

MBOMBELA LOCAL MUNICIPALITY



ANNUAL REPORT

PERIOD: 01 July 2007 TO 30 June 2008

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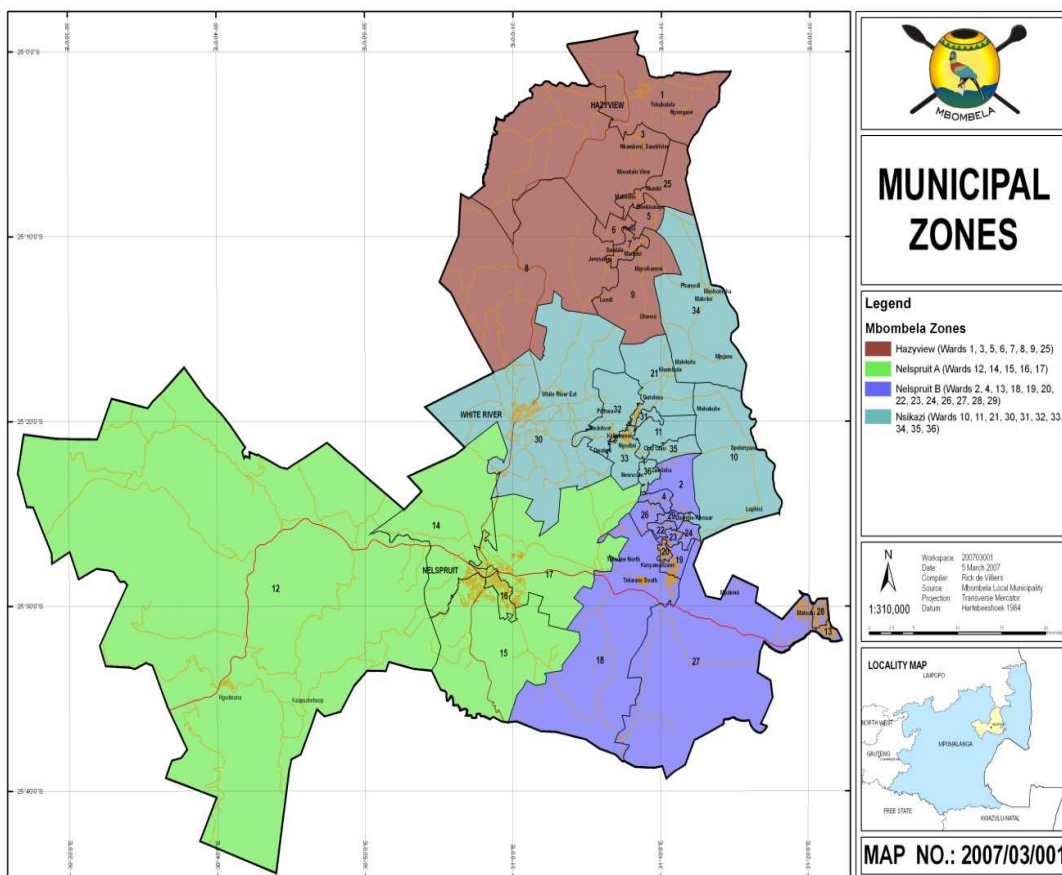
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1. OVERVIEW OF THE MUNICIPALITY

1.1 MUNICIPAL GEOGRAPHIC PROFILE

Mbombela Local Municipality is situated in the North Eastern part of South Africa within the Lowveld sub region of the Mpumalanga Province. The Metropolitan areas of Pretoria and Johannesburg are located 320 km inland, with the border post at Komatipoort approximately 120 km to the east and the Mozambican coastline being around 200 km away. Urban areas in Mbombela include Nelspruit, White River, Hazyview, Kabokweni, Tekwane, KaNyamazane and Matsulu as well as other peri-urban areas situated mainly in the eastern parts of Mbombela.

Figure 1: Mbombela Local Municipality Zones



Source: Municipal Geographical Information System (2007)

The Municipality is made of 36 Wards and is divided into four zones; namely, Nelspruit A & B, Nsikazi and Hazyview which are grouped as follow:

Table 1: Four Municipal Zones,36 Wards and Areas

Municipal Zone	Wards	Areas
1. Hazyview	1, 3, 5, 6,7,8,9 and 25.	Shabalala, Nyongane, Nkambeni, Mahushu, Kiepersol & surrounding farms, Numbi Park, Kamhatseni/ Lindokuhle, Los, Thulula, Madala, Mhlambanyatsi, Khombindlela, Hlobotane, Bekiswayo, Salubindza, Phola, Mshadza, Swalala, Stadium, Dingindoda, Nkanini, Bhodliindlala, Feb, Sukani, Ivory, Easycome, Emafifty, Manzini, Chochocho, Ethunzini, Jerusalem, part of Mganduzweni, Phelandaba, Ekhaya, Mganduzweni, Hillsvieiw, Mgcobaneni, Nkanini, Msogwaba, Duma and Maminza.
2. Nelspruit A	12, 14,15,16,17	Elandshoek, Cairn, Schoemanskloof, Schagan, Ngodwana, Kaaschehoop, Brondal, Glenthorpe, Emgababa, Mashobodo, Alkmaar (Kambuyisa), KaBhamtjie, Mattafin, Skomplaas, Woodhouse, Nelspruit Ext 13, Halls & Sons, Newscom, Nelspruit CBD & Town, West Acres, Steiltes, Uitkyk, Nelspruit, Bergen Bos, Nelspruit Satellite, Nelsville, Valencia, Kamagugu, Lihawu, Mamelody, Croc Valley (Mayfer), Alko Farm (Kingston valley), Fissagie, Emoyeni, Boschrand, Karino Farm and Friedenheim farms.
3. Nelspruit B	2,4,13,18,19,20, 22, 23, 24,26,27 , 28 and 29.	Zwelisha, Msogwaba, Part of Clau-Clau, Zwelisha part of Msogwaba, Gedlembane, Lihawu East, Ka Alice, Somcuba, Kalubisi, Vukasambe, Matsulu A, Mandela Park, Veza, KaNyamazane South (i&ii), Tekwane North & West, Tekwane South & East, Mara Farms, KaNyamazane (iii&iv), KaNyamazane (v & vi), Shishila, Enyokeni, Daantjie, Gonhoza, Tiga, Part of KaNyamazane (vi), Luphisi, Part of Daantjie, Bongindlala, Sibuyile, Nkomeni, Block C, Sidungeni, Mthethomusha, Ncakini, Duma, Maminza, Matsulu, Mbokodo, Mphakeni, Ekukhanyeni, Mkwakhweni, Emagamusini, Gugulethu, Zola, Muzimusha, Thulani, Masakhane, Nkululeko, Mashomamini, Daantjie, Mkhumula Kheza
4. Nsikazi	10, 11, 21, 30, 31, 32, 33, 34, 35 and 36.	Malekutu, Buyelani, Sphelanyane, Mafampisa, Mvangatini, Mjejane, Nkohlakalo, Thembisa, TV, Ermelo, Gutshwakop, Gutshwa, Khumbula, Mahukube, Sifunindlela, Bhayizane, Zwide, Lusha Park, Silingane, Riverside, Skhomkwane, White River, Kingsview, White River Country Estate, farms and holdings, Rocky Drift, Primkop, Phumulani, Katoen, Yaverland, Half way, Bhunga, Lindela, Backdoor, Dwaleni, Emhlumeni, Mbonisweni, Phola Park, Smokey Valley, Teka Tako, Thembelihle, Phatwa, Plaston, Kabokweni & Industrial, Ngodini, Makoko, Phameni, Chweni, Numbi, Clau-Clau, Ngulubeni, Newscom, Zwelisha, Part of Msogwaba and Part of Clau-Clau.

2 MUNICIPAL DEMOGRAPHIC PROFILE

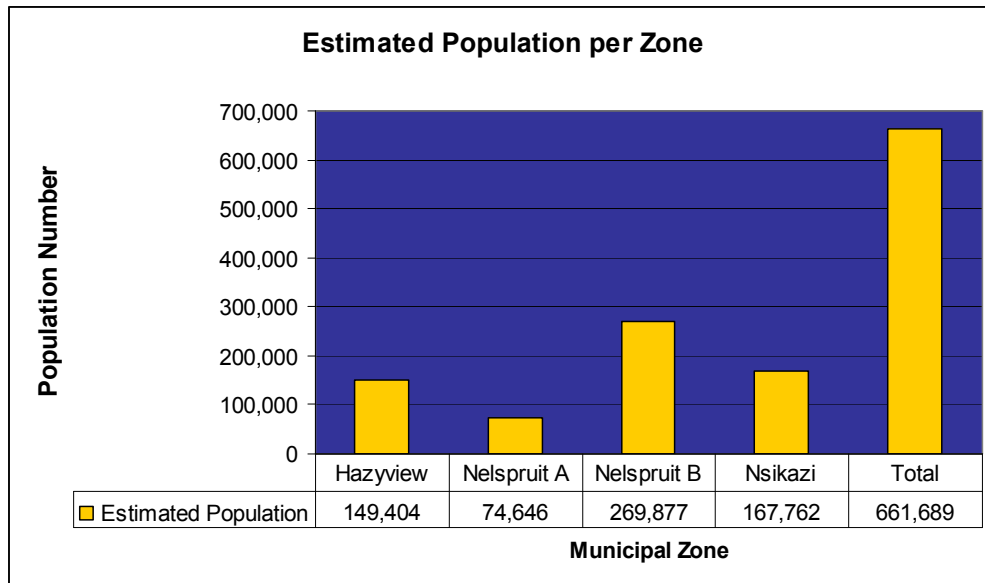
According to the Municipal Water Services Development Plan (2006), the Municipality has an estimated population of 661 689 and 155 817 households as presented in the below table.

Table 2: Estimated Population, households, age and gender:

Municipal Zones	Estimated Population	Number of Households	Age		Gender	
			Aged Residents >65 Years	Youth Residents < 19 Years	Male Residents	Female Residents
Hazyview	149,404	33,046	5,947	73,030	70,777	78,630
Nelspruit A	74,646	18,938	2,963	25,342	38,488	36,158
Nelspruit B	269,877	65,402	10,195	130,344	126,705	143,170
Nsikazi	167,762	38,431	7,427	79,936	79,783	87,978
Total	661,689	155,817	26,532	308,652	315,753	345,936

Source: Water Services Development Plan (2006)

Figure 2: Graphical presentation of estimated Population per Zone



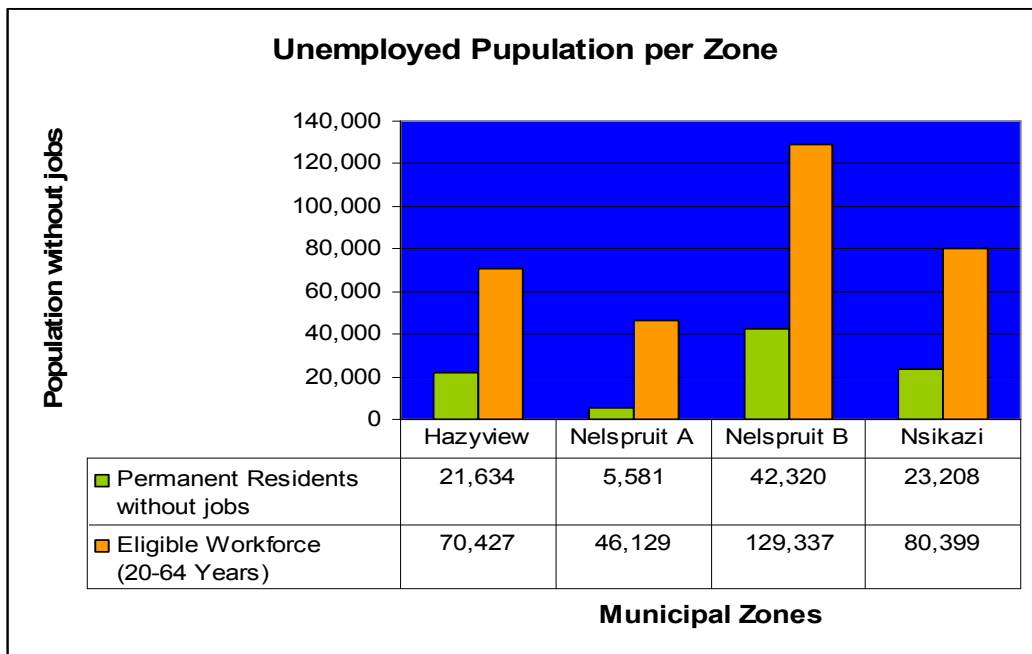
Source: Water Services Development Plan (2006)

The highest population is experienced in Nelspruit B followed by the Nsikazi and Hazyview zones respectively. Females residents contributes 52% while male 48% of the entire population. Youth below age of 19 years are making 46% of the population. The above requires the Municipality to co-ordinate various programmes to support females and youth in skills development, job creation and provision of basic services.

Census 2001 indicated that the Municipality has 93% of Africans/ Blacks, 6% Whites, 1% Coloureds and 0, 3% of Indian/ Asians. The dominating language is SiSwati (89%), followed by Afrikaans (5%), English (3%) and 1% for IsiZulu, Sepedi and Sesotho.

1.3 MUNICIPAL SOCIO-ECONOMIC PROFILE

Figure 3: Unemployment population per zone



Source: Water Services Development Plan (2006)

Employment Profile

The eligible work force is estimated to be ± 327 000 of which ± 288 000 are economically active. The number of unemployed permanent residents in Mbombela is estimated to be ± 93 000. This equates to an unemployment rate of approximately 28% in 2006. A highest unemployment is experienced in Nelspruit B, Hazyview and Nsikazi Zones.

