

2008/9 ANNUAL
REPORT

FINAL DRAFT



**NKANGALA DISTRICT
MUNICIPALITY**

TABLE OF CONTENT

FOREWORD BY THE EXECUTIVE MAYOR	iv
OVERVIEW BY THE MUNICIPAL MANAGER	v
CHAPTER 1.....	1
1. DISTRICT STRATEGIC OUTLOOK AND SOCIO-ECONOMIC PROFILE.....	1
1.1 INTRODUCTION	1
1.2 VISION AND MISSION	2
1.3 VALUES AND PRINCIPLES	2
1.4 GEOGRAPHY	2
1.5 POPULATION.....	3
1.6 HIV/AIDS PREVALENCE	4
1.7 URBANISATION	5
1.8 UNEMPLOYMENT	5
1.9 EDUCATION	7
CHAPTER 2.....	8
2.1. COMPOSITION OF COUNCIL	8
2.2 COUNCIL’S MANDATE.....	8
2.3 FUNCTIONALITY OF COUNCIL AND ITS COMMITTEES	8
2.4 COMPOSITION OF COUNCIL AND ITS COMMITTEES	9
CHAPTER 3.....	14
3.1 REPORT ON THE FINANCIAL STATEMENTS.....	14
THE ACCOUNTING OFFICER’S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS.....	14
3.2 ISSUES OF CONCERN FROM AUDITOR GENERAL.....	18
CHAPTER 4.....	20
4. ANNUAL FINANCIAL STATEMENTS	20
4.1 GENERAL INFORMATION	20
4.2 REVIEW OF OPERATING RESULTS.....	21
4.3 NKANGALA DISTRICT MUNICIPALITY STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009	26

4.4 NKANGALA DISTRICT MUNICIPALITY STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED JUNE 2009.....	27
4.5 NKANGALA DISTRICT MUNICIPALITY STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 2009.....	28
4.6 NKANGALA DISTRICT MUNICIPALITY CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009	29
4.7 ACCOUNTING POLICIES	30
CHAPTER 5.....	64
5. ANNUAL MUNICIPAL PERFORMANCE REPORT.....	64
5.1 STRATEGIC PERFROMANCE SCORECARD.....	64
5.2. BRIEF REPORTS: INTERNAL DEPARTMENTS AND UNITS.....	70
5.2.1 TECHNICAL SERVICES DEPARTMENT (VOTE 1200)	70
5.2.1.1 INFRASTRUCTURE AND SERVICE DELIVERY	70
5.2.1.2 WATER AND SANITATION PROVISION.....	71
5.2.1.3 ELECTRICITY PROVISION	74
5.2.1.4 ROADS AND STORM WATER PROVISION.....	74
5.2.1.5 THE EXPANDED PUBLIC WORKS PROGRAMME (EPWP).....	74
5.2.1.6 PROJECTS IMPLEMENTED DURING THE 2008/9 FINANCIAL YEAR	75
5.2.1.7 SPECIAL PROJECTS	78
5.2.2 CORPORATE SERVICES DEPARTMENT (VOTE 01103)	81
5.2.2.1 ADMINISTRATIVE FUNCTIONS.....	81
5.2.2.2 SKILLS DEVELOPMENT	82
5.2.2.3 APPOINTMENTS.....	82
5.2.3 SOCIAL SERVICES DEPARTMENT (01106)	83
5.2.3.1 SOCIAL SERVICES	83
5.2.3.2 FIRE AND RESCUE SERVICES	84
5.2.3.3 DEVELOPMENT PLANNING	84
5.2.4 FINANCE DEPARTMENT (VOTE 01104)	85
5.2.4.1 FINANCIAL MANAGEMENT.....	85
5.2.4.2 AUDIT OPINIONS	85
5.2.4.3 FITCH INTERNATIONAL CREDIT RATING	86
5.2.4.4 RSC LEVIES RESEARCH FINDINGS.....	86
5.2.5 UNITS UNDER THE OFFICE OF THE MUNICIPAL MANAGER.....	87
5.2.5.1 PUBLIC LIAISON (VOTE 01102)	87

5.2.5.2 PROJECT MANAGEMENT UNIT (VOTE 01114)	88
5.2.5.3 LOCAL ECONOMIC DEVELOPMENT (VOTE 01113)	88
5.2.5.3.1 GLOBAL ECONOMIC CRISIS	88
5.2.5.4 INFORMATION COMMUNICATION TECHNOLOGY UNIT (VOTE 01116)	91
5.5.2. 5 INTERNAL AUDIT UNIT (VOTE 01111).....	93
5.5.2.6 DEVELOPMENT AND PLANNING UNIT (VOTE 01209).....	93
CHAPTER 6.....	95
6. CONCLUDING REMARKS	95

FOREWORD BY THE EXECUTIVE MAYOR



Let me begin by borrowing a few words from the opening address by President Nelson Mandela to the third session of Parliament, Cape Town on the 9th of February 1996 where he stated that “Life has started to have real meaning for the hundreds of thousands who now have access to clean and safe drinking water... If these achievements are something to be proud of, this is because they have laid the foundation to make a real impact on the inequities of the past. For we are only at the beginning of a long journey, a journey we should undertake with expedition, if our consciences are not impervious to the cries of desperation of millions. But this is a journey, too, that requires thorough planning and tenacious industry, if we are to remain on course and capable of sustaining our march”.

Indeed the journey we began in 1994 as a country is one that needs thorough planning, focus, expedition and tenacity. For us as a Council it is critical that through our Integrated Development Plan (IDP), Budget and Service Delivery Implementation Plans (SDBIPs) we remain resolute and responsive to the progressive attainment of the socio-economic rights enshrined by the Constitution and other legislation. The District will strive towards progressive realization of “Improved quality of life through balanced sustainable development and service excellence”.

It is my delight to present once again the 2008/9 Annual Report of the Nkangala District Municipality. This report provides an account of the performance of the Council during the period of 2008/9 financial year as set out in the 2008/9 IDP, budget and the 2008/9 SDBIP. Section 121 (2) of the MFMA deals with the purpose of the annual report which, amongst others, deals with the promotion of accountability and performance of the municipality against its approved budget. It is on the basis of the aforesaid reasons that I humbly submit the annual report of the District Municipality for the period 1 July 2008 to 30 June 2009.

The unprecedented and sustained performance of the District resulted in the District being the first one in the country to win the prestigious National Vuna Award Competition, District Category, for the third time in 2008. The Vuna Competition involves 283 municipalities of which 46 of them are District municipalities in the South Africa and its main objective is to recognise exemplary service delivery and municipal performance in terms of the five (5) national Key Performance Areas for Local Government.

It is evident in this report that the Nkangala District Municipality continues to gradually, but successfully, respond to the needs of our communities. The achievements I refer to here come as a direct result of the commitment of the Council, administration, the District communities and the invaluable role that our social partners continue to play.

In conclusion, the NDM prides itself for being the best performing municipality in the country and will further strive to implement strategies that promote investment, sustainable development and service excellence. It is with a profound sense of pride that I present this annual report and look forward to the coming years with the zeal that we shall continue the struggle for a better life for all.

S K MASHILO
EXECUTIVE MAYOR

OVERVIEW BY THE MUNICIPAL MANAGER



This annual report presents overall performance of the Nkangala District Municipality during the year under review commencing in July 2008 to June 2009. Contained in the report, inter alia, are the 2008/9 key performance highlights, report of the Auditor General, audited financial statements and aggregated achievements of the line function Departments and Units within the District.

As espoused in Section 121 of the Municipal Finance Management, 2003, every municipality and every municipal entity must for each financial year prepare an annual report. The annual report of a municipality must include, inter alia, the annual financial statements of the municipality, the Auditor-General's audit report, the annual performance report, the Auditor-General's audit report, and any information as determined by the municipality

During the year under review, 2008/9 financial year, the Nkangala District Municipality (NDM) remained a paragon of service delivery and excellence. As an affirmation of exemplary sustained performance, the NDM was announced the overall Provincial winner of the Provincial Vuna Award Competition in 2008 which enabled the District participate in the National Prestigious Vuna Award Competition. The NDM became the first District municipality in the country to win, the prestigious National Vuna Award Competition in the District Category for the third time in 2008 since the inception of the competition in 2004. The Vuna Competition involves 283 municipalities of which 46 of them are District municipalities in the South Africa and its main objective is to recognise exemplary service delivery and performance. The assessed was based on the Nationally established Key Performance Areas: viz; Infrastructure Delivery and Service Provision, Local Economic Development, Financial Viability, Institutional Transformation and Development and Good Governance.

In terms of Infrastructure and Service Delivery, the District together with its local municipalities have once again made significant strides in ensuring that the communities of the District have access to basic services. Through detailed studies conducted by the District which resulted into the District Water Master Plan, it was established that budget required for total eradication of reticulation backlog is estimated to be approximately R 663 088 339.

An aggregated summary in terms of the backlog per house and the budget required to eradicate the backlog is as follows:

Water Services:

Backlog per households: 22 037 h/h

Budget required: R 198 333 000

Sanitation:

Backlog per households: 122 307 h/h

Budget required: R 464 766 339

In dealing with these challenges the NDM has made significant investments in Water and Sanitation infrastructure in the District during the 2008/9 financial year. A comparative investment committed during the preceding financial years is presented under the Technical Services Departmental report. During the year under review the District spent an amount of about R 95 million, of which a breakdown is presented in Table 1 below:

Table 1: Comparative infrastructure expenditure between 2007/8 and 2008/9 financial years

Expenditure item	2007/8 actual expenditure	2008/9 actual expenditure
Water	R 29,442,225	R 47,517,985.82
Sanitation	R 24,250,446	R 23,306,416.73
Roads & stormwater	R 21,989,148	R 19,746,310.82
Electricity	R 6,168,241	R 2,145,882.12
Urban Development	R 3,431,710	R 1,792,477.17
Total	R 85,281,770	R 94,509,073

Comparatively, it is evident in the table above that there was an aggregate increase of about 11.7% in budget spent on water, sanitation, roads and stormwater, electricity and urban development. Clearly this shows a significant improvement compared to the 2007/8 financial year.

As far as electricity provision is concerned, four local municipalities, namely: Steve Tshwete, Emalahleni, Delmas/Victor Khanye and Emakhazeni have been authorised for the electricity supply function, but the two western highveld municipalities Thembisile Hani and Dr JS Moroka local municipalities are serviced by Eskom.

Communities in the NDM are fairly well supplied with electricity. The municipal electricity consumption index, which shows the number of people that are living in houses with or without electricity, shows that about 85% of the people lived in houses that were electrified and 15% were not electrified (Stats SA 2006).

To further strengthen the functionality of the District Disaster Management Centre, consulting Engineers were appointed for the Planning, Design and Administering the Installation of the Disaster Management Centre Communication Control System and already the Preliminary Designs and the Detailed Specifications Report (clarification of the scope of work) have been completed. For the purpose of firefighting services, the following equipment was procured:

- Two Rough Terrain Vehicles for Steve Tshwete local municipalities
- A 10 000 L Water Tanker for Delmas local municipalities
- A Veld fire Skid Unit and two Jaws of Life for Emakhazeni
- A 10 000 L Fire Fighting Water Tanker for KwaMhlanga Fire Station was delivered in November 2008.

On the local economic development front, a Growth and Development Summit was held in May 2009, subsequent to which the Growth and Development Summit Agreement 2009 was signed by the District, local municipalities and the identified key social partners identified. The objective of the summit was to strengthen and allow the Nkangala District social partners an opportunity to work together for a sustained economic trajectory. The summit sought to achieve the following objectives and goals as contained in the LED strategy's nine (9) strategic areas of intervention:

- Create a shared understanding of the NDM's developmental trajectory between all key stakeholders.
- Set the path, pace and direction of socio-economic development within the District.
- Provide a platform for information dissemination/assimilation on the available economic development and investment opportunities within the District.
- Appraise progress achieved with regard to previous summit agreements.
- Provide a platform for discussing partnerships and networking
- Commit business (private sector) in providing funding for the prioritized projects in NDM.

Moreover, a Regional Industrial Roadmap which aims to provide a focused approach to economic development that elevates investment opportunities both in the District and local municipalities was developed during the year under review. The goals and objectives, *inter alia*, are as follows:

- Facilitate economic diversification beyond historical strengths
- Intensification of the Industrialization process
- Promotion of labour-absorbing industrialization
- Promotion of broader-based industrialization characterized by higher levels of participation of HDIs and marginalized regions.
- Identification of industrial strength and weaknesses as well as potential
- Identification of and addressing possible barriers to project implementation.

In October 2004, Cabinet approved that Eskom Holdings Limited lead the current phase of creating new electricity generation capacity. The Eskom new built programme is underway to create this capacity. . Following a Council decision to support the implementation of the Kusile project in January 2009 a Memorandum of Understanding (MOU) between Eskom Holdings Limited Nkangala District Municipality, eMalahleni Chamber of Business, National African Federated Chamber of Commerce and eMalahleni Mining Business Association was signed regarding co-operation to ensure that the construction of the Kusile Power Station benefits the local communities. The parties undertook to co-operate with each other, *inter alia*, to establish a working committee or a stakeholder forum The NDM has been instrumental in ensuring that the Stakeholders' forum exist and discharge its monitoring of implementation function of the Kusile project.

Expanded Public Works Programme (EPWP) implementation is one of the key strong points of the District. The NDM continued implementing the EPWP learnerships in the infrastructure sector in 2008/9 financial year. NDM budgeted R34.7 million for the EPWP learnership program in 2008/09 financial year. Seventy five (75) learnerships were implemented. Further details in terms of the projects implemented through this programme are contained under the Technical Services Departmental report, which also forms part of this annual report.

The Nkangala District Municipality subjected itself to be rated by the FITCH International, FITCH, an international rating agency, which affirmed in January 2009 the Council's long-term rating at BBB+, the national long-term rating at AA – (zaf) (AA minus). The outlook for both these ratings is stable. In a nutshell, the NDM's ratings reflect its strong budgetary performance, the high financial support from the National government and its low and declining debt level.

In June 2009, a firm of experts was commissioned to compile a Risk Assessment for the District to, *inter alia*, deal with:

- Risk Management Policy which includes the Risk Management Strategy and Framework;
- Risk Management Implementation plan which will guide the municipality on the implementation of proper risk management;
- Internal Audit three year rolling Strategic plan and Operational audit plan.

In the quest of ensuring that the public members and business and tourism sector benefit from the 2010 Soccer World Cup tournament, and in realization of its strategic position as a tourism gateway and its enrichments in cultural activities, NDM developed the abovementioned strategy which were adopted by its Council in May 2008.

Whilst the District was not accorded a status of a FIFA base camp, however, the fact that it is surrounded by four main host cities / venues namely Johannesburg, Tshwane, Mbobela and Polokwane and the very existence of heritage site and excellent fishing, canoeing and skiing facilities including the Loskop Dam place the District in an advantageous position to benefit its wider communities. Hence, the development of the strategy.

Lastly, as a municipality, the NDM has managed to galvanise the support and camaraderie between itself, the six local municipalities, communities, Sector Departments and social partners within the District on the future development trajectory of the District. In terms of the 2008/9 Integrated Development Plan (IDP) of the municipality, the District developed clear objectives in terms of addressing poverty, unemployment, underdeveloped and promotion of economic development and growth. While the District will not be immune to the impact and distress caused by the current global economic crisis, the District will continue to be exemplary in the execution of its functions in a manner that strengthens and fast-tracks the implementation socio-economic transformation agenda in our communities and further deepen local democracy.

Thank you

TC MAKOLA
MUNICIPAL MANAGER

CHAPTER 1

1. DISTRICT STRATEGIC OUTLOOK AND SOCIO-ECONOMIC PROFILE

1.1 Introduction

In the same way as listed companies are required in term of the Companies Act, 1973 (Act no to publish their financial statements, the advent of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) as amended, read with the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSAct) as amended has engendered a similar culture in local government. Municipalities are required Section 46 of the Municipal System Act read with Section 121 – 129 of Chapter 12 of the MFMA to prepare and submit for adoption by their municipal Council of the annual reports relating to period being reported on.

Accordingly, the Nkangala District Municipality (NDM) prides itself to report on its consistent and sterling performance (coming from the previous years) for the 2008/2009 financial year. Needless to overemphasize that NDM's record of performance is self-evident. This is confirmed by times it has won Vuna Award competitions.

In his foreword, the Executive Mayor reflects on the District's performance during 2006/07, 2007/08 and 2008/9 financial year. Notwithstanding NDM's success in the said years moving forward, the Executive Mayor does emphasize that the challenges that the District Council is still faced with.

At the same breath, the Municipal Manager, Mr T C Makola, gives his overview of the municipality's performance underpinned by its vision, mission and values and principle, as enshrined in its Integrated Development Plan (IDP) document.

Here, the Municipal Manager makes reference to the National Key Performance Areas which guide the municipalities' performance and the District's success in Vuna Award competition. He concludes his overview by emphasizing the importance of promoting sound intergovernmental relations and co-operative governance, especially with family of municipalities' and through effective public participation.

Chapter 1 deals with the strategic outlook and socio-economic profile of the District, which includes, *inter alia*, statistical information in so far as demographics of the District are concerned. In particular the education profile of the District is very encouraging. However, income inequalities (measured on the basis of Gini-coefficient), the unemployment and HIV/AIDS growth remain the cause for concern.

Chapter 2 presents the composition of Council and its committee structures including its mandates and areas of functionality.

Chapter 3 deals with the Auditor General's Report on financial statements of the municipality including governance framework issues.

Chapter 4 outlines Annual Financial Statements of the municipality which demonstrate sound financial management and financial viability of the municipality.

Chapter 5 presents the strategic scorecard of the municipality and the reports of the individual departments and units. The conclusion is in Chapter 6.

1.2 Vision and mission

Vision: “Improved quality of life through balanced sustainable development and service excellence”

Mission: The Nkangala District Municipality is committed to the improvement of the physical, socio-economic and institutional environment to address poverty and promote development.

1.3 Values and Principles

In order to further sustain its excellent performance, the District continued to abide by its principles and values which are as follows:

- To be responsive to the needs of citizens and partner-local municipalities.
- To be transparent, accountable and participative in our dealings with each other and our partners.
- To cultivate a work ethic focused on performance, achievement and results.
- To promote and pursue key national, Provincial and local development goals.
- To ensure a representative organisation.
- To be democratic in the pursuance of our objectives.
- To show mutual respect, trust and ensure high levels of co-operation and discipline in our dealing with one another

1.4 Geography

The Nkangala District Municipality (DC31) is one of the three (3) District municipalities in Mpumalanga Province. The headquarters of Nkangala District Municipality is in Middelburg (Steve Tshwete Local Municipality) at No 2A Church Street. It is composed of six (6) local municipalities: namely; Victor Khanye / Delmas Local Municipality (MP 311), Emalahleni Local Municipality (MP 312) Steve Tshwete Local Municipality (MP 313), Emakhazeni Local Municipality (MP 314), Thembisile Hani Local Municipality (MP 315) and Dr J S Moroka Local Municipality (MP 316). Figure 1 below depicts the local municipalities within the NDM and the service backlog per municipality in terms of water, sanitation and electricity provision.

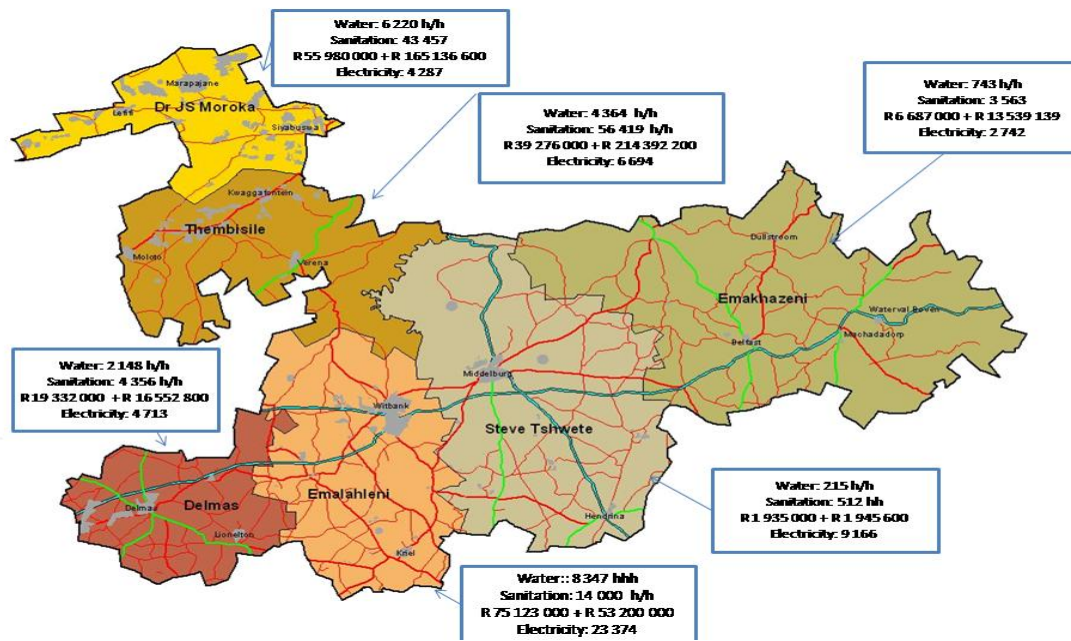
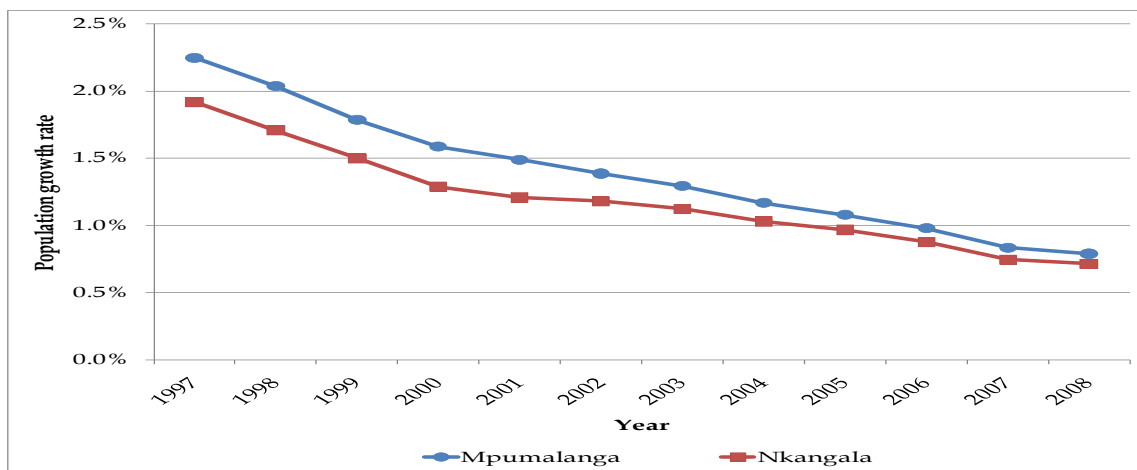


Figure 1: NDM local municipalities and service backlog

1.5 Population

The 2007 Community Survey by Statistics South Africa indicates that the population of Nkangala increased from 1.0 million in 2001 to just over 1.2 million in 2007. Nkangala’s share of the Mpumalanga population increased from 30.3 per cent in 2001 to 33.7 per cent in 2007. The black population formed the bulk of the District’s population with 90.9 per cent, followed by the White population with 7.8 per cent.

