | <b>150,563,209</b> |
| <b>NET SURPLUS FOR THE YEAR</b>                    |      | <b>52,619,829</b>  | <b>48,023,524</b>  |

**STATEMENT OF CHANGES IN NET ASSETS**  
for the year ended 30 June 2008

|                                   | Note | Accumulated<br>Surplus<br>R | Total<br>R         |
|-----------------------------------|------|-----------------------------|--------------------|
| <b>Balance as at 1 July 2006</b>  |      | 127,204,066                 | 127,204,066        |
| Net Surplus for the year          |      | 48,023,524                  | 48,023,524         |
| <b>Balance as at 30 June 2007</b> |      | <b>175,227,589</b>          | <b>175,227,589</b> |
| <b>Balance as at 1 July 2007</b>  |      | 175,227,589                 | 175,227,589        |
| Net Surplus for the year          |      | 52,619,829                  | 52,619,829         |
| Prior year adjustment             | 22   | 3,088,045                   | 3,088,045          |
| <b>Balance as at 30 June 2008</b> |      | <b>230,935,464</b>          | <b>230,935,464</b> |



## CASH FLOW STATEMENT

for the year ended 30 June 2008

|   | Note | 2008<br>R          | 2007<br>R          |
|---|------|--------------------|--------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>            |      |                    |                    |
| Cash receipts from levy payers, government and other  |      | 506,171,975        | 779,710,086        |
| Cash paid to suppliers and employees                  |      | -468,807,740       | -776,344,272       |
| Cash generated from operating activities              | 17   | 37,364,235         | 3,365,814          |
| Interest received                                     |      | 21,621,274         | 15,802,585         |
| Interest paid   |      | -389,815           | -1,571,830         |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>             |      | <b>58,595,694</b>  | <b>17,596,571</b>  |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>            |      |                    |                    |
| Purchase of property, plant and equipment             |      | -23,217,495        | -25,179,201        |
| Proceeds on disposal of fixed assets                  |      | 164,600            | 519,395            |
| Decrease in non-current receivables                   |      | 42,450             | 811,297            |
| <b>NET CASH FROM INVESTING ACTIVITIES</b>             |      | <b>-23,010,445</b> | <b>-23,848,509</b> |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>            |      |                    |                    |
| New loans repaid                                      |      | -5,661,962         | -4,858,365         |
| Other Capital receipts                                |      |                    |                    |
| <b>NET CASH FROM FINANCING ACTIVITIES</b>             |      | <b>-5,661,962</b>  | <b>-4,858,365</b>  |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>      |      |                    |                    |
| Cash and cash equivalent at the beginning of the year |      | 165,664,024        | 176,774,329        |
| Cash and cash equivalent at the end of the year       | 18   | 195,587,311        | 165,664,024        |

## ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2008

### 1. BASIS OF PRESENTATION

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

The Standards are summarised as follows:

|   |  |
|---|--|
| GRAP 1  | Presentation of Financial Statements                                     |
| GRAP 2  | Cash Flow Statements   |
| GRAP 3  | Accounting Policies, Changes in Accounting Estimates and Errors          |
| GAMAP 4   | 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 Assets                 |
| 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 policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (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 abovementioned standards and aspects or parts of these standards. Details of the exemptions applicable to the Municipality have been provided in the notes to the Annual Financial Statements.

The entity has elected to early adopt the following requirement(s) in GRAP, GAMAP or SA GAAP, which were exempted in terms of General Notice 552 of 2007:



| Standard No.    | Standard Title    | GRAP, GAMAP and/or SA GAAP REQUIREMENTS, EXEMPTED IN TERMS OF General Notice 552 of 2007, that have been early adopted   |
|-----------------|-------------------|--|
| IAS 19 (AC 116) | Employee benefits | Provision is made for medical aid contributions for the next three years for a continued member who is aged 74 and has a life expectancy of three years. Provision is also made for a 5% year on year increase in the contribution IAS 19.29, 48 – 119 and 120A[c] – [q] |
| GAMAP 9         | Revenue           | Revenue is initially measured at fair value, after which it is discounted according to the ageing model and the affected interest rate (GAMAP 9.12 and SAICA circular 9/06)  |

## 2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

## 3. GOING CONCERN ASSUMPTION

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

## 4. PROPERTY, PLANT AND EQUIPMENT (PPE)

### 4.1 Fixed Assets are stated as follows:

- 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
  - Estimated cost of dismantling the asset and restoring the site to the extent that it is recognised as a provision.
- A capitalisation threshold value of R5,000 has been adopted whereby all expenditure below the threshold of R5,000 is expensed when incurred. The threshold will be determined annually during the budget process.

### 4.2 Depreciation

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

The useful lives 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.

Where property, plant and equipment have been impaired, the carrying amount shall be reduced to the recovery amount and the reduction shall be recognised as an expense immediately.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. No reviewing of the depreciation method and useful lives were performed in 2007/2008. The annual depreciation rates are based on the following estimated asset lives:-

| Infrastructure and Other | Years |
|--------------------------|-------|
| Buildings                | 30    |
| Specialist vehicles      | 10    |
| Other vehicles           | 5     |
| Office equipment         | 5     |
| Furniture and fittings   | 10    |
| Construction vehicles    | 15    |

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

### 4.3 Disposal of Property, Plant and Equipment

- The book values of assets are written off on disposal
- 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 net book value of assets (cost less accumulated depreciation) and the sales proceeds is reflected as a gain or loss in the Statement of Financial Performance.

### 4.4 Impairment

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it should be written down immediately to its recoverable amount and an impairment loss is charged to the statement of Financial Performance. At each reporting date an assessment should be undertaken to determine if there is any indication that any items of PPE may be impaired by reviewing external and internal sources of information which indicates that impairments may have occurred, however the impairment of assets were not assessed in the existing financial year under review as these requirements have been exempted in terms of Government Gazette 30013 of 29 June 2007.

## 5. 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.



## 5.1 Accounts receivable

Trade and other receivables are recognised initially at cost 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.

## 5.2 Financial liabilities

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

## 5.3 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.

## 5.4 Investments held-to-maturity

Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost calculated using the effective interest method.

### Accounting policy for the 2006/2007 and 2007/2008 financial years

The requirement of IAS 39.43, AG 64, AG 65, AG 79 and SAICA Circular 9 that financial instruments should initially be measured at fair value has been exempted in terms of Government Gazette 30013 of 29 June 2007.