The draft LED strategy (2007) reflects unemployment rate of Mbombela Municipality as 37,8% in 2001 and the WSDP reflects an unemployment rate 28%, showing a decline of 9,8%. This might be in relation to the increase of sectoral growth performance according to the LED strategy on utilities, construction, trade, transport & communication, finance and Community services

Household Income

The number of households with an income less than R1 100 per month constitutes 59% of the total households in Mbombela. Only 15% of all households earn more than R3 500 per month (Table 3: Household income).

Table 3: Household Monthly Income

Municipal Zones	Number of Household with Monthly Income of less than R1000	Number of Household with Monthly Income between R1100 to R3500	Number of Household with Monthly Income of more than R3500
Hazyview	22446	8309	2291
Nelspruit A	6979	3284	8118
Nelspruit B	39914	18416	7072
Nsikazi	21898	11130	5402
Total	91237	41139	22883

Source: WSDP (2006)

From the above table, Nelspruit B, Hazyview and Nsikazi have more household earning less than R 1000 per month as compared to Nelspruit A with highest households earning more than R 3500.00. More decent jobs and skills are of need in the above three zones to ensure liveable wages and improved affordability.

HIV/AIDS Prevalence

The LED Strategy based on Quantec Research (2007) (based on methodology applied by Actuarial Society of South Africa (ASSA,2006)) estimated 65 369 residents of Mbombela living with HIV/AIDS, meaning 10,2% of the Mbombela Population being infected with HIV/AIDS. The figures also indicate that since 2001 until 2004, the number of residents infected by the disease has grown by 5.1%.

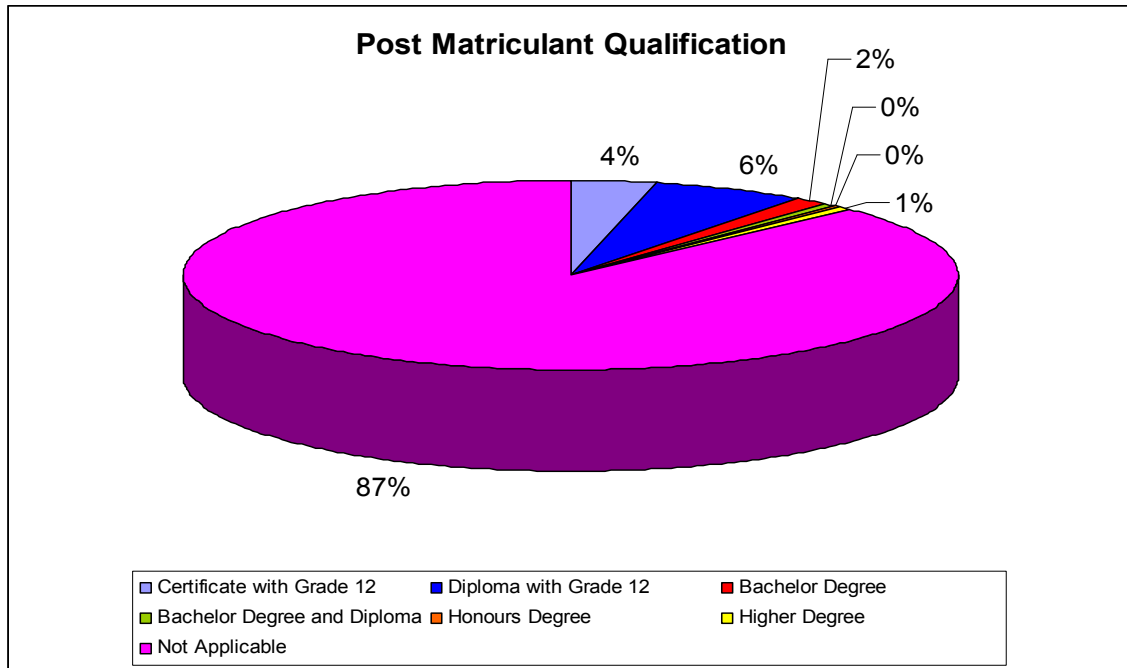
Level of Education

According to Census 2001 the level of education in the Municipality, 3% of the population of sampled population of 476 592 have no schooling, 9% primary, 10% Grade 12/ Standard 12. Poverty and lack of access to educational facilities might be a contributing factor. Most wards raised the need to have primary and secondary schools to increase access of education in the Municipality.

Other training programmes like ABET and FET Colleges will be of assistance to adults who never had schooling due to past education systems. A higher percentage of non applicable population is of concern as it affects the entire education picture of the Municipality.

According to the Municipal LED strategy (2007) (Source: Urban Econ Calculations based on Quantec Research 2007 and Census 2001), the percentage of people aged 20+ with no schooling is estimated to 24,8%, some primary at 15,4%, completed primary 5,9%, some secondary at 24,7%, Std 10/ Grade12 at 7,6% and higher 7,6%

Figure 4: Post Matric Qualification



Source: Stats SA (2001)

The above diagram reflects that only 6% have Grade 12 and Diploma, 2% Bachelor Degree and 1% higher degree from population of 16 496 (age 5-24years). There are few with Bachelor Degree & Diploma and Honours degree. Since the information is based on 2001, there might be a lot of development due to introduced government skills and training interventions. The LED Strategy by Urban Econ reflects a positive trend of 24,8% of adults attending FET colleges in the Municipality. The Municipality has the 151 Public Primary Schools, 59 Public Secondary Schools, 25 Independent (Private) Schools and 5 Tertiary Institutions.

Health

Mbombela has two district hospitals (Rob Ferreira and Themba), one TB Hospital (Bongani), and three private hospitals. Overall, there are a large number of government health care facilities, and for most areas there is at least one facility within 5 to 10km. Despite the large number of health care facilities, the level of services provided in the rural areas is limited and based on that communities requested 24 hour services and existing clinics to be equipped. The emergency services are under-resourced, and there are insufficient health education programmes.

1.4 MUNICIPAL INSTITUTIONAL PROFILE

Municipality's Vision:

To be a Municipality that provides equal opportunities, sustainable services, economic growth and quality of life for all.

Municipality's Mission:

To alleviate poverty and promote socio-economic development by providing reliable, sustainable and affordable services to all residents of Mbombela

Municipality's Core Value:

- ✓ Transparency and accountability
 - ✓ Empathy to Communities
 - ✓ Efficiency
 - ✓ Honest and Committed to providing services
- **Political Structure:** The Municipality consisted of the Mayoral Committee constituted by eight (8) full time Councillors including the Executive Mayor and the Chief Whip. Six Members of the Mayoral Committee (MMC) chairs various Portfolio Committees and are Heads of the following Directorates & Sub directorates:
 - ✓ Corporate Services
 - ✓ Community services (Transversal Services, Sport, Recreation, Arts and Culture, Waste Management, Health, Parks and Cemeteries, Public ,Safety, Security and Transport)
 - ✓ Financial Services, IDP and LED
 - ✓ Technical Services,(Electrical Engineering, Civil engineering, concession monitoring unit)
 - ✓ Office of the Municipal Manager
 - ✓ Office of the Chief Operations Manager
 - ✓ Development Management (urban and rural management, housing and properties)

The Speaker is also a Head to Public Participation Unit and chairs both Public Participation Portfolio Committee and Council meetings. There is a total of 71 Councillors of which 36 are elected as Ward Councillors and 35 selected in terms of proportional representation (PR Councillors). Party seats in the Municipal Council are represented as follow:

- African Christian Democratic Party (ACDP): 1 seat
- African National Congress (ANC): 60 seats
- Democratic Alliance (DA): 8 seats
- Independent Democrats : 1 Seat
- Pan African Congress (PAC): 1 seat

Administration: The Municipal Manager who was appointed in 01 October 2006 is the Accounting Officer and directly accounting to Council. The Municipality had appointed the following Section 57 Managers, who are directly accounting to the Municipal Manager:

- ✓ Chief Operations Manager- Appointed on the 15th March 2007
- ✓ Chief Financial Officer- Appointed on the 1st April 2008
- ✓ Executive Manager for Corporate Services – Appointed on the 1st May 2007
- ✓ Executive Manager Technical Services- Appointed on the 7th May 2007
- ✓ Executive Manager Community Services- Appointed on the 1st October 2007

2. PERFORMANCE HIGHLIGHTS

Water

It is estimated that about 48298 households within the municipality did not have access to potable water at the beginning of the financial year. Furthermore, community members mentioned lack of water supply, water shortage, poor water quality, interrupted supply and need for household connections as main priority areas that the municipality must address. As a response, the municipality made 3530 new connections to households. Other households benefited from 20 standpipes that were installed.

Moreover, the municipality provided 175 922 households (by end of June 2008) with six thousand litres of water on a monthly basis free of charge.

Challenges

- Lack of bulk water
- Lack of equitable distribution of water
- Lack of sustainable water supply
- Insufficient funding on bulk infrastructure
- Illegal connections (for car washes and household consumption)

Sanitation

Sanitation backlog at the start of the financial year was at 110148 households. In this case, the municipality responded by providing 4143 households with sanitation facilities as reflected in the table below.

PROJECT NAME	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Total
MBONISWENI, BACKDOOR AND DWALENI HOUSEHOLD SANITATION VIP	187 completed VIP toilets	313 completed VIP toilets	169 completed VIP toilets	602 completed VIP toilets	1271
NEWSCOM HOUSEHOLD SANITATION VIP	120 completed VIP toilets	238 completed VIP toilets	Target met in 2 nd Quarter		358
MGANDUSWENI HOUSEHOLD SANITATION VIP	358 completed VIP toilets	200 completed VIP toilets	198 completed VIP toilets	64 completed VIP toilets	820
NGODINI HOUSEHOLD SANITATION VIP	199 completed VIP toilets	320 completed VIP toilets	Target met in 2 nd Quarter		519
CLAU CLAU HOUSEHOLD SANITATION VIP	120 completed VIP toilets	146 completed VIP toilets	712 completed VIP toilets	197 completed VIP toilets	1175
GRAND TOTAL					4143

The first 6 kilolitres of waste water discharged into the sewerage system each month was provided free of charge to 59 123 households.

Electricity

The current electricity connection backlog is 19040 households. New electricity connections and installation of streetlights were completed as reflected below.

- Number of new connections = 775 households
- Installation of new streetlights = 140
- Moreover, 50kWh of free electricity per month was made available to 5 229 households

Electrical Network upgrades were completed in the following sub-stations to improve bulk electricity supply:

- Anderson substation
- Delta Town substation
- North Central substation
- Montana substation

Roads and Storm Water

- There is a total length of 1620 gravel roads in Mbombela and 164 km bus route that are regarded as backlog. 7km of new roads were constructed during the financial year.
- Operation, maintenance and upgrade of existing roads and storm water infrastructure to the value of R46 158 637 was completed
- Storm water master plan for Nsikazi was completed

Housing

The housing backlog was 28506 at the start of the financial year, where 1582 houses were completed during the financial year.

Challenges

- Limited serviced stands
- Human resource capacity

Building Plan Approvals

The table reflects approved and outstanding building plans for the 2007/2008 financial year

Number of Outstanding Applications on the 01st July 2007	Category	Number of new applications approved during 2007/2008	Total value of applications approved (Rand)	Applications outstanding on the 30th June 2008
863	Residential new	1098	R698 001 282,00	856
356	Residential additions	523	R159 947 385,00	539
39	Industrial/Commercial	41	R295 031 500,00	37
219	Other (Swimming pools, lapa, cellular phone masts, etc.)	74	R 88 864 300,00	113

Average time taken to approve building plans is between 2 – 4 weeks. However, submitted building plans that do not comply with requirements are referred back after 6 weeks.