Although the population grew in actual numbers, the population growth rate of Nkangala is declining. The declining population growth rate of Nkangala and Mpumalanga over the period 1997 to 2008 is displayed in Figure 2. Over the period under review, Nkangala’s population grew at a lower rate than that of the province.



Source: Global Insight – Regional Explorer (ReX), 2009

Figure 2: Population growth rate of Nkangala and Mpumalanga, 2008

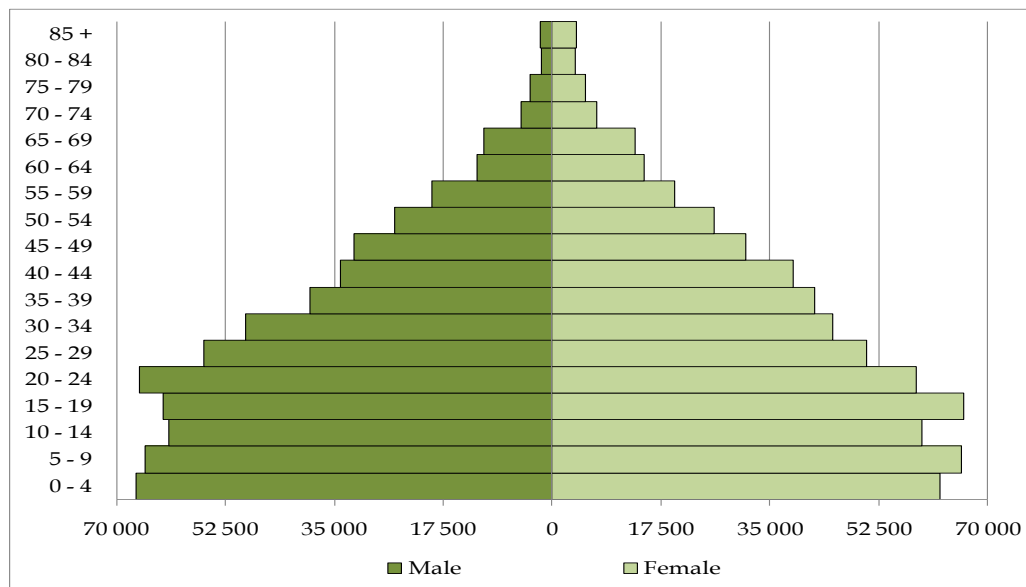
One out of every three of Nkangala’s population resided in Emalahleni in 2007 (Table 12. Thembisile was the second most populous local municipality with 22.7 per cent of the District’s citizens, whilst Delmas was the least populous local municipality with a 4.1 per cent share.

Table 2: Nkangala District local municipalities’ population distribution, 2007

Municipality	Male		Female		Total population	
	Number	%	Number	%	Number	%
Delmas/Victor Khanye	25 808	4.2%	24 644	4.0%	50 452	4.1%
Emalahleni	223 988	36.6%	211 238	34.4%	435 226	35.5%
Steve Tshwete	97 084	15.9%	85 429	13.9%	182 513	14.9%
Emakhazeni	16 100	2.6%	16 739	2.7%	32 839	2.7%
Thembisile	133 033	21.7%	145 485	23.7%	278 518	22.7%
Dr JS Moroka	116 066	19.0%	130 899	21.3%	246 965	20.1%
District Total	612 079	49.9%	614 434	50.1%	1 226 513	100.0%

Source: Statistics South Africa - Community Survey, 2007

From the population cohort diagram (Figure 3), it is evident that the youth in the District constitutes the largest share of the population. In 2007, 60.4 per cent of Nkangala’s population was under the age of 30 years, 25.4 per cent between 30 and 49 years and 14.2 per cent, 50 years and older. The age cohort of 5-9 years represents the most populous cohort in the pyramid.



Source: Statistics South Africa - Community Survey, 2007

Figure 3: Nkangala population composition by age group and gender, 2007

1.6 HIV/AIDS Prevalence

The HIV prevalence ratio for Nkangala in all age groups was 11.3 per cent in 2008, compared with the provincial figure of 11.0 per cent. It is evident from Table 3 that the HIV prevalence ratio is decreasing. In 2008, Emalahleni had the highest prevalence ratio (12.2 per cent), followed by Steve Tshwete with 11.9 per

cent.

Table 3: HIV prevalence for Mpumalanga, Nkangala and local municipalities, 1996-2008

Region	1996	2001	2008
Mpumalanga	5.9%	12.4%	11.0%
Nkangala	6.0%	12.7%	11.3%
Dr JS Moroka	5.9%	11.7%	9.8%
Thembisile	6.1%	12.6%	11.1%
Emakhazeni	6.1%	12.7%	11.2%
Delmas	6.1%	12.9%	11.4%
Steve Tshwete	5.6%	12.9%	11.9%
Emalahleni	6.3%	13.6%	12.2%

Source: Global Insight – ReX, 2009

The HIV estimates for Nkangala, as with the province, reflect a declining trend. According to Global Insight, HIV estimates for Nkangala peaked in 2004 at 141 160 and has since come down to 126 723. In contrast, and understandably so, AIDS estimates continued to rise to the latest 2008 figure of 11 136. However, it is noteworthy that the AIDS estimates growth rate, which was as high as 55.9 per cent in 1997, has dropped off to only 0.4 per cent in 2008. Based on this, it can be assumed that the AIDS estimated number is close to its peak and may start to decline in the near future, similar to the HIV growth rate (-3.1 per cent).

1.7 Urbanisation

Nkangala Districts Municipality’s urbanisation rate has increased from 44.1 per cent in 1996 to 53.2 per cent in 2008. The trend that is portrayed in Figure 5 is similar to the provincial figure that increased from 35.4 per cent in 1996 to 38.0 per cent in 2008. Emalahleni exhibited the highest urbanisation rate among the six local municipalities with a rate of 86.2 per cent, followed by Steve Tshwete with a figure of 72.1 per cent. The lowest urbanisation rate in 2008 was recorded in Dr JS Moroka at 15.5 per cent.

1.8 Unemployment

According to Statistics South Africa, the unemployment rate for Mpumalanga at the end of the second quarter of 2009 was 26.5 per cent. This was 2.2 per cent higher (worse) than the unemployment rate of 24.7 per cent registered for the first quarter of 2009. The Quarterly Labour Force Survey conducted by Statistics South Africa is not disaggregated to District level but, in the light of the global and national recession, it can be accepted that the same negative trend manifested in the District and local municipalities.

It is evident from Figure 4 that the number of unemployed people in the District have steadily declined since 2005, to the current level of around 108 000. The unemployment rate has steadily decreased since 2005 to 25.1 per cent in 2008, however, as explained above, the negative effect of the current economic downturn is not presented here due to a lack of disaggregated data. At the end of 2008, the unemployment rate of the District was higher than the provincial rate of 21.8 per cent.

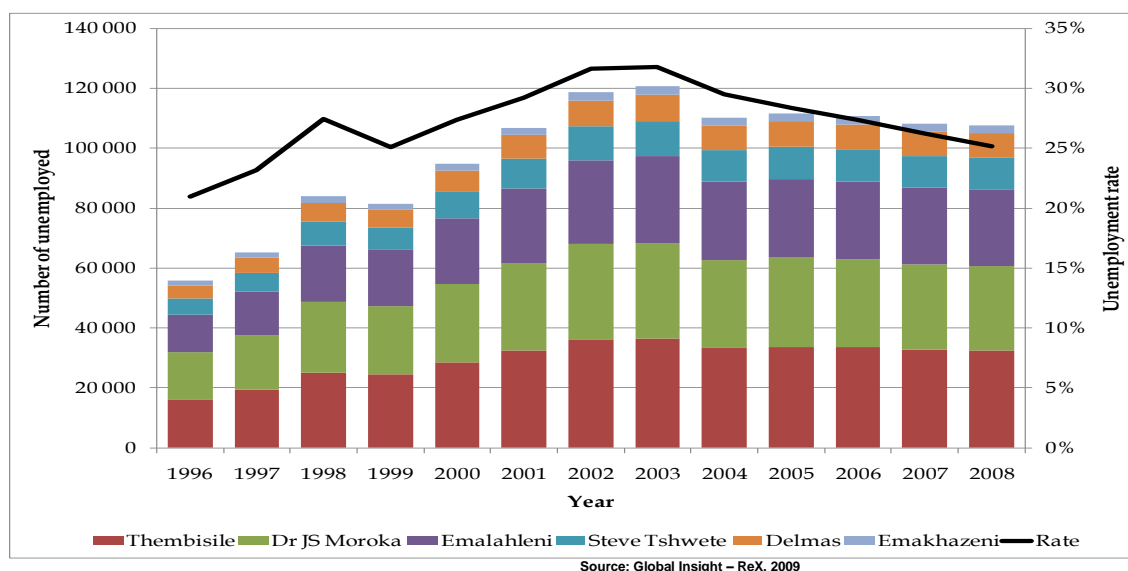


Figure 4: Unemployment in Nkangala, 1996 -2008

In 2008, Thembisile and Dr JS Moroka had the highest number of unemployed people in the District with 32 500 and 28 100, respectively. Emakhazeni and Delmas, with respective unemployment numbers of 2 600 and 8 200, contributed the least to the District’s unemployment number in 2008.

The formal sector (non-agricultural) in Nkangala was responsible for 65.9 per cent of total employment in the District, the informal sector (non-agricultural) 20.7 per cent, agriculture 5.6 per cent and private households 7.8 per cent. The province as a whole registered a smaller share by the formal sector (55.5 per cent) and subsequently greater shares by the three other sectors.

In 2008, the formal (non-agricultural) sector dominated employment in all of the six local municipalities as presented in Table 4. The informal sector was the second largest employer, except for Delmas, where the agriculture sector was second to the formal sector.

Table 4: Employment by sector in Nkangala and local municipalities, 2008

Sector	Nkangala	Delmas	Emalahleni	Steve Tshwete	Emakhazeni	Thembisile Hani	Dr JS Moroka
Agriculture	5.6%	18.8%	2.5%	6.1%	11.3%	3.3%	5.2%
Mining	15.7%	10.2%	16.7%	19.1%	21.10%	1.8%	0.1%
Manufacturing	13.9%	7.9%	16.2%	14.3%	10.4%	10.4%	3.9%
Electricity	2.9%	0.7%	4.1%	2.8%	0.5%	1.0%	1.1%
Construction	6.7%	6.5%	6.8%	6.5%	5.7%	8.0%	5.8%
Trade	21.3%	20.7%	22.4%	20.1%	21.11%	21.8%	13.6%
Transport	4.3%	5.6%	4.6%	3.2%	6.1%	3.7%	3.1%
Finance	6.0%	4.9%	6.7%	6.5%	3.3%	4.4%	4.7%
Community services	15.8%	12.6%	13.1%	13.6%	11.5%	39.2%	52.9%
Private households	7.8%	12.3%	6.9%	7.9%	9.0%	6.4%	9.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Global Insight – ReX, 2009

In 2008, the wholesale and retail trade sector was the biggest employer in Nkangala with a share of 21.3 per cent. Community services (15.8 per cent) and mining (15.7 per cent) contributed significantly to employment in the District. The trade sector was also the leading sector employment provision in all but one of the local municipalities, Dr JS Moroka where community services (52.9 per cent) was the leading sector. The smallest provider in the District, as well as in four of the six local municipalities, was electricity.

Emalahleni dominated Nkangala's employment numbers with a 47.4 per cent share of the District's total employment. Steve Tshwete was the second largest provider with 27.7 per cent, while Dr JS Moroka (1.8 per cent) contributed the least to employment figures. Except for the agriculture sector, Emalahleni was the leading contributor to the employment figures of each of Nkangala's sectors. Incidentally, Delmas was the leading employer of the District's agriculture sector.

1.9 Education

Based on information from Global Insight regarding the highest level of education, 13.1 per cent of the people 15 years and older, have not received any schooling, 33.3 per cent have an education level of grade 0-9, 23.5 per cent grade 10-11 and 22.5 per cent only a matric qualification. Only 6.7 per cent of the people in Nkangala have a post matric qualification. The following positive trends in Nkangala's education profile can be highlighted:

- The percentage of the population with no schooling decreased moderately from 20.1 per cent in 2001 to 13.1 per cent in 2008.
- The percentage of the population that completed secondary education (matric) increased from 18.3 per cent in 2001 to 22.5 per cent in 2008.
- The percentage of people with a post matric qualification increased slightly from 5.5 per cent to 6.7 per cent in 2008.

It is noticeable that Thembisile Hani (18.1 per cent) had the highest percentage of people without any schooling and Emalahleni the lowest (8.0 per cent). Emalahleni also had the highest percentage of residents that completed their secondary schooling (26.4 per cent), followed by Steve Tshwete with 26.2 per cent. Steve Tshwete had the highest percentage of residents that obtained a tertiary qualification (8.7 per cent), whereas only 3.8 per cent in Thembisile completed a post-matric qualification.

Nkangala's functional literacy rate (age 20+ and completed grade 7 and higher) increased from 61.7 per cent in 1996 to 72.8 per cent in 2008 (Figure 10). Despite the fact that this rate was higher than the province (66.6 per cent), Nkangala's literacy rate improved slower than that of the province since 1996. Delmas' functional literacy in 2008 was the lowest (61.4 per cent) and it increased the slowest from 1996 than any of the other municipalities. Emalahleni (83.7 per cent) and Steve Tshwete (79.4 per cent) registered higher rates than the District and the province.

From the above research information, it is clear that a concerted effort between the NDM and the Provincial Department of Education must be waged to upgrade not only literacy problem, but to ensure that the percentage of our community with post-matric education is increased progressively. This may necessitate that the Department does not depend on the satellite university campuses within the Province, but for the Provincial Government to contemplate building a fully fledged University institution.

As a municipality, the NDM has managed to galvanise the support and camaraderie between its political component, administration, the six local municipalities and communities within the District on the development trajectory of the District. Through the 2008/9 Integrated Development Plan (IDP) of the municipality, the District developed clear objectives addressing poverty, unemployment, underdeveloped and promotion of economic development and growth. While the District will not be immune to the impact and distress caused by the current global economic crisis, the District will continue to be exemplary in the execution of its functions in a manner that strengthens and fast-tracks the implementation socio-economic transformation agenda in our communities and further deepen local democracy.

CHAPTER 2

2.1. COMPOSITION OF COUNCIL

The Municipal Council of Nkangala District Municipality is composed of fifty five (55) Councilors of which nine (9) Council members are full-time Cllrs, namely the Speaker, the Chief Whip, the Executive Mayor and six (6) Members of the Mayoral Committee (MMCs). The Council has the Executive Mayoral system which allows it to elect an Executive Mayor, who in turn is allowed to appoint a mayoral committee from among the Councilors to assist the Executive Mayor to execute his duties in terms of Section 60 of the Municipal Structures Act, 1998.

In the exercise of its legislative and executive authority, the Council established eight (8) Section 79 committees which were deemed necessary for effective and efficient performance of any of its functions or the exercise of any of its powers in terms of Section 79 (1) (a) of the Municipal Structures Act read with Section 151 of the Constitution. The said committees are constituted as depicted in section 2.4 below. The Council has appointed a chairperson for each of the Section 79 committees in terms of Section 79 (2) (c) read with Section 80. Council has not authorized cooption of any member into a committee as an advisor nor did it remove any member from any committee. Also Council has not at any time dissolved a committee.

2.2 COUNCIL'S MANDATE

The overall strategic mandate of Council is derived from the Constitution which provides as follows:

- to provide demographic and accountable government for local communities;
- to ensure the provision of services to communities in a sustainable manner;
- to promote social and economic development;
- to promote a safe and healthy environment; and
- to encourage the involvement of communities and community organizations in the matters of local government.

2.3 FUNCTIONALITY OF COUNCIL AND ITS COMMITTEES

The Council met at least quarterly in terms of Section 18 (2) of the Municipal Structures Act (Act 117 of 1998) as amended. The total number of Council meetings during the 2008/9 financial year were ten (10). The Mayoral Committee met as frequently as is necessary to deal with reports submitted to it by the administration and to also submit such reports to Council. Additionally Section 79 committees met at least once a month in order to address specific functional areas affecting their areas of responsibilities. The total number of Mayoral Committee meetings were twenty one (21) and forty seven (47) Section 79 committees. In the overall the functionality of the Council has been very excellent.

2.4 COMPOSITION OF COUNCIL AND ITS COMMITTEES

[INSERT FULL COUNCIL PICTURE]

SECTION 79 COMMITTEES

Rules and Ethics Committee be established with the following composition:

Councillor G T Mthimunye (Chairperson)
Councillor S K Mashilo
Councillor J C Tshabalala – ANC
Councillor R E Cronje – DA
Councillor D D E Mdluli – PAC

Administration & Human Resource Section 79 Committee

Councillor T Maseko (passed away on 29 July 2009) as Chairperson
Clr M I Mahlangu
Clr A M Mabena
Clr J Tau
Clr E F Tukulu
Clr A D Heymans replaced by Clr RJ Molaisi (December 2009)
Clr B Harley

Infrastructure Development and Service Delivery Section 79 Committee

Councillor L Dikgale (Chairperson)
Clr T P Matosa
Clr T A Mahlobo
Clr T L Mabhena
Clr Z Bovungana
Clr J F Radebe
Clr H J Venter
Clr R E Cronje

Transport, Roads and Public Safety Section 79 Committee

Councillor S A Malefo (Chairperson)
Clr T M Letlaka
Clr J C Tshabalala
Clr S Nkosi
Clr L S Nambo
Clr D D E Mdluli
Clr C Griffiths
Clr E van den Berg

Finance Section 79 Committee

Councillor M B Mothibi (Chairperson)
Clr D S Motshweni
Clr N E Makwakwa
Clr N Shili
Clr M G Komane
Clr D Botes
Clr R Redman

Local Economic Development Section 79 Committee

Councillor E Makhabane (Chairperson)
Clr N P Mazibuko
Clr Z M Phetla
Clr T D Motau
Clr H Scheffer
Clr M T Maluleke
Clr H H Sibanyoni
Clr P P Kgopane

Social, Youth and Women Development
Section 79 Committee

Councillor N A L Mtsweni (Chairperson)

Clr B P Selala

Clr G M Monama

Clr M I Tibane

Clr M H Matshimbi

Clr T J Mtsweni

Clr J Pretorius

Clr M J Masombuka

Clr Mafume A P

Geographical Names Section 79 Committee

Councillor N A Mtsweni (Chairperson)

Clr Z M Phetla

Clr L J Dikgale

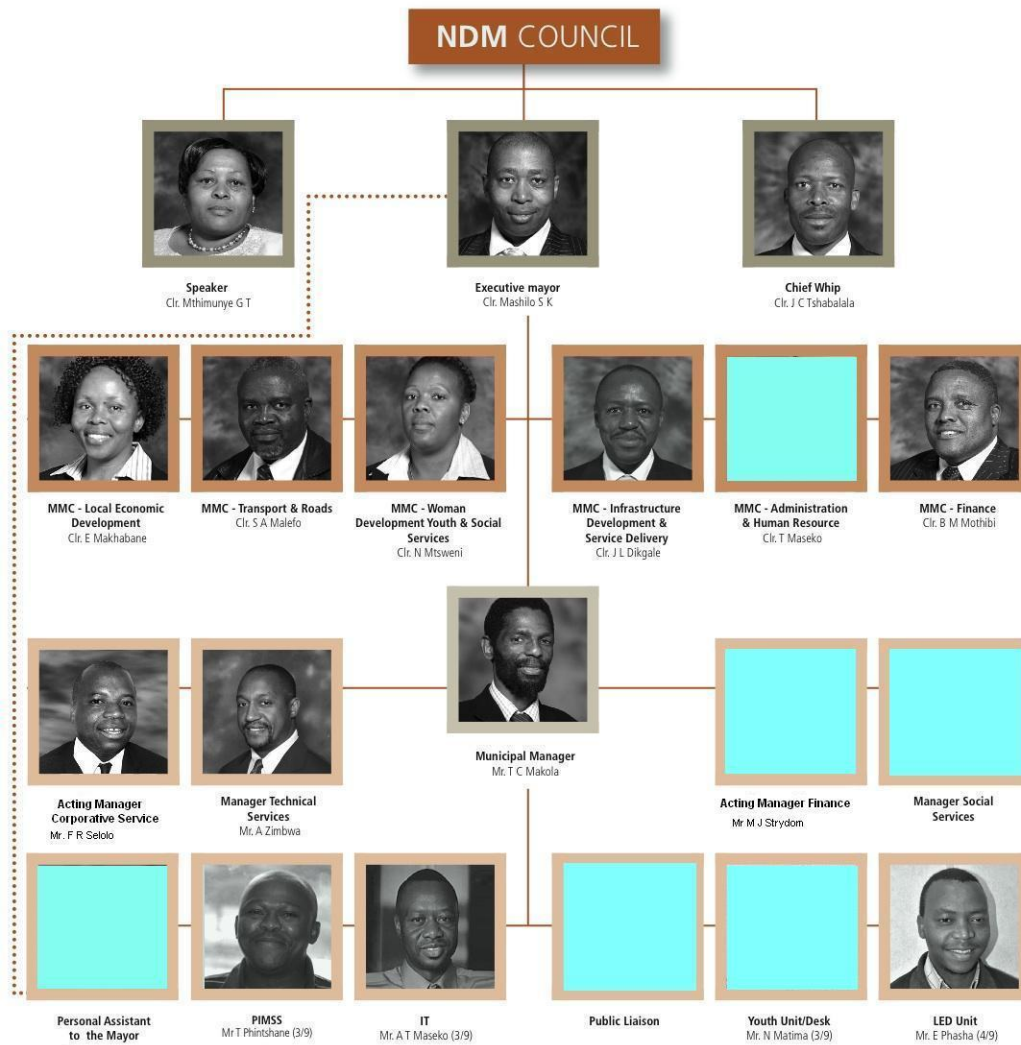
Clr D D E Mdluli

Clr E H van den Berg

Clr D S Motshweni

Clr B P Chamberlain

Organogram



The above organogram depicts the organizational structure of Nkangala District Municipality with four Departments and five units reporting to the Municipal Manager.