## 6. TRADE CREDITORS

### Accounting policy for the 2006/2007 and 2007/2008 financial years

Trade and other creditors including leave pay are recognised initially at cost in accordance with the exemptions in Government Gazette 30013 of 29 June 2007. Accordingly, the creditors and leave pay were stated at nominal value and no discounting was accounted for.

## 6.1 Provisions

A provision is recognised when the Municipality has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and hence a reliable estimate of the provision can be made. Provisions are reviewed at each statement of financial position, dated and adjusted to reflect the current best estimate.

## 7. REVENUE RECOGNITION

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

## 7.1 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.

## 7.2 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.

## 7.3 Other grants and donations received:

Other grants and donations shall be recognised as revenue when:

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

## 7.4 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.

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.

## 7.5 Interest received:

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

## 8. 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.

## 8.1 Unspent Conditional Grants

Unspent conditional grants are reflected on the statement of financial position as a current liability – unutilised conditional grants. These amounts represent unspent Government Grants and Subsidies. The following conditions are set for the creation and utilisation of these current liability amounts (Creditors):



- The cash which backs the creditor is invested until utilised
- Interest earned on the investment is treated in accordance with receipt practices of the Municipality and is recognised as interest earned.

## 9. 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 between three to six months or less and are subject to an insignificant risk of change in value.

## 10. 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.

## 11. 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), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy or as a direct result of inappropriate action being perpetrated. 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.

## 12. 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.

## 13. COMPARATIVE INFORMATION

### 13.1 Current year comparatives:

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

### 13.2 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.

## 14. POST-RETIREMENT BENEFITS

### 14.1 General

Defined contribution plans are benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

### 14.2 Medical Aid: Continued Member

Post-employment medical care benefits are provided by the Municipality to certain employees and their legitimate spouses. The entitlement to post-retirement medical benefits was based on the employee remaining in service up to retirement age and the completion of a minimum service period and in compliance with the rules and regulations of the Medical Aid Fund with which the Municipality is associated. The current Medical Aid Fund with which the Municipality is associated does not provide for continued membership.

The amount recognised in the balance sheet represents the present value of the defined contribution obligation. The amount is discounted by using the market related interest rate at the balance sheet date.

## 15. BORROWING COSTS

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

## 16. LEASES

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. The title may or may not eventually be transferred. All leases are for a period of less than three years and are deemed operating leases which are recognised as an expense in the statement of financial performance.

Operating lease rentals have not been recognised on the straight line basis over the term of the relevant lease as required by IAS 17 as these requirements have been exempted in terms of Government Gazette 30013 of 29 June 2007.

## 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. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised as liabilities.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2008

|   | 2008<br>R         | 2007<br>R         |
|---|-------------------|-------------------|
| <b>1 LONG-TERM LIABILITIES</b>  |                   |                   |
| Annuity loans   | 0                 | 5,661,962         |
| Less: Short-term portion transferred to Current Liabilities Annuity loans   | 0                 | 5,661,962         |
| <b>Total External Loans</b>   | <b>0</b>          | <b>0</b>          |
| Refer to Appendix A for more detail on long-term liabilities  |                   |                   |
| The loans are not secured by any assets   |                   |                   |
| <b>2 PROVISIONS</b>   |                   |                   |
| Provision for construction  | 6,805,149         | 0                 |
|   | 6,805,149         | 0                 |
| Provision has been made for construction of projects which the total project has been committed in this financial year.   |                   |                   |
| <b>3 RETIREMENT BENEFIT</b>   |                   |                   |
| Contribution: Medical aid   | 64,149            | 69,684            |
|   | 64,149            | 69,684            |
| Provision has been made for contribution for the medical aid for one person after retirement. This was previously prescribed by the medical aid to contribute after retirement. |                   |                   |
| <b>4 CREDITORS</b>  |                   |                   |
| Trade creditors   | 19,613,970        | 22,012,910        |
| Retention   | 13,011,139        | 15,465,501        |
| Other   | 2,371,881         | 1,948,691         |
| Staff leave pay   | 1,037,284         | 926,997           |
| <b>Total</b>  | <b>36,034,274</b> | <b>40,354,099</b> |

|  | 2008<br>R         | 2007<br>R                       |                        |
|--|-------------------|---------------------------------|------------------------|
| <b>5 UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>   |                   |                                 |                        |
| MIG Grant  | 375,221           | 5,101,968                       |                        |
| MSIG Grant   | 155,501           | 1,219,766                       |                        |
| FMG Grant  | 1,757             | 348,157                         |                        |
| CBPWP  | 2,979,432         | 2,952,100                       |                        |
| <b>Total</b>   | <b>3,511,911</b>  | <b>9,621,991</b>                |                        |
| <b>6 VAT</b>   |                   |                                 |                        |
| VAT receivable   | 13,266,300        | 16,064,442                      |                        |
| VAT is payable on the receipt basis. Only once payment is received from debtors, VAT is paid over to SARS. |                   |                                 |                        |
|  | 13,266,300        | 16,064,442                      |                        |
| <b>7 PROPERTY, PLANT AND EQUIPMENT</b>   |                   |                                 |                        |
| <b>30 June 2008</b>  | <b>Cost</b>       | <b>Accumulated Depreciation</b> | <b>Nett Book Value</b> |
| <b>OWNED PROPERTY, PLANT AND EQUIPMENT</b>   |                   |                                 |                        |
| Buildings  | 26,802,397        | 2,161,359                       | 24,641,038             |
| Other  | 36,050,558        | 6,799,360                       | 29,251,198             |
| <b>Total</b>   | <b>62,852,955</b> | <b>8,960,719</b>                | <b>53,892,236</b>      |
| <b>Total fixed assets</b>  |                   |                                 |                        |
| <b>30 June 2007</b>  | <b>Cost</b>       | <b>Accumulated Depreciation</b> | <b>Nett Book Value</b> |
| <b>OWNED PROPERTY, PLANT AND EQUIPMENT</b>   |                   |                                 |                        |
| Buildings  | 11,808,754        | 1,712,380                       | 10,096,374             |
| Other  | 29,509,086        | 4,803,740                       | 24,705,346             |
| <b>Total</b>   | <b>41,317,840</b> | <b>6,516,120</b>                | <b>34,801,720</b>      |
| Refer Appendix C for more details on property, plant and equipment   |                   |                                 |                        |