Other Development Approvals

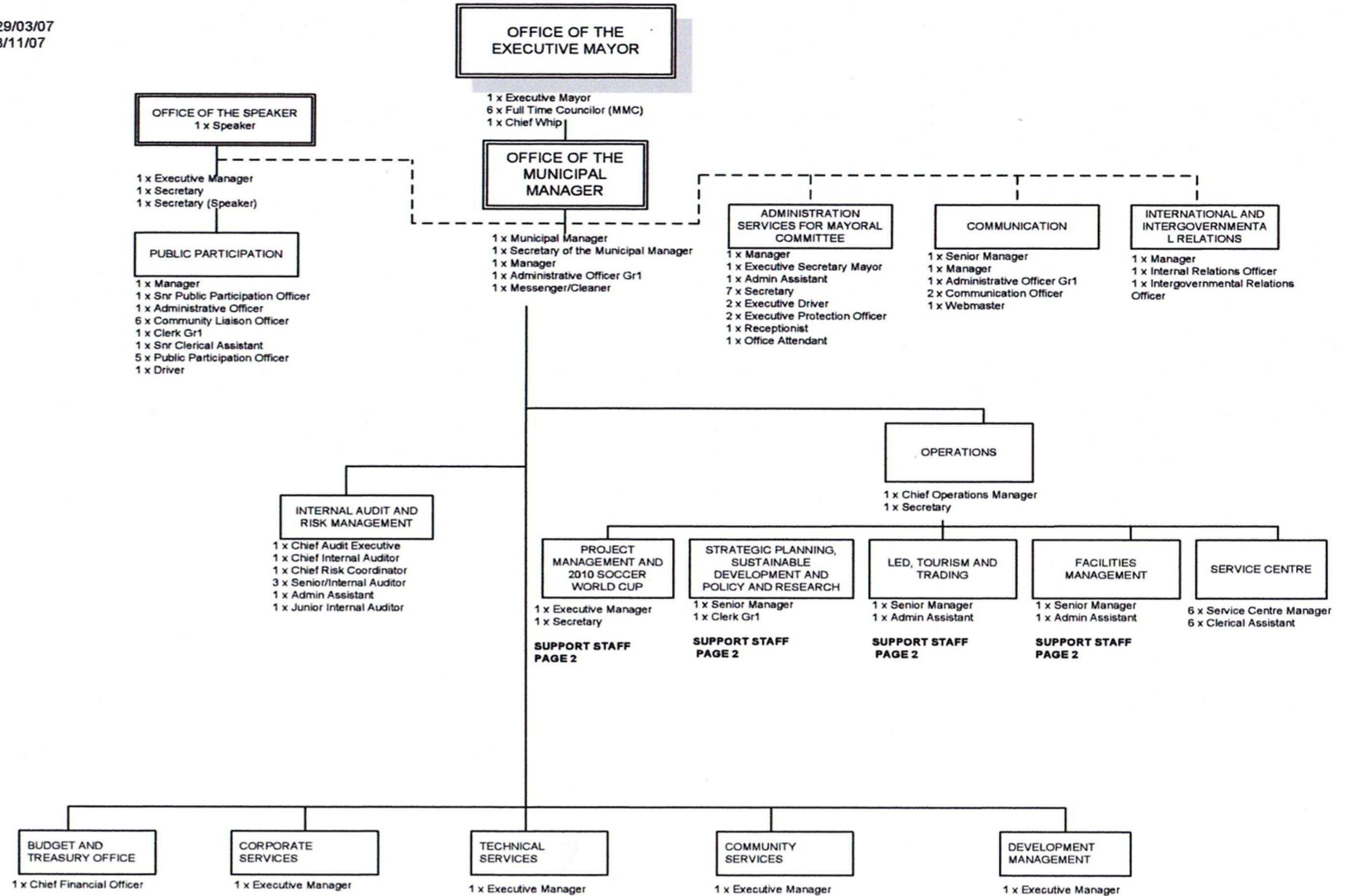
Number of Development applications	Category or type of application	Approved applications in 2007/2008	Applications outstanding on 30th June 2008
197	Amendment Schemes / rezoning	141	56
147	Sub-division and Consolidation	132	15
79	Special Consent Use	43	36
589	Building Line Relaxation?	536	53
47	Township Establishment	31	16

1. HUMAN RESOURCE AND OTHER ORGANISATIONAL MANAGEMENT

The organisational structure for the municipality was adopted by Council on the 29th March 2007, and amended on the 28th November 2007. A new organisational structure was adopted on the 30th May 2008. All Section 57 managers were appointed during the financial year except for Executive Manager: Development Management. During the financial year, vacancy rate in many directorates was high. Therefore, institutional capacity was a challenge in attaining some of the targets the municipality has set to achieve.

APPROVED ORGANISATIONAL STRUCTURE FOR MBOMBELA LOCAL MUNICIPALITY

APPROVED 29/03/07
AMENDED 28/11/07



POST ESTABLISHMENT REPORT FOR THE 2007/2008 FINANCIAL YEAR

POST ESTABLISHMENT REPORT FOR JULY 2007

DIRECTORATE	FILLED	VACANT	TOTAL NUMBER IN THE APPROVED STRUCTURE
Office of the Municipal Manager	31	15	46
Office of the Deputy Municipal Manager	12	9	21
Financial services	118	27	145
Corporate Services	54	8	62
Technical Services	457	102	559
Community Services	615	110	725
TOTAL	1287	271	1558

POST ESTABLISHMENT REPORT FOR AUGUST 2007

DIRECTORATE	FILLED	VACANT	TOTAL NUMBER IN THE APPROVED STRUCTURE
Office of the Municipal Manager	29	29	58
Operations	48	45	93
Financial services	122	30	152
Corporate Services	30	19	49
Technical Services	434	276	710
Community Services	622	523	1145
Development Management	38	47	85
TOTAL	1323	969	2292

POST ESTABLISHMENT REPORT FOR SEPTEMBER 2007

DIRECTORATE	FILLED	VACANT	TOTAL NUMBER IN THE APPROVED STRUCTURE
Office of the Municipal Manager	29	29	58
Operations	48	45	93
Financial services	122	30	152
Corporate Services	30	19	49
Technical Services	434	276	710
Community Services	622	523	1145
Development Management	38	47	85
TOTAL	1323	969	2292

POST ESTABLISHMENT REPORT FOR OCTOBER 2007

DIRECTORATE	FILLED	VACANT	TOTAL NUMBER IN THE APPROVED STRUCTURE
Office of the Municipal Manager	28	30	58
Operations	46	47	93
Financial services	122	30	152
Corporate Services	29	20	49
Technical Services	432	278	710
Community Services	626	519	1145
Development Management	37	48	85
TOTAL	1320	972	2292

POST ESTABLISHMENT REPORT FOR NOVEMBER 2007

DIRECTORATE	FILLED	VACANT	TOTAL NUMBER IN THE APPROVED STRUCTURE
Office of the Municipal Manager	29	29	58
Operations	46	44	90
Financial services	124	129	253
Corporate Services	30	19	49
Technical Services	430	283	713
Community Services	618	529	1147
Development Management	37	48	85
TOTAL	1314	1081	2395

POST ESTABLISHMENT REPORT FOR DECEMBER 2007

DIRECTORATE	FILLED	VACANT	TOTAL NUMBER IN THE APPROVED STRUCTURE
Office of the Municipal Manager	30	28	58
Operations	47	43	90
Financial services	121	132	253
Corporate Services	31	18	49
Technical Services	429	284	713
Community Services	614	533	1147
Development Management	37	48	85
TOTAL	1309	1086	2395

POST ESTABLISHMENT REPORT FOR JANUARY 2008

DIRECTORATE	FILLED	VACANT	TOTAL NUMBER IN THE APPROVED STRUCTURE
Office of the Municipal Manager	33	25	58
Operations	48	42	90
Financial services	122	131	253
Corporate Services	30	19	49
Technical Services	428	285	713
Community Services	609	538	1147
Development Management	36	49	85
TOTAL	1306	1089	2395

POST ESTABLISHMENT REPORT FOR FEBRUARY 2008

DIRECTORATE	FILLED	VACANT	TOTAL NUMBER IN THE APPROVED STRUCTURE
Office of the Municipal Manager	33	25	58
Operations	48	42	90
Financial services	120	133	253
Corporate Services	30	19	49
Technical Services	423	290	713
Community Services	635	512	1147
Development Management	36	49	85
TOTAL	1325	1070	2395

POST ESTABLISHMENT REPORT FOR MARCH 2008

DIRECTORATE	FILLED	VACANT	TOTAL NUMBER IN THE APPROVED STRUCTURE
Office of the Municipal Manager	33	25	58
Operations	48	42	90
Financial services	120	133	253
Corporate Services	30	19	49
Technical Services	421	292	713
Community Services	658	489	1147
Development Management	36	49	85
TOTAL	1346	1049	2395

POST ESTABLISHMENT REPORT FOR APRIL 2008

DIRECTORATE	FILLED	VACANT	TOTAL NUMBER IN THE APPROVED STRUCTURE
Office of the Municipal Manager	33	25	58
Operations	48	42	90
Financial services	119	134	253
Corporate Services	29	20	49
Technical Services	415	298	713
Community Services	599	548	1147
Development Management	36	49	85
TOTAL	1279	1116	2395

POST ESTABLISHMENT REPORT FOR MAY 2008

DIRECTORATE	FILLED	VACANT	TOTAL NUMBER IN THE APPROVED STRUCTURE
Office of the Municipal Manager	33	25	58
Operations	47	43	90
Financial services	118	135	253
Corporate Services	29	20	49
Technical Services	412	301	713
Community Services	602	545	1147
Development Management	36	49	85
TOTAL	1277	1118	2395

POST ESTABLISHMENT REPORT FOR JUNE 2008

DIRECTORATE	FILLED	VACANT	TOTAL NUMBER IN THE APPROVED STRUCTURE
Office of the Municipal Manager	46	49	95
Office of the Deputy Municipal Manager: Planning, Economic Development and Basic Services	0	2	2
Office of the Deputy Municipal Manager: Executive Support and Community Services	2	0	2
Financial services	106	129	235
Corporate Services	43	47	90
Technical Services	370	307	677
Community Services	658	576	1234
Planning and Economic Development	48	62	110
TOTAL	1273	1172	2445

Workforce Profile

Occupational Categories

The table below is a reflection of occupational categories of employees

Occupational Categories	Designated							Non-designated			TOTAL
	Male			Female				White Male	Foreign Nationals		
	A	C	I	A	C	I	W	W	Male	Female	
Legislators, senior officials and managers	33			5			3	11			52
Professionals	16			6	1		4	8			35
Technicians and associate professionals	23	1		5			1	15			45
Clerks	59	1		91	10	1	27	2			191
Service and sales workers	81	2		35	2	2	7	20			149
Skilled agricultural and fishery workers	4							2			6
Craft and related trades workers	39	1	1	1				12			54
Plant and machine operators and assemblers	101	1		2				1			105
Elementary occupations	466		1	145	1			1			613
TOTAL PERMANENT	819	6	2	290	14	3	40	70			1251
Non – permanent employees	44			75	1		4	1			125
GRAND TOTAL	863	6	2	365	15	3	44	78			1376

Occupational levels

The table below is a reflection of occupational levels of employees

Occupational Levels	Designated							Non-designated			TOTAL
	Male			Female				White Male	Foreign Nationals		
	A	C	I	A	C	I	W	W	Male	Female	
Top management	5			1							6
Senior management	7			1				4			12
Professionally qualified and experienced specialists and mid-management	31			11	1		6	30			79
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	93		1	49	2	2	11	34			192
Semi-skilled and discretionary decision making	226	6		85	11	1	23	8			360
Unskilled and defined decision making	457		1	143				1			602
TOTAL PERMANENT	819	6	2	290	14	3	36	81			1251
Non – permanent employees	44			75	1		4	1			125
GRAND TOTAL	863	6	2	365	15	3	44	78			1376

Pension Funds

Mbombela Local Municipality employees' pension funds are administered under the following schemes:

- National Fund of Municipal Workers (NFMW)
- Municipal Employees Pension Fund (MEPF)
- Municipal Gratuity Fund (MGF)
- SAMWU Pension Fund (SAMWUPF)

Medical Aid Schemes

- Hosmed Medical Scheme
- L A Health Medical Scheme
- SAMWUMed Medical Scheme
- Bonitas Medical Scheme
- KeyHealth Medical Scheme

Internal Bursary Information

NUMBER OF BURSARIES APPROVED IN 2008	FIELD OF STUDY
40	<ul style="list-style-type: none"> • ND: Roads & Traffic Municipal Management (4) • ND: B. Com Economics • ND: Public Management (3) • ND: Project Management • ND: Real Estates • ND: Local Govt Finance (2) • ND :Human Resource Management • Occupational Health Nursing • Civil Engineering (B-Tech) • Advance Programme in Human Resource Development • ND: Credit Control Management (4) • ND: Finance & Accounting • ND: Horticulture (2) • HD: HIV/AIDS (3) • ND: Water Care • B: Communication Science • ND: Legal Estates • Bt: Information Technology • ND: Income & Revenue • ND: Properties • ND: Property Valuation (2) • ND: Disaster Management • ND: Metro & Traffic Police (3)

4 external students were awarded bursaries in the fields of Urban and rural planning, information technology and electrical engineering.

Disclosures Concerning Councillors and Executive Managers for period 01 July 2007 to 30 June 2008

Description	Mayor	Members of mayoral committee : Dep Mayor : CN Ndlovu	Speaker : MJ Mohlala	Whip : MW Nkosi	ZJ Mokoena	GS Siwela	E M Dlodlu	T V Ndlala	JV Sambo	Municipal Manager	CFO	General Manager : Corporate Services	General Manager : Community Services	Chief Operations Manager	General Manager : Technical Services	Total
Salaries and Wages R'000																
Normal	250926	237624	237624	221803	202848	198313	203092	200912	198313	558578	169032	396489	344203	468159	411259	4299174.58
Overtime																
Contributions R'000																
Pensions	37639	35644	35644	33270	30427	29747	30464	30137	29747	122887	37187	87227	64293	102995	90477	797785
Medical Aid	14400	17280	17280	17280	12065	17280	11785	14793	17280	38496	14084	37956	17676	34308	0	281962
Other																
Allowances R'000																
Travel and Motor Car	101084	97041	97041	90976	81876	81876	81876	81876	81876	100000	75000	100000	192000	114500	120000	1497022.04
Accommodation																
Subsistence	6012	3540	11814	0	4949	1628	1628	6018	56599	0	15794	2348	0	0	47483	65625
Housing Benefits and Allowances R'000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loans and Advances R'000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Benefits and Allowances R'000 (Cellular phone)	12000	14400	14400	14400	13498	13498	13498	13498	13498	12840	3531	7062	7062	7062	7062	167309
Arrears Owed to Municipality R'000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

4. FUNCTIONAL AREA SERVICE DELIVERY REPORTING

The functional service delivery reporting is consolidated according to the following five key performance areas as stipulated in the Municipal Performance Regulations promulgated by the Minister of Provincial and Local Government in August 2006, the 2007-08 Municipal Integrated Development Plan (IDP) and Service Delivery and Budget implementation Plan.

- **Basic Service Delivery:** focuses on provision of water, sanitation, electricity, roads, storm water, refuse removal, formalisation of land, provision of social amenities like parks, sports, community halls, libraries and emergency services.
- **Local Economic Development:** Support and monitoring of LED projects, co-ordination and facilitation of Municipal programmes for economic development.
- **Municipal Institutional Development and Transformation :** Human Resource Management & Development, Strategic Planning and Performance Management
- **Municipal Financial Viability and Management:** Implementation of improved revenue strategies, Property Rates Act, financial planning & budgeting, financial governance, supply chain, fleet, Logistics and asset management.
- **Good Governance and Public Participation:** Internal audit, Public Participation, Communication, Municipal Intergovernmental and International Relations.