Figure 5: Political leadership and administration

[NDM building picture]

CHAPTER 3

REPORT OF THE AUDITOR-GENERAL TO THE MPUMALANGA LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE NKANGALA DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

3.1 REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Nkangala District Municipality which comprise the statement of financial position as at 30 June 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 30 to 38.

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Statements of Generally Recognised Accounting Practice (Statements of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies

used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. 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 Nkangala District Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

8. In my opinion the financial statements present fairly, in all material respects, the financial position of the Nkangala District Municipality as at 30 June 2009 and its financial performance and its cash flows for the year then ended, in accordance with the Statements of GRAP and in the manner required by the MFMA.

Other matters

Without qualifying my opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Unaudited supplementary schedules

9. 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 57 to 63 does not form part of the financial statements and is presented as additional information. Accordingly I do not express an opinion thereon.

Governance framework

10. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the key governance responsibilities addressed below:

Key governance responsibilities

11. 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 key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
	Clear trail of supporting documentation that is easily available and provided in a timely manner		
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	Y	

No.	Matter	Y	N
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		N
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	Y	
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines (section 126 of the MFMA).	Y	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	Y	
Development of and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	<ul style="list-style-type: none"> The municipality had an audit committee in operation throughout the financial year. 	Y	
	<ul style="list-style-type: none"> The audit committee operates in accordance with approved, written terms of reference. 	Y	
	<ul style="list-style-type: none"> The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA. 	Y	
7.	Internal audit		
	<ul style="list-style-type: none"> The municipality had an internal audit function in operation throughout the financial year. 	Y	
	<ul style="list-style-type: none"> The internal audit function operates in terms of an approved internal audit plan. 		N
	<ul style="list-style-type: none"> The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA. 		N
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		N
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	Y	
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	Y	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(1)(c)(i) of the MFMA.		N
12.	Delegations of responsibility are in place, as set out in section 79 of the MFMA.	Y	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.	Y	
14.	SCOPA resolutions have been substantially implemented.	Y	
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		N
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.	Y	
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the municipality against its mandate, predetermined objectives, outputs, indicators and targets (section 68 of the MFMA).	Y	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	Y	

12. Although the audit committee was operational throughout the year, the fulfilment of all its responsibilities was hampered by the non-existence of an internal audit unit, through which the committee functions. Management's failure to deliver from their side also contributed to the audit committee's failure to operate effectively.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

13. I was engaged to review the performance information.

The accounting officer's responsibility for the performance information

14. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

The Auditor-General's responsibility

15. 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.

16. 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.

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

Findings on performance information

Performance information not received in time

18. An assessment could not be performed of the reliability of the reported performance information, as set out on pages 65 to 70 of the annual report, since the information was not received in time for the audit process.

APPRECIATION

19. The assistance rendered by the staff of the Nkangala District Municipality during the audit is sincerely appreciated.

Nelspruit

30 November 2009



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

3.2 ISSUES OF CONCERN FROM AUDITOR GENERAL

This section deals with the issues of governance raised in the Auditor General's report as contained in section 3.1 above.

Issue

3.2.1 The internal audit function was not operating in terms of an approved audit plan.

Response:

The internal audit function operates in terms of the Internal Audit Plan as approved by Council per Resolution DM110/09/2009 subsequent to the audit by the Auditor-General.

Issue

3.2.2 A risk assessment was not conducted on a regular basis and a risk management strategy which includes a fraud prevention plan, is documented and used as set out in section 62(i)(c)(i) of the MFMA.

Response:

A risk assessment was conducted and a Risk Management Strategy was adopted by Council per Resolution DM110/09/2009 subsequent to the audit by the Auditor-General.

Issue

3.2.3 The information systems were not appropriate to facilitate the preparation of a performance report that is accurate and complete.

Response:

The information systems will be provided in such a manner that will facilitate preparation of a performance report that is accurate and complete.

Issue

3.2.4 The audit committee could not review the annual financial statements prior to submission for audit purposes as management did not submit the financial statements to the audit committee on time.

Response

The Council will ensure that the annual financial statements are submitted to the audit committee for review prior to submission for audit purposes to the Auditor-General.

Issue

3.2.5 An assessment could not be performed of the reliability of the reported performance information, as set out on pages 63 to 68 of the annual report, since the information was not received in time for the audit process.

Response

The municipality will ensure that performance information is provided in time to the Auditor-General for the purpose of audit process.

CHAPTER 4

4. ANNUAL FINANCIAL STATEMENTS

4.1 GENERAL INFORMATION

Members of the Mayoral Committee

Councillor	S K Mashilo	Executive Mayor
Councillor	N Mtsweni	Member of the Mayoral Committee
Councillor	S A Malefo	Member of the Mayoral Committee
Councillor	B M Mothibi	Member of the Mayoral Committee
Councillor	J L Dikgale	Member of the Mayoral Committee
Councillor	E N Makhabane	Member of the Mayoral Committee
Councillor	T Maseko (passed away on 29 July 2009)	Member of the Mayoral Committee

Municipal Manager/Accounting Officer

Mr T C Makola

Acting Manager: Finance/Chief Financial Officer

Mr M J Strydom

Grading of Local Authority

Grade 9

Auditors

The Auditor-General

Bankers

ABSA Bank, Middelburg

Primary Bank Account

Name of Bank: ABSA

Account No: 1040 161 836

Branch Code: 334350

Type of Acc: Current Account

Registered Office

2A Church Street, Middelburg, 1050

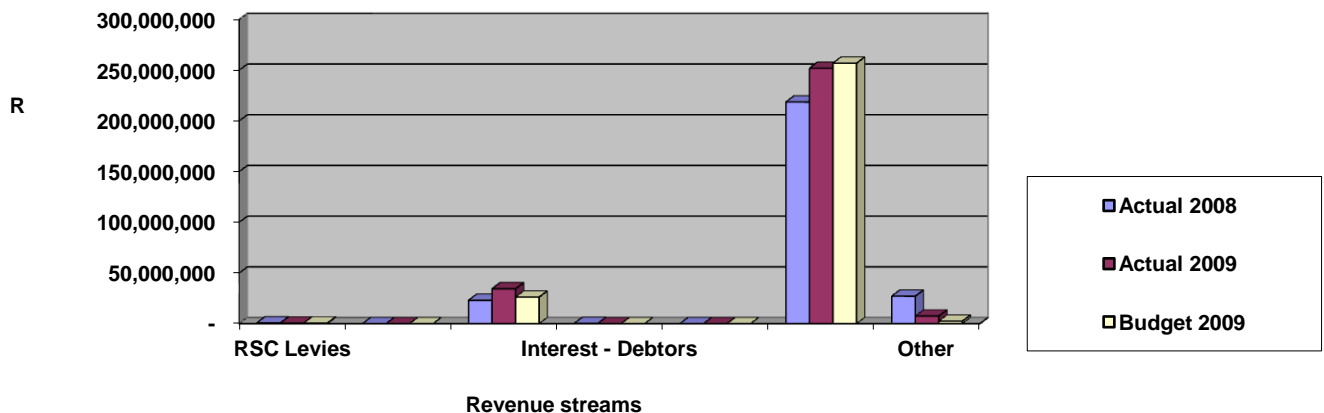
4.2 REVIEW OF OPERATING RESULTS

The 2008/2009 budget of the Nkangala District Municipality was approved by Council on 28th May 2008 and herewith is a commentary on the financial results.

REVENUE

	Note	2009 R	2008 R Restated
REVENUE			
RSC - Regional Services - Turnover		-	-
RSC - Regional Services -Remuneration		556,449	726,159
Rental of facilities and equipment		216,044	24,720
Interest earned - external investments		38,400,679	22,967,319
Interest earned - outstanding debtors		16,412	220,678
Income for agency services/ donars		14,198	70,450
Government grants and subsidies	18	251,825,228	218,530,614
Other income	19	12,554,954	27,667,521
Total Revenue		303,583,963	270,207,461

Revenue for 2008 & 2009



RSC LEVIES

RSC Levies were discontinued with effect 01 July 2006. However, legislation provides for the collection of arrear RSC Levies prior to 1 July 2006 and this window period closed on the 30th June 2008.

A decline in the collection of RSC Levies from the 2006/2007 to 2007/2008 financial year is due to intensifying credit control processes.

An amount of R2 064 797 was written off during the 2009 financial year, which was provided for in 2008.

INTEREST EARNED

Interest earned on external investments increased from R22 967 319 (2007/2008) to R38 400 679 (2008/2009). This increase is attributed to an increase in interest rates on call deposits together with an increase in funds under investment.

Interest earned on outstanding debtors declined due to a decrease in outstanding debtors from R220 678 (2007/2008) to R16 412 (2008/2009). With the discontinuation of the RSC Levies there are no RSC debtors.

GOVERNMENT GRANTS AND SUBSIDIES

Government Grants and subsidies increased by 15.24 % from the previous financial year. Government Grants and subsidies include the RSC Levy Replacement grant, the equitable share, Fire Service subsidy, Municipal System Improvement Grant, Finance Management Grant and the Transport Grant.

According to the accounting policies only the portion that has been expended and meets the conditions of the grant are recognized as revenue. The remaining portion is disclosed as a creditor in the statement of Financial Position.

OTHER INCOME

Other income declined with 54.62%, which is mainly due to the interest of R24 013 048 realized on maturity of a long term investment in 2008. Other revenue sources include discount received and rental of offices.

BAD DEBTS

The provision for bad debts has been reversed with R 5 278 337. Provision for bad debts was made for the Department of Health, but an amount was received from them during the financial year.

Total revenue increased with R33 376 501 from R270 207 461 to R 303 583 963 from the 2007/2008 financial year. This amount exceeded the budget amount by R18 652 653.

Indicative allocations published in Division of Revenue Act (DORA) point to an increase in the RSC Levy Replacement Grant.

The outlook for the next financial year is that the total revenue will increase compared to the year under review.

EXPENDITURE

EXPENDITURE			
Employee related costs	20	23,021,261	23,646,371
Remuneration of Councillors	21	8,127,754	7,267,838
Collection costs		134,551	14,000
Impairment of assets	27	59,333	-
Depreciation	9	5,874,674	4,777,644
Repairs and maintenance		988,956	1,000,895
Interest paid	22	3,744,077	3,953,365
Grants and subsidies paid	23	113,355,262	92,808,287
General expenses	24	16,420,143	5,829,513
Total Expenditure		<u>171,726,011</u>	<u>139,297,912</u>

EMPLOYEE RELATED COST

Actual employee related costs are 2.64 % less than previous year and constitute 22.71 % of the budget. This is due to vacancies which are being filled in the current year.

REMUNERATION OF COUNCILLORS

Remuneration to Councillors is made the Remuneration of Public Office Bearers Act, 1998 (Act No 20 of 1998) as amended.

DEPRECIATION

Depreciation is charged on Property, Plant & Equipment at rates determined in the accounting policies. Correction in accounting estimates has been done in the year under review and impairment has been applied.

REPAIRS & MAINTENANCE

This expenditure relates to maintenance on the new office building which was used for the full duration of the year under review.

INTEREST PAID

This interest relates to interest on long term loans with INCA and DBSA.

GRANTS & SUBSIDIES

This expenditure relates to expenditure on infrastructure for local municipalities and regional functions for which the District Municipality is the primary authority.

Actual grants and subsidies paid represent 66.01% (66.63%:2008) of the total expenditure.

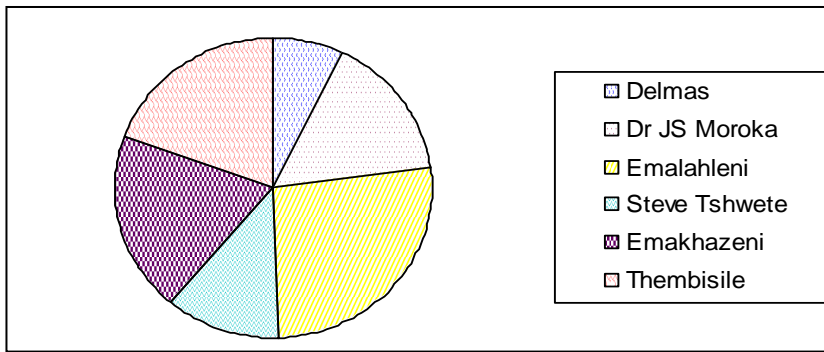


Figure 12: Grants and subsidies paid to Local Municipalities 2008/2009

GENERAL EXPENDITURE

General Expenditure consists of operating expenditure not disclosed elsewhere on the statement of financial performance.

FINANCIAL POSITION

The Statement of Financial position represents the financial strength of the municipality by a comparison of assets over liabilities.

The total assets of the municipality increased by 26.85%. The contributing factors of this increase in property, plant and equipment and call investments.

Liabilities decreased by 12.10% due to a decrease in long term loans and current liabilities.

KEY RATIOS

CURRENT RATIO

This ratio represents the ability of the municipality to pay short term obligations within the next 12 months.

	Current assets (R)	Current Liabilities(R)	Ratio
2007/2008	356 110 516	44 680 598	7,97:1
2008/2009	473 544 025	36 525 427	12.96:1

SOLVENCY RATIO

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

	Total Assets (R)	Total Liabilities (R)	Ratio
2008	441 581 846	109 872 234	4,02:1
2009	560 142 930	96 575 367	5.80:1

OTHER RATIOS

	2007/2008	2008/2009
	%	%
Employee related cost/Total Expenditure	16.98	13.41
Actual Grants and subsidies paid/Total Expenditure	66.63	66.01
Actual Grants and subsidies paid/Total Revenue	34.35	37.34
Actual Grants and subsidies paid/Budget	32.2	31.64

CREDIT RATING

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

Short term F1 (ZAF)	Indicates the strongest capacity for timely payment of financial commitments relative to other issuers or issues in the same country. Under Fitch's national rating scale, this rating is assigned to the "best" credit risk relative to all others in the same country and is normally assigned to all financial commitments issued or guaranteed by the sovereign state. Where the credit risk is particularly strong, a "+" is added to the assigned rating
Long term AA (ZAF) Outlook stable	AA national ratings denote a very strong credit risk relative to other issuers or issues in the same country. The credit risk inherent in these financial commitments differs only slightly from the country's highest rated issuers issues.
International Long Term BBB + Outlook stable	Good credit quality "BBB" ratings indicate that there is currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair capacity. This is the lowest investment-grade category.

VUNA AWARDS

The municipality won the Prestigious Vuna award at Provincial and National competitions in 2008. The total financial value attached to the prize was R2 000 000 at the National level and R750 000 at the Provincial competition.

Generally Recognised Accounting Practices

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of:

General Notice 991 of 2005, issued in Government Gazette no. 28095 of 15 December 2005;

General Notice 992 of 2005, issued in Government Gazette no. 28095 of 7 December 2005;

4.3 NKANGALA DISTRICT MUNICIPALITY STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009

	Note	2009 R	2008 R Restated
NET ASSETS AND LIABILITIES			
Net assets		463,567,562	331,709,611
Accumulated Surplus/(Deficit)		463,567,562	331,709,611
Non-current liabilities		60,049,940	65,191,636
Long-term liabilities	2	56,291,663	61,426,420
Non-current provisions	3	3,758,278	3,765,216
Current liabilities		36,525,427	44,680,598
Retentions	4	13,111,108	11,796,486
Provisions	5	1,178,881	1,340,549
Creditors	6	15,545,540	23,935,663
Unspent conditional grants and receipts	7	601,350	1,586,197
Current portion of long-term liabilities	2	6,088,547	6,021,703
<i>Total Net Assets and Liabilities</i>		<u><u>560,142,930</u></u>	<u><u>441,581,846</u></u>
ASSETS			
Non-current assets		86,598,906	85,471,331
Property, plant and equipment	9	80,098,906	76,971,331
Investments	10	6,500,000	8,500,000
Long-term receivables	11	-	-
Current assets		473,544,025	356,110,516
VAT	8	4,878,484	4,252,545
Inventory	12	72,658,436	78,181,506
RSC Levy debtors	13	-	-
Other debtors	14	710,005	1,302,414
Grants Receivable from other spheres of Government	15	851,160	3,231,090
Current portion of long-term debtors	11	-	93,046
Call investment deposits	16	380,828,415	246,531,521
Bank balances and cash	17	13,617,525	22,518,394
<i>Total Assets</i>		<u><u>560,142,930</u></u>	<u><u>441,581,846</u></u>

4.4 NKANGALA DISTRICT MUNICIPALITY STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED JUNE 2009

	Note	2009 R	2008 R Restated
REVENUE			
RSC - Regional Services - Turnover		-	-
RSC - Regional Services -Remuneration		556,449	726,159
Rental of facilities and equipment		216,044	24,720
Interest earned - external investments		38,400,679	22,967,319
Interest earned - outstanding debtors		16,412	220,678
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EXPENDITURE			
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Remuneration of Councillors	21	8,127,754	7,267,838
Collection costs		134,551	14,000
Impairment of assets	27	59,333	-
Depreciation	9	5,874,674	4,777,644
Repairs and maintenance		988,956	1,000,895
Interest paid	22	3,744,077	3,953,365
Grants and subsidies paid	23	113,355,262	92,808,287
General expenses	24	16,420,143	5,829,513
Total Expenditure		171,726,011	139,297,912
SURPLUS/(DEFICIT) FOR THE YEAR		131,857,951	130,909,549

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

**4.5 NKANGALA DISTRICT MUNICIPALITY STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 2009**

	<u>Note</u>	<u>Accumulated</u> <u>Surplus/</u> <u>(Deficit)</u>	<u>Total</u>
			R
2008			
Balance at 1 July 2007	-	202,070,820	202,070,820
Correction of error	25	(1,270,758)	(1,270,758)
Restated balance	-	200,800,062	200,800,062
Surplus/(deficit) for the year	-	130,909,549	130,909,549
Balance at 30 June 2008	-	331,709,611	331,709,611
2009			
Restated balance	-	331,709,611	331,709,611
Surplus/(deficit) for the year	-	131,857,951	131,857,951
Balance at 30 June 2009	-	463,567,562	463,567,562

4.6 NKANGALA DISTRICT MUNICIPALITY CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 R	2008 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		303,583,963	269,622,020
Cash paid to suppliers and employees		(200,824,502)	(168,683,633)
Cash generated from/(utilised in) operations	28	102,759,461	100,938,387
Interest received		38,417,091	23,187,997
Interest paid		(3,744,077)	(3,953,365)
NET CASH FROM OPERATING ACTIVITIES		137,432,475	120,173,019
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(9,061,582)	(8,823,365)
Decrease in non-current receivables		93,046	90,967
Decrease/(Increase) in non-current investments		2,000,000	26,000,000
NET CASH FROM INVESTING ACTIVITIES		(6,968,536)	17,267,602
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised/(repaid)		(5,067,913)	(4,280,456)
NET CASH FROM FINANCING ACTIVITIES		(5,067,913)	(4,280,456)
NET DECREASE IN CASH AND CASH EQUIVALENTS		125,396,025	133,160,165
Cash and cash equivalents at the beginning of the year		269,049,915	135,889,750
Cash and cash equivalents at the end of the year	29	394,445,940	269,049,915

4.7 ACCOUNTING POLICIES

BASIS OF PREPARATION

The municipality's annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless otherwise stated.