**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2008 (continued)

|   | 2008<br>R         | 2007<br>R         |
|---|-------------------|-------------------|
| <b>8 LONG-TERM RECEIVABLES</b>  |                   |                   |
| Study Loans   | 152,166           | 144,959           |
| Motor Loans   | 294,825           | 344,483           |
| <b>Total</b>  | <b>446,992</b>    | <b>489,441</b>    |
| Less: Short-Term Portion  | -218,627          | -185,719          |
| <b>Total: Long-Term Portion</b>   | <b>228,365</b>    | <b>303,722</b>    |
| <b>MOTOR LOANS</b>  |                   |                   |
| Senior staff are entitled to motor loans which attract interest at 8.5% per annum and which are repayable over a maximum period of six years. As from 1 July 2004, no new loans were approved as it is not allowed with the MFMA. |                   |                   |
| <b>9 DEBTORS</b>  |                   |                   |
| Current debtors   | 6,658,754         | 7,134,568         |
| Other Debtors   | 302,743           | 171,293           |
| Local authorities   | 12,915,307        | 12,867,991        |
|   | 19,876,804        | 20,173,851        |
| Less: Provision for bad debts   | 6,658,754         | 7,198,210         |
| <b>Total</b>  | <b>13,218,050</b> | <b>12,975,641</b> |
| <b>Regional Services Levies: Ageing</b>   |                   |                   |
| Current (0-30 days)   | -20,760           | 27,670            |
| 31-60 Days  | 7,140             | 40,277            |
| 61-90 Days  | 1,984             | 294               |
| 91-120 Days   | 54,923            | 1,215             |
| +365 Days   | 6,615,467         | 7,065,112         |
| <b>Total</b>  | <b>6,658,754</b>  | <b>7,134,568</b>  |

|   | 2008<br>R          | 2007<br>R          |
|---|--------------------|--------------------|
| <b>Reconciliation of the bad debt provision</b>     |                    |                    |
| Balance at beginning of the year                    | 7,198,210          | 0                  |
| Contribution to provision                           | 0                  | 8,218,075          |
| Bad debts written off against provision             | 0                  | 0                  |
| Reversal of provision                               | 539,456            | 1,019,865          |
| Balance at end of year                              | 6,658,754          | 7,198,210          |
| <b>10 INVESTMENT DEPOSITS</b>                       |                    |                    |
| Other Deposits                                      | 0                  | 12,000,000         |
| <b>Total</b>  | <b>0</b>           | <b>12,000,000</b>  |
| <b>11 BANK, CASH AND MATURED INVESTMENTS</b>        |                    |                    |
| The Municipality has the following bank account:    |                    |                    |
| <b>Current account (Primary Bank Account)</b>       |                    |                    |
| <b>ABSA BANK – Secunda</b>                          |                    |                    |
| <b>Account no. 01053971462</b>                      |                    |                    |
| Cashbook balance at the beginning of the year       | 153,659,924        | 171,670,944        |
| Cashbook balance at the end of the year             | 195,583,211        | 153,659,924        |
| Bank statement balance at the beginning of the year | 153,714,212        | 171,777,512        |
| Bank statement balance at the end of the year       | 181,500,434        | 153,714,212        |
| <b>12 GOVERNMENT GRANTS AND SUBSIDIES</b>           |                    |                    |
| Equitable share                                     | 3,457,041          | 2,641,995          |
| Revenue Replacement Grant                           | 168,181,318        | 147,158,654        |
| MIG Grant   | 3,987,040          | 14,525,668         |
| CBPWP   | 972,668            |                    |
| MSIG Grant  | 2,064,265          | 705,668            |
| FMG Grant   | 846,401            | 1,176,696          |
| <b>Total</b>  | <b>179,508,732</b> | <b>166,208,681</b> |

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2008 (continued)

|   | 2008<br>R | 2007<br>R  |
|---|-----------|------------|
| 12.1 Equitable share  |           |            |
| In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. Due to the fact that the District Municipality does not render services this grant forms part of the income. |           |            |
| 12.2 MIG Grant  |           |            |
| Balance unspent at the beginning of the year  | 5,101,968 | 3,616,007  |
| Correction from previous year   | 739,707   | 0          |
| Current year receipts   |           | 16,011,629 |
| Conditions met – transfer to revenue  | 3,987,040 | 14,525,668 |
| Conditions still to be met – transfer to liabilities (see note 5)   | 375,221   | 5,101,968  |
| This grant is being used for several projects within the Category B municipalities in the Gert Sibande region. This project is being implemented by the District Municipality.  |           |            |
| 12.3 MSIG Grant   |           |            |
| Balance unspent at the beginning of the year  | 1,219,766 | 264,081    |
| Correction from previous year   | 0         | 661,353    |
| Current year receipts   | 1,000,000 | 1,000,000  |
| Conditions met – transfer to revenue  | 2,064,265 | 705,668    |
| Conditions still to be met – transfer to liabilities (see note 5)   | 155,501   | 1,219,766  |
| 12.4 FMG Grant  |           |            |
| Balance unspent at the beginning of the year  | 348,157   | 1,024,853  |
| Current year receipts   | 500,000   | 500,000    |
| Conditions met – transfer to revenue  | 846,401   | 1,176,696  |
| Conditions still to be met – transfer to liabilities (see note 5)   | 1,756     | 348,157    |
| 12.5 CBPWP  |           |            |
| Balance unspent at the beginning of the year  | 2,952,100 | 2,952,100  |
| Correction during the year  | 1,000,000 | 0          |
| Conditions met – transfer to revenue  | 972,668   | 0          |
| Conditions still to be met – transfer to liabilities (see note 5)   | 2,979,432 | 2,952,100  |

|   | 2008<br>R  | 2007<br>R  |
|---|------------|------------|
| <b>13 OTHER INCOME</b>  |            |            |
| Tender Deposits   | 117,050    | 81,365     |
| LGSeta allocations  | 353,519    |            |
| DWAF allocation   | 539,994    |            |
| Other income  | 129,030    | 47,509     |
| Total other income  | 1,139,593  | 128,874    |
| <b>14 EMPLOYEE RELATED COST</b>   |            |            |
| Employee-related cost – Salaries and wages  | 17,277,378 | 13,780,841 |
| Employee-related cost – Contributions for UIF, pensions and medical aid                               | 3,769,501  | 3,749,908  |
| Travel and other allowances   | 2,067,640  | 1,741,145  |
| Housing benefits and allowances   | 191,692    | 168,353    |
| Overtime payment  | 211,542    | 324,166    |
| Annual bonus  | 284,189    | 0          |
| Total employee-related cost   | 23,801,942 | 19,764,413 |
| There were no advances to employees. No new loans were approved. Current loans are set out in note 9. |            |            |
| <b>Remuneration of the Municipal Manager</b>  |            |            |
| Annual Remuneration   | 627,030    | 779,835    |
| Annual bonus  | 69,167     | 129,358    |
| Car allowances  | 132,652    | 151,866    |
| Contributions to UIF, medical and pension funds.  | 151,004    | 109,686    |
| Total   | 979,853    | 1,170,746  |
| <b>Remuneration of the Chief Financial Officer</b>  |            |            |
| Annual Remuneration   | 466,472    | 542,170    |
| Annual bonus  | 48,217     | 162,182    |
| Car allowances  | 102,870    | 99,562     |
| Contributions to UIF, medical and pension funds.  | 10,401     | 43,996     |
| Total   | 627,960    | 847,909    |