KPA1: Basic Service Delivery

Programme	Strategic Objectives	Annual (2007-08) Targets	Actual Performance	Reasons for variance	Plans to address non-achievement
1. Water	To provide basic quality and quantity of affordable water to all consumers in the Average time taken to approve building plans is between 2 – 4 weeks. However, submitted building plans that do not comply with requirements are referred back after 6 weeks. municipal area in a sustainable manner.	Provision of 26 136 households with basic water and improve access to water for 58 071 households in Nsikazi North through joint Hoxane Water Supply with Bushbuckridge Water Board.	3530 households were provided with basic water. A further 20 standpipes were installed. Households in Nsikazi North had not improved access Hoxane Water Supply	The Hoxane Water Supply project was previously handled by DWAF, and later handed over to Bushbuckridge Local Municipality for implementation (Mbombela is a stakeholder)	A service provider will be appointed in the 2008/2009 financial year to start with implementation of the project
		Operation, maintenance and upgrade of existing infrastructure and Conducting Sect 78 Assessment.	Operation and maintenance of existing infrastructure worth R81 149 486 was conducted by MLM. At the same time, Silulumanzi (Section 21 Company) spent R48 340 833 on both water and sanitation. Section 78 Assessment was not finalised	Section 78 Assessment was not finalised because the process was disputed by organised labour	Consultations were undertaken to address the dispute.
		Conduct planning and designs of new infrastructure.	Master plans for Nelspruit, White River and Hazyview were completed		

Programme	Strategic Objectives	Annual (2007-08) Targets	Actual Performance	Reasons for variance	Plans to address non-achievement
2. Sanitation	To provide quality hazardous free sanitation facilities to all residents.	3764 households will be provided with sanitation facilities (3084 Households to be provided with VIP toilet units, 380 households to benefit through improvement in North Bulk Sewer project; 300 household to benefit from Kaapschehoop Sewer Outfall project.	4143 households were provided with VIP toilet units, exceeding the target by 1059 units. Therefore 380 households had access to proper sanitation due to completion of Tekwane North Bulk Sewer project. 300 households did not benefit from Kaapschehoop Sewer Outfall project.	However, Kaapschehoop Sewer Outfall project is on halt due to shortage of fund and land claim.	Resolve the land claim issues Apply for additional funding in 2008/2009
		Operation, maintenance and upgrade of existing infrastructure	Operation and maintenance of existing infrastructure cost the municipality R22 668 731		
		Conduct planning and designs of new infrastructure.	Master plans for Nelspruit, White River and Hazyview were completed		

Programme	Strategic Objectives	Annual (2007-08) Targets	Actual Performance	Reasons for variance	Plans to address non-achievement
3. Electricity	Provide adequate quality, affordable, reliable and sustainable electricity services to consumers in the municipal.	2645 households and 6 schools will be electrified, 540 streetlights will be erected and upgrades of bulk infrastructure including for 2010 stadium.	775 households and 6 schools were electrified. 140 streetlights were erected Upgrades of bulk infrastructure including for 2010 stadium: <ul style="list-style-type: none"> ✓ Project manager was appointed, where tender documentation was finalised. ✓ EIA was conducted ✓ Electrical Network upgrades were completed in Anderson, Delta, Town North Central and Montana substations. 	Re-tender on some household electrification projects and streetlight projects	Apply for additional funding
4. Roads and Storm water	To provide accessible and sustainable road and transport infrastructure in the Municipality.	To construct 10,5km bust/taxi routes, 3km west ring road, 2,2km roads and storm water, vehicular/pedestrian crossing structures, bridges, footbridges in the Municipality.	7 km bus/taxi routes were constructed 3km west ring road, 2,2km roads and storm water, vehicular/pedestrian crossing structures, bridges, footbridges in the Municipality were not achieved.	Funding arrived too late for projects to be completed timeously	The funding is available, thus implementation will proceed in 2008/2009
		Operation, maintenance and upgrade of existing infrastructure.	Operation, maintenance and upgrade of existing infrastructure cost R46 158 637		
		Conduct planning and designs of new infrastructure.	Storm water master plan was completed for Nsikazi		

Programme	Strategic Objectives	Annual (2007-08) Targets	Actual Performance	Reasons For Variance	Plans to address non-achievement
5. Community Services: Waste Management , Parks and Cemeteries	Provide an effective and economical waste management and refuse disposal system in terms of Environmental Management Legislation.	The EPWP project to address 73% backlogs was not funded in the 2007-08 budget.	✓ The EPWP project to address 73% backlogs was not accomplished	✓ Funding could not be attained timeously	The project will be implemented by the municipality, together with DEAT
		Finalizing permit for Tekwane West Centralised Disposal site and commencing with the Construction and rehabilitation of 2 landfill sites.	Section 20 permit finalised		
		Implementation of the greening project: planting of trees and development of parks.	<ul style="list-style-type: none"> ✓ Parks were developed at Nyongane and Phola ✓ 100 trees were distributed in the Nyongane and Phola areas 		
		Development and renovation of cemeteries.	<ul style="list-style-type: none"> ✓ 1 new regional cemetery was established in Matsulu ✓ 5 Municipal cemeteries were maintained. ✓ Cemeteries in tribal land are maintained on an ad-hoc basis 	Cemeteries in tribal land are maintained on an ad-hoc basis because the municipality did not have control over cemeteries on tribal land and other cemeteries did not meet minimum environmental and technical requirements	Public participation process with relevant stakeholders must take place to address the issues

Programme	Strategic Objectives	Annual (2007-08) Targets	Actual Performance	Reasons for variance	Plans to address non-achievement
6. 2010 Infrastructure and Co-ordination	To co-ordinate and implement the construction of 2010 Multi Purpose Stadium and related projects.	<ul style="list-style-type: none"> ✓ Construction of the stadium, designs and construction of R40 HOV, Transportation Operational plan, Mataffin Precinct Development Plan, ✓ 2010 and Development of Communications & Marketing Strategy(insufficient budget) 	<ul style="list-style-type: none"> ✓ 48% of the stadium was completed ✓ R40 HOV design is completed, Construction is 3% completed. ✓ Transportation Operational Plan consultant appointed and is busy with the plan, ✓ Mataffin Precinct Road design is complete. ✓ The Communications & Marketing Strategy was not developed 	Human resource capacity accounts for targets not met.	<ul style="list-style-type: none"> ✓ Appointment of contractor will be finalised in the next financial year 2008/2009. ✓ Appointing staff in the 2010 office
7. Environmental Management	Ensure that the general environment of the Municipality is protected, conserved and promoted in a sustainable way.	Environmental Management Capacity Building Programmes, Co-ordination of Greening Flagship Project and facilitation of Environmental Management compliance.	<ul style="list-style-type: none"> ✓ A number of campaigns were held in Nsikazi, Nelspruit B and Hazyview zones. ✓ Environmental management forums were held ✓ Environmental Framework and plan are finalised/in place 		

Programme	Strategic Objectives	Annual (2007-08) Targets	Actual Performance	Reasons for variance	Plans to address non-achievement
8. Development Management	<ul style="list-style-type: none"> ✓ To formalise /tenure upgrade for the entire Municipality ✓ To identify and acquire land for housing development 	<ul style="list-style-type: none"> ✓ To formalise 120 stands and facilitate establishment for social integration. 	<ul style="list-style-type: none"> ✓ 280 stands were formalised (target exceeded) 		
		<ul style="list-style-type: none"> ✓ 200 houses will be built (Dept of Local Government and Housing 	<ul style="list-style-type: none"> ✓ 1582 houses were constructed (target exceeded) 		
		<ul style="list-style-type: none"> ✓ A proposal has been made to Dept of Land Affairs to purchase a land of 80 hectares for housing development. 	<ul style="list-style-type: none"> ✓ 80 hectares of land was transferred to the municipality 		

Programme	Strategic Objectives	Annual (2007-08) Targets	Actual Performance	Reasons for variance	Plans to address non-achievement
9. Community Services-Social Development	✓ To provide Mbombela LM residents with community facilities within a reasonable radius.	✓ Renovations of halls in Matsulu, Kabokweni, Sphelenyane, Valencia and Hillsvieiw and general maintenance of all 24 halls and theatres.	✓ Renovation completed in Matsulu, Kabokweni, Valencia and Sisulu Centre. ✓ All halls and theatres were maintained		
	✓ To promote and facilitate various sport activities and codes in the Municipality.	✓ Co-ordination of 1 Heritage Day Event, 1 Arts Exhibition and standardization of geographical features in Mbombela LM.	✓ Completed		
	✓ To promote and develop arts, culture and heritage programmes in the Municipality.	✓ Co-ordination of InterMunicipal/ twinning games and various sport codes in the Municipal Wards.	✓ Done in Nelspruit, White River and Hazyview		
	✓ Co-ordination of Transversal programmes in the Municipality.	✓ No budget allocated for co-ordination of Transversal Programmes for current financial year.	✓ Through adjustment budget, Transversal Programmes were funded and completed		

Programme	Strategic Objectives	Annual (2007-08) Targets	Actual Performance	Reasons for variance	Plans to address non-achievement
9. Community Services-Public Safety	<ul style="list-style-type: none"> ✓ To reduce crime and improve Public and Tourists safety within the Municipality. ✓ To protect Council staff, assets and properties. ✓ To provide a Professional Traffic Services to all road users and the Community of Mbombela, by promoting road safety and creating a safe road environment through effective management, education, protection and law enforcement ✓ To provide the Community with effective and efficient fire and rescue services. 	<ul style="list-style-type: none"> ✓ Installation of CCTV cameras in the Municipality areas and access control systems in Municipal buildings. 	<ul style="list-style-type: none"> ✓ All 8 existing CCTV cameras were maintained ✓ No new CCTV cameras were installed ✓ access control systems in Municipal buildings was not achieved 	<ul style="list-style-type: none"> ✓ No new CCTV cameras were installed because they were not in line with with 2010 security systems ✓ Access control systems in Municipal buildings was not achieved due to non-availability of funds 	<ul style="list-style-type: none"> ✓ New CCTV cameras will be installed in 2008/2009 ✓ Access control systems in Municipal buildings will be implemented in 2008/2009
		Provision of traffic services-ad hoc base.	<ul style="list-style-type: none"> ✓ Limited Traffic services were provided based on existing capacity. 		

	<ul style="list-style-type: none"> ✓ To prevent and minimize disasters and loss of life and property damages. 	<p>Community capacity building on fire & rescue and upgrade of KaNyamazane Fire Station. Roll out of Disaster Management Awareness Programmes, establishment of DM Committees, upgrade of DM facilities.</p>	<ul style="list-style-type: none"> ✓ Roll out of Disaster Management Awareness Programmes was not achieved ✓ A new KaNyamazane Fire Station was constructed 	<ul style="list-style-type: none"> ✓ Council reprioritised the project 	<ul style="list-style-type: none"> ✓ The project will be implemented in 2008/2009
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KPA 3: Local Economic Development

Programme	Strategic Objectives	Annual (2007-08) Targets	Actual Performance	Reasons for variance	Plans to address non-achievement
10. Local Economic Development	<ul style="list-style-type: none"> ✓ To create an enabling economic environment that promotes supports and drives LED interventions. ✓ To support the street traders in economic activities through equipments and capacity building on health & hygiene and legislation compliance. 	<ul style="list-style-type: none"> ✓ Facilitate the adoption of LED strategy. ✓ Development of the Tourism and Marketing Strategy. ✓ Co-ordinate the development of 3 Precinct Development Plans- KaNyamazane, Swalala and Matsulu (Makawusi) ✓ Finalise the exit strategy for former LED projects. ✓ Capacity building and purchase of 300 trolleys for Street traders. 	<ul style="list-style-type: none"> ✓ LED strategy adopted by Council ✓ Development of the Tourism and Marketing Strategy is outstanding. ✓ KaNyamazane and Swalala (procurement process followed up to the level of adjudication), Swalala and Matsulu (Makawusi)(business plan finalised and taken to top management) ✓ exit strategy for former LED projects was finalised. ✓ Capacity building in areas of budget, supervisory training, and secretarial was accomplished. 60 trolleys for Street traders were fabricated, but not distributed. 	<ul style="list-style-type: none"> ✓ Development of the Tourism and Marketing Strategy is outstanding due to human resource capacity, 	<ul style="list-style-type: none"> ✓ Appointment of staff, training and drafting the Responsible Tourism Strategy (the name of the project is changed in line with applicable legislation)

KPA 2: Municipal Institutional Development and Transformation

Programme	Strategic Objectives	Annual (2007-08) Targets	Actual Performance	Reasons For Variance	Plans to address non-achievement
11. Corporate Services	<ul style="list-style-type: none"> ✓ To improve skills capacity base for the municipality to raise organisational performance levels ✓ To ensure safe and healthy working environment ✓ To provide sound legal advice ✓ Accurate admin and secretariat support ✓ To facilitate organisational transformation agenda of MLM 	<ul style="list-style-type: none"> ✓ HR Strategy (no budget allocated) ✓ Filling of vacant posts as per budget allocation and Council approval. ✓ Conducting Job Evaluation and Job Profiling. ✓ Conducting Skills Audit ✓ Facilitate the development of the Employment Equity Plan. ✓ Provision of training and bursaries (internal and external). ✓ Implementation of individual Performance Management System. 	<ul style="list-style-type: none"> ✓ Funding was secured for the HR Strategy development ✓ About 48% vacant positions were filled ✓ Job profiling was completed on certain positions ✓ Job evaluation was not achieved ✓ Skills Audit was conducted ✓ Draft Employment Equity Plan was developed ✓ PMS was implemented through finalisation of performance agreements of Section 57 managers 	<ul style="list-style-type: none"> ✓ A waiting results of previous job evaluation from SALGBC ✓ Only 48% of vacant positions were filled due to late approval of implementation plan ✓ Employment Equity Plan could not be finalised due to lack of capacity 	<ul style="list-style-type: none"> ✓ Engage SALGA on the job evaluation exercise in the 2008/2009 ✓ The implementation was approved in November. Therefore, more vacant posts will be filled in 2008/2009 ✓ Employment Equity Plan to be finalised in 2008/2009