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of:

General Notice 991 of 2005, issued in Government Gazette no. 28095 of 15 December 2005;

General Notice 992 of 2005, issued in Government Gazette no. 28095 of 7 December 2005;

The Standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Investment in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
GAMAP 9	Revenue from Non-Exchange Transactions Government Grants and Subsidies; and Donations and Public Contributions

Accounting policies for material transactions, events or conditions not covered by the above have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting

Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous year.

Significant Judgments

In preparing the municipality's annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the municipality's annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the municipality's annual financial statements. Significant judgements include:

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Use of estimates

The preparation of financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain of critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

GOING CONCERN ASSUMPTION

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

COMPARATIVES INFORMATION

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

Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

OFFSETTING

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP, GRAP or GAAP

PROPERTY, PLANT AND EQUIPMENT

An item of property plant and equipment which qualifies for recognition as an asset shall initially be measured at cost.

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

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

Directly attributable costs include the following:

Cost of site preparation.

Initial delivery and handling costs.

Installation cost.

Professional fees.

Estimate cost of dismantling the asset and restoring the site to the extent that it is recognised as a provision.

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Land is not depreciated as it is deemed to have an indefinite life.

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

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

DETAILS	YEARS	DETAILS	YEARS
Infrastructure		Other	
Electricity		Buildings	30
Supply & Reticulation	20	Office Equipment	
Roads		Computer Hardware	5
Roads	10	Computer Software	3
Bridges	30	Office Machines	3
Sewerage		Air Conditioners	5
Sewers	20	Furniture & Fittings	
Water		Chairs	7 - 10
Supply & reticulation	20	Tables/Desks	7 - 10
Reservoirs & tanks	20	Cabinets/Cupboards	7 - 10
Pumps	15	Miscellaneous	7 - 10
		Emergency Equipment	
		Fire	15
		Ambulances	5
Community Assets		Fire hoses	5

DETAILS	YEARS	DETAILS	YEARS
Buildings		Emergency Lights	5
Clinics	30	Plant & Equipment	
Parks	30	General	5
Community Centres	30	Telecommunication equipment	5
Recreational Facilities		Radio	5
Fire Breaks	20	Vehicles	
		Fire Engines	20
		Motor Vehicles	5
		Bakkies	5

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.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

Impairment of assets

The municipality assesses before each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Impairment of cash generating assets

Assets that are subject to impairment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered.

An impairment loss is recognised if the recoverable amount of an asset is less than its carrying amount. The impairment loss is recognised as an expense in the consolidated statement of financial performance immediately. The recoverable amount of the asset is the higher of the asset fair value less cost of disposal and its value in use.

The fair value represents the amount obtainable from the sale in an arm's length transaction between knowledgeable, willing parties.

The value in use of an asset represents the expected future cash flows, from continuing use and disposal that are discounted to their present value using an appropriate pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the assets belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets. An impairment loss is recognised whenever the recoverable amount of a cash-generating unit is less than its carrying amount.

The impairment loss is allocated to reduce the carrying amount of the asset. The carrying amount of individual assets are not reduced below the higher of its value in use, R1.00 or fair value less cost of disposal.

A previously recognised impairment loss related to assets is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised in prior periods.

After the recognition of an impairment loss, any depreciation charge for the asset is adjusted for future periods to allocate the assets' revised carrying amount on a systematic basis over its remaining useful life.

Impairment of non-cash generating assets

Non-cash generating assets such as Infrastructure and Community assets are not impaired as no open market value can be obtained and there is no intention to sell these assets as they are for the benefit of the community.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

Property, plant and equipment and other non-current, and intangible assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Statement of Financial Performance for the amount by which the carrying amount of the asset exceeds its recoverable amount, that is, the higher of the asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order to first reduce the carrying amount of any goodwill allocated to the cash-generating unit and to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

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.

Financial Assets:

Loans and receivables:

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

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

Accounts Receivable

Trade and other receivables are recognised historical 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.

Investments held-to-maturity

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

Financial liabilities

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

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

TRADE CREDITORS

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

REVENUE RECOGNITION

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

Rental of facilities:

Rental of facilities 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

Government Grants:

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

Government grants are recognised as revenue when:

It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and

The amount of the revenue can be measured reliably, and

To the extent that there has been compliance with any restrictions associated with the grant

Other grants and donations received:

Other grants and donations shall be recognised as revenue when:

It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and

The amount of the revenue can be measured reliably, and

To the extent that there has been compliance with any restrictions associated with the grant

Levies:

Levies shall be recognised as revenue when:

It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and

The amount of the revenue can be measured reliably

Interest:

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

It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and

The amount of the revenue can be measured reliably

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

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

Other Revenue:

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.

All other revenue is recognised at fair value as an when they happen.

PROVISIONS

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

CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

RETIREMENT BENEFITS

Defined contribution plans:

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

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

Defined benefit plans:

Post employment medical care benefits:

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

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

BORROWING COSTS

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

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

LEASES:

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

Assets held under finance leases are initially recognised as assets of the Municipality at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the leaser is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Municipalities general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic

benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

INVENTORY:

The municipality constructs infrastructure projects, which will subsequently transferred to local municipalities in its area of jurisdiction at no cost when the project is completed. Projects still in progress and not yet completed is disclosed as inventory.

	2009 R	2008 R
2 LONG-TERM LIABILITIES		
Annuity Loans	61,206,930	65,872,854
Lease liabilities	1,173,280	1,575,269
Sub-total	<u>62,380,210</u>	<u>67,448,123</u>
Less : Current portion transferred to current liabilities	6,088,547	6,021,702
Annuity Loans	<u>5,717,467</u>	<u>5,619,713</u>
Lease liabilities	<u>371,080</u>	<u>401,989</u>
Total External Loans	<u><u>56,291,663</u></u>	<u><u>61,426,420</u></u>

Refer to Appendix A for more detail on long-term liabilities.

3 NON-CURRENT PROVISIONS

Post employment Medical Aid benefit	3,758,278	3,765,216
Total Non-Curent Provisions	<u><u>3,758,278</u></u>	<u><u>3,765,216</u></u>

The post employment medical aid benefit are provided for ex retired employees and their legitimate spouses and is paid monthly. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The provision is an estimate of the liability based on historical staff turnover and life expectancy of the relevant people and is discounted by using the inflation rate at the balance sheet date. The provision is phased in over a five year period starting from the 2005/2006 financial year.

The movement in the non-current provision is reconciled as follows: -

Balance at beginning of year	3,765,216	1,746,826
Contributions to provision	(6,938)	4,036,781
Transfer to current provisions	-	(2,018,391)
Balance at end of year	<u><u>3,758,278</u></u>	<u><u>3,765,216</u></u>

4 RETENTIONS

Retention	13,111,108	11,796,486
Total Retention	<u><u>13,111,108</u></u>	<u><u>11,796,486</u></u>

5 PROVISIONS

	2009 R	2008 R
Performance bonus	1,118,135	1,286,741
Current portion of Post employment Medical Aid benefit	60,746	53,808
Total Provisions	<u>1,178,881</u>	<u>1,340,549</u>

Performance bonuses are paid one year in arrear and accrued on the basis that conditions has been met and there is no indication that performance bonuses will not be paid.

The movement in current provisions are reconciled as follows: -

**Performance
Bonus**

Balance at beginning of year	1,286,741	1,236,215
Contributions to provision	548,469	850,635
Expenditure incurred	(717,075)	(800,110)
Balance at end of year	<u>1,118,135</u>	<u>1,286,741</u>

Post employment Medical Aid Benefit

Balance at beginning of year	53,808	49,248
Transfer from non-current	-	(2,018,390)
Contributions to provision	84,453	2,074,466
Expenditure incurred	(77,514)	(51,516)
Balance at end of year	<u>60,746</u>	<u>53,808</u>

6 CREDITORS

Trade creditors	13,890,749	21,758,093
Credit card at ABSA Bank	1,929	-
Fleet Card at ABSA Bank	-	-
Leave	1,639,495	1,697,328
Payments received in advance	13,227	1,806
Other creditors	140	478,437
	<u>15,545,540</u>	<u>23,935,664</u>

7 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

	2009	2008
	R	R
7.1 Conditional Grants from other spheres of Government	469,358	1,440,007
MSIG	-	698,150
FMG	-	272,499
Transport	469,358	469,358
7.2 Other Conditional Receipts	131,993	146,190
DBSA	131,993	146,190
Total Conditional Grants and Receipts	601,350	1,586,197

See Note 18 for reconciliation of grants from other spheres of government.

These amounts are invested in a ring-fenced investment until utilized.

8 VAT

VAT (payable)/ receivable	4,878,484	4,252,545
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VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

9 PROPERTY, PLANT AND EQUIPMENT
30-Jun-09

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Other	Leased Assets	Total
	R	R	R	R	R	R
Carrying values at 1 July 2008	63,763,187	-	4,557	11,219,554	1,984,033	76,971,331
Cost	71,139,618	-	5,633	17,630,099	3,838,893	92,614,242
Accumulated depreciation	(7,376,431)	-	(1,076)	(6,410,546)	(1,854,859)	(15,642,911)
Acquisitions	107,364	-	-	8,374,711	-	8,482,075
Capital under Construction	579,507	-	-	-	-	579,507
Depreciation	(3,106,591)	-	(801)	(2,041,534)	(725,748)	(5,874,674)
Impairment losses	-	-	-	(59,333)	-	(59,333)
Carrying values at 30 June 2009	61,343,467	-	3,756	17,493,398	1,258,285	80,098,906
Cost	71,826,489	-	5,633	26,004,811	3,838,893	101,675,825
Accumulated depreciation	(10,483,022)	-	(1,876)	(8,511,413)	(2,580,607)	(21,576,919)

30-Jun-08

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Other	Leased Assets	Total
	R	R	R	R	R	R
Carrying values at 1 July 2007	64,262,401	-	5,285	9,928,701	-	74,196,387
Cost	67,237,385	-	5,633	14,798,202	-	82,041,220
Accumulated depreciation	(2,974,984)	-	(348)	(4,869,500)	-	(7,844,832)
Acquisitions	45,995	-	-	2,444,871	-	2,490,866
Capital under construction	6,332,499	-	-	-	-	6,332,499
Depreciation	(2,231,246)	-	(2,088)	(1,840,172)	(704,156)	(4,777,662)
Impairment losses	-	-	-	-	-	-
Correction of error cost	(2,476,261)	-	-	387,026	3,838,893	1,749,658
Correction of error Accu Dep	(2,170,201)	-	1,361	299,127	(1,150,703)	(3,020,417)
Carrying values at 30 June 2008	63,763,187	-	4,557	11,219,554	1,984,033	76,971,331
Cost	71,139,618	-	5,633	17,630,099	3,838,893	92,614,242
Accumulated depreciation	(7,376,431)	-	(1,076)	(6,410,546)	(1,854,859)	(15,642,911)

Refer to Appendix B for more detail on property, plant and equipment, including those in the course of construction.

	2009		2008	
	R		R	
10 INVESTMENTS				
Financial Instruments				
Long Term Investments - at cost		6,500,000		8,500,000
	Cost	Cost	Guaranteed Value	Guaranteed Value
	2009	2008	2009	2008
Guaranteed Capital Trust - Investec		R 2,000,000		R 3,000,945
Promisary note - Investec	R 6,500,000	R 6,500,000	R 11,414,148	R 11,414,148
Total	R 6,500,000	R 8,500,000	R 11,414,148	R 14,415,093
Pledged Investments				
			2009	2008
Guaranteed Capital Trust - Investec			-	2,000,000

The Guaranteed Capital Trust of R2 million has been pledged as security to the Development Bank of South Africa for a loan of R46 050 523.41 Balance at 30 June 2008 amounts to R36 522 908.

Guaranteed Value

The guaranteed value of the investments amounts to R11 414 148

11 LONG-TERM RECEIVABLES

	2009	2008
	R	R
Car loans	-	93,046
	-	93,046
Less : Current portion transferred to current receivables	-	(93,046)
Car loans	-	(93,046)
Total	-	-

CAR LOANS

Senior staff were entitled to car loans which attract interest at rates between 8% and 8.5% per *annum* and are repayable over periods between 42 months and 72 months. The last loan will be repaid in February 2009. The Municipal Finance Management Act forbid any further loans to employees and councillors and no new loans will be granted to anyone.

12 INVENTORY

Projects - Work in progress	72,658,436	78,181,506
Total Inventory	72,658,436	78,181,506

12.1 Work in Progress

	2009	2008
Balance at the beginning of the year	78,181,506	58,731,061
Expenditure during the year	107,832,193	112,258,732
Less completed and transferred to local municipalities as per note 23	113,355,262	92,808,287
Balance at the end of the year	72,658,436	78,181,506

13 RSC Levy Debtors

	Gross Balances	Provision for Bad Debts	Net Balance
	R	R	R
As at 30 June 2009			
Service debtors			
Levy Debtors	-	-	-
Total	-	-	-
As at 30 June 2008			
Service debtors			
Levy Debtors	2,064,767	(2,064,767)	-
Total	2,064,767	(2,064,767)	-

In terms of section 59 of the Small Business Amnesty And Amendment of Taxation Laws Act 2006, RSC levies were abolished as from 1 July 2006 and the liability for any regional establishment or regional services levy for which a summons for the collection thereof has not been issued on or before 30 June 2008 lapses on that date.

Provision for bad debts was made for all outstanding RSC debtors as at 30 June 2008 and debtors not collected in 2008/2009 was written off in the 2008/2009.

	2009 R	2008 R
<u>RSC Levy Debtors:</u>		
<u>Ageing</u>		
Current (0 – 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
91 - 120 Days	-	-
+ 120 Days	-	2,064,767
Provision for Bad Debts	-	(2,064,767)
Total	-	-

	2009 R	2008 R
<u>Reconciliation of the bad debt provision</u>		
Balance at beginning of the year	2,064,767	2,686,825
Contributions to provision	-	-
Bad debts written off against provision	(2,064,767)	(26,948)
Reversal of provision	(0)	(595,110)
Balance at end of year	-	2,064,767

14 OTHER DEBTORS

	Gross Balances R	Provision for Bad Debts R	Net Balance R
As at 30 June 2009			
Sundry Debtors			
Department of Health	435,269		435,269
Other	274,736		274,736
Total	710,005	-	710,005

	R	R	R
As at 30 June 2008			
Sundry Debtors			
Ogies Local Municipality	962,805		962,805
Department of Health	5,284,639	(5,284,639)	-
Other	403,831	(64,222)	339,609
Total	6,651,275	(5,348,861)	1,302,414

	2009 R	2008 R
<u>Other : Ageing</u>		
Current (0 – 30 days)	198,801	248,105
31 - 60 Days	43,103	24,156
61 - 90 Days	5,903	12,291
91 - 120 Days	9,929	14,409
+ 120 Days	452,269	6,352,314
Provision for Bad Debts	-	(5,348,861)
Total	710,005	1,302,414

	2009	2008
	R	R
<u>Reconciliation of the bad debt provision</u>		
Balance at beginning of the year	5,348,861	5,339,193
Contributions to provision	-	9,669
Bad debts written off against provision	(70,524)	-
Reversal of provision	(5,278,337)	-
Balance at end of year	<u>(0)</u>	<u>5,348,861</u>
Sundry Debtors as above	<u>710,005</u>	<u>1,302,414</u>
Total Other Debtors	<u>710,005</u>	<u>1,302,414</u>
15 GRANTS RECOVERABLE FROM OTHER SPHERES OF GOVERNEMENT		
Department of Local Government and Housing (refer to note 18.8 for more detail)		
	-	3,231,090
Department of Agriculture and Land Affairs (refer to note 18.9 for more detail)		
	851,160	
Total government Grants and Commitments	<u>851,160</u>	<u>3,231,090</u>
16 CALL INVESTMENT DEPOSITS		
	R	R
Other Deposits	<u>380,828,415</u>	<u>246,531,521</u>
17 BANK AND CASH BALANCES		
The Municipality has the following bank accounts: -		
<u>Current Account (Primary Bank Account)</u>		
ABSA Bank Limited Account number 1040161836		
Cash book balance at beginning of year (including Petty cash balance of R5200.00)	22,518,394	7,949,472
Cash book balance at end of year (including Petty cash balance of R5200.00)	<u>13,617,525</u>	<u>22,518,394</u>
Bank statement balance at beginning of year	11,156,705	11,156,705
Bank statement balance at end of year	<u>19,424,771</u>	<u>11,156,705</u>

18 GOVERNMENT GRANTS AND SUBSIDIES

	2009	2008
	R	R
Equitable share	8,710,000	2,858,250
RSC LEVY REPLACEMENT GRANT	239,308,419	212,718,631
Fire	-	1,209,781
MSIG	1,433,150	985,808
TRANSPORT	-	530,642
FMG	772,499	227,501
DEPARTMENT OF AGRICULTURE AND LAND AFFAIRS	851,160	-
Vuna Awards	750,000	-
Total Government Grant and Subsidies	251,825,228	218,530,614

18.1 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

18.2 RSC LEVY REPLACEMENT GRANT

In terms of the Division of Revenue Act this grant is used to subsidise the replacement of the RSC Levies that were abolished from 1 July 2006

18.3 Fire Grant

Balance unspent at beginning of year	-	729,666
Current year receipts	-	480,115
Conditions met - transferred to revenue	-	(1,209,781)
Conditions still to be met - transferred to liabilities (see note 6)	-	-

Department: Social Services
The fire grant is used to subsidised the operations of the

Purpose of Grant: Fire Station at Thembisile.
All conditions of the grant has been met and the grant was never withheld

18.4 MSIG Grant

Balance unspent at beginning of year	698,150	683,958
Current year receipts	(735,000)	1,000,000
Conditions met - transferred to revenue	1,433,150	(985,808)
Conditions still to be met - transferred to liabilities (see note 6)	-	698,150

Department: Planning and Development
The municipal systems improvement grant under the vote of the Department of Provincial and Local Government focuses on stabilising municipal and governance systems, planning and implementation management support centres, reviewing integrated development plans and

Purpose of Grant: implementing the Municipal Systems Act (2000).
All conditions of the grant has been met and the grant was never withheld

18.5 DWAF Grant	2009	2008
	R	R
Balance unspent at beginning of year	-	(8,172)
Current year receipts	-	8,172
Conditions still to be met - transferred to Other Debtors (see note 13)	-	-

18.6 TRANSPORT Grant	2009	2008
	R	R
Balance unspent at beginning of year	469,358	-
Current year receipts	-	1,000,000
Conditions met - transferred to revenue	-	(530,642)
Conditions still to be met - transferred to liabilities (see note 6)	(469,358)	469,358

Department: Planning and Development
Purpose of Grant: This grant is to counter fund the integrated transport plan for the District.
All conditions of the grant has been met and the grant was never withheld

18.7 Finance Management Grant

Balance unspent at beginning of year	272,499	-
Current year receipts	500,000	500,000
Conditions met - transferred to revenue	(772,499)	(227,501)
Conditions still to be met - transferred to liabilities (see note 6)	-	272,499

Department: Finance
To promote and support reforms in financial management
by building the capacity in municipalities to implement the

Purpose of Grant: Municipal Finance Management Act (MFMA)
All conditions of the grant has been met and the grant was never withheld

18.8 Department of Local Government and Housing Grant

Balance unspent at beginning of year	(3,231,090)	(3,252,987)
Current year receipts	3,231,090	-
Conditions met - transferred to revenue	-	21,897
Conditions met still to be refunded to the municipality- transferred to current assets (see	-	(3,231,090)

Department: Planning and Development
Purpose of Grant: The Grant is intended to:
- Provide capital finance for basic municipal infrastructure
- To provide for new, rehabilitation and upgrading of
- To eradicate the bucket sanitation system mainly in
- It is important that it is properly targeted to ensure

**18.9 Department of
Agriculture and Land
Affairs**

	2009	2008
	R	R
Balance unspent at beginning of year	-	-
Conditions met - transferred to revenue	(851,160)	-
Conditions met still to be refunded to the municipality- transferred to current assets (see	<u>(851,160)</u>	<u>-</u>

Department: Socail Services
Purpose of Grant: The Grant is intended to:
 - Assist in Geo Technical Invetigation planning

All conditions of the grant has been met and the municipality still needs to be refunded.

18.10 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act ...of 2006), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

18.11 DBSA Grant

Balance unspent at beginning of year	146,190	211,132
Conditions met - transferred to revenue	(14,198)	(64,942)
Conditions still to be met - transferred to liabilities (see note 7)	<u>131,993</u>	<u>146,190</u>

Department: Social Services
Purpose of Grant: This grant was to draw up and Integrated Municipal Environmental Plan (IMEP).
 All conditions of the grant has been met and the grant was never withheld

	2009	2008
	R	R
19 OTHER INCOME		
Sundry income	1,053,493	2,745,133
Discount received	684,313	323,899
Reversal of bad debts	5,278,337	585,441
Profit on investment	5,531,289	24,013,048
Total Other Income	<u>12,547,432</u>	<u>27,667,521</u>

	2009	2008
	R	R
20 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	15,623,699	15,401,987
Employee related costs - Contributions for UIF, pensions and medical aids	3,532,840	3,201,455
Travel, motor car, accommodation, subsistence and other allowances	2,067,580	2,522,724
Housing benefits and allowances	140,637	190,893
Overtime payments	338,556	426,292
Performance bonus	548,469	800,110
Long-service awards/ Leave encashment	769,480	1,102,909
Total Employee Related Costs	<u>23,021,261</u>	<u>23,646,370</u>

There were no advances to employees. Loans to employees are set out in note 11.