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2008 (continued)

|  | 2008<br>R                 | 2007<br>R             |
|--|---------------------------|-----------------------|
| <b>Remuneration of Individual Executive Directors</b>  |                           |                       |
| <b>30 June 2008</b>  | <b>Corporate Services</b> | <b>MIS</b>            |
|  | <b>R</b>                  | <b>R</b>              |
| Annual Remuneration  | 496,467                   | 460,333               |
| Annual bonus   | 54,167                    | 54,167                |
| Car allowances   | 91,574                    | 102,880               |
| Contributions to UIF, medical and pension funds.   | 103,784                   | 119,246               |
| Total  | 745,992                   | 736,625               |
| <b>30 June 2008</b>  | <b>IGR</b>                | <b>Mayor's Office</b> |
|  | <b>R</b>                  | <b>R</b>              |
| Annual Remuneration  | 273,810                   | 459,946               |
| Annual bonus   | 4,306                     | 54,167                |
| Car allowances   | 68,812                    | 55,895                |
| Contributions to UIF, medical and pension funds.   | 4,589                     | 126,657               |
| Total  | 351,517                   | 696,666               |
| <b>30 June 2007</b>  | <b>Corporate Services</b> | <b>MIS</b>            |
|  | <b>R</b>                  | <b>R</b>              |
| Annual Remuneration  | 486,179                   | 310,336               |
| Annual bonus   | 97,189                    | 0                     |
| Car allowances   | 101,746                   | 76,293                |
| Contributions to UIF, medical and pension funds.   | 132,741                   | 73,799                |
| Total  | 817,855                   | 460,429               |
| An amount of R432,305 is provided for annual bonuses for management, and included as a creditor in note 4. |                           |                       |

|  | 2008<br>R          | 2007<br>R          |
|--|--------------------|--------------------|
| <b>15 COUNCILLORS' REMUNERATION</b>  |                    |                    |
| Executive Mayor  | 438,816            | 408,804            |
| Speaker  | 351,268            | 329,176            |
| Mayoral Committee's allowance  | 1,546,744          | 1,947,753          |
| Councillors  | 2,124,239          | 1,678,192          |
| Councillors' pension fund  | 438,905            | 426,335            |
| Medical aid contribution   | 140,334            | 130,788            |
| UIF contribution   | 12,016             | 9,859              |
| <b>Total Councillors Remuneration</b>  | <b>5,052,321</b>   | <b>4,930,907</b>   |
| <b>IN-KIND BENEFITS</b>  |                    |                    |
| The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Mayor stays in a house of Council. |                    |                    |
| <b>16 GRANTS AND SUBSIDIES PAID</b>  |                    |                    |
| Grants paid to local municipalities  | 108,639,183        | 116,830,858        |
| Grants paid to charities   | 99,540             | 7,000              |
|  | 108,738,723        | 116,837,858        |
| Grants paid to local municipalities: Depreciation  | 1,658,077          | 537,202            |
| <b>Total Grants and Subsidies</b>  | <b>110,396,800</b> | <b>117,375,060</b> |



**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2008 (continued)

|  | 2008<br>R         | 2007<br>R        |
|--|-------------------|------------------|
| <b>17 CASH GENERATED BY OPERATIONS</b>   |                   |                  |
| Net surplus for the year   | 52,619,828        | 48,023,524       |
| Adjustments for:   |                   |                  |
| Depreciation   | 3,159,365         | 2,371,469        |
| Contribution to provisions   | 6,805,149         |                  |
| Gain on disposal of property, plant and equipment  | -13,892           |                  |
| Loss on disposal of property, plant and equipment  |                   | 42,783           |
| Assets adjustment  | 816,906           |                  |
| Prior year adjustment  | 3,088,045         |                  |
| Investment income  | -21,621,274       | -15,802,585      |
| Interest paid  | 389,815           | 1,571,830        |
| Operating surplus before working capital charges   | 45,243,943        | 36,207,020       |
| (Increase)/decrease in Debtors   | -242,409          | -6,011,987       |
| Increase/(decrease) in conditional grant and receipts  | -6,110,080        | 4,717,050        |
| Increase/(decrease) on VAT receivable  | 2,798,142         | 1,049,145        |
| Increase/(decrease) in Creditors   | -4,325,361        | -32,595,414      |
| <b>Cash generated by operations</b>  | <b>37,364,235</b> | <b>3,365,814</b> |
| <b>18 CASH AND CASH EQUIVALENTS</b>  |                   |                  |
| Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position: |                   |                  |
| Bank balances  | 195,583,211       | 153,659,924      |
| Petty cash   | 4,100             | 4,100            |
| Investments  | 0                 | 12,000,000       |
| Total  | 195,587,311       | 165,664,024      |

|  | 2008<br>R   | 2007<br>R   |
|--|-------------|-------------|
| <b>19 GENERAL EXPENSES</b>   |             |             |
| Included in general expenses are the following:  |             |             |
| Operating leases   |             |             |
| Operating leases for automated office machines – minimum payments  | 265,764     | 482,423     |
| The Municipality leases office automation machines from various service providers over a lease period of a maximum of three years. |             |             |
| Up to 1 year   |             | 1-5 years   |
| <b>R</b>   | <b>R</b>    | <b>R</b>    |
| Future minimum lease payments as at 30 June 2008:  | 265,764     | 503,224     |
| <b>20 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>  |             |             |
| 20.1 Contributions to organised local government   |             |             |
| Opening balance  | 0           | 0           |
| Council subscriptions  | 158,459     | 113,609     |
| Amount paid – current year   | 158,459     | 113,609     |
| Balance unpaid   | 0           | 0           |
|  | <b>2008</b> | <b>2007</b> |
|  | <b>R</b>    | <b>R</b>    |
| 20.2 Audit fees  |             |             |
| Opening balance  | 0           | 0           |
| Current year audit fees  | 882,277     | 848,867     |
| Amount paid – current year   | 882,277     | 848,867     |
| Balance unpaid   | 0           | 0           |