		<ul style="list-style-type: none"> ✓ Implementation of HIV/AIDS programmes for the staff. ✓ Improving Council Programmes and Secretariat function. ✓ Addressing 90% of pending labour disputes 	<ul style="list-style-type: none"> ✓ Workplace HIV and AIDS projects implemented ✓ Addressed by review of organisational structure ✓ 63.6% of pending labour disputes were resolved 	<ul style="list-style-type: none"> ✓ Only 63.6% of pending labour disputes were resolved because of reliance on SALGBC 	<ul style="list-style-type: none"> ✓ Engage SALGBC to accelerate the finalisation of outstanding labour disputes
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Programme	Strategic Objectives	Annual (2007-08) Targets	Actual Performance	Reasons for variance	Plans to address non-achievement
12. Facilities Management	To ensure that Council employees are in a safe environment with well maintained buildings.	Continuous maintenance of buildings.	Done in Nelspruit, White River, Hazyview, Kabokweni, KaNyamazane and Matsulu centres on an ad hoc basis	Absence of maintenance plans and standards	Drafting of maintenance plans and standards
13. Service Centre Management	To ensure effective and efficient functioning of the Service Centres.	<ul style="list-style-type: none"> ✓ Day to day operations of Service centres through planning, staff meetings and acquiring of equipments and information management. ✓ Finalisation of clear roles and responsibilities of Centre Managers. 	<ul style="list-style-type: none"> ✓ Service centres were not fully operational ✓ Roles and responsibilities were drafted and awaiting Council approval 	<ul style="list-style-type: none"> ✓ Unclear roles and responsibilities 	<ul style="list-style-type: none"> ✓ Finalisation of clear roles and responsibilities of Centre Managers and budget for operations of the centres

KPA 4: Municipal Financial Viability and Management

Programme	Strategic Objectives	Annual (2007-08) Targets	Actual Performance	Reasons For Variance	Plans to address non-achievement
14. Finance	<p>To ensure an efficient and effective financial strategy and financial management framework.</p> <p>Identification of directorateal needs and challenges within the Supply Chain Management framework</p> <p>Meter reading service</p> <p>Compilation of comprehensive and general valuation rolls</p> <p>Establishment of customer care unit</p>	<ul style="list-style-type: none"> ✓ Development of task teams to drive the implementation of strategies and management framework. ✓ Improved revenue collection to 95% ✓ 100% compliance to supply chain management policies and procedures. ✓ Approved budget. ✓ Appointment of service providers ✓ Approval of draft rates policy ✓ Implement customer care management system 	<ul style="list-style-type: none"> ✓ Six Task teams were formed (Budget – approval of the budget), (Assets – bid specifications for asset register update, audit of movable assets), (Municipal Property rates Act Implementation – monitor implementation and progress thereof of the Act), (General ledger – update of the general ledger. compliance with accounting standards), (Organizational Structure – development of HR budget through costing of the structure) (Revenue enhancement –came up with revenue enhancement strategy) ✓ Collection levels were at 90.1 % ✓ There is still a challenge with attaining the 100% compliance to supply chain management policies and procedures (60%). ✓ The budget was approved in May 2008 ✓ Meter reading service providers were not appointed ✓ Draft rates policy adopted by council ✓ Customer care unit was not established 	<ul style="list-style-type: none"> ✓ Resignation of key personnel on implementation of credit control and debt collection policy ✓ Absence of external debt collector to assist the municipality ✓ No debt collection system was in place ✓ Unreliable supplier database ✓ Shortage of staff ✓ Lack of procurement system ✓ Meter reading service providers were not appointed due to staff shortage ✓ Customer care unit was not established due to budget constraints 	<ul style="list-style-type: none"> ✓ Replace resigned officials ✓ Debt collection system to be implemented in 2008/2009, and training of officials on the system ✓ New supplier database to be updated in 2008/2009 ✓ Employ more officials ✓ Meter reading service providers to be appointed in 2008/2009 ✓ Customer care unit to be established in 2009/2010

KPA 5: Good Governance and Public Participation

Programme	Strategic Objectives	Annual (2007-08) Targets	Actual Performance	Reasons for variance	Plans to address non-achievement
15. Communications	To improve the Municipal Corporate image through efficient communication and information management system.	<ul style="list-style-type: none"> ✓ Website upgrade, production of quarterly and bimonthly newsletters, branding, 	<ul style="list-style-type: none"> ✓ The website was not upgraded ✓ All 4 quarterly newsletters were produced ✓ Bi-monthly newsletters were discontinued 	<ul style="list-style-type: none"> ✓ No dedicated website manager ✓ Bi-monthly newsletters were discontinued because of duplication 	<ul style="list-style-type: none"> ✓ Appoint a website manager
		<p>Co-ordination of radio slots, IGR programmes, Moral Regeneration, Press Conferences, Exhibition and Ward Committee Summit.</p>	<p>There are regular radio slots on Ligwalagwala FM. Interviews on Jacaranda FM and Radio Laeveld were conducted and when requested;</p> <p>Part of the task team that organised and coordinated the Moral regeneration year-end function</p> <p>Exhibition and Mbombela DVD at 2010 preliminary draw in Durban on 25 June 2007</p>		

Programme	Strategic Objectives	Annual (2007-08) Targets	Actual Performance	Reasons for variance	
16. Public Participation	To enhance participatory democracy and involvement of the communities in decision making as required by the legislations	<ul style="list-style-type: none"> ✓ Roll out of Community Based Planning. ✓ Support to Ward Committee Structures. ✓ Implementation of Moral Regeneration Programme. ✓ Co-ordination of Public / Community meetings and Izimbizo. 	<ul style="list-style-type: none"> ✓ Community based planning was rolled out in 34 wards. ✓ Ward plans were reviewed in 33 wards except wards 15, 16 and 30 ✓ Workshops for ward Councillors and ward committees were held when ward plans were reviewed. At the same time, ward committee and community meeting were held ✓ The Moral Regeneration Programme was launched, where 34 moral regeneration desks within ward committees were established. ✓ Community meetings were held during the IDP process in all four zones of the municipality 	<ul style="list-style-type: none"> ✓ Ward 15 and 16 did not subscribe to CBP ✓ Ward plans were not supported by ward 15, 16 and 30 ✓ Ward 15 and 16 did not subscribe to the moral regeneration programme 	<ul style="list-style-type: none"> ✓ New ward committees will be established in 2008/2009

Programme	Strategic Objectives	Annual (2007-08) Targets	Actual Performance	Reasons for variance	Plans to address non-achievement
17. Internal Audit	To ensure that Council has the best financial, administrative, and operational systems.	<ul style="list-style-type: none"> ✓ Training staff on Risk Management. ✓ Conduct 92 Audits on Municipal financial, administrative and operational systems. 	<ul style="list-style-type: none"> ✓ A workshop on Risk Management was held, where members of Risk Management Coordinating committee were trained. ✓ 105 Audits were conducted in terms of the risk-based year programme (exceeded target) 		

Programme	Strategic Objectives	Annual (2007-08) Targets	Actual Performance	Reasons for variance	Plans to address non-achievement
18. Strategic Planning , Research, Policy and Performance Management	<ul style="list-style-type: none"> ✓ To develop and implement effective and comprehensive Performance Management System. ✓ To provide the Municipality with continuous strategic long term developmental planning. 	Finalisation of the SDBIP, Performance Agreements and Annual Performance Report (2006-07).	<ul style="list-style-type: none"> ✓ The SDBIP was finalised and adopted by Council on time ✓ Annual Performance Report was adopted by Council in January 2008. 		
		Finalise the baseline study and update the Spatial Development Framework.	The first phase of baseline study was finalised in during the fourth quarter of 2008. The Spatial Development Framework was not updated .	The Spatial Development Framework was not updated due to shortage of staff.	Appoint dedicated personnel
		Conduct Audit of Municipal Policies and a Policy Conference.	A policy conference was held as planned		

5. Conclusion

Communities and Stakeholders were mostly engaged during the planning process through the IDP but were not given enough feedback in terms of the implementation or the performance of the IDP. The annual report, allows Council, stakeholders and community members to evaluate whether the long term objectives and strategies of the IDP are achieved. The annual report also highlights remedial actions to be taken in areas where performance was below expected outcomes.

ANNEXURE A

MBOMBELA LOCAL MUNICIPALITY



FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2008

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**MBOMBELA LOCAL MUNICIPALITY
GENERAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2008**

REGISTERED OFFICE

CIVIC CENTRE
NEL STREET
NELSPRUIT

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NELSPRUIT
1200

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WEBSITE ADDRESS: www.mbombela.gov.za

GRADING OF LOCAL AUTHORITY
GRADE 9

AUDITORS
THE AUDITOR GENERAL

BANKERS
ABSA BANK NELSPRUIT

COUNCILLORS

MEMBERS OF THE MAYORAL COMMITTEE & THEIR PORTFOLIOS

M J Mohlala	Speaker
L Chiwayo	Executive Mayor
C N Ndlovu	Executive Deputy Mayor
M W Nkosi	Chief Whip
E M Dlodlu	Member of Mayoral Committee - Public Safety & Transport
G S Siwela	Member of Mayoral Committee - PMU/Civil Engineering & Urban Planning, Electrical Engineering & Housing
J V Sambo	Member of Mayoral Committee - Sports/Culture & Transversal
T V Ndlala	Member of Mayoral Committee - Finance/IDP/LED/Performance
Z J Mokoena	Member of Mayoral Committee - Waste Management/Health/Parks & Cemeteries

WARD COUNCILLORS

<u>Councillor</u>	<u>Ward</u>	<u>Councillor</u>	<u>Ward</u>
E M Khoza	1	M E Banda	19
T R Sgudla	2	G S Siwela	20
L E Nyalunga	3	S S Lukhele	21
T M Manana	4	B P Maseko	22
N M Mashabane	5	T E Nkosi	23
H K Malomane	6	T F Nkosi	24
J V Sambo	7	N B Matume	25

**MBOMBELA LOCAL MUNICIPALITY
GENERAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2008**

<u>Councillor</u>	<u>Ward</u>	<u>Councillor</u>	<u>Ward</u>
M M Mlimi	8	M S Dube	26
C G Mokoena	9	Z L Mandlazi	27
M A Ngwenyama	10	H L Lekhuleni	28
F G Mbuyane	11	M J Msibi	29
M C Mafutha	12	C J M Pienaar	30
N L Mkhwanazi	13	N L Mabunda	31
M D Mnisi	14	M O Mathebula	32
F Lange	15	A B Mashabane	33
C J Booyens	16	J M Mbazo	34
T M Charles	17	S G Chiloane	35
W A Mona	18	T J Milazi	36

COUNCILLORS, PROPORTIONAL

A A Ndwane	N A Mokoena
C D Mac Pherson	S D Mboshane
C Maseko	S R Mdluli
C Mathaba	S R Schormann
D P C Tau	S T Luthuli
E N Sambo	S Zwane
F H J Sibozza	T C Simelani
F P Nkala	T K Mabilane
G C de Bruin	T N Sifunda
J D Nkosi	V B Mlimi
J Koster	V A Mdluli
J M Khumalo	V M Mathebula
J Sidell	W N Murphy
M J Mwali	Z M Boroko

AUDIT COMMITTEE

Prof MJ Maseko	Chairman
A Keyser	Member
O Mhlabane (Ms)	Member
B Bando (Ms)	Member (Resigned with effect from March 2008)

ADMINISTRATOR

Mr KE Mpungose
 Telephone (013) 759 2000
 E-Mail Address khayo.mpungose@mbombela.gov.za

CHIEF OPERATIONS MANAGER

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 E-Mail Address sganandas@mbombela.gov.za

**MBOMBELA LOCAL MUNICIPALITY
GENERAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2008**

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EXECUTIVE MANAGER COMMUNITY SERVICES

Mr R Matola
Telephone (013) 759 2140
E-Mail Address rasheed.matola@mbombela.gov.za

EXECUTIVE MANAGER CORPORATE SERVICES

Mr J Ngobeni
Telephone (013) 759 2040
E-Mail Address jasper.ngobeni@mbombela.gov.za

LIBRARIES

Hazyview (013) 737 7220
Kabokweni (013) 796 1082
Matsulu (013) 778 9864
Nelspruit (013) 759 2077
Nelsville (013) 755 4788
Victory Park (013) 759 2089
White River (013) 750 9125

ENQUIRIES

Building Plans (013) 759 2184
Electricity (013) 759 2231
Water & Sewerage (013) 752 2580
Consumers (013) 759 2025 / 2064

PAY POINTS

White River (013) 751 1176
KaNyamazane (013) 794 1254
Matsulu (013) 778 9061
Kabokweni (013) 796 0227
Hazyview (013) 737 7346
Nelspruit Civic Centre (013) 759 2025 / 2064

APPROVAL OF FINANCIAL STATEMENTS

The annual Financial Statements as attached were signed by the Acting Municipal Manager.