	2009	2008
	R	R
Remuneration of the Municipal Manager		
Annual Remuneration	717,155	745,637
Performance Bonuses	160,449	155,013
Car Allowance	220,000	238,748
Contributions to UIF, Medical and Pension Funds	80,542	91,482
Total	1,178,146	1,230,880

Remuneration of the Chief Finance Officer		
Annual Remuneration	423,291	478,506
Performance Bonuses	-	98,205
Car Allowance	52,685	118,952
Contributions to UIF, Medical and Pension Funds	32,956	93,975
Total	508,932	789,638

Remuneration of Individual Executive Directors

	<u>Technical</u>	<u>Corporate</u>	<u>Social</u>
	<u>Services</u>	<u>Services</u>	<u>Services</u>
	R	R	R
30-Jun-09			
Annual Remuneration	518,241	-	2,488
Overtime	-	-	-
Performance Bonuses	97,155	-	-
Car Allowance	108,000	-	-
Medical and pension funds	9,150	-	-
Total	732,547	-	2,488

30-Jun-08			
Annual Remuneration	516,248	355,670	42,698
Overtime	-	-	-
Performance Bonuses	93,864	-	-
Car Allowance	111,604	80,000	8,000
Medical and pension funds	2,946	82,194	24,956
Total	724,661	517,864	75,654

21 REMUNERATION OF COUNCILLORS

	2009	2008
	R	R
Executive Mayor	569,731	519,952
Chief Whip	443,708	399,151
Speaker	464,401	420,809
Executive Committee Members	2,605,760	1,958,284
Councillors	3,160,514	3,187,548
Councillors' pension contribution	625,764	549,911
Councillors' medical contribution	257,877	232,183
Total Councillors' Remuneration	8,127,754	7,267,838

In-kind Benefits

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

The Executive Mayor has use of a Council owned vehicle for official duties.

As a result of the determination dated 1 July 2006 that was published on 1 December 2006 The municipality was down graded from a level 5 to level 4. Council adopted this determination on 31st January 2007. The application of the determination was retrospective from the 1 March 2006 and hence this resulted in remuneration of councilors on a grade 5 instead of a grade 4 for the period 1 March to February 2007. The implication of this is that an amount of R284 903.98 has been overpaid in terms of councilor remuneration. The Accounting Officer has implemented steps to recover such over payment. as at 30 June the balance outstanding is R5 242.81

22 INTEREST PAID	2009	2008
	R	R
Long-term liabilities	3,561,022	3,737,395
Finance leases	183,055	215,970
Total Interest on External Borrowings	<u><u>3,744,077</u></u>	<u><u>3,953,365</u></u>

**GRANTS AND SUBSIDIES
23 PAID**

The District Municipality funds infrastructure projects to local municipalities within its jurisdiction, which includes water, sanitation, township establishment, etc.

Grant paid to Local Municipalities out of own revenue	2009	2008
	R	R
General	15,990,722	18,174,899
Delmas	7,018,861	7,774,592
Dr JS Moroka	14,938,741	12,841,841
Emalahleni	25,518,533	17,606,477
Steve Tshwete	11,053,542	10,515,667
Emakhazeni	18,836,941	9,095,263
Thembisile	18,548,130	15,540,614
Total Grants and Subsidies out of own revenue	<u><u>111,905,471</u></u>	<u><u>91,549,353</u></u>
 Grant paid to Local Municipalities out of Implementing Agents Funds		
General	1,435,594	1,188,484
Thembisile	14,198	70,450
Total Grants and Subsidies out of Implementing Agent Funds	<u><u>1,449,792</u></u>	<u><u>1,258,934</u></u>
	<u><u>113,355,262</u></u>	<u><u>92,808,287</u></u>

The cost disclosed as general is cost of projects done by the municipality on project management and related issues but which are not allocated to a specific local municipality.

25 CORRECTION OF ERRORS - IMPLEMENTATION OF GRAP

2009
R

2008
R

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP: -

25.1 Property, Plant & Equipment

Property, Plant & Equipment was previously treated without componentising of Property, Plant & Equipment and of 2 assets that was previously recognised as assets in the books of the Municipality and an duplication error

The change in accounting policy has been applied retrospectively from the previous financial year

25.1.1 Assets

2008

Balance previous reported

Cost	90,864,585
Less Accumulated Depreciation	12,622,495
Carrying value	78,242,089

**Implementation of GRAP componentising of PPE
2008**

	Asset not recognised before	Componitising of Office building	Total
Changes made financial year (2007)			
Cost of assets not recognised before	1,749,704		1,749,704
Less Accumulated Depreciation	139,920	1,626,005	1,765,925
Carrying value	1,609,784	(1,626,005)	(16,221)

	Duplication	Asset not recognised before	Componitising of Office building	Total
Changes made financial year (2008)				
Cost duplication error	(46)			(46)
Less Accumulated Depreciation		34,980	1,219,511	1,254,492
Carrying value	(46)	(34,980)	(1,219,511)	(1,254,538)

	Duplication	Asset not recognised before	Componitising of Office building	Total
Balance currently reported for 2008				
Cost	(46)	1,749,704	-	92,614,243
Less Accumulated Depreciation	-	174,900	2,845,516	15,642,912
Carrying value	(46)	1,574,804	(2,845,516)	76,971,331

25.1.2 Accumulated Surplus

2008

	<u>Accumulated Surplus/ (Deficit)</u>
Balance previous reported	332,980,370
Changes made previous financial year (2007)	(16,241)
	332,964,129
Changes made current financial year (2008)	(1,254,519)
	331,709,611

25.2 Reversal for Bad Debts provision

2008

The reversal of Bad Debts reversal was previously treated as a negative on the expenditure side of the Statement of financial performance and is now disclosed as Other income on the income side of the Statement of Financial Performance

25.2.1 Bad Debts reversal

Changes made financial year (2008)

Previously stated

(585,441)

Correction

585,441

Restated at 30 June 2008

-

25.2.1 Other Income

Changes made financial year (2008)

Previously stated

27,082,080

Correction

585,441

Restated at 30 June 2008

27,667,521

26 CHANGES IN ACCOUNTING ESTIMATES

During the year ended 30 June 2009 the municipality conducted an operational efficiency review for the Asset Group Furniture and equipment, which resulted in changes in the expected usage of certain items of property plant and equipment. Certain furniture and equipment, which management previously estimated to only last for 7 years, is now expected to remain in use for a period of 10 years (Decrease)/ Increase in Depreciation Expense

	2009	2010	2011	2012
	(302,679)	(299,723)	(299,697)	(295,731)

27 IMPAIRMENTS

During the year ended 30 June 2009 the municipality conducted an operational efficiency review for the Asset Group Furniture and equipment, which resulted in changes in the expected usage of certain items of property plant and equipment. Management have done an assessment of individual assets and where in management's opinion, the asset has been damaged or has a reduced value in use, reduced the carrying value accordingly.

	2009	2008
Balance at 1 July	-	-
Impairment loss recognised	59,333	-
Balance at 30 June	59,333	-

28 CASH GENERATED BY OPERATIONS

	2009	2008
	R	R
Surplus/(deficit) for the year	131,857,951	130,909,549
Adjustment for:-		
Depreciation and impairment loss	5,934,007	4,777,663
Contribution to provisions - non-current	(6,938)	2,018,390
Contribution to provisions – current	(161,668)	55,086
Donated asset to municipality	(7,522)	(505,234)
Interest paid	3,744,077	3,953,365
Investment income	(38,417,091)	(23,187,997)
Operating surplus before working capital changes:	102,950,338	118,526,068
(Increase) /Decrease in inventories	5,523,070	(19,450,445)
(Increase)/decrease in debtors	2,972,339	1,302,676
Increase / (Decrease) in creditors	(8,060,347)	305,591
Increase / (Decrease) in VAT	(625,939)	-
Cash generated by/(utilised in) operations	102,759,461	100,683,890

29 CASH AND CASH EQUIVALENTS

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

Bank balances and cash	13,617,525	22,518,394
Call investment deposits	380,828,415	246,531,521
Total cash and cash equivalents	394,445,940	269,049,915

30 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities (see Note 2)	62,380,210	67,448,122
Used to finance property, plant and equipment – at cost	62,380,210	67,448,122
Sub- total	-	-
Cash set aside for the repayment of long-term liabilities	11,260,000	12,235,256
Cash invested for repayment of long-term liabilities (see note 16)	11,260,000	12,235,256

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

**UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE
31 DISALLOWED****31.1 Unauthorised expenditure**

Reconciliation of unauthorised expenditure		
Opening balance	-	-
Unauthorised expenditure current year	-	-
Approved by Council or condoned	-	-
Transfer to receivables for recovery (note 13)	-	-
Unauthorised expenditure awaiting authorization	-	-

Incident	Disciplinary steps/criminal proceedings
determination dated 1 July 2006 that was published on	<i>No disciplinary hearing held</i>

31.2 Fruitless and wasteful expenditure2009
R2008
R

Reconciliation of fruitless and wasteful expenditure		
Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
To be recovered – contingent asset (see note 46)	-	-
	<u>-</u>	<u>-</u>
Fruitless and wasteful expenditure awaiting condonement	<u>-</u>	<u>-</u>

Incident	Disciplinary steps/criminal proceedings
No incident	No disciplinary hearing held

31.3 Irregular expenditure

Reconciliation of irregular expenditure		
Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery – not condoned	-	-
	<u>-</u>	<u>-</u>
Irregular expenditure awaiting condonement	<u>-</u>	<u>-</u>

Incident	Disciplinary steps/criminal proceedings
No incident	No disciplinary hearing held

32 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**32.1 Contributions to organized local government**

Opening balance	-	-
Council subscriptions	74,673	174,434
Amount paid - current year	(74,673)	(174,434)
Amount paid - previous years	-	-
	<u>-</u>	<u>-</u>
Balance unpaid (included in creditors)	<u>(0)</u>	<u>-</u>

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)**32.2 Audit fees**

Opening balance	-	-
Current year audit fee	1,094,495	1,386,076
Amount paid - current year	(1,094,495)	(1,386,076)
Amount paid - previous years	-	-
	<u>-</u>	<u>-</u>
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>

33 CONTINGENT LIABILITY

2009

2008

33.1 Guarantees held in lieu of Retention

Contingent liabilities for retentions disclosed in note 4.

R

R

Guarantees held in lieu of Retention

11,431,544

10,756,257

34 CONTINGENT ASSETS

Except for guaranteed value disclosed in note 10 Council don't have any contingent assets

35 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2).

APPENDIX B
NKANGALA DISTRICT MUNICIPALITY: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
30 JUNE 2009

	Cost				Accumulated Depreciation				
	Opening Balance Restated	Additions	Under Construction	Disposals	Closing Balance	Opening Balance Restated	Additions	Disposals	Closing Balance
Infrastructure Assets	-	-	-	-	-	-	-	-	-
Electricity	-	-	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-	-	-
Sewerage	-	-	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	-	-	-
Community assets	5,633	-	-	-	5,633	2,436	1,786	-	4,222
Buildings	-	-	-	-	-	-	-	-	-
Recreational	5,633	-	-	-	5,633	2,436	1,786	-	4,222
Other Assets	92,608,610	9,061,582	-	-	101,670,193	15,640,474	5,932,221	-	21,572,695
- Accounting and Office Machines	7,477,589	434,121	-	-	7,911,710	3,809,047	1,250,484	-	5,059,531
- Plant and Equipment	1,886,899	6,818,078	-	-	8,704,977	607,956	824,492	-	1,432,449
- Furniture and appliances	8,613,685	368,397	-	-	8,982,082	2,782,010	834,395	-	3,616,405
- Vehicles	1,701,559	607,000	-	-	2,308,559	850,796	288,039	-	1,138,834
- Emergency Equipment	1,789,260	147,116	-	-	1,936,376	213,133	87,630	-	300,763
- Land	300,000	-	-	-	300,000	-	-	-	-
- Buildings	64,507,119	107,364	-	-	64,614,482	7,377,532	2,647,181	-	10,024,713
- Capital under construction	6,332,499	579,507	-	-	6,912,006	-	-	-	-
Total	92,614,242	9,061,582	-	-	101,675,825	15,642,911	5,934,007	-	21,576,918

APPENDIX C

NKANGALA DISTRICT MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT 30 JUNE 2009

	Cost				Accumulated Depreciation				Carrying Value	
	Opening Balance Restated	Additions	Under Construction	Disposals	Closing Balance	Opening Balance Restated	Additions	Disposals		Closing Balance
Executive & Council	77,026,202	370,716		-	77,396,918	11,660,173	4,393,736	-	16,053,908	61,343,009
Finance & Admin	4,493,294	179,284		-	4,672,578	2,560,190	412,000	-	2,972,190	1,700,388
Planning & Development	1,493,298	25,684		-	1,518,982	729,582	983,580	-	1,713,162	(194,179)
Community & Social Services	3,268,950	7,906,390		-	11,175,340	692,967	144,691	-	837,658	10,337,682
Work in progress	6,332,499	579,507		-	6,912,006	-	-	-	-	6,912,006
TOTAL	92,614,242	9,061,582	-	-	101,675,825	15,642,912	5,934,007	-	21,576,919	80,098,905

APPENDIX D

NKANGALA DISTRICT MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

2008 Actual Income Restated	2008 Actual Expenditure Restated	2008 Surplus/ (Deficit) Restated		2009 Actual Income	2009 Actual Expenditure	2009 Surplus/ (Deficit)
R	R	R		R	R	R
-	18,768,672	18,768,672	Executive & Council	-	25,025,415	25,025,415
(266,825,338)	13,876,195	(252,949,143)	Finance & Admin	(301,285,455)	13,635,150	(287,650,305)
(1,586,901)	92,602,403	91,015,502	Planning & Development	(2,298,507)	113,575,058	111,276,551
(1,209,781)	10,278,728	9,068,947	Community & Social Services	-	7,512,322	7,512,322
-	3,691,706	3,691,706	Primary Functions	-	11,978,066	11,978,066
(269,622,020)	139,217,705	(130,404,315)	Sub Total	(303,583,963)	171,726,011	(131,857,951)
-	-	-	Less Inter-Department Charges	-	-	-
(269,622,020)	139,217,705	(130,404,315)	Total	(303,583,963)	171,726,011	(131,857,951)

APPENDIX E(1)

NKANGALA DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009

	2009	2009	2009	2009	2009	Explanation of Significant Variances
REVENUE	Actual YTD (R)	Budget (R)	Pro-rata Budget	Variance	Variance (%)	greater than 10% versus Budget
Regional Services - Turnover	-	-	-	-	-	(Explanations to be recorded)
Regional Services -Remuneration	556,449	556,500	556,500	(51)	-	
Rental of facilities and equipment	216,044	54,200	54,200	161,844	298.61	The municipality started to rent out the extension to the building.
Interest earned - external investments	38,400,679	26,150,350	26,150,350	12,250,329	46.85	Earned more than what was anticipated
Interest earned - outstanding debtors	16,412	27,200	27,200	(10,788)	(39.66)	Earned less than what was anticipated
Income for agency services	14,198	-	-	14,198	-	
Government grants and subsidies	251,825,228	255,787,160	255,787,160	(3,961,932)	(1.55)	
Other income	12,554,954	2,355,900	2,355,900	10,199,054	432.92	Difference mainly due to profit made on investment
Surplus cash			-	-	-	
Total Revenue	303,583,963	284,931,310	284,931,310	18,652,653	6.55	
			-	-	-	
EXPENDITURE			-	-	-	
Executive & Council	25,025,415	32,395,619	32,395,619	7,370,204	22.75	Under expenditure mainly due to vacancies not filled
Finance & Admin	13,635,150	15,521,373	15,521,373	1,886,223	12.15	Under expenditure mainly due to vacancies not filled
Planning & Development	113,575,058	361,936,349	361,936,349	248,361,291	68.62	Under expenditure mainly due to vacancies not filled and slow project expenditure
Community & Social Services	7,512,322	12,236,517	12,236,517	4,724,195	38.61	Under expenditure mainly due to vacancies not filled
Primary Functions	11,978,066	49,660,163	49,660,163	37,682,097	75.88	Slow project expenditure
Less Inter-Departmental Charges	-	-	-	-	-	
Total Expenditure	171,726,011	471,750,021	471,750,021	300,024,010	63.60	
NET SURPLUS/(DEFICIT) FOR THE YEAR	131,857,951	(186,818,711)	(186,818,711)	(318,676,662)	170.58	

APPENDIX E(2)

NKANGALA DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2009

	<u>2009</u> <u>Actual</u>	<u>2009</u> <u>Under</u> <u>Construction</u>	<u>2009</u> <u>Total</u> <u>Additions</u>	<u>2009</u> <u>Budget</u>	<u>2009</u> <u>Variance</u>	<u>2009</u> <u>Variance</u> <u>greater than 5% versus Budget</u>	<u>Explanation of Significant Variances</u> <u>greater than 5% versus Budget</u>
	R	R	R	R	R	%	<i>(Explanations to be recorded)</i>
Executive & Council	370,716	-	370,716	1,316,300	(945,584)	(72)	Less expenditure incurred than what was estimated to be spend
Finance & Admin	179,284	-	179,284	202,000	(22,716)	(11)	Less expenditure incurred than what was estimated to be spend
Planning & Development	25,684	-	25,684	-	25,684	100	This expenditure was budgeted for under the project expenditure falling under planning and development and assets falls back to the NDM
Community & Social Services	7,906,390	-	7,906,390	8,365,000	(458,610)	(5)	Less expenditure incurred than what was estimated to be spend
Work in progress	-	579,507	579,507	1,919,290	(1,339,783)	(70)	Less expenditure incurred than what was estimated to be spend
TOTAL	8,482,075	579,507	9,061,582	11,802,590	(2,741,008)	(23)	

APPENDIX F

NKNAGLA DISTRICT MUNICIPALITY: DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 AS AT 30 JUNE 2009

Grant and Subsidies Received

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld				
		Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09
		MSIG	National Gov	735,000	-	-	-	-	156,421	184,819	284,250	807,660	-	-	-	-
FMG	National Gov	500,000	-	-	-	-	-	-	-	332,442	-	-	-	-	-	

CHAPTER 5

5. ANNUAL MUNICIPAL PERFORMANCE REPORT

This section presents the strategic annual performance report and the performance reports of the internal Departments and Units.