**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2008 (continued)

|   | 2008<br>R | 2007<br>R |
|---|-----------|-----------|
| <b>20.3 VAT</b>   |           |           |
| All VAT returns have been submitted by the due date throughout the year.  |           |           |
| The VAT receivables are shown in note 6.  |           |           |
| <b>20.4 Payee and UIF</b>   |           |           |
| Opening balance   | 0         | 0         |
| Current year payroll deduction and Council contributions  | 4,378,955 | 4,104,223 |
| Amount paid – current year  | 4,378,955 | 4,104,223 |
| Balance unpaid  | 0         | 0         |
| <b>20.5 Pension and Medical Aid Deductions</b>  |           |           |
| Opening balance   | 0         | 0         |
| Current year payroll deduction and Council contributions  | 6,342,583 | 5,709,651 |
| Amount paid – current year  | 6,342,583 | 5,709,651 |
| Amount paid – previous year   | 0         | 0         |
| Balance unpaid  | 0         | 0         |
| <b>21 IRREGULAR EXPENDITURE – RECOUPMENT</b>  |           |           |
| Forged cheque   | 940,057   | 940,057   |
| A cheque to the amount of R1,942,718.50 was forged during the previous year. Absa was able to recover the amount of R1,002,661.40 and re-imbursed the Council accordingly. Currently the insurance company is awaiting a final comprehensive report with a view to compensating the Council with a material portion of the outstanding loss incurred. |           |           |

|   | 2008<br>R  | 2007<br>R |
|---|------------|-----------|
| <b>22 PRIOR YEAR ADJUSTMENT</b>   |            |           |
| The contingencies of the prior year have been provided as creditors for short-term projects which were not realised, and therefore be written back against the appropriation account.   | 3,088,045  | 0         |
| <b>23 CHANGES OF ACCOUNTING POLICIES</b>  |            |           |
| The current year accounting policy (in accordance with the exemptions in Gazette no. 30013 of 29 June 2007) differ from that applied in the prior year. The changes in accounting policy will be applied prospectively and refers to the following notes:<br>2 – Creditors<br>5 – Property, plant and equipment |            |           |
| <b>24 CAPITAL AND OTHER COMMITMENTS</b>   |            |           |
| Commitment in respect of capital and other expenditure  |            |           |
| – Approved and contracted for   |            |           |
| Other assests: Vehicles   | 0          | 601,340   |
| Projects for municipalities   | 42,418,726 |           |
| Total   | 42,418,726 | 601,340   |
| This expenditure will be financed from:   |            |           |
| – Own Resources   | 42,418,726 | 601,340   |
| Total   | 42,418,726 | 601,340   |

## APPENDIX A

### Schedule of External Loans as at 30 June 2008

|                             |              |       |                  |            | Balance at<br>01/07/2007<br>R | Received<br>during the year<br>R | Redeemed or written<br>off during the year<br>R | Balance at<br>30/06/2008<br>R |          |
|-----------------------------|--------------|-------|------------------|------------|-------------------------------|----------------------------------|---|-------------------------------|----------|
| <b>EXTERNAL LOANS</b>       |              |       |                  |            |                               |                                  |   |                               |          |
| ISSUED                      | TYPE         | RATE  | LOAN DESCRIPTION | REDEEMABLE |                               |                                  |   |                               |          |
| Jan 1999                    | Annuity Loan | 18.4% | EAST-00-0001     | April 2008 |                               | 2,749,441                        | 0   | 2,749,441                     | 0        |
| Jan 1999                    | Annuity Loan | 18.6% | EAST-00-0002     | April 2008 |                               | 2,912,521                        | 0   | 2,912,521                     | 0        |
| <b>TOTAL EXTERNAL LOANS</b> |              |       |                  |            |                               | <b>5,661,962</b>                 | <b>0</b>  | <b>5,661,962</b>              | <b>0</b> |



## APPENDIX B

### Analysis of Property Plant and Equipment as at 30 June 2008

|                           | COST              |                  |                   |                       |                   |                  | ACCUMULATED DEPRECIATION |                |                      |                   | CARRYING VALUE    | BUDGET 2008 |
|---------------------------|-------------------|------------------|-------------------|-----------------------|-------------------|------------------|--------------------------|----------------|----------------------|-------------------|-------------------|-------------|
|                           | OPENING BALANCE   | ADDITIONS        | WORK IN PROGRESS  | DISPOSALS / TRANSFERS | CLOSING BALANCE   |                  | OPENING BALANCE          | ADDITIONS      | DISPOSALS/ TRANSFERS | CLOSING BALANCE   |                   |             |
|                           | R                 | R                | R                 | R                     | R                 |                  | R                        | R              | R                    | R                 |                   |             |
| <b>LAND AND BUILDINGS</b> |                   |                  |                   |                       |                   |                  |                          |                |                      |                   |                   |             |
| Building                  | 11,808,754        | 123,939          | 14,873,172        | 3,468                 | 26,802,397        | 1,712,380        | 449,008                  | 29             | 2,161,359            | 24,641,038        | 15,000,000        |             |
|                           | <b>11,808,754</b> | <b>123,939</b>   | <b>14,873,172</b> | <b>3,468</b>          | <b>26,802,397</b> | <b>1,712,380</b> | <b>449,008</b>           | <b>29</b>      | <b>2,161,359</b>     | <b>24,641,038</b> | <b>15,000,000</b> |             |
| <b>OTHER ASSETS</b>       |                   |                  |                   |                       |                   |                  |                          |                |                      |                   |                   |             |
| Equipment                 | 4,555,605         | 473,873          | 0                 | 331,075               | 4,698,403         | 3,038,211        | 487,648                  | 193,519        | 3,332,340            | 1,366,063         | 216,500           |             |
| Furniture                 | 1,535,509         | 33,500           | 0                 | 1,176,194             | 392,815           | 614,581          | 37,327                   | 494,654        | 157,254              | 235,561           | 33,500            |             |
| Vehicles                  | 23,417,972        | 7,713,011        | 0                 | 171,643               | 30,959,340        | 1,150,948        | 2,185,382                | 26,564         | 3,309,766            | 27,649,574        | 8,000,000         |             |
|                           | <b>29,509,086</b> | <b>8,220,384</b> | <b>0</b>          | <b>1,678,912</b>      | <b>36,050,558</b> | <b>4,803,740</b> | <b>2,710,357</b>         | <b>714,737</b> | <b>6,799,360</b>     | <b>29,251,198</b> | <b>8,250,000</b>  |             |
| <b>TOTAL</b>              | <b>41,317,840</b> | <b>8,344,323</b> | <b>14,873,172</b> | <b>1,682,380</b>      | <b>62,852,955</b> | <b>6,516,120</b> | <b>3,159,365</b>         | <b>714,766</b> | <b>8,960,719</b>     | <b>53,892,236</b> | <b>23,250,000</b> |             |