.....
Mr FS Sibiza
ACTING MUNICIPAL MANAGER
31 August 2008

.....
Ms NT Mthembu
CHIEF FINANCIAL OFFICER
31 August 2008

**MBOMBELA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2008**

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 54, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 22 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

.....
Mr FS Siboza
Acting Municipal Manager
31 August 2008

MBOMBELA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

1 OBJECTIVE

The objective of the annual financial statements is to be a source of information on the financial position performance and changes in financial status of the Mbombela Local Municipality and demonstrates accountability useful to a wide range of users in making economic or political

2 BASIS OF PRESENTATION

- 2.1** The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of: 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 15 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
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board. A summary of the significant accounting policies are disclosed below.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

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

Standard Number	Standard Title	GRAP, GAMAP and/or SA GAAP requirement(s), exempted in terms of General Notice 552 of 2007, in Government Gazette no. 30013 of 29 June 2007, that have been early adopted
IAS 20 (AC 134)	Accounting for government grants and disclosure of government assistance	Entire standard excluding paragraphs 24 and 26, replaced by GAMAP 12.8, GAMAP 17.25 and GAMAP 9.42 – 46

MBOMBELA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

- 2.2 The financial statements have been prepared on the historical cost basis.
- 2.3 Statements are also prepared on the accrual basis of accounting. Under this basis the effects of transactions and other events are recognised when they occur and are recorded in the financial statements within the period to which they relate.
- 2.4 Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a standard of GAMAP or GRAP.
- 2.5 The principal accounting policies adopted in preparation of these annual financial statements are set out below.
- 3 PRESENTATION CURRENCY**
These annual financial statements are presented in South African Rand
- 4 GOING CONCERN ASSUMPTION**
These annual financial statements have been prepared on a going concern basis.
- 5 HOUSING DEVELOPMENT FUND**
The Housing Development Fund was established in terms of the Housing Act, act 107 of 1997. Loans from National and Provincial Government used to finance housing developments undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund are used to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing. Proceeds from housing development fund schemes which include rental income and sale of houses are recognised as revenue in the statement of financial performance and a corresponding transfer is made to the fund.
Expenditure allowed in terms of the Housing Act is expensed in the statement of financial performance and a corresponding transfer is made to the fund.
- 6 RESERVES**
- Conditional grants and receipts**
Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.
- 6.1 Capital Replacement Reserve (CRR)**
The purpose of the CRR is to set aside cash to provide infrastructure and other items of property, plant and equipment from internal sources. Transfers were made to a designated CRR account and can only be used to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilized. The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

MBOMBELA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

6.2 Capitalization Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilized for the acquisition of items of property, plant and equipment have been transferred to a Capitalization reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury.

The purpose of this reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit). The balance on the Capitalization reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalization Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalization Reserve relating to such item is transferred to the accumulated surplus/(deficit).

6.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the government grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the government grant Reserve to the accumulated surplus/(deficit).

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

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

6.4 Donations and Public Contributions Reserve

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

When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit).

The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

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

MBOMBELA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

6.5 Self – Insurance Reserve

The municipality has a Self – Insurance Reserve to set aside amounts to offset potential losses or claims. The Self – Insurance reserve is maintained to provide for non-claimable losses as well as for motor vehicle claims. Insurance premiums are charged out to the respective services and departments in accordance with the insured value of assets.

The total amount of insurance premiums paid to external insurers are regarded as expenses and must be shown as such in the Statement of Financial Performance. These premiums do not affect the Self Insurance Reserve.

Repair and replacement costs not fully covered by external insurance are financed from the insurance reserve. The repair and replacement cost is regarded as an expense and is reflected in the Statement of financial performance. An amount equal to the expense is transferred from the Insurance Reserve to the Unappropriated Surplus via the Statement of changes in net assets.

The balance of the self-insurance fund is fully cash backed and is invested in fixed deposits

7 PROPERTY, PLANT & EQUIPMENT

7.1 An item of property , plant and equipment is recognised in the financial statements as an asset when.

- it is a resource controlled by a municipality
- as a result of past events
- from which future economic benefits or potential service provision is expected to flow to the municipality; and
- the cost of the asset to the municipality can be measured reliably.

7.2 Property, plant and equipment are stated at historical cost, less accumulated depreciation. Such assets are financed either by external loans, capital replacement reserve, government grants and subsidies and donations.

7.3 Heritage assets defined as of culturally significance are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

7.4 Depreciation is calculated on cost, using the straight – line method over the useful lives of the asset. Assets will be depreciated according to their annual depreciation rates as prescribed in the Asset Management Policy.

7.5 Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down to its recoverable amount and an impairment loss is charged to the statement of financial performance.

7.6 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.

7.7 Incomplete construction work is stated at historic cost. Depreciation only commences when the asset is commissioned into use.

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

MBOMBELA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

7.9 Disposal and retirement of assets

Assets are written off on disposal or retirement.

The difference between the net book value of assets (cost less accumulated depreciation) and the sales proceeds is reflected as a gain or loss in the Statement of Financial Performance.

7.10 Depreciation and impairment losses

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

Infrastructure	Years	Other	Years
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
		Specialised plant and equipment	10-15
Community		Other plant and equipment	2-5
Improvements	30	Landfill sites	15
Recreational Facilities	20-30		
Security	5		
Investment Properties	30		

7.11 Intangible Assets

Intangible assets are carried at cost less any accumulated amortisation.

Computer software is capitalised to computer equipment where it forms an integral part of computer equipment.

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives, using the straight line method as follows:

Computer Software 3-5years.

8 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 in accordance with IAS39.58- 70, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

8.1 Loans and receivables:

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

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

MBOMBELA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

8.2 Financial liabilities

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

8.3 Investments

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

Surplus funds are invested in terms of Council's Investment Policy. Investments are only made with financial institutions registered in terms of The Deposit Taking Institutions Act of 1990 with an A1 or similar rating for safe investment purposes.

The investment period should be such that it will not be necessary to borrow funds against the investments at a penalty interest rate to meet Commitments.

9 LEASES

Leases are classified as finance leases where substantially all the risk and rewards associated with ownership of an asset are transferred to the municipality.

Operating leases are those leases that do not fall within the scope of the above definition. Operating rentals are expensed as they become due.

Property, plant and equipment subjected to finance lease agreements are capitalised at their cost equivalent and the corresponding liabilities are raised.

The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight - line basis over its useful life.

Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

10 INVENTORIES

Consumable stores, raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value. In general, the Basis of determining cost is the first in first out method.

Redundant and slow - moving stock are identified and written down with regard to their estimated economic or realisable values and sold by public auction. Consumables are written down with regard to age, condition and utility.

11 EMPLOYEE BENEFITS

11.1 Pension / Retirement Fund

The municipality provides for retirement benefits to its employees and councillors and contribute to the under - mentioned pension funds:

- § Joint Municipal Pension Fund
- § Municipal Employees Pension Fund
- § Municipal Gratuity Fund
- § SANLAM Pension Fund

Councillors are members of the Municipal Councillor's Pension Fund that was established in terms of the Remuneration of Public Office Bearers Act 1998 (Act 20 of 1998).

The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

The retirement benefits are calculated in accordance with the rules of the funds.

MBOMBELA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

11.2 Post Employment Benefit Obligations

Council provides certain post retirement healthcare benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which Council is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for 40% of the medical aid membership fee, and Council for the remaining 60%.

These contributions are charged to the operating account when paid.

12 REVENUE RECOGNITION

Revenue is derived from a variety of sources which include Rates levied, grants from other tiers of government and revenue from trading activities and other municipal services provided

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably.

12.1 Revenue from rates

Revenue from rates is recognized, net of rebates granted, when the legal entitlement to this revenue arises. A differential rating system is applied. In terms of this system assessment rates are levied on the market related land value and rebates are granted subject to certain conditions. A composite rating system charging different rate tariffs for different categories of ratepayers is employed.

12.2 Service charges relating to Electricity, Water, Sewerage and Refuse

Service charges relating to Electricity and Water are based on consumption. Meters are read and billed on a monthly basis and revenue is recognized when billed. Estimates of consumption are made monthly when meter readings have not been performed. The estimates of consumption are recognized as revenue when billed. Adjustments to estimates of consumption are made in the billing period when meters have been read. These adjustments are recognized as revenue in the billing period.

Sewerage charges are levied and billed on a monthly basis based on the municipality's Tariff Policy. Refuse charges are levied and billed on a monthly basis based on the municipality's Tariff Policy.

12.3 Collection charges

Collection charges are recognized when such amounts are legally enforceable.

12.4 Interest on outstanding debtors

Interest on outstanding debtors is recognized on a time proportionate basis.

12.5 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received, and the revenue from the issuing of summonses is only recognised when collected by the Courts and paid over to the Municipality. There is uncertainty regarding recoverability of outstanding fines and summonses. Spot fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. Due to the various legal processes that can apply to summonses and the inadequate information received from the Courts, it is not possible to measure this revenue when the summons is issued. In respect of summonses the Public Prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

MBOMBELA LOCAL MUNICIPALITY ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

12.6 Services provided on a prepayment basis

Various services are provided on a prepayment basis in which case no formal billing takes place and revenue is accrued when received.

12.7 Interest earned on investments

Interest earned on investments is recognised in the Statement of Financial Performance on a time proportionate basis.

12.8 Income for agency services

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

12.9 Revenue and donations from public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised (Creditors: Unutilized Grants)

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment meet the PPE definition. Contributed property, plant and equipment is recognised when such items of property, plant and equipment meet the PPE definition.

12.10 Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied

- * The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- * The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- * The amount of revenue can be measured reliably.
- * It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality
- * The costs incurred or to be incurred in respect of the transaction can be measured reliably.

12.11 Government Grants

Government Grants are recognised as revenue when all conditions associated with the grant have been met.

Where grants have been received but the Municipality has not met the condition, a liability is raised.

12.12 Recovery of unauthorised, irregular, fruitless and wasteful expenditure

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.

MBOMBELA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

13 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.

13.1 PROVISION FOR BAD DEBT

An annual contribution is made towards a working capital provision for non - recoverable rates and service fees.

The balance of the provision of bad debt is reviewed at balance sheet date and adjusted to be equal to all debt outstanding for more than 120 days.

When an under recovery occurs during the year an additional contribution must be made from the Unappropriated Surplus at year - end.

14 CASH AND CASH EQUIVALENTS

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

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

15 SURPLUSES AND DEFICITS

Surpluses and deficits arising from the operations of Electricity, Water and Sewerage Services are carried over to the Rates and General Services.

16 CONSUMER DEPOSITS

All consumers are required to pay a deposit equal to two months consumption of electricity and water services. Deposits are considered a liability as the deposit is only refundable once the service is terminated. No interest is paid on deposits.

17 TRADE CREDITORS

Trade creditors are stated at their nominal value.

18 VALUE ADDED TAX

The Council accounts for Value Added Tax on the cash basis.

MBOMBELA LOCAL MUNICIPALITY ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

19 ACCOUNTS RECEIVABLE

Trade and other receivables are recognised initially at cost which represents fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables.

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

20 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, for expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

21 IRREGULAR EXPENDITURE

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

22 FRUITLESS AND WASTEFUL EXPENDITURE

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

23 FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

24 COMPARATIVE INFORMATION

24.1 Current year comparatives:

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

24.2 Prior year comparatives:

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

25 INVESTMENT PROPERTIES

Investment properties, which are properties held to earn rental revenue or for capital appreciation, are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is 30 years.

26 BORROWING COSTS

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

MBOMBELA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

- 27 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
- 28 ROUNDING**
These amounts reflected in the financial statements of the Municipality are all in Rand, and all amounts are rounded off to the nearest Rand
- 29 TAXATION**
The Council are exempted from tax in terms Section 10(1)(a) of the Income Tax Act

MBOMBELA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008

	Note	2008 R	2007 R
NET ASSETS AND LIABILITIES			
Net assets		1,332,810,735	960,222,861
Capital replacement reserve	1	67,130,233	88,718,310
Capitalisation reserve	2	208,468,930	214,425,729
Government grant reserve	3	820,718,871	503,393,465
Self-insurance reserve	4	9,163,281	7,342,815
Accumulated Surplus/(Deficit)		227,329,420	146,342,542
Non-current liabilities		66,868,249	76,455,098
Long-term liabilities	5	66,868,249	76,455,098
Current liabilities		405,079,673	256,009,055
Consumer deposits	6	15,113,431	13,973,389
Provisions	7	16,110,421	12,877,171
Creditors	8	130,275,829	121,983,740
Unspent conditional grants and receipts	9	233,990,145	97,598,486
Current portion of long-term liabilities	5	9,589,847	9,576,269
Total Net Assets and Liabilities		1,804,758,657	1,292,687,014
ASSETS			
Non-current assets		1,272,803,681	930,589,737
Property, plant and equipment	11	1,254,203,962	909,054,908
Investments	12	17,684,242	15,143,961
Long-term receivables	13	915,477	6,390,868
Current assets		531,954,976	362,097,277
Inventory	14	13,340,553	10,949,497
Consumer debtors	15	51,513,122	42,409,990
Other debtors	16	14,102,858	34,800,713
Current portion of long-term debtor:	13	4,833,304	-
VAT	10	21,260,045	22,580,148
Call investment deposits	12	215,442,300	133,843,009
Bank balances and cash	17	211,462,794	117,513,920
Total Assets		1,804,758,657	1,292,687,014