5.1 STRATEGIC PERFORMANCE SCORECARD

Key Performance Area	Performance Indicator	No	Measurement Source and Target Date	Progress % on date of review
Municipal Transformation and Organisational Development	Performance Management System (PMS) aligned to the IDP, developed and implemented	11	To review, adapt and implement a performance management model	100%
	An organisational structure aligned to the IDP established and operationalised	12	To sign performance contracts with managers	100%
	Effective administrative and institutional systems, structures and procedures including human resources, financial policies, by-laws and communication systems established and implemented.	13	To fill key vacant posts on the organogram, form deputy manager downwards	64%
	The interface between Mayoral Committee and Council to align administrative and political priorities of Council managed	14	Briefing sessions with the Mayoral Committee and Council	100%
	Integrated human resource management systems introduced and operationalised	15	To develop system for skills development, training of Councilors	100%
	Customer service systems implemented.	16	To develop a customer service strategy	Not accomplished as yet

Key Performance Area	Performance Indicator	No	Measurement Source and Target Date	Progress % on date of review
Infrastructure Development and Service Delivery	Infrastructure Development and Investment Model implemented. (In the said model there should be a dynamic relationship between population growth projections, service delivery backlogs, revenue generation capacity and institutional capacity):	17	To appoint service providers for infrastructure projects by September 2009.	100%
		18	To convene an EPWP conference.	100%
		19	To establish an EPWP Unit.	100%
	The provision of basic municipal services to the satisfaction of residents (That is, clear delivery programmes and projects to progressively achieve national service delivery targets in terms of): Water, Sanitation, Electricity, Refuse removal, Municipal access roads and public transport, Municipal health services, etc.	20	To develop support for the Western Highveld Water Scheme.	100%
		21	To identify saving in budget, and prepare an adjustment budget.	100%

Key Performance Area	Performance Indicator	No	Measurement Source and Target Date	Progress % on date of review
Local Economic Development (LED)	An analysis of the local economy undertaken	22	To convene a summit with social parties.	100%
	Comparative and competitive advantage of the municipality identified and incorporated into credible LED strategy and programmes	23	To develop a marketing strategy.	100%
	Institutional capacity to implement LED programmes established and a conducive environment for shared growth created to ensure that: Market and public confidence in municipal functioning, infrastructure development and service delivery is improved. Existing public and private resources to intensify enterprise	24	To establish a local economic development unit.	100%
		25	To convene a summit ceremony with social partners.	100%

Key Performance Area	Performance Indicator	No	Measurement Source and Target Date	Progress % on date of review
	<p>support to local communities utilized.</p> <p>Sustainable community investment programmes introduced and implemented.</p> <p>Knowledge sharing networks and social partnerships facilitated.</p>	26	To develop an industrial strategy.	100%

Key Performance Area	Performance Indicator	No	Measurement Source and Target Date	Progress % on date of review
Municipal Financial Viability and Management	<p>Sound financial management practices implemented the MFMA priorities and timeframes, including but not limited to:</p> <p>Budget aligned to development and service delivery targets that municipalities are accountable for as set out in the adopted IDP's;</p> <p>Budget and treasury office established;</p> <p>Budget and revenue management is effective;</p> <p>Financial reporting and auditing is performed; and</p> <p>Institutional capacity for municipality to spend is created</p>	27	To ensure the adoption of the budget by Council	100%
		28	To ensure the compilation and adoption of annual report by Council.	100%

Key Performance Area	Performance Indicator	No	Measurement Source and Target Date	Progress % on date of review
	Financial management policies and by-laws developed, including but not limited to: supply chain management, credit control, tariff and investment policies	29	To submit report to Council on mechanisms to accelerate project implementation through amendment to supply chain management policy.	100%
	Integrated financial management systems introduced and operationalised	30	To ensure integrated financial management systems are introduced and operationalised by submitting a report to Council.	100%
Municipal Financial Viability and Management (Continued)	Municipal financial viability targets set and achieved which will ensure that: Growth in service debtors is reduced Consumer debt exceeding 90 days is recovered % Reduction in grant dependency rate Turn around time for creditor payment improved % Personnel cost over the total operational budget is in line with regulatory framework Provision for bad debt made Financial legislation implemented, including Property Rates Act and the Division of Revenue Act	31	To establish partnerships on mechanisms for the replacement of RSC levies and conduct research.	100%
		32	To submit a report to Council on researched available options of sources of revenue.	100%
		33	To develop a strategy to assist municipalities on the implementation on property rates act.	100%

Key Performance Area	Performance Indicator	No	Measurement Source and Target Date	Progress % on date of review
Good Governance and Public Participation	Procedures for community participation processes as set out in legislation adhered to in terms of: Planning Budgeting Implementation Monitoring and reporting	34	To ensure that framework plan, and processes are developed and adopted by Council.	100%
	Regular communication with communities on the achievement of targets set out in IDPs is carried out	35	To ensure that at least 5 community meetings are held within the District during 2008/2009.	100%
	Functioning of ward committees directly supported where applicable	36	To hold a Ward Committee Conference	Not accomplished
	Capacity building of community-based organisations to enhance effective participation facilitated	37	To formalise relationship with social partners by having them sign a pledge.	100%
	Relationship with organised business, labour and civil society built through transparent and accountable governance	38	To formalise relationship with social partners on major projects within the District by signing at least one memorandum of agreement of a major project.	100%

Key Performance Area	Performance Indicator	No	Measurement Source and Target Date	Progress % on date of review
Good Governance and Public Participation (Continued)	An anti-corruption strategy national strategy for the municipality is developed and implemented to address: Prevention Detection Awareness / communication	39	To develop and anti-corruption strategy in line with national strategy	Not yet accomplished
	Financial and performance audit committee established and functional	40	To establish audit committee	100%
	Mechanisms to ensure disclosure of financial interest in place	41	To submit report to Council on disclosure of interests	100%
	An effective communication strategy to promote transparency, public accountability, access to information, administrative justice and responsiveness to complaints are dealt with the relevant legislation developed and implemented	42	To establish an oversight committee for the annual report.	To be done in accordance with legislation
	Unqualified audit report achieved and maintained	43	To achieve and maintain an unqualified audit report	100%
	Community satisfaction surveys conducted.	44	To develop a strategy on community satisfaction surveys and to ensure at least one survey is conducted in the District.	Terms of reference adopted

5.2. BRIEF REPORTS: INTERNAL DEPARTMENTS AND UNITS

5.2.1 TECHNICAL SERVICES DEPARTMENT (VOTE 1200)

5.2.1.1 Infrastructure and Service Delivery

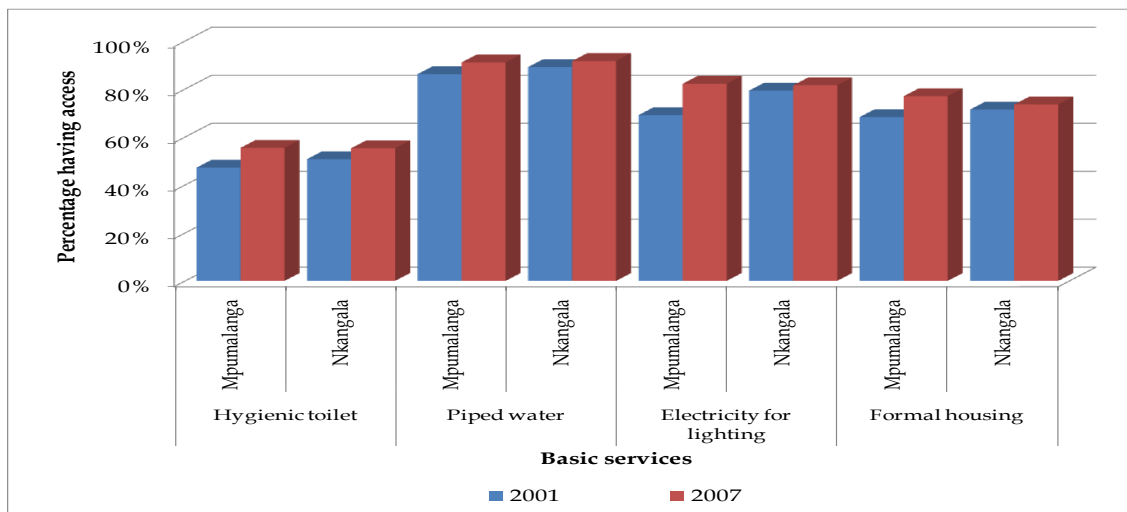
The Technical Services Department manages the delivery of infrastructure (services) and the technical affairs of the Municipality, under the leadership of the Manager Technical Services, Mr AG Zimbwa. The Department provides strategic support by facilitating the continuously updating of sectoral plans to inform integrated development planning. The department manages and monitors the implementation of projects emanating from the IDP, in accordance with policies adopted by the Municipality. The department also report on the projects executed and maintain control systems for each phase of project implementation using the electronic project management system. The department also plays a key role in the prioritization and implementation of all projects on programmes executed in the Municipality's area of jurisdiction.

The Technical Services Department manages the implementation of infrastructure capital projects and expanded public works programme (EPWP). The department also reports on the projects executed and maintain control systems for each phase of project implementation cycle. The department also plays a key role in the prioritisation and implementation of all projects on programmes executed in the Municipality's area of jurisdiction.

In order to support the following strategic objectives, the Department is committed to the improvement of the physical, socio-economic and institutional environment in order to address poverty and promote infrastructure development by:

- Developing infrastructure to enable and ensure service provision that meets the priority of communities.
- Promoting Integrated Development Planning and the proper coordination and alignment of infrastructure development initiatives in the District through sector planning.
- Encourage and supporting the effective performance and functioning of local municipalities in ensuring access to basic services within the District.
- Enhancing economic growth and development within the District through infrastructure project implementation.
- Promoting a healthy and safe environment for all.

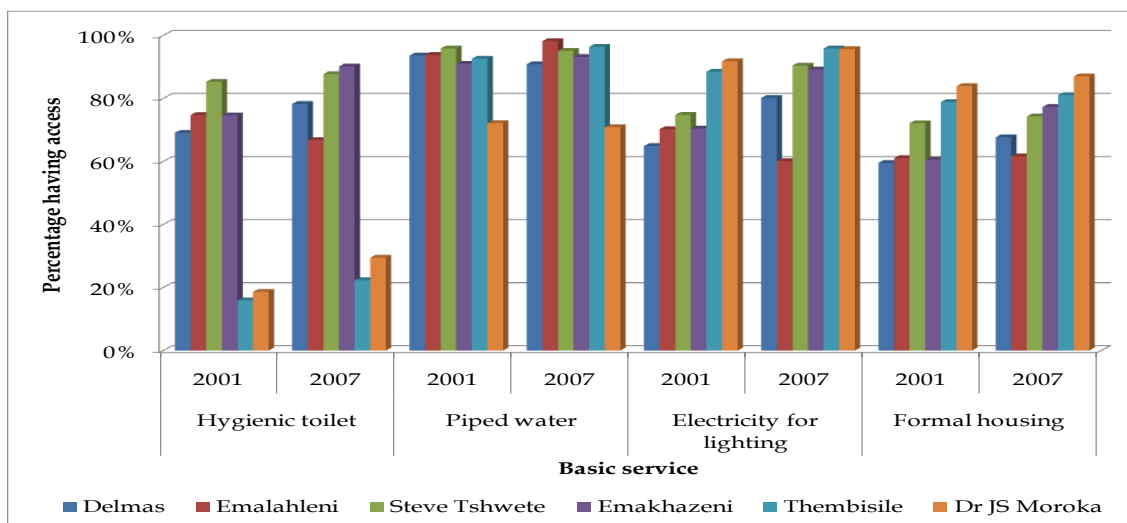
It is evident from figure 6 below that the delivery of basic services in Nkangala District Municipality (NDM) has improved noticeably since 2001. Access to piped water, with 91.6 per cent of the NDM's households having



Source: Statistics South Africa – Census 2001 & Community Survey, 2007

Figure 6: Basic service delivery in Mpumalanga and NDM, 2001 and 2007

Figure 7 depicts the basic service delivery figures for the local municipalities in Nkangala. A larger proportion of households in Emakhazeni had access to hygienic toilets (90.2 per cent) than households in any of the other municipalities. Emalahleni led the way access to piped water with 98.2 per cent of its households provided with water via pipes. Households in Thembisile had the highest access to electricity for lighting (95.9 per cent), whilst it had the second highest access to formal houses (81.1 per cent) after Dr JS Moroka (87.0 per cent).



Source: Statistics South Africa – Census 2001 & Community Survey, 2007

Figure 7: Basic service delivery in Nkangala's local municipality, 2001 & 2007

5.2.1.2 Water and sanitation provision

In Mpumalanga Province all category B municipalities have been authorised for the Water Services Authority (WSA) function. However, some local municipalities do not have sufficient capacity to perform their WSA functions. The Nkangala District Municipality (NDM) must therefore perform its required and expected role in building capacity at local level and ensure adequate sector planning and co-ordination.

The NDM has made significant investments in Water and Sanitation infrastructure in the District during the past few years. Since the year 2004 an amount of R 222 897 290.82 has been spent on water infrastructure, and about R 106 912 646.73 on sanitation (see Table 5 below).

Table 5: Expenditure for period 2004/5 – 2008/9

	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	TOTAL
WATER	R 68,662,410	R 51,037,408	R 26,237,262	R 29,442,225	R 47,517,985	R 222,897,290
SANITATION	R 16,238,096	R 28,728,998	R 14,388,690	R 24,250,446	R 23,306,416	R 106,912,646
ROADS & SW	R 64,555,255	R 65,163,605	R 28,590,994	R 21,989,148	R 19,746,310	R 200,045,312
ELECTRICITY	R 16,670,133	R 13,270,878	R 6,369,906	R 6,168,241	R 2,145,882	R 44,625,040
URBAN DEVELOPMENT	R 9,490,579	R 4,740,774	R 5,390,172	R 3,431,710	R 1,792,477	R 24,845,712
WASTE DISPOSAL	R 0.00	R 0.00	R 0.00	R 0.00	R 366,641	R 366,641
OTHER	R 0.00	R 0.00	R 0.00	R 0.00	R 2,859,329	R 2,859,329
Total	R 175,616,473	R 162,941,663	R 80,977,024	R 85,281,770	R 97,735,043	R 602,551,973

Between 2004/5 and 2008/9 financial years the NDM has made significant financial commitments infrastructure development. An amount of R 97 735 043.58 has been spent in 2008/2009 financial year.

Despite the enormous capital investments committed the NDM is still confronted with huge backlogs in levels of service which will require vast amounts of money to eradicate as indicated on Table 6 below. The amount of R464 766 339 and R198 333 000 for sanitation and water respectively indicated in Table 6 only refers to reticulation requirements.

Table 6: Budget required to address reticulation backlog

Municipality	Water		Sanitation	
	Backlogs HH	Required Budget (R)	Backlog HH	Required Budget (R)
Delmas / Victor Khanye	2 148	19,332,000	4 356	16,552,800
Dr JS Moroka	6 220	55,980,000	43 457	165,136,600
Emakhazeni	743	6,687,000	3 563	13,539,139
Emalaheni	8 347	75,123,000	14 000	53,200,000
Steve Tshwete	215	1,935,000	512	1,945,600
Thembisile Hani	4364	39,276,000	56 419	214,392,200
Total - NDM	22037	198,333,000	122 307	464,766,339

As part of a comprehensive strategy to deal with water and sanitation related challenges facing the Nkangala District Municipality (NDM), a range of initiatives are currently prioritised. The priority area is an area where the infrastructure exists, but provides inadequate service. In order to respond to such a challenge, Council resolved to ring fence MIG funding towards the MDG targets, particularly on water and sanitation.

Below are the key strategic trusts and initiatives emanating from the Water Master Plan that have been on consideration, which include:

- Collaboration,
- Institutional Arrangements,
- Cullinan and the Western Highveld Region Emergency Augmentation Scheme,
- Rand Water Augmentation Scheme for Delmas/ Victor Khanye Local Municipality,
- Reclamation of Mine Water (Emalahleni & Steve Tshwete Local Municipalities),
- Raw water supply to industries,
- Refurbishment of Brugspruit Treatment Plant, and
- Recycling of Sewer Effluent

Institutional reform study in the Western Highveld Region has been conducted by DWAF. The Western Highveld Scheme comprises a series of assets including treatment plants traversing three provinces (Gauteng, Mpumalanga, and Limpopo) and four Water Services Authorities (Kungwini, Thembisile Hani, Dr JS Moroka Local Municipalities and Sekhukhune District Municipality). The scheme is managed in isolation by individual WSAs. The scheme was designed to be managed in an integrated way.

The way in which water is managed in one WSA directly impacts on water availability to other areas. As water sector leader, and in response to a water crisis, DWAF identified the need for a longer term institutional arrangements around the Western Highveld Scheme. An Independent Options Assessment has been developed and consulted on. The recommended outcome was to appoint the NDM as a Regional Bulk Water Service Provider which is the process underway.

Communities within the jurisdiction of the NDM receive free basic services (FBS) from their respective local municipalities. The status of FBS in the municipalities is sketched out in Table 7 below.

Table 7: Status of FBW Provision (2008/09 NDM IDP)

Municipality	FBW policies by-laws	Block Tariff	% UAW	% Water Billed	% Cost recovery – billed water
Delmas / Victor Khanye	No	Yes	39	63.6%	90%
De JS Moroka	No	No	81	3.2%	4%
Emalahleni	No	Yes	43	57%	92%
Emakhazeni	No	Yes	20	52%	48%
Steve Tshwete	Yes	Yes	20	75%	99%
Thembisile Hani	No	Yes	41	23%	4%

5.2.1.3 Electricity Provision

In NDM four local municipalities, namely: Steve Tshwete, Emalahleni, Delmas/Victor Khanye and Emakhazeni have been authorised for the electricity supply function, but the two western highveld municipalities Thembisile Hani and Dr JS Moroka local municipalities are serviced by Eskom.

Communities in the NDM are fairly well supplied with electricity. The municipal electricity consumption index, which shows the number of people that are living in houses with or without electricity, shows that about 85% of the people lived in houses that were electrified and 15% were not electrified (Stats SA 2006). The NDM participate in the Mpumalanga Provincial Energy forum that meets quarterly. The following are the requirements for participation into the REDS.

- Signing of the accession agreement for participation in the RED.
- MSA section 78 process to be completed.
- Ring fencing to be completed.
- Due diligence to be completed.
- Participation in RED Six stakeholders and Government structures

In NDM only Emalahleni and Steve Tshwete Local municipalities have signed Accession Agreements.

5.2.1.4 Roads and Storm water provision

In order to fulfill its regional functions in Thembisile Hani Local Municipality (THLM), the NDM in its 2007/2008 Integrated Development Plan (IDP) under Issue 14: Roads and Storm water, as one of the strategies resolved: *“..to sign an agreement/contract with Thembisile Hani Municipality and start with the compilation of the roads Upgrading and Maintenance Implementation Programme.”*

In 2008/2009 financial year a Service Level Agreement was signed for maintenance and upgrading of all municipal roads in the Thembisile Hani Local Municipality Area, to ensure that roads and storm water systems are maintained and upgraded to an acceptable standard.

The general state and conditions of roads throughout the NDM has been identified as an area that needs urgent attention as roads are critical in promoting economic growth and tourism. In order to address this challenge there was a need for a comprehensive strategy that will ensure timely construction, maintenance and repair of roads throughout the region. An integrated transport plan was developed and adopted by Council.

5.2.1.5 The Expanded Public Works Programme (EPWP)

EPWP is one of government's short to medium term programmes aimed at alleviating unemployment through training. The emphasis of the programme is to develop entrepreneur, business and technical skills. The programme is funded from government's line budgets. To that end, NDM continued implementing the Expanded Public Works Programme (EPWP) learnerships in the infrastructure sector in 2008/9 financial year. NDM budgeted R 34.7 million for the EPWP learnership programme in the 2008/09 financial year.

Initially, the NDM EPWP implemented through a Memorandum of Agreement (MOA) with the National Department of Public Works (NDPW) and Construction Education and Training Authority (CETA). The EPWP learnership implementation has met with a number of challenges which include delays in the appointment of training providers and mentors and nonpayment of stipends. Hence, NDM has resolved to develop an EPWP toolkit, which is an implementation guideline. Consequently, the NDM EPWP learnerships are implemented through an internal Project Management Unit (PMU). Some of the statistics monitored since the inception of EPWP implementation in NDM indicated a growing public interest in the programme as shown on Figure 8 below.

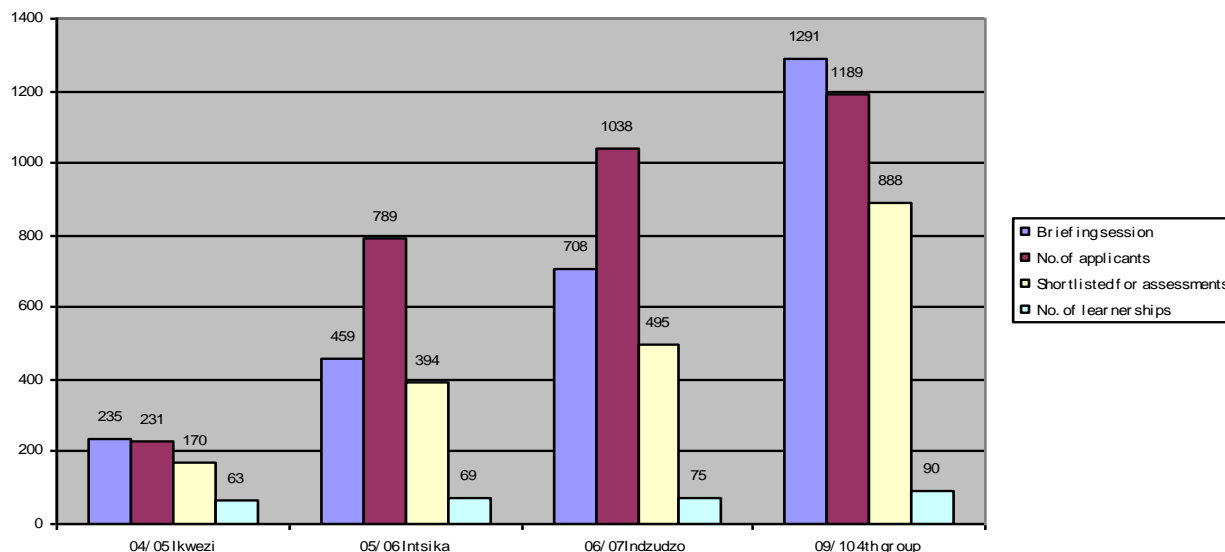


Figure 8: EPWP implementation statistics

The advertisement and applications for the 2008/9 financial year closed on the 13 February 2009 and 448 application forms were received and interested candidates captured were 1189. Based on the figures presented in figure 8 it is evident that there is a growing public interest in the programme. One of the contribution factors is the high unemployment rate in the region.

5.2.1.6 PROJECTS IMPLEMENTED DURING THE 2008/9 FINANCIAL YEAR

Water Demand Management 2008/2009 financial year.

- The telemetry project installed the Bulk water meters and valves, the system uses a GPSM network that is linked to the Operations and Maintenance Section of the Municipality. The data collected is transferred to the operators' computers and cellular phones.
- The project involved the supply, delivery and installation of GSM/GPRS data logging stations to the bulk water supply system of the Dr JS Moroka and Thembisile Hani Local Municipalities. This comprises various configurations of flow and level monitoring. The project in Dr J S Moroka Local Municipality was successfully completed in 2008/09 financial year and the Municipality now manages their water much better.
- Other projects that the District has and is implementing are water and sanitation projects, regional bulk projects, electricity projects and roads and stormwater projects as outlined in tables 8 – 11, respectively.