## APPENDIX C

### Segmental Analysis of Property, Plant and Equipment as at 30 June 2008

|                          | COST                        |                  |                   |                       |                              | ACCUMULATED DEPRECIATION    |                  |                       |                              |                   | CARRYING VALUE |
|--------------------------|-----------------------------|------------------|-------------------|-----------------------|------------------------------|-----------------------------|------------------|-----------------------|------------------------------|-------------------|----------------|
|                          | OPENING BALANCE<br>1/7/2007 | ADDITIONS        | WORK IN PROGRESS  | DISPOSALS / TRANSFERS | CLOSING BALANCE<br>30/6/2008 | OPENING BALANCE<br>1/7/2007 | ADDITIONS        | DISPOSALS / TRANSFERS | CLOSING BALANCE<br>30/6/2008 |                   |                |
|                          | R                           | R                | R                 | R                     | R                            | R                           | R                | R                     | R                            | R                 |                |
| Executive and Council    | 2,657,202                   | 2,055,732        | 14,873,172        | 672,756               | 18,913,350                   | 439,260                     | 248,688          | 186,377               | 501,571                      | 18,411,779        |                |
| Finance and admin        | 17,931,713                  | 169,696          | 0                 | 769,156               | 17,332,253                   | 5,308,806                   | 1,193,178        | 411,697               | 6,090,287                    | 11,241,966        |                |
| Planning and development | 516,161                     | 273,395          | 0                 | 240,468               | 549,088                      | 226,541                     | 59,421           | 116,692               | 169,270                      | 379,818           |                |
| Local Authorities        | 20,212,764                  | 5,845,500        | 0                 | 0                     | 26,058,264                   | 541,513                     | 1,658,078        | 0                     | 2,199,591                    | 23,858,673        |                |
| <b>TOTAL</b>             | <b>41,317,840</b>           | <b>8,344,323</b> | <b>14,873,172</b> | <b>1,682,380</b>      | <b>62,852,955</b>            | <b>6,516,120</b>            | <b>3,159,365</b> | <b>714,766</b>        | <b>8,960,719</b>             | <b>53,892,236</b> |                |



## APPENDIX D

### Segmental Statement of Performance for the year ended 30 June 2008

| 2007               | 2007               | 2007              |                                   |  | 2008               | 2008               | 2008              |
|--------------------|--------------------|-------------------|-----------------------------------|--|--------------------|--------------------|-------------------|
| Actual             | Actual             | Surplus           |                                   |  | Actual             | Actual             | Surplus           |
| Income             | Expenditure        |                   |                                   |  | Income             | Expenditure        |                   |
| R                  | R                  | R                 |                                   |  | R                  | R                  | R                 |
| 14,525,668         | 117,368,060        | -102,842,392      |                                   |  | 4,959,707          | 110,297,260        | -105,337,553      |
| 14,525,668         | 117,368,060        | -102,842,392      | Contribution to Local Authorities |  | 4,959,707          | 110,297,260        | -105,337,553      |
| 184,061,066        | 33,188,148         | 150,872,916       |                                   |  | 198,283,917        | 40,226,996         | 158,056,921       |
| 10,984             | 16,814,884         | -16,803,901       | Corporate Services                |  | 404,673            | 22,301,073         | -21,896,400       |
| 183,331,895        | 6,645,818          | 176,686,076       | Budget & Treasury                 |  | 195,254,501        | 6,309,547          | 188,944,954       |
| 1,427              | 670,355            | -668,928          | Health                            |  | 2,608              | 1,868,647          | -1,866,038        |
| 716,182            | 6,326,554          | -5,610,372        | MIS & IGR                         |  | 2,620,695          | 9,746,289          | -7,125,595        |
| 528                | 1,684,398          | -1,683,870        | Municipal Buildings               |  | 847                | 847                | 0                 |
| 50                 | 1,046,139          | -1,046,089        | Computer Services                 |  | 593                | 593                | 0                 |
| 0                  | 7,000              | -7,000            |                                   |  | 0                  | 99,540             | -99,540           |
| 0                  | 7,000              | -7,000            | Donations                         |  | 0                  | 99,540             | -99,540           |
| <b>198,586,734</b> | <b>150,563,209</b> | <b>48,023,524</b> |                                   |  | <b>203,243,624</b> | <b>150,623,797</b> | <b>52,619,828</b> |

## APPENDIX E (1)

### Actual Operating Revenue and Expenditure versus Budget for the year ended 30 June 2008

|  | Actual 2008<br>R   | Budget 2008<br>R   | Variance 2008<br>R | Variance 2008<br>% | Explanation of variances greater than 10%  |
|--|--------------------|--------------------|--------------------|--------------------|--|
| <b>REVENUE</b>                                     |                    |                    |                    |                    |  |
| Regional Services Levies – remuneration            | 68,344             | 187,000            | -118,656           | -63%               | Fair Value for Debtor  |
| Regional Services Levies – turnover                | 289,285            | 430,000            | -140,715           | -33%               | Fair Value for Debtor  |
| Interest earned – external investments             | 21,621,274         | 16,900,000         | 4,721,274          | 28%                | Due to projects not finalised as budgeted, more funds were available for investment.<br>The increase in the interest rate also had a positive influence on the income from investments |
| Interest earned – outstanding debtors              | 602,506            | 4,400              | 598,106            | 13,593%            | Fair Value for Debtor  |
| Government grants and subsidies                    | 179,508,732        | 184,159,164        | -4,650,432         | -3%                |  |
| Other income                                       | 1,139,593          | 5,140,150          | -4,000,557         | -78%               | The donation from the Canadian International Development agency (CIDA) will from a timing point only be received in the 2008/2009 year   |
| Gains on disposal of property, plant and equipment | 13,892             | 0                  | 13,892             | 100%               | No provision was made for nett gains from the insurance of assets stolen   |
| <b>TOTAL REVENUE</b>                               | <b>203,243,624</b> | <b>206,820,714</b> | <b>-3,577,090</b>  | <b>-2%</b>         |  |
| <b>EXPENDITURE</b>                                 |                    |                    |                    |                    |  |
| Employee-related costs                             | 23,801,942         | 35,583,661         | -11,781,719        | -33%               | Not all positions were filled on the organogram, resulting in less expenditure than budgeted for   |
| Remuneration of Councillors                        | 5,052,321          | 5,416,390          | -364,069           | -7%                |  |
| Collection cost                                    | 45,370             | 50,000             | -4,630             | -9%                |  |
| Depreciation                                       | 1,501,287          | 1,415,770          | 85,517             | 6%                 |  |
| Repairs and maintenance                            | 665,058            | 856,579            | -191,521           | -22%               | Less was spent on repairs and maintenance than budgeted  |
| Contracted services                                | 708,842            | 947,800            | -238,958           | -25%               | Less was spent on contracted services than anticipated   |
| Grants and subsidies paid                          | 110,396,800        | 157,993,902        | -47,597,102        | -30%               | Due to projects not completed as anticipated, saving on grants paid arose  |
| General expenses – other                           | 8,452,176          | 13,559,720         | -5,107,544         | -38%               | Less was spent on general expenditure than budgeted for  |
| <b>TOTAL EXPENDITURE</b>                           | <b>150,623,797</b> | <b>215,823,822</b> | <b>-65,200,025</b> | <b>-30%</b>        |  |
| <b>NET SURPLUS FOR THE YEAR</b>                    | <b>52,619,828</b>  | <b>-9,003,108</b>  | <b>61,622,936</b>  |                    |  |