MBOMBELA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2008

	NOTE	ACTUAL	
		2008 R	2007 R
REVENUE			
Property Rates	18	142,044,993	128,097,290
Property Rates - Penalties Imposed and Collection Charges			1,069,790
Service Charges	19	243,480,438	198,298,365
Rental of Facilities and Equipment		1,932,194	1,838,661
Interest Earned - External Investments		30,121,700	21,330,963
Interest Earned - Outstanding Debtors		16,390,889	15,929,910
Fines		3,384,898	4,878,659
Licences and Permits		2,257,573	1,099,870
Income for Agency Services		47,476,381	41,538,124
Government Grants and Subsidies	20	161,950,512	128,666,723
Capital Grants and Subsidies	20	327,682,163	266,067,967
Other Income		31,363,375	45,971,469
Gains on Disposal of Property, Plant and Equipment		1,489,395	601,043
Total Revenue		1,009,574,511	855,388,834
EXPENDITURE			
Employee Related Costs	21	192,235,293	176,301,175
Remuneration of Councillors	22	12,821,440	12,217,409
Bad Debts	23	35,391,827	37,657,344
Depreciation		35,820,927	29,253,589
Repairs and Maintenance		64,672,085	57,684,962
Interest Paid	24	10,885,051	12,649,059
Bulk Purchases	25	115,647,254	99,056,576
Contracted Services		50,999,691	46,333,510
General Expenses		113,641,768	101,352,462
Departmental Charges		139,511,346	126,818,104
Loss on Disposal of Property, Plant and Equipment			75,537
Contributions to / (transfers from) Provisions		135,121	(6,958,222)
Gross Expenditure		771,761,803	692,441,505
Less : Amounts Charged Out		(134,710,321)	(127,293,750)
Nett Expenditure		637,051,482	565,147,755
NET SURPLUS / (DEFICIT) FOR THE YEAR		372,523,029	290,241,079

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

MBOMBELA LOCAL MUNICIPALITY STATEMENT OF CHANGES NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007						
	Capital Replacement Reserve R	Grant Reserve R	Capitalisation Reserve R	Self Insurance Reserve R	Accumulated Surplus / (Deficit) R	Total R
2007						
Restated Balance	94,096,379	245,371,262	177,924,840	5,359,909	140,357,698	663,110,088
Net Surplus for the Year					290,241,079	290,241,079
Adjustments Previous Years					(11,624)	(11,624)
Transfer to CRR	(43,057,233)					(43,057,233)
Other Income / Expenditure	9,696,648		43,057,235	4,811,545		57,565,428
Transfer to Leave Reserve					(3,103,276)	(3,103,276)
Transfer to Surplus Operating Income					(3,210,217)	(3,210,217)
Transfer from NDR Operating Expenditure					1,199,044	1,199,044
Transfer from Accumulated Surplus					335,692	335,692
PPE Purchase	28,000,000				(28,000,000)	-
Capital Grants Used to Purchase PPE	(17,484)	266,067,966			(266,067,966)	-
Expenditure		(8,045,765)	(6,556,346)	(2,828,639)		(17,436,755)
Offsetting of Depreciation					14,602,111	14,602,111
Balance at 30 July 2007	88,718,310	503,393,463	214,425,729	7,342,815	146,342,541	960,222,858
2008						
Restated Balance	88,718,310	503,393,463	214,425,729	7,342,815	146,342,541	960,222,858
Net Surplus for the Year					372,523,029	372,523,029
Adjustments Previous Years					(1,674,222)	(1,674,222)
Transfer to CRR	(34,266,758)					(34,266,758)
Other Income / Expenditure	12,678,681			5,346,137	(12,454,973)	(46,721,731)
PPE Purchase					34,299,613	34,299,613
Capital Grants Used to Purchase PPE		327,682,163			(327,682,163)	-
Asset Disposals					(305,105)	(305,105)
Expenditure		(10,356,757)	(5,956,799)	(3,525,671)		(19,839,227)
Offsetting of Depreciation					16,280,698	16,280,698
Balance at 30 July 2008	67,130,233	820,718,869	208,468,930	9,163,281	227,329,418	1,332,810,731

MBOMBELA LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	NOTE	2008 R	2007 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash Receipts from Ratepayers, Government and Other		2,836,360,885	3,427,545,647
Cash Paid to Suppliers and Employees		2,254,709,310	3,015,651,807
Cash Generated from Operations	26	581,651,575	411,893,840
Interest Received		30,121,700	21,330,963
Interest Paid / Finance Cost	24	(10,885,051)	12,649,059
NET CASH FROM OPERATING ACTIVITIES		600,888,224	420,575,744
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(381,275,086)	(335,049,938)
Proceeds on Disposal of Fixed Assets		1,789,705	167,889
(Increase) / Decrease in Non-Current Receivables		642,087	3,771,961
(Increase) / Decrease in Investments		(84,139,572)	39,720,057
NET CASH FROM INVESTING ACTIVITIES		(462,982,866)	(291,390,031)
CASH FLOWS FROM FINANCING ACTIVITIES			
New Loans Raised / (Repaid)		(9,573,271)	(14,178,803)
Increase in Consumer Deposits		1,140,042	912,427
NET CASH FROM FINANCING ACTIVITIES		(8,433,229)	(13,266,376)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	27	94,083,079	75,586,501
Cash and Cash Equivalents at the Beginning of the Year		117,379,715	41,927,419
Cash and Cash Equivalents at the End of the Year		211,462,794	117,513,920

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2008

	2008 R	2007 R
1 CAPITAL REPLACEMENT RESERVE	67,130,233	88,718,310
Capital Replacement Reserve	31,810,969	53,622,754
Balance at beginning of the year	53,622,754	60,686,442
Contributions	12,454,973	35,993,545
Income	-	-
Property, plant & equipment	(34,266,758)	(43,057,233)
Transfers in respect of GAMAP	-	-
Land Trust Fund	4,351,467	4,351,467
Balance at beginning of the year	4,351,467	4,351,467
Contributions	-	-
Income	-	-
Property, plant & equipment	-	-
Transfers in respect of GAMAP	-	-
Land & Property Development Account	29,126,067	28,902,359
Balance at beginning of the year	28,902,359	27,216,740
Contributions	223,708	1,703,103
Income	-	-
Expenditure	-	(17,484)
Transfers in respect of GAMAP	-	-
Housing Trust Fund	1,841,730	1,841,730
Balance at beginning of the year	1,841,730	1,841,730
Contributions	-	-
Income	-	-
Expenditure	-	-
Transfers in respect of GAMAP	-	-
2 CAPITALISATION RESERVE	208,468,930	214,425,729
Balance at beginning of the year	214,425,729	177,924,840
Contributions	-	43,057,235
Property, plant & equipment purchased	-	-
Transfer to Unutilised Grants Receipts	-	-
Offsetting of depreciation	(5,956,799)	(6,556,346)
Disposal	-	-
3 GRANT RESERVE, DONATIONS AND PUBLIC CONTRIBUTIONS	820,718,871	503,393,465
Balance at beginning of the year	503,393,465	245,371,263
Donated/contributed PPE	327,682,163	266,067,967
Offsetting of depreciation	(10,356,757)	(8,045,765)
Capital grants used for PPE	-	-

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2008

	2008 R	2007 R
4 SELF-INSURANCE RESERVES	9,163,281	7,342,815
Insurance Fund General	6,208,357	4,411,449
Balance at beginning of the year	4,411,449	2,675,199
Contributions received	5,309,257	4,400,528
Other Income	-	-
Expenditure	(3,512,349)	(2,664,278)
Insurance Fund Refuse	198,910	198,910
Balance at beginning of the year	198,910	198,910
Contributions received	-	-
Other Income	-	-
Expenditure	-	-
Insurance Fund Roads & Stormwater	1,070,849	1,070,849
Balance at beginning of the year	1,070,849	990,855
Contributions received	-	82,614
Other Income	-	-
Expenditure	-	(2,620)
Insurance Fund Sewerage	231,562	231,562
Balance at beginning of the year	231,562	68,518
Contributions received	-	168,044
Other Income	-	-
Expenditure	-	(5,000)
Insurance Fund Water	-	-
Balance at beginning of the year	-	(150,239)
Contributions received	-	150,239
Other Income	-	-
Expenditure	-	-
Insurance Fund Electricity	650,389	650,389
Balance at beginning of the year	650,389	795,003
Contributions received	-	10,120
Other Income	-	-
Expenditure	-	(154,734)
Bursary Scheme	780,439	780,439
Balance at beginning of the year	780,439	781,663
Contributions received	-	-
Other Income	-	-
Expenditure	-	(1,224)
Compensation for Occupational Injuries and Diseases	22,775	(783)
Balance at beginning of the year	(783)	-
Contributions received	36,880	-
Other Income	-	-
Expenditure	(13,322)	(783)

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2008

2008
R

2007
R

Note:

(i) Insurance Fund

The Insurance Fund is utilized for non-claimable losses on assets as well as for motor vehicle claims until the aggregate amount is reached.

Insurance premiums are charged out to the respective services and directorates in accordance to the insured value of assets.

(ii) Bursary Scheme

The Bursary Scheme is used to assist internal and external candidates with their studies.

Contracts are entered into on an individual basis and are written off when the qualification is obtained failing which loans must be repaid at an interest rate equal to the prime rate of the Councils banker.

5 LONG TERM LIABILITIES	76,458,096	86,031,367
Local Registered Stock Loans	11,900,000	11,900,000
Annuity Loans:	54,968,249	64,555,098
ABSA	7,280,912	8,496,630
Development Bank of SA	17,977,127	19,186,527
INCA	28,941,071	36,102,802
Delta	769,139	769,139
Plus:		
Current portion transferred to current liabilities	9,589,847	9,576,269
Local Registered Stock	3,000	3,000
Annuity Loans:	9,586,847	9,573,269
ABSA	1,215,717	1,365,142
Development Bank of SA	1,209,398	1,033,770
INCA	7,161,732	7,174,357

*Refer to Appendix A for more detail on long term liabilities.
R17 684 242 (2007: R15 143 961) has been invested specially for
repayment of long term liabilities.
See note 12 for more detail.*

5.1 Local Registered Stock

Local registered stock bears interest at rates which vary between 11.60% and 17.20% per annum and are repayable over periods between one (1) and three (3) years.

5.2 Annuity Loans

Annuity loans interest varies between 10.50% and 16.43% per annum and will be fully redeemed after twelve (12) years.

In terms of a Sinking Fund Loan agreement concluded between Mbombela Local Municipality and Nedcor the loans from the DBSA and Nedcor will be redeemed by means of a Sinking Fund raised by the proceedings from the sale of stands in Stonehenge extension 1.

6 CONSUMER DEPOSITS

Electricity	13,321,447	12,189,714
Water	553,272	553,273
Water - GNUC	1,238,712	1,230,402
Total Consumer Deposits	15,113,431	13,973,389
Guarantees held in lieu of Electricity and Water Deposits	1,852,935	1,984,509

No interest is paid on deposits.

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2008

	2008 R	2007 R
7 PROVISIONS		
Staff Leave		
Balance at beginning of the year	12,877,171	11,515,317
Contributions received	5,081,916	3,502,798
Expenditure	(1,848,666)	(2,140,944)
Balance at end of the year	<u>16,110,421</u>	<u>12,877,171</u>
8 CREDITORS		
Trade Creditors	41,786,199	33,461,593
Civil Contracts	9,633,593	11,266,846
Unclaimed Creditors	1,426,445	1,425,262
Audit Fees	800,624	814,066
Retention Money	1,332,638	1,332,638
Amounts received in advance:		
Consumers	22,216,155	19,288,147
Sundry Debtors	-	-
SPACE program	-	37,624
GNUC Service contributions - Water & Sewerage	18,416,275	11,287,453
GNUC Sewerage plan fees	37,175	148,500
Service Contributions	11,888,819	8,688,728
Deposits Other	968,949	1,006,010
Suspense Accounts	20,836,156	32,172,782
Concession Monitoring	663,431	369,777
Grant Funding - Water Service	82,100	77,694
Other Creditors	167,470	606,620
	<u>130,275,829</u>	<u>121,983,740</u>
9 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
MIG	15,416,812	8,436,152
DWAF	2,381,380	572,569
LED	16,929	16,929
DME	(837,794)	1,215,130
EDM	894,200	894,200
Provincial	11,039,517	14,066,332
Department of Sports and Recreation	157,883,913	72,373,047
Taxi Disaster Fund	24,927	24,127
Taxi Disaster Fund - White River	22,815	-
Public Transport Infrastructure Services	47,147,446	-
Total Conditional Grants and Receipts	<u>233,990,145</u>	<u>97,598,486</u>
<i>See Note 20 for reconciliations of grants from National/Provincial Government.</i>		
10 VAT		
VAT payable (receivable)	<u>(21,260,045)</u>	<u>(22,580,148)</u>
VAT is payable on the receipts basis.	<u>(21,260,045)</u>	<u>(22,580,148)</u>
Only once payment is received from debtors is VAT paid over to SARS.		