Table 8: 2008/9 Financial year water and sanitation projects

PROJECT DESCRIPTION	BUDGET	PROGRESS (end of 2008/09 financial year)	
		Status	% Construction Progress
DELMAS LOCAL MUNICIPALITY (Vote 01250 and 12250)			
PROVISION OF SANITATION IN RURAL AREAS VIP TOILETS	R 1 200 000	Complete	100%
REPLACEMENT OF ASBESTOS PIPES	R 1 200 000	Project in construction stage	95%
GENERAL			
PURCHASE GRADER	R 2 500 000	Project in initiation stage	3%
WATER TANKER	R 800 000	Project in initiation stage	3%
DR J S MOROKA LOCAL MUNICIPALITY (Vote 01300 and 12300)			
WATER			
MARAPYNE WATER RETICULATION	R 3 200 000	Phase 1&2- Complete, Phase 3- Project in construction stage	98%
NOKANENG WATER RETICULATION	R 2 000 000	Complete	100%
MARAPYNE WATER RETICULATION	R 3 000 000	Complete	100%
SEWERAGE			
SEWER RETICULATION UPGRADE FOR SIYABUSWA	R 1 000 000	Project in construction stage	70%
VIP TOILETS FOR MTHAMBOTHINI	R 2 000 000	Phase 1- 90% complete, Phase 2 – Project in construction stage	98%
VIP TOILETS FOR METSIMADIBA	R 1 500 000	Complete	100%
VIP TOILETS FOR DMA	R 1 000 000	Complete	100%
VIP TOILETS FOR GA MARIA LEFISO AND LEFISOANE	R 2 500 000	Complete	100%
VIP TOILETS FOR MOLAPOMOGALE	R 1 000 000	Complete	100%
VIP TOILETS FOR MOGONONOG	R 1 000 000	Complete	100%
GENERAL			
TOITSKRAAL COMMUNITY HALL	R 1 500 000	Project in initiation stage	3%
EMALAHLENI LOCAL MUNICIPALITY (Vote 01350 and 12350)			
WATER			
PROVISION WATER RETICULATION NETWORK EMPUMELELWENI	R 2 000 000	Complete	100%
PROVISION WATER RETICULATION NETWORK PHOLA BUFFER EXT	R 800,000	Project in construction stage	30%
REPLACEMENT OF AC WATER PIPES AT OGIES PH2	R 1 300 000	Completed	100%
REPLACE AC WATER PIPE VAN RENSBURG	R 1300 000	Completed	100%

UPGRADING OF WATER PURIFICATION PLANT	R 2 000 000	Project in construction stage	20%
WITBANK PUMP STATION	R 1 600 000	Project in construction stage	20%
REPLACE STEEL PIPE STEENKAMP PH2	R 3 600 000	Bid adjudication in progress for contractor appointment.	
BULK MAIN LINE WILDEBEEES FONTEIN	R 2 800 000	Complete	100%
PROVISION BULK AND ZONAL WATER METERS	R 2 000 000	Tender stage	
PROVISION OF BASIC WATER FARMS	R 900 000	Completed	100%
UPGRADE PURIFICATION PLANT TO POINT D	R 2 400 000	Complete	100%
INSTALL BULK LINES PHOLA / WILGE	R 1 600 000	Project in construction stage	25%
BULK LINE DEL JUDOR X4 TO BEN FLEUR	R 800 000	Project in construction stage	80%
REPLACE BULK SUPPLY PAXTON	R 800 000	Completed	85%
SEWERAGE			
PROVISION OF SEWER RETICULATION AT EMSAGWENI	R 1,600,000	Project in construction stage	100%
MAIN OUTFALL LINE WILGE TO PHOLA	R 800 000	Project in construction stage	80%
SEWER MAIN OUTFALL LINE EMPUMELELWENI	R 2 000 000	Project in construction stage	40%
BASIC SANITATION VIP	R 1 200 000	Project in construction stage	60%
STEVE TSHWETE LOCAL MUNICIPALITY			
WATER			
ROCKDALE BULK WATER SUPPLY PH1	R 7 713 510	Project in construction stage	50%
SEWERAGE			
BIOLOGICAL TOILETS RURAL SETTLEMENTS (Bankfontein)	R 1 000 000	Complete	100%
BIOLOGICAL TOILETS NEW TOWN	R 3 800 000	Project in construction stage	70%
UPGRADE OUTFALL SEWER LINES	R 1 200 000	Project in construction stage	70%
EMAKHAZENI LOCAL MUNICIPALITY (Vote 01450 and 12450)			
WATER			
UPGRADING OF DULLSTROOM WATER TREATMENT PLANT	R 2 500 000	Project in construction stage	20%
SEWERAGE			
PHASING OUT OF SEWER TREATMENT PLANT IN MACHADODORP	R 5 755 000	Project in construction stage	80%
GENERAL			
PURCHASE A BULLDOZER	R 1 470 000	Project in initiation stage	3%
CHERRY PICKER TRUCK	R 310 000	Project in initiation stage	3%
COMPACTOR TRUCKS	R 1 200 000	Project in initiation stage	3%
THEMBISILE HANI LOCAL MUNICIPALITY (Vote 01500 and 12500)			
WATER			
COMPLETION OF WATER RETICULATION MOUNTAIN VIEW	R 1 200 000	Project in construction stage	98%

COMPLETION OF WATER RETICULATION PHOLA PARK	R 1 285 230	Completed	100%
COMPLETION OF WATER RETICULATION ZAKHANI	R 1 000 000	Completed	100%
GENERAL			
EXCACATOR	R 2 500 000	Project in initiation stage	3%
TELEMENTARY SYSTEM	R 1 615 000	Project in construction stage	80%

5.2.1.7 Special Projects

The implementation of water projects should be in line with the WSDPs and the NDM Regional Water Master Plan (WMP). Local municipalities were requested to submit priority bulk projects aiming at meeting the millennium targets. Table 9 below is a list of projects implemented.

Table 9: Regional bulk projects

PROJECT DESCRIPTION	BUDGET	PROGRESS (end of 2008/09 financial year)	
		STATUS	% Construction Progress
DR JS MOROKA LOCAL MUNICIPALITY (Vote 01300 and 12300)			
MATHANJANA: WATER PROVISION TO MANTLOLE/ RANKAILE	R 3 500 000	Complete	100%
BLOEDFONTEIN: SUB – SUPPLY SERVICE	R 1 300 000	Complete	100%
WAALKRAAL: RESERVOIR REFURBISHMENT	R 1 000 000	Project in construction stage	30%
SUB-TOTAL	R 5 800 000		
EMALAHLENI LOCAL MUNICIPALITY (Vote 01350 and 12350)			
SPEEKFONTEIN: INSTALLATION OF BOREHOLES AND STANDPIPES	R 2 000 000	Completed.	100%
SUB-TOTAL	R 2 000 000		
EMAKHAZENI LOCAL MUNICIPALITY (Vote 01450 and 12450)			
SAKHELWE EXT3: INSTALLATION OF CIVIL ENGINEERING SERVICES	R 6 100 000	Complete	100%
DULLSTROOM: UPGRADING OF RISING MAIN	R 2 000 000	Project in construction stage	95%
SUB – TOTAL	R 8 100 000		
STEVE TSHWETE LOCAL MUNICIPALITY (Vote 01400 and 12400)			
MAFUBE: WATER SUPPLY	R 500 000	Project in construction stage	85%
MHLUZI EXT 8: UPGRADE OF SEWER PUMPSTATION	R 1 600 000	Project in construction stage	45%
SUB-TOTAL	R 2 100 000		
TOTAL	R 18 000 000		

Table 10: 2008/2009 Financial year electricity projects

PROJECT DESCRIPTION	BUDGET	PROGRESS (end of 2008/09 financial year)	
		STATUS	% Construction Progress
DELMAS / VCTOR KHANYE LOCAL MUNICIPALITY (Vote 01250 and 12250)			
Electricity			
HIGH MAST LIGHT	R 408 058	Complete	100%
TOTAL	R 408 058		
EMALAHLENI LOCAL MUNICIPALITY (Vote 01350 and 12350)			
Electricity			
VOSMAN ELECTRICAL RETICULATION	R 3 400 000	Completed	100%
BUFFER 2ND INCOME BAY	R 144 400	Complete	100%
RINGSUB 3 11 KV BREAKER	R 1 000 000	Project in construction stage	50%
HIGHMAST LIGHTS STREETLIGHTS PHOLA, VOSMAN AND KLARINET	R 150 000	Complete	100%
HIGHMAST LIGHTS STREETLIGHTS TWALA, THALA THUSHANANG	R 150 000	Complete	100%
SUPPLY NEW COSMOS HOSPITAL	R 2 400 000	Project in construction stage	50%
UPGRADE MAIN SUPPLY OGIES	R 636 977	completed.	100%
CIRCUIT BREAKERS RING SUBSTATION 4	R 1 500 000	Project in construction stage	30%
GENERATOR NAAUWPOORT	R 509 640	Project initiation stage	5%
ELECTRIC MASTER PLAN	R 200 000	Project initiation stage	5%
Total	R 10 091 017		
THEMBISILE HANI LOCAL MUNICIPALITY (Vote 01500 and 12500)			
FLOOD LIGHTS SPORT STADIUM	R 1 200 000	Detailed Design report in progress.	8%
GENERATOR SPORT STADIUM	R 1 000 000	Project initiation stage	5%
TOTAL	R 2 200 000		

Table 11: 2008/2009 Financial year roads and stormwater projects

PROJECT DESCRIPTION	BUDGET	PROGRESS (end of 2008/09 financial year)	
		STATUS	% Construction Progress
DELMAS/ VICTOR KHANYI LOCAL MUNICIPALITY (Vote 01250 and 12250)			
CONSTRUCTION OF ROADS AND STORMWATER IN NEW DEVELOPMENT BOTLENG EXT 5	R 3 500 000	Project in construction stage	70%
REBUILDING OF MAIN ROADS AROUND DELMAS	R 3 500 000	Complete	100%
TOTAL	R 7 000 000		

Dr JS Moroka Municipality (Vote 01300 and 12300)			
ROADS & STORMWATER			
MRHAWINI BUS AND TAXI ROUTE	R 4 000 000	Complete	100%
MABUSABESANA BUS AND TAXI ROUTE	R 1 000 000	Project in construction stage	90%
RAMANTSHO TO DIHEKENG BUS & TAXI ROAD	R 3 200 000	Project in construction stage	50%
UPGRADING OF ROADS AND STORMWATER AT MATSHIDING	R 3 000 000	Project in construction stage	60%
TOTAL	R 11 200 000		
Emakhazeni Municipality (Vote 01450 and 12450)			
ROADS & STORMWATER			
UPGRADING OF 4KM GRAVEL ROADS TO BLOCK PAVING SIYATHUTHUKA	R1 600 000	Project in construction stage	80%
UPGRADING OF 4KM GRAVEL ROADS TO BLOCK PAVING SIYATHUTHUKA	R 1 200 000	Project in construction stage	80%
TOTAL	R 2 800 000		
Thembisile Hani Municipality (Vote 01500 and 12500)			
UPGRA INSITU CULVERT TWEEFONTEIN	R 1 000 000	Complete	100%
COMPLETION OF BUS ROUTE VEZEBULE	R 1 927 273	Complete	100%
COMPLETION OF BUS ROUTE THEMBALETHU	R 2 569 696	Project in initiation stage	3%
COMPLETION OF BUS ROUTE MUZIMUHLE	R 1 606 061	Project in construction stage	60%
COMPLETION OF BUS ROUTE BOEKENHOUT	R 3 106 060	Project in construction stage	75%
COMPLETION OF BUS ROUTE MOLOTHO SOUTH	R 2 476 058	Project in initiation stage	3%
COMPLETION OF BUS ROUTE VLAKLAAGTE 1	R 1 187 000	Project in construction stage	63%
COMPLETION OF BUS ROUTE KWAGGAFONTEIN A	R 3 854 545	Project in construction stage	
COMPLETION OF BUS ROUTE TWEEFONTEIN H	R 3 012 346	Project in construction stage	65%
COMPLETION OF BUS ROUTE WOLWENKOP	R 2 316 253	Project in initiation stage	3%
COMPLETION OF BUS ROUTE PHOLA PARK	R 1 927 273	Project in construction stage	90%
TOTAL	R 24 982 565		
Steve Tshwete Municipality (Vote 01400 and 12400)			
STORMWATER PLAN MIDDELBURG, MHLUZI	R 2 600 000	Project in construction stage	60%
STORMWATER PLAN HENDRINA KWAZAMOKHULE	R 500 000	Project in construction stage	80%
STORMWATER PLAN VILLAGES RIETKUIL	R 500 000	Project in construction stage	70%

CONSTRUCTION OF NEW ROADS MIDDELBURG MHLUZI	R 1 000 000	Project in construction stage	70%
NEW ROAD EXT 11 INDUSTRIAL GRAM	R 1 250 000	complete	100%
Total	R 5 850 000		

5.2.2 CORPORATE SERVICES DEPARTMENT (VOTE 01103)

5.2.2.1 Administrative functions

The Corporate Services Department is one of four line function departments of the municipality. It is headed by the Manager: Corporate Services, Mr Z Mcineka and resourced by 18 employees at different levels of operation. The vision of the Department is “to have an efficient and integrated governance system based on the principles of accountability and commitment to the delivery of services and sustainable development”. Its mission is “to develop an effective, well skilled and representative administration capable of taking and implementing decisions and driven by an organizational culture based on results, cost-effectiveness and service excellence with the mind of providing a service that is community orientated taking into consideration the principles of Batho Pele”.

The Corporate Services Department provides strategic administrative, legal, secretarial and human resource services to the various Departments and Units of the Nkangala District Municipality. Additionally, the Department is serving nine (9) permanently appointed and 46 part-time Councillors. As such it is the custodian of all the records of the Nkangala District Municipality to ensure that accurate information regarding the services rendered by the Department is available for internal and external role players to make informed decisions.

The Department’s focus is on two strategic areas: administrative/secretarial and human resources. In a nutshell, the key functions of the Department include:

- Ensuring proper execution of Council resolutions
- Ensuring that committees of Council constantly convene to deal with matters pertinent to the administration of the municipality
- Enhancement of intergovernmental relations
- Implementation of employment equity and skills development
- Capacitation of both political and administrative office bearers through human resource development programmes
- Render effective and efficient support service to its internal customers, namely, Councilors, management and municipal officials.
- Provide advice to the line function department on administrative compliance matters, legal and human resource management, training and development matters.
- Provide effective secretariat services to Council’s committee structures
- Responsible for managing its financial affairs in the most economical, effective, efficient and accountable manner.
- Ensure that compliance in so far as financial and performance reporting is adhered to.

5.2.2.2 Skills Development

The Skills Development Act 97 of 1998, a skills needs analysis is conducted annually to determine skills required by employees and Councillors to ensure effective and efficient rendering of services to communities within the Nkangala District Municipality' area of jurisdiction.

Emanating from the skills needs analysis a Skills Development Plan is developed and submitted to Local Government Sector Education and Training Authority.

Training that took place is listed in table 12 below.

Table 12: Training initiatives undertaken

Course	Number
CPMD	6
Advanced Programme: Supply Chain Management	1
Project Management	1
Quantity Surveyor	1
Local Government : IDP	4
Performance Management System	1
Executive Leadership Management	3
Advance Programme in Project Management	1
ABET: IsiZulu	1
ABET: Matric	1
CPMD	3
IDP in Local Government	1
IDP	3
Contract Management	1
Supply Chain Management	1
TOTAL	29

5.2.2.3 Appointments

The Department also designs and analyzes jobs to ensure an adequate and efficient staffing in the District.

The staff complement below includes filled and vacant posts within the department and units of the District municipality (refer to table 13).

Table 13: Staff complement of the Department

Department / Unit	Total Posts	Filled Posts	Vacant Posts
Corporate Services	27	18	9
Finance	32	20	12
Social Services	44	29	15
Technical Services	15	7	8
Local Economic Development	6	5	1
Development and Planning	7	4	3
Project Management	9	5	4
Information Technology	2	2	0
Public Liaison	1	0	1
Internal Audit	2	2	0

ACHIEVEMENTS

The following are the Department's achievements:

- Timeous submission of Workplace Plan (WSP) and Employment Equity Plan (EEP)
- Translation of the Promotion of Access to Information Act (PAIA) Manual was translated into four languages, namely IsiNdebele, Sepedi, Setswana and Afrikaans and published in the Nkangala District Municipality website (www.nkangaladm.org.za) Section 14 of the Act.
- A total of ten (10) Council meetings were held in the year in question and one hundred and seventy four (174) resolutions were adopted for implementation.
- Further, the Department provided secretariat services to (21) Mayoral Committee and (47) Section 79 Committee meetings.
- In addition, secretariat services were provided to LED and IDP Fora as well as eleven (11) working groups which hold their meetings on a two-monthly basis.
- In August 2008, a library facility was created to give service to Councilors, management, Council officials and the public.
- In addition to existing Human Resource policies, the Handling of Sexual Harassment Policy was developed and approved by Council.

5.2.3 SOCIAL SERVICES DEPARTMENT (01106)

5.2.3.1 Social Services

The Social Services Department is one of four line function departments of the municipality. It is headed by the Manager: Social Services, Ms E Tshabalala. The vision of the Department is "to promote a District in which the environment is conducive to sustainable social, physical and economic development of full potential of its inhabitant's well being". The department is committed to engage in the exercise of co-operative governance to ensure a safe and healthy environment that would enhance social, economic and physical development, through the coordination of the following:

- Municipal health services including environment management services.
- Community development services
- Disaster management and emergency services
- Programmes to enhance the development of youth and women
- Poverty reduction and HIV/AIDS programme coordination
- Coordination of welfare, health, education, housing, sports, recreation, arts and culture; and women and youth programs
- Community Safety Services
- Fire, rescue services in Thembisile and Dr JS Moroka local municipalities

5.2.3.2 Fire and Rescue Services

The NDM renders fire fighting and rescue services in Thembisile Hani and Dr JS Moroka local municipalities from the newly established KwaMhlanga fire station. Figure 9 below shows fire and rescue response operation that were received and attended to by the District during the year under review. It is evident that different types of calls were lodged ranging from burning electric poles to motor vehicle accidents.

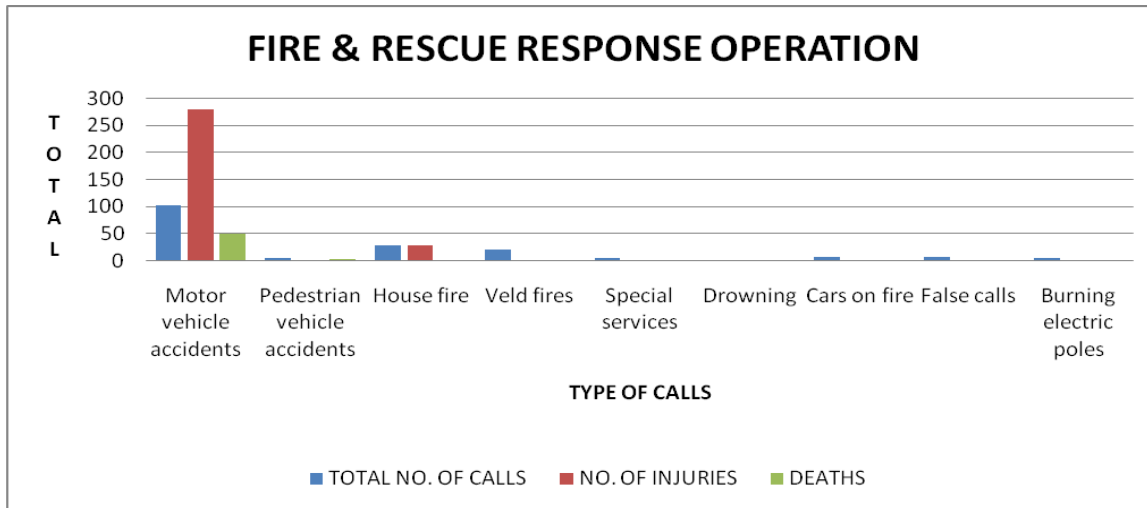


Figure 9: Fire and rescue response operation

5.2.3.3 Development Planning

In the year in question, Social Services coordinated the development of the following strategic documents:

- Integrated Youth Development Strategy
- Environmental Management Plan
- Integrated Waste Management Plan
- Municipal Health Services sec 78 Assessment
- Municipal Health Services Implementation Plan

ACHIEVEMENTS

The following are the key highlights of the Department's achievements:

- Consulting Engineers have so far been appointed for the Planning, Design and Administering the Installation of Disaster Management Centre Communication Control System and already the Preliminary Designs and the Detailed Specifications Report (clarification of the scope of work) has been completed.
- The Nkangala District Municipality together with the Department of Local Government and Housing and respective Local Municipalities conducted veld and domestic awareness campaigns at Dullstroom (Sakhelwe) at Emakhazeni and in Maganagobuswa; Pietieskraal; Digwale; Mametlhake; Marapyane;

Loading and Vaalbank in Dr JS Moroka local municipalities on the 20 September 2008 and the 13 February 2009 respectively.

- Fire inspections were conducted at Mmametlake Hospital and Moloto Bus Depot and Loopspruit Wine Cellar on the 30 July 2008, 14 January 2009 and 12 May 2009 respectively.
- The KwaMhlanga Fire Station 1st Phase (that entails the engine room and the offices) has been completed.
- A 10 000 L Fire Fighting Water Tanker for KwaMhlanga Fire Station was delivered in November 2008.
- A 10 000 L Fire Fighting Water Tanker is being procured for Delmas/Victor Khanye local municipality to assist in its veld fire-prone areas. Awaiting delivery.
- An expert Service Provider was appointed and the Draft Integrated Waste Management Plan has been completed and is awaiting Council's approval.
- The Environmental Management Policy was completed and adopted by COUNCIL in January 2008

5.2.4 FINANCE DEPARTMENT (VOTE 01104)

5.2.4.1 Financial Management

The Finance Department is one the four line function Departments within the NDM, under the Acting Manager Finance, Mr M Strydom. The Department focuses on financial management matters. The Department seeks to a Department that is a bench march in service excellence through:

- Upholding the principles of Batho Pele.
- Rendering efficient effective support services in a transparent and accountable manner.
- Ensuring effective and efficient income and expenditure management.
- Contributing towards the maintenance of a high credit rating
- Attracting and retaining competent personnel

The functions that fall under the Department are:

- Budget Office
- Debtors
- Credit Control
- Creditors
- Project Expenditure
- Salaries
- Treasury Office

5.2.4.2 Audit opinions

The Department can confidently present, as depicted in table 14 below, the state of financial management within the District. It is evident that commencing on the 2003/4 to the 2007/8 financial years the District continued to receive unqualified audit opinions from the Auditor General.