## APPENDIX E(2)

### Actual Capital Expenditure versus Budget for the year 30 June 2008

|                           | 2008<br>ACTUAL   | 2008<br>WORK IN PROGRESS | 2008<br>TOTAL ADDITIONS | 2008<br>BUDGET    | 2008<br>VARIANCE | 2008<br>VARIANCE | EXPLANATION OF SIGNIFICANT VARIANCES<br>GREATER THAN 5% VERSUS BUDGET  |
|---------------------------|------------------|--------------------------|-------------------------|-------------------|------------------|------------------|--|
|                           | R                | R                        | R                       | R                 | R                | %                |  |
| <b>LAND AND BUILDINGS</b> |                  |                          |                         |                   |                  |                  |  |
| Building                  | 123,939          | 14,873,172               | 14,997,111              | 15,000,000        | 2,889            | 0                |  |
|                           | 123,939          | 14,873,172               | 14,997,111              | 15,000,000        | 2,889            | 0                |  |
| <b>OTHER ASSETS</b>       |                  |                          |                         |                   |                  |                  |  |
| Equipment                 | 473,873          | –                        | 473,873                 | 216,500           | (257,373)        | (118)            | Notebooks and laptops were procured for new appointments and mayoral committee "Virement" done to offset shortfall on budget from vehicles vote. |
| Furniture                 | 33,500           | –                        | 33,500                  | 33,500            | 0                | 0                |  |
| Vehicles                  | 7,713,011        | –                        | 7,713,011               | 8,000,000         | 286,989          | 4                |  |
|                           | <b>8,220,384</b> | <b>–</b>                 | <b>8,220,384</b>        | <b>8,250,000</b>  | <b>29,616</b>    | <b>0</b>         |  |
| <b>TOTAL</b>              | <b>8,344,323</b> | <b>14,873,172</b>        | <b>23,217,495</b>       | <b>23,250,000</b> | <b>32,505</b>    | <b>0</b>         |  |

## APPENDIX F

Disclosures of Grants and Subsidies in terms of Section 123 of MFMA,  
56 of 2003 Grants and Subsidies Received

| Name of Grants      | Name of organ of state or municipal entity | Quarterly Receipts |            |            |            |      |                    |  | Quarterly Expenditure |           |         |           |                  | Grants and Subsidies delayed / withheld |     |       |      | Reason for delay / withholding of funds | Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Acts | Reason for non-compliance |
|---------------------|--|--------------------|------------|------------|------------|------|--------------------|--|-----------------------|-----------|---------|-----------|------------------|---|-----|-------|------|---|---|---------------------------|
|                     |  | June               | Sept       | Dec        | March      | June | Total              |  | Sept                  | Dec       | March   | June      | Total            | Sept                                    | Dec | March | June |   |   |                           |
| Equitable share     |  |                    | 1,152,347  | 1,152,347  | 1,152,347  |      | <b>3,457,041</b>   |  |                       |           |         |           |                  |   |     |       |      | N/A                                     | YES   | N/A                       |
| MIG Grant           |  | 5,101,968          |            |            |            |      | <b>5,101,968</b>   |  | 505,904               | 1,567,101 | 122,007 | 2,531,735 | <b>4,726,747</b> |   |     |       |      | N/A                                     | YES   | N/A                       |
| MSIG Grant          |  | 1,219,766          | 500,000    | 500,000    |            |      | <b>2,219,766</b>   |  | 82,542                | 221,569   | 620,695 | 1,139,537 | <b>2,064,342</b> |   |     |       |      | N/A                                     | YES   | N/A                       |
| FMG Grant           |  | 348,157            | 500,000    |            |            |      | <b>848,157</b>     |  | 113,636               | 157,987   | 149,092 | 425,816   | <b>846,531</b>   |   |     |       |      | N/A                                     | YES   | N/A                       |
| Revenue Replacement |  |                    | 56,060,439 | 41,757,243 | 70,363,636 |      | <b>168,181,318</b> |  |                       |           |         |           |                  |   |     |       |      | N/A                                     | YES   | N/A                       |





CHAPTER FIVE

## Functional area of Service Delivery Reportings







## Finance

### Overview

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

### Description of Activities

#### Financial Management-Budget and Treasury Function

The budget and treasury office is responsible for the following:

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

#### Debtor Management & Credit Control

- Effective management of debtors and credit control
- Administration of payroll
- Managing insurance portfolio
- Managing of creditor's – claims and other creditors.

#### Supply Chain Management

- Administration and implementation of the supply chain management.

#### Support Services to Local Municipalities

The following support functions will be rendered to Local Municipalities:

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

## Infrastructure Services

### Overview

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

### Description of Activities

#### Infrastructure maintenance and technical service

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

#### Project implementation and support

Implementation of projects with the following:

- EPWP Compliance
- OHS Compliance
- Data capturing/monitoring
- Reporting
- Co-ordination and support of basic electricity (Infrastructure)

#### Planning and Development

- Policy development and support
- Establish of District Integrated Transport Plan
- Development & maintenance of traffic system
- Development of road hierarchy plans
- Land use management

- Provide Town & Regional Planning function
- Provide Spatial Development Framework
- Provide Regional Waste Disposal Planning
- Regional Crematoria Cemetery Planning

#### Water and Sanitation

- Review and integration of WSDP and ensure pre-appraisal of water and sanitation projects.
- Redress water and sanitation backlog and continuously update basic service backlog information
- Engaging stakeholders to ensure sufficient water resources (raw)
- Provide support to ensure water quality of high standard
- Ensure project viability in terms of sustainable standard
- Provide support for Water Conservation and Demand Management Programmes.

### Analysis of Functions

#### Bulk water service

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

#### Sanitation

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

#### Infrastructure

In relation to infrastructure projects, 77% expenditure of the approved budget was achieved through the implementation of projects at category B municipalities. The budget included

the 2007/2008 financial year allocation and multi-year projects funding from the previous financial year, 97% of the allocation was allocated to water and sanitation provision projects.

#### EPWP

In striving to create job opportunities, reduce poverty and develop skills among our communities, 32 projects were approved to be implemented through labour intensive methods for 2007/2008 financial year. A total of 516 job opportunities were created of which 313 youth benefited, 191 women benefited and 15 disabled people also benefited.

A total of 144 people received hard skills training on brick and pipe laying and fitting. Another total of 138 people received training on OHS.

The target for 2007/2008 financial year was 500 and the district exceeded its target by achieving 103%. Another key achievement for the district was to reach the finals of the National Kamoso Awards for 2008.







## Corporate Services

### Overview

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

### Description of Activities

#### Human Resource Management

The HRM facilitates the staffing processes in the municipality. Policies have been developed to guide management decisions with regard to HR and to minimise disputes. For the financial year 2007/2008, the following policies were reviewed and taken for council endorsement:

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

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

### Key Performance Areas:

- Human Resource Activities administration
- Human Resource Development
- Human Resource Recruitment and Exit Management
- Employee wellness and Occupational Health Services

### Legal Services

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

### Administration Directorate

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

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

### Community Participation Services

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

### Analysis of Function

The statistics in relation to employee details is as follows:

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

## Intergovernmental Relations & Social Development

### Overview

This Department is among others responsible for the facilitation and promotion of intergovernmental relations, and cooperative governance, facilitation and coordination of Gender, Disability and HIV and AIDS function, promotion of Tourism Economic and Agricultural Development, render Municipal Health services and Disaster Management and provision and coordination of environmental management

### Description of Activities

#### Municipal Health Services and Environmental Management

- Render Municipal Health Services in the District
- Facilitate transfer of municipal health services from Local Municipalities and province to the District Municipality
- Revive and facilitate effective Environmental Health Practitioners Forum
- Coordinate Environmental Management
- Development of District Public & Environmental Health by- laws
- Development of Air Quality Management Plans
- Development of District Integrated Environmental Management Plan

#### Disaster Management

- o Develop District Disaster Management Plan
- o Coordinate the recruitment, training and deployment of volunteers
- o Development and functioning of District Disaster Management Centre

#### Challenges:

- Insufficient equipment and fleet at local level
- Insufficient specialized trained staff for fire & rescue services

- Limited resources for volunteers cops programs & coordination
- Insufficient systems and infrastructure for Disaster Management

#### Achievements:

- 70 volunteers trained in first aid (1-3) and basic fire fighting
- Coordinated and assisted local municipalities during their fire and storm disaster incidents
- Disaster Management Forum working effectively
- Coordinated awareness campaigns in local municipalities with Provincial disaster centre

#### Gender, Disability and HIV/AIDS

- o Facilitate and coordinate Gender, Disability, and HIV/AIDS activities within the district to ensure that disability issues are given attention
- o Facilitate and establish HIV/AIDS councils in the district and local municipalities to support government program
- o Coordinate training and capacity building for District and Local HIV & Aids Coordinators and Task team Coordinators
- o Develop District HIV & AIDS Strategy to ensure that all local strategies are effectively coordinated within the same framework
- o Coordinated training for home based care givers, donated Home base Care Kits to home base care givers in ensuring that we provide support to those working on the programs
- o Facilitate and establish Disability Forums in the District and local municipalities in order to ensure that disability issues are effectively addressed and supported
- o Coordinate training and capacity building for forum members to effectively participate and support District programs
- o Facilitate sector coordination and support provision of services to people with disabilities within the District





**Challenges:**

- Establishment of a district forum
- Development of Local policies and implementation
- Information and education workshops
- Training and development of people with disabilities
- Capacity building for the forums in order to support the program on people with disabilities
- Resources and access for people with disabilities to participate in the local economy and gain employment opportunities.

**Achievements:**

- o Disability awareness campaign was done at Lekwa Local Municipality
- o Established disability forums at local municipalities
- o Donated 50 wheelchairs to deserving people within the District
- o Stakeholders meetings were held.

**Sports Arts and Culture**

- Facilitation of Sports Arts and Culture
- Coordination and support of Federations in the District
- Facilitation of Local and District, Mayoral Games & SALGA Games
- Coordination of Sports Councils in partnership with Department of Sports, Arts and Culture

**Challenges:**

- Uniformity in organizing and implementation of programs
- Establishment of District Federations
- Strategic Policy framework for Sports, Arts and Culture
- Duplication of programs by stakeholders
- Inclusion of Disability Sports in the mainstream programs
- Minimum attention and support to Arts and Culture

**Achievements:**

- Attended Kwanaloga Games as study tours
- Successfully hosted Executive Mayoral Games
- Participated in SALGA games and have District players selected to Provincial teams
- Hosted Orlando Pirates reserve side playing against District team

**Youth development**

- Development and support for Youth.
- Coordination and support of Youth programs
- Facilitate policy development and implementation
- Facilitate the establishment of youth councils and units

**Challenges:**

- Employment of youth officers
- Understanding of youth development
- No effective coordination of youth development within all sector departments and structures
- Funding for youth development programmes and economic development

**Achievements:**

- Six of the seven Local Municipalities employed Youth Officers
- Draft policy developed
- Local Youth summits held in five municipalities
- Participated in the celebration of Youth Month
- Held joint workshop with Provincial Youth Commission on Youth in construction

**Economic, Tourism and Agricultural Development**

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

**Challenges:**

- Review and alignment of district strategies with key stakeholders
- Coordination of programs and economic planning with key stakeholders
- Attracting investment and development to the district
- Revival of the agricultural sector

**Achievements:**

- Facilitating the establishment of cooperatives
- Supporting local SMME's and BBBEE
- Aligning procurement to support local business
- Engaging stakeholders to align economic planning



**GERT SIBANDE DISTRICT MUNICIPALITY**

A District Municipality Striving to Excel in Good Governance and Quality Infrastructure.