Table 14: NDM's financial management record

Municipality	2003/04	2004/05	2005/06	2006/07	2007/08
Nkangala District Municipality	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
Steve Tshwete	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
Delmas	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
Emakhazeni	Disclaimer	Disclaimer	Unqualified	Unqualified	Unqualified
Emalahleni	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
Thembisile	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
Dr. JS Moroka	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified

5.2.4.3 FITCH International credit rating

The 2009 rating of the District by FITCH international confirmed the position of the Council on the elimination of the RSC levies in 2001. It states that the replacement of the Regional Service Council levy with national grants as of 2006/7 financial year limits financial autonomy of NDM, as the contribution of taxes and fees to the budget is negligible, with the latter accounting for approximately 1% of operating revenue.

5.2.4.4 RSC levies research findings

In a proactive analysis aimed at finding appropriate replacement for the RSC levies the NDM compiled a position paper in 2006 followed by several study trips overseas in countries such as Spain, Hungary, and England to further investigate a possibility of an alternative and viable tax appropriate to local government. Ongoing consultation and research is being undertaken with several role players including SALGA, DPLG, etc on international best practice to explore available options. The viable options emanating from the research conducted are summarised in table 15 below.

Table 15: RSC levy replacement option

Tax	Tax on utility sales	Vehicle Licenses	Fuel Levy	Local Business Tax based on VAT	Transfer Duties	CG Tax on Property
Local	Poor	Good	Poor	Good	Poor	Good
Yield	Moderate	Good	Good	Good	Fair	Good
Collectability	Excellent	Good	Good	Very Good	Good	Very Good
Economic Efficiency	Poor	Good	Bad	Good	Poor	Poor
Immobile Base	Moderate	Poor	Poor	Good	Good	Good
Base Stability	Moderate	Good	Poor	Good	Poor	Fair
Horizontal Balance	Very Poor	Poor	Very Poor	Poor	Poor	Poor
Transparency and local impact	Good	Good	Very Poor	Fair	Good	Good
Fairness	Moderate	Good	Very Poor	Good	Moderate	Good
Minimum interface with national economic policy	Poor	Good	Poor	Good	Good	Good
Minimum interface with national and regional markets	No	Yes	No	Yes	No	Yes

The District will continue to engage in discussions and research on the replacement levy for the RSC levies. In conclusion, the Department will continue to ensure sound financial management of the financial resources of the District.

5.2.5 UNITS UNDER THE OFFICE OF THE MUNICIPAL MANAGER

5.2.5.1 PUBLIC LIAISON (VOTE 01102)

Public liaison exist to help bridge the gap between the three spheres of government, District municipality and the six local municipalities, and the community at large. It further exists to communicate Council matters with beneficiaries and other relevant stakeholders. The Unit seeks to promote the District through its vision so that the District is a municipality known locally and outside its area of jurisdiction for its sterling management style and excellent service delivery.

The Unit focused on the attainment of the following objectives:

- To promote the good image of Nkangala District Municipality
- To widely communicate values, successes and objectives of the District
- To improve intergovernmental relations

ACHIEVEMENTS

- Public participation events were successfully coordinated
- Communication of Council matters through national and local media was achieved
- A strong working relationship has also been established with print media that exists in the Nkangala DM
- A District-wide newsletter was produced and distributed quarterly
- Promotional materials were also developed, availed and widely distributed
- Improved communication channels between the office of the Mayor, the Municipal Manager and the Heads of Department.
- Visibility in community issues, viz. project linked meetings, launching and handover of projects, etc was achieved
- Subsequent to conducting research, speeches for the Executive Mayor were written.

5.2.5.2 PROJECT MANAGEMENT UNIT (VOTE 01114)

The Project Management Unit (PMU) is one of the new Units within the District. It was established towards the end of 2008/09 financial year. Its key objectives include:

- Implementation and monitoring of the EPWP
- Continuing EPWP learnership without a tripartite agreement, but through an internal PMU
- Appoint and coordinate mentors and Construction Education and Training Authority (CETA) accredited training providers
- Implementation of EPWP by LMs in accordance with EPWP Toolkit

5.2.5.3 LOCAL ECONOMIC DEVELOPMENT (VOTE 01113)

5.2.5.3.1 Global Economic crisis

The 2008/09 annual report is reviewed at a time when the global economy is in recession. Given South Africa's close trade and financial links with the global economy, it is not surprising that the South African economy has not escaped the effects of the global recession. Since the last quarter of 2008 the South African economy has been in decline, export earnings have fallen and a large number of jobs have been lost (±500 000).

The Mpumalanga and Nkangala District scenarios show key gloom economic highlights with respect to the economic downturn:

- Sharp fall in demand for export products.
- Fall in prices of key export commodities.

- Scarce & expensive funds for borrowing.
- Investors no longer keen on emerging markets.
- Steep rise in levels of retrenchments (Feb 08/Jan 09).
- Sharp slowdown of economic growth.

The figure 10 below indicates the extent to which the economic meltdown affected Gross Domestic Product (GDP) growth in the District, compared to the Province as a whole. Whilst there has been a constant decline of District (GDP) after 2005, however 2008 and most significantly 2009 showed a sharp decline of which the recovery will remain speculative in the oncoming years.

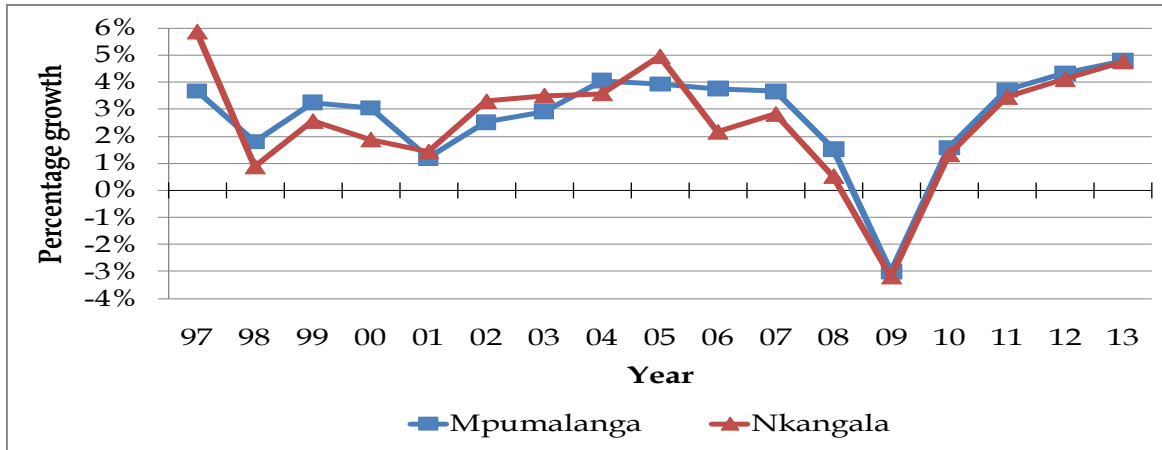
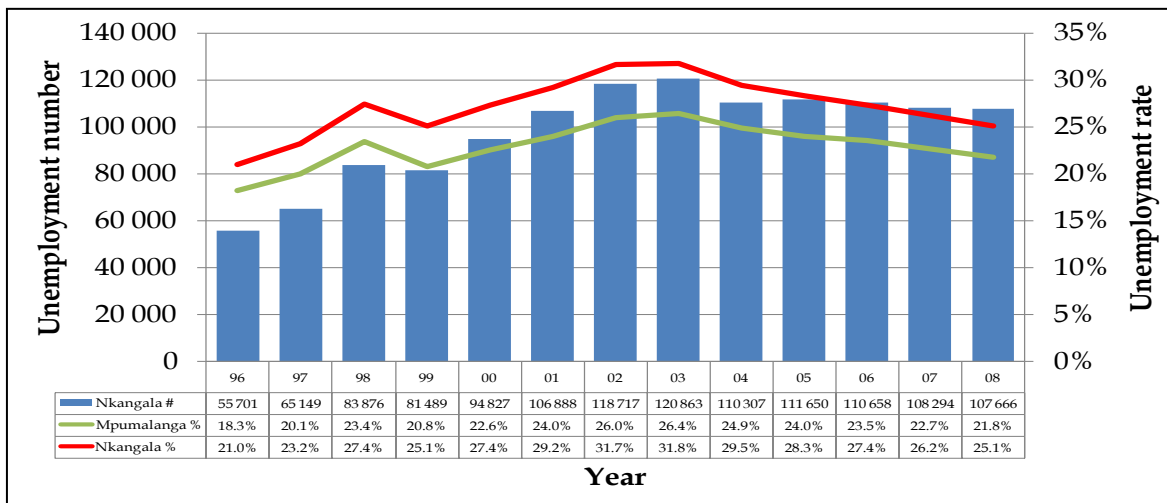


Figure 10: GDP growth in Nkangala compared with Mpumalanga, 1997-2013

Although unemployment rate since 2005 to 2008 as shown in the diagram below (figure 11) appears to have remained at a constant level, however the fact that the unemployment survey (Quarterly Labour Force Survey) conducted by Statistics South Africa is not broken down to District level, the picture may be more gloomier.



Source: Global Insight – ReX, 2009

Figure 11: Unemployment in Nkangala, 1996-2008

On the positive side, it is encouraging that despite the current economic recession worldwide the aggregate output and employment contribution per sector in the District particularly the mining sector shows sharp growth increase. Noteworthy, are the low levels of the construction sector and more discouraging, agricultural sector.

However, the very main objective of the local economic development is aimed at maximizing economy. The fact that the agricultural sector show little output, compels that all efforts should be directed at ensuring growth in this sector.

In light of the context set out above, and the global economic challenges, local economic development is intended to maximize the economic potential of the District and to encourage the growth and development of the macro-economic growth by fostering the essence of working together as government, communities, private sector and non-governmental organisations in improving and building the local economy, employment creation and supporting meaningful local economic development initiatives within the context of sustainable development and bridging the gap between the first economy and second economy.

Following its strengthening of staff in 2008/09, the LED has become a fully fledged LED Unit with the following objectives and mandate:

- To promote local economic initiatives
- To create a conducive environment for economic growth
- To promote investment opportunities
- To create job opportunities
- To facilitate public-private partnership
- To provide direct support to local municipalities
- To promote, facilitate or arrange access to funding for the execution of LED projects
- To analyse/review the District Economic trends in growing & declining sectors.

LOCAL ECONOMIC DEVELOPMENT TRAJECTORY AND ACHIEVEMENTS

During the year under review, the Local Economic Development (LED) Unit has tremendously made strides in promoting, facilitation and implementing various LED initiatives in the following areas as listed below:

Following the IDP Indaba held in March 2009, a Growth and Development Summit was held in May 2009 which was followed by the Growth and Development Summit Agreement 2009 signing ceremony. Its objective was to strengthen and allow the Nkangala District social partners an opportunity to work together for a sustained economic trajectory..A total of twenty seven (27) social partners signed the agreement compared to twenty three (23) and nine (9) that signed in 2007and 2005 respectively. Due processes to formulate task team for monitoring and implementing summit resolutions are underway.

The Project Khulis'umnotho: Nkangala District Municipality Regional Industrial Roadmap was completed and has since been adopted by the Nkangala District Municipality Council in 2009. The NDM Regional Industrial Roadmap aims to provide a focused approach to economic development that elevates investment opportunities both in the District and local municipalities. The goals and objectives are as follows:

- Facilitate economic diversification beyond historical strengths
- Intensification of the Industrialization process
- Promotion of labour-absorbing industrialization
- Promotion of broader-based industrialization characterized by higher levels of participation of HDIs and marginalized regions.
- Identification of industrial strength and weaknesses as well as potential

- Identification of suitable projects
- Identification and addressing possible barriers to project implementation.

In January 2009 a Memorandum of Understanding (MoU) between Eskom Holdings Limited Nkangala District Municipality, eMalahleni Chamber of Business, National African Federated Chamber of Commerce and eMalahleni Mining Business Association was signed regarding co-operation to ensure that the construction of the Kusile Power Station benefits the local communities.

In 2008/2009 the Provincial Department of Economic Planning and Development in partnership with NDM compiled the Moloto Rail Corridor Economic Study outlining detailed economic development plan, skills requirements for economic development opportunities, information on infrastructure and economic development required for MRCDI implementation.

In 2008, the Nkangala District Municipality developed and completed a Comprehensive Integrated Transport Plan (CITP). Currently, the LED Unit's transport section has developed terms of reference for the review of the CITP over a two year period (2010 - 2012).

5.2.5.4 INFORMATION COMMUNICATION TECHNOLOGY UNIT (VOTE 01116)

Since Nkangala District Municipality provides infrastructure and resource management to the area of governance, it is vitally important that a service of high quality is provided to all stakeholders at affordable rates and within reasonable timeframe. Thus, a need for the computerization of systems within NDM in an effort to becoming e-compliant is crucial and thus the unit's primary objective is to serve the immediate needs of the District concerning the application and operation of its computer systems and access to information on local networks and the public internet by the relevant stakeholders.

The primary objective of the ICT unit is to serve the immediate needs of the District concerning the application and operation of its computer systems and access to information on local networks and the public internet by the relevant stakeholders. The following remain the main objectives for the existence of the ICT Unit:

- Implementation of e-Government within the District.
- Enablement of access to information for all relevant stakeholders.
- Maintenance and implementation of ICT's within the District to fast-track service delivery.
- Management and maintenance of hardware, networks, infrastructure, and provision of general ICT support.
- Management of Information Systems in line with the vision and mission of NDM.
- Provide the necessary support to all the Local Municipalities under NDM's jurisdiction.
- Management of the System Development Life Cycle (SDLC) of all current and proposed systems.
- Serve as a One-stop Shop for the District to all citizens.

The Information and Communication Technology (ICT) Unit within Nkangala District Municipality (NDM) is crucial in the underpinning of the NDM and its local municipalities IDP; while serving as the key to strategic

discussions on land and spatial issues, community development, economic and social issues. This unit is the vehicle for service delivery

ACHIEVEMENTS

In the Financial Year 2008/2009 the Information and Communication Technology unit implemented, enhanced, and/or developed the following systems:

- Currently NDM's network comprises thirteen (13) Servers which run on Microsoft Windows
- 2003; and all the 190 desktops (standardized to HP) are running on Windows XP professional as an Operating System.
- The following are systems that are currently in operation within NDM:
 1. VIP Premier – runs the Payroll system.
 2. ePMS – runs the project management system where service providers can also monitor their projects.
 3. Collaborator – runs the Electronic Document Management System of the District.
 4. Munsoft Classic – runs the Financial System of the District.
 5. LIBWIN – runs the Library Systems of the District.
 6. IMIS – runs the Geographic Information System (GIS) of the District using Planet GIS. (Attach photo)
 7. Website – this is the website of the District as per MFMA stipulations.
 8. Audio Visual System – this system is installed in all the committee rooms including the Council Chamber. It also comprises Video Conferencing facilities. This state-of-the-art system has turned NDM into a beehive of the province.
- A Service Level Agreement (SLA) was signed for the maintenance and support of the resident audio and visual system.
- After the full deployment of the Planet GIS a dynamic a GIS room which comprise two (2) high specifications PC's, a high specification Laser Printer, and a Plotter, was established.
- The ICT policy has been reviewed and then adopted by Council as a working document.
- In July 2008 the bandwidth was increased from 512mb to 2GB in order to facilitate fast access to the Internet and e- mail.
- NDM is currently in a process of conducting a feasibility study on VoIP so as to increase access to information and promote integration, especially with the subsidiary sections such as the Disaster Management Centre located in KwaMhlanga. This project has progressed from feasibility study to analysis phase.
- The Disaster Recovery Plan and Business Continuity Plan (DRP/BCP) for Nkangala District Municipality was developed in January 2007 and the recommendations thereof are being implemented. In January 2009 a service provider was appointed for the implementation of DRP/BCP and currently a pseudo Hot Site has been developed internally until a suitable host for the remote site has been acquired.

- The Backup Exec Server system has been implemented as a drive to upgrade the internal security system. Currently this utility is in full operation; with the running of the Full, Incremental, and Differential backups.

5.5.2. 5 INTERNAL AUDIT UNIT (VOTE 01111)

Nkangala District Municipality has an Internal Audit Activity as prescribed by the Municipal Finance Management Act, Chapter 14, article 165 (1) & (2). The internal audit function independently reviews activities as well as assessing and reporting on the effectiveness and efficiency of internal controls. These reviews determine whether: information used for decision-making is reliable; Municipality policies and procedures and other legal requirements are being followed; assets are safeguarded; resources are used economically; and objectives are achieved in a timely manner. The primary objective of Internal Audit is to provide quality audit services an integrated audit approach and to provide advice and information to Management and the Audit Committee in a cost-effective manner.

In cognizance of these facts, during the year under review the District Internal Audit function did not possess adequate capacity for executing its functions. However, subsequent to recruitment of additional staff at the senior level within the internal audit function, the District has in the 2009/10 financial compiled a risk based business plan enabling implementation.

5.5.2.6 DEVELOPMENT AND PLANNING UNIT (VOTE 01209)

The Development and Planning Unit (DPU) was established in June 2008 Council Resolution DM82/06/2008. The key responsibilities of the Unit include:

- Elaboration of integrated development planning and strategic planning
- Development, reviewal, implementation monitoring and evaluation of the District IDP and provision of support to local municipalities
- To coordinate and facilitate community participation in the District
- Facilitate alignment of the planning frameworks between the three spheres of government and local municipalities
- Support municipalities and coordinate planning, physical planning and town planning matters, financial and technical issues.
- Assist in processing statutory land development and land use applications and undertake inspections DR JS Moroka, Thembisile Hani and Emakhazeni local municipalities
- Facilitate optimum engagement of all stakeholders on planning matters
- Facilitate implementation of the District SDF.

Within this broad framework of the DPU's area of work, during the 2008/9 financial year the following objectives formed the key thrust of the activities that had to be implemented:

- To coordinate Community Out-reach Programme for IDP review
- To coordinate and facilitate functionality of ward committees and CDWs throughout the District
- To coordinate IDP Report Back to the Communities
- Conduct IDP planning workshops
- To review the District IDP Framework Plan
- To coordinate the 2008/9 IDP review and adoption of 2009/10 IDP by the Council

- To facilitate development of a Land Use Management Framework for the District

ACHIEVEMENTS

The District Framework Plan for the compilation and reviewal of the IDP was compiled and adopted by the Council Resolution DM106/07/2008, which was followed by compilation and adoption of Process Plans by July 2008 by all municipalities within the District.

The 2008/9 IDP of the Council was adopted by March 2008 subsequent to a detailed situational analysis and community participation processes which also culminated into the IDP Indaba on the 17th of March 2008. The IDP Indaba's primary objective was to further strengthen and harness alignment and coordination both planning and implementation coordination between all the key stakeholders, as highlighted above.

The 2008/9 IDP of the Council was declared credible by the IDP assessment team comprising of the National and Provincial Departments of Cooperative Governance and Traditional Leadership and other sector Departments.

At an institutional outlook the NDM Council adopted a new institutional arrangement in 2006, which comprises the IDP Forum, IDP Technical Committee, IDP Steering Committee and the seven IDP Working Groups (WGs). The WGs are Infrastructure and Service delivery; Local Economic Development; Financial Viability; Performance Management Systems; Community Participation and IGR; IDP and PGDS; and IDP Monitoring and Implementation.

Pursuant to the fulfillment of the function of the District Town Planning and Land Use Management in the Emakhazeni, Thembisile Hani and Dr JS Moroka local municipalities, the District initiated a process of developing Land Use Management Systems (LUMS) for the three municipalities as the District is the authority as far as physical planning is concerned. The draft LUMS for these municipalities was subjected to the public participation process and presented to Council.

Furthermore a Town Planning and Land Use Committee was established by Council with its main objective being to process and consider all the town planning and land use applications submitted to the District.

Chapter 6

6. CONCLUDING REMARKS

The achievements of the Nkangala District Municipality during the year under review, against adverse environmental factors cannot be over emphasized.

This would not be possible without dedication and co-operation between the municipality and its social partners, and between the family of municipalities, and the District with its personnel, Senior Management and Councilors.

Constellation of different views, healthy debates accepting constructive criticism are all factors that have contributed to making the success of the Districts initiatives, strategies and objectives. Indeed, the timeous production of the Annual Report confirms our commitment and compliance with the legislative prescripts in terms of the Municipal Systems Act and the MFMA.

“Our deepest fear is not that we are inadequate. Our deepest fear is that we are powerful beyond measure. It is our light, not our darkness that most frighten us. Your playing small does not serve the world. There is nothing enlightened about shrinking so that other people won’t feel insecure around you. We were all meant to shine, as children do. It’s not just in some of us, it’s in everyone. And as we let our own light shine, we unconsciously give other people permission to do the same. As we are liberated from our own fear, our presence automatically liberates others.”

Attributed to Dr Nelson R Mandela and Marianne Williamson