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2008

11 PROPERTY, PLANT AND EQUIPMENT

30 June 2008					
Reconciliation of Carrying Value	Land and Buildings	Infrastructure	Community	Other	Total
	R	R	R	R	R
Carrying values at 1 July 2007	61,432,771	607,898,677	211,311,547	28,411,913	909,054,908
Cost	87,019,927	849,983,702	216,399,760	88,489,922	1,241,893,311
Accumulated depreciation	(25,587,186)	(242,085,025)	(5,088,213)	(60,078,009)	(332,838,433)
Acquisitions	778,965	118,297,199	245,768,647	16,430,276	381,275,087
Capital under Construction	-	-	-	-	-
Depreciation	(1,957,851)	(28,370,847)	(733,420)	(4,758,809)	(35,820,927)
Carrying value of disposals	-	-	-	(305,105)	(305,105)
Cost	-	-	-	(605,245)	(605,245)
Accumulated depreciation	-	-	-	300,240	300,240
Impairment losses	-	-	-	-	-
Other movements	-	-	-	-	-
Carrying values at 30 June 2008	60,253,885	697,825,029	456,346,774	39,778,276	1,254,203,963
Cost	87,298,922	968,280,901	462,168,807	104,314,833	1,622,563,083
Accumulated depreciation	(27,045,037)	(270,455,872)	(5,821,633)	(64,536,578)	(368,359,120)

PROPERTY, PLANT AND EQUIPMENT

30 June 2007					
Reconciliation of Carrying Value	Land and Buildings	Infrastructure	Community	Other	Total
	R	R	R	R	R
Carrying values at 1 July 2006	-	507,946,944	23,504,868	71,639,161	603,090,670
Cost	-	725,388,000	27,924,103	153,694,474	907,006,577
Accumulated depreciation	-	(217,441,056)	(4,419,338)	(82,055,313)	(303,915,907)
Acquisitions	-	124,595,702	188,475,657	21,978,579	335,049,938
Capital under Construction	-	-	-	-	-
Depreciation	-	(24,643,969)	(668,675)	(3,940,945)	(29,253,589)
Carrying value of disposals	-	-	-	167,889	167,889
Cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Impairment losses	-	-	-	-	-
Other movements	-	-	-	-	-
Carrying values at 30 June 2007	-	607,898,677	211,311,547	89,844,684	909,054,908
Cost	-	849,983,702	216,399,760	175,673,053	1,242,056,515
Accumulated depreciation	-	(242,085,025)	(5,088,213)	(85,828,369)	(333,001,607)

Intangible assets are carried at cost less any accumulated amortisation.
Computer software is capitalised to computer equipment where it forms an integral part of computer equipment.
Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives, using the straight line method as follows:
Computer Software 3-5 years

Refer to Appendices B and C for more detail

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2008

	2008 R	2007 R
12 INVESTMENTS		
Short Term Deposits	233,126,542	148,886,970
ABS A	215,442,300	133,843,009
Long Term Deposits	17,684,242	15,143,961
Nedbank	9,822,705	8,399,631
INCA - White River	5,956,962	5,189,457
INCA - White River	1,904,575	1,654,873
The short term deposits allocated as follows:	215,442,300	199,193,967
Capital Replacement Reserve	31,810,969	53,622,754
Housing Trust Fund	1,841,730	1,841,730
Land Trust Fund	4,351,467	4,351,467
Unutilised Capital Receipts (Grants) *	76,108,172	97,598,486
Leave Reserve	16,110,421	12,877,171
Land & Property Development Account	29,126,067	28,902,359
Self Insurance Fund	9,227,446	-
Operating Account	46,866,028	-
<p>Surplus funds are invested in terms of Council's investment Policy. Investments are only made with financial institutions registered in terms of the Deposit Taking Institutions Act of 1990 with an A1 or similar rating for sole investment purposes.</p> <p>The investment period should be such that it will not be necessary to borrow funds against the investments at a penalty interest rate to meet commitments.</p> <p>No investments have been written off during the year.</p> <p>The long term investments are invested to redeem external loans.</p> <p><i>Refer to Appendix A for more detail on external loans.</i></p> <p>* The 2010 Soccer World Cup Fund is not included in the above-mentioned amount (Unutilised Capital Grants), as it has its own bank account. - <i>Refer to Note 17</i></p>		

	915,477	6,390,868
13 LONG-TERM RECEIVABLES		
Bursary Scheme	598,653	616,914
Urban Loans	4,372,587	5,319,923
Endowment Loans	277,535	175,776
Sundry Loans	5,748,781	278,255
Less: Current Portion	(4,833,304)	-
Less: Provision for bad debt	(915,477)	-
Sale of Erven Loans		
<p>Loans were given at a rate of 15% interest per annum repayable over 5 years to encourage development through the sale of vacant erven. In terms of the MFMA no new loans are granted.</p>		

	13,340,553	10,949,497
14 INVENTORY		
Consumable Stock	13,340,553	11,471,517
Work in Progress	-	(522,020)
<i>Refer to Note 38 for Exemptions</i>		

15 CONSUMERS AND OTHER DEBTORS

(A) Consumers Debtors

	Gross Balance R	Provision for Bad debts R	Net Balance R
As at 30 June 2008			
Service debtors			
Rates	60,988,176	40,726,538	20,261,638
Electricity	21,254,718	4,829,936	16,424,782
Water	26,564,313	20,631,946	5,932,367
Sewerage	7,605,330	5,940,429	1,664,901
Refuse	40,755,308	34,864,373	5,890,935
Interest on Arrears	48,874,634	48,020,432	854,202
Indigents and Abeyance	5,418,892	5,414,837	55
Consumer (Installments)	9,819,957	9,335,715	484,242
Total	221,277,328	169,764,206	51,513,122

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2008

As at 30 June 2007	Gross Balance R	Provision for Bad debts R	Net Balance R
Service debtors			
Rates	46,738,671	29,734,103	17,004,568
Electricity	16,329,253	3,679,234	12,650,019
Water	22,033,205	18,557,101	3,476,104
Sewerage	6,986,227	5,397,907	1,588,320
Refuse	32,165,402	27,184,219	4,981,184
Interest on Arrears	38,343,019	36,479,962	1,863,057
Indigents and Abyeance	5,468,656	5,455,890	12,765
Consumer (Installments)	10,206,256	9,372,283	833,974
Total	178,270,689	135,860,699	42,409,990
		2008	2007
		R	R
Rates: Ageing			
Current (0 - 30 days)		10,267,890	9,573,202
31 - 60 Days		3,972,994	3,143,667
61 - 90 Days		2,348,577	2,419,268
+ 90 Days		45,398,713	31,602,534
Total		60,988,174	46,738,671
Electricity: Ageing			
Current (0 - 30 days)		12,062,648	10,167,224
31 - 60 Days		1,592,357	1,819,048
61 - 90 Days		1,202,161	418,159
+ 90 Days		5,997,551	3,924,823
Total		21,254,717	16,329,253
Water: Ageing			
Current (0 - 30 days)		2,355,768	1,243,636
31 - 60 Days		1,257,264	794,039
61 - 90 Days		1,165,024	562,621
+ 90 Days		21,788,255	19,432,908
Total		26,566,311	22,033,205
Sewerage: Ageing			
Current (0 - 30 days)		876,599	730,576
31 - 60 Days		321,033	348,617
61 - 90 Days		263,774	214,665
+ 90 Days		6,149,924	5,692,369
Total		7,608,330	6,986,227
Refuse: Ageing			
Current (0 - 30 days)		2,671,531	2,348,361
31 - 60 Days		1,188,726	983,540
61 - 90 Days		1,037,793	849,391
+ 90 Days		35,857,257	27,984,109
Total		40,755,307	32,165,402
Interest on Arrears: Ageing			
Current (0 - 30 days)		1,448,970	1,479,989
31 - 60 Days		1,271,886	1,416,302
61 - 90 Days		1,324,491	1,361,724
+ 90 Days		44,829,292	34,085,003
Total		48,874,639	38,343,019
Indigents and Abyeance: Ageing			
Current (0 - 30 days)		-	-
31 - 60 Days		-	-
61 - 90 Days		-	-
+ 90 Days		5,414,837	5,468,601
Total		5,414,837	5,468,601
Consumer (Installments): Ageing			
Current (0 - 30 days)		425,420	692,872
31 - 60 Days		19,358	44,975
61 - 90 Days		19,873	46,783
+ 90 Days		9,357,305	9,421,626
Total		9,819,956	10,206,256

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2008

(B) Summary of Consumers and Other Debtors by Customer Classification 30 June 2008:

Current (0 – 30 days)
 31 - 60 Days
 61 - 90 Days
 + 90 Days
Total debtors by customer classification

Consumers	Industrial/ Commercial	National and Provincial Gov.
16,043,627	13,932,354	388,471
5,528,341	2,274,985	324,800
5,548,413	2,626,915	193,291
142,070,449	41,779,487	754,875
169,190,836	61,613,741	1,661,537

16 OTHER DEBTORS

Fire Brigade
 Sundry Debtors
 Hire of Grounds
 Airport
 Stand Instalments
 Sport Clubs
 Bursary Scheme
 Housing Debtors
 Service Contributions
 Capital Projects
 Year end Adjustments
 Suspense Accounts

Less: Provision for bad debt

Debt written off for the year

2008 R	2007 R
14,102,858	34,800,713
132,798	126,790
8,168,663	12,746,372
7,229,396	1,242,228
125,933	125,933
3,548,902	3,548,270
184,611	162,698
285,811	250,177
1,065,876	926,571
1,487,204	944,672
(82,295)	(82,295)
5,674,630	21,801,572
21,821,629	41,792,988
(7,718,671)	(6,992,275)
761,924	50,913

17 BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts -

Cheque Account (Primary Bank Account)
 ABSA Bank Limited - Nelspruit Branch
 Account Number - 40-5321-5785

Cash book balance at beginning of year
 Cash book balance at end of year

Bank statement balance at beginning of year
 Bank statement balance at end of year

29,007,836	30,840,469
31,394,611	29,007,836
53,789,839	44,228,319
45,144,051	53,789,839

Spiral Plan (NTLC/GNUC Water Services Deposit Account)
 ABSA Bank Limited - Nelspruit Branch
 Account Number - 90-6703-3766

Cash book balance at beginning of year
 Cash book balance at end of year

Bank statement balance at beginning of year
 Bank statement balance at end of year

-	-
-	-
3,379	-
3,833	3,579

Savings Account (NTLC Dedicated Water Services Fund)
 ABSA Bank Limited - Nelspruit Branch
 Account Number - 90-6916-6741

Cash book balance at beginning of year
 Cash book balance at end of year

Bank statement balance at beginning of year
 Bank statement balance at end of year

-	-
-	-
1,377	-
1,304	1,377

MBOMBELA LOCAL MUNICIPALITY
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	2008 R	2007 R
<u>Cheque Account (Masovl PHP Housing Project)</u>		
ABSA Bank Limited - Nelspruit Branch Account Number - 40-5414-9088		
Cash book balance at beginning of year	2,297,364	1,464,216
Cash book balance at end of year	1,768,020	2,297,364
Bank statement balance at beginning of year	1,764,580	1,465,529
Bank statement balance at end of year	1,762,196	1,764,580
<u>Cheque Account (Nelspruit Capital)</u>		
ABSA Bank Limited - Nelspruit Branch Account Number - 10-7016-6603		
Cash book balance at beginning of year	372,581	353,279
Cash book balance at end of year	399,689	372,581
Bank statement balance at beginning of year	363,549	353,279
Bank statement balance at end of year	330,091	363,949
<u>Call Account (NTLC/GNUC Water Service Deposit Account)</u>		
ABSA Bank Limited - Nelspruit Branch Account Number - 90-6983-8617		
Cash book balance at beginning of year	1,230,402	1,184,418
Cash book balance at end of year	1,238,712	1,230,402
Bank statement balance at beginning of year	1,172,224	1,184,418
Bank statement balance at end of year	1,238,712	1,172,224
<u>Call Account (NTLC Grant Funding Water Service)</u>		
ABSA Bank Limited - Nelspruit Branch Account Number - 90-6983-9003		
Cash book balance at beginning of year	77,693	74,705
Cash book balance at end of year	82,100	77,693
Bank statement balance at beginning of year	77,693	74,705
Bank statement balance at end of year	82,100	77,693
<u>Call Account (NTLC/GNUC Service Contribution Account)</u>		
ABSA Bank Limited - Nelspruit Branch Account Number - 90-7568-1173		
Cash book balance at beginning of year	12,498,150	7,866,344
Cash book balance at end of year	18,443,214	12,498,150
Bank statement balance at beginning of year	11,857,871	5,661,853
Bank statement balance at end of year	18,443,214	11,857,871
<u>Call Account (Mbombela Trest Disaster Fund)</u>		
ABSA Bank Limited - Nelspruit Branch Account Number - 91-2727-3547		
Cash book balance at beginning of year	24,128	34,662
Cash book balance at end of year	24,927	24,128
Bank statement balance at beginning of year	24,128	34,662
Bank statement balance at end of year	24,927	24,128
<u>Call Account (2010 Soccer World Cup)</u>		
ABSA Bank Limited - Nelspruit Branch Account Number - 40-6774-2380		
Cash book balance at beginning of year	71,871,561	-
Cash book balance at end of year	157,957,900	71,871,561
Bank statement balance at beginning of year	71,871,561	-
Bank statement balance at end of year	157,957,900	71,871,561

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
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	2008 R	2007 R
Cheque Account (White River TLC Disaster Fund)		
ABSA Bank Limited - Nelspruit Branch Account Number - 40-5141-9472		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	22,816	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	22,815	-
TOTAL BALANCE	211,321,989	117,379,715

	2008 R	2007 R
CASH ADVANCES		
Petty Cash	31,685	26,285
Deposit- Post Office	79,085	79,085
Deposit- Office Rent (Hazyview)	3,000	3,000
Deposit-Eskom	25,079	23,879
Deposit- Money Box (Fidelity)	1,956	1,956
	140,805	134,205

Disclosure in terms of the MFMA, 2003, Section 125(2)(a)

	2008 R	2007 R
18 PROPERTY RATES		
Actual		
Residential	50,167,167	42,497,903
Commercial	73,010,557	67,884,404
Government	15,963,946	15,111,261
Agricultural / Farms	2,903,323	2,603,723
Total Assessment Rates	142,044,993	128,097,291

	Jul-08	Jul-07
Valuations		
Residential	844,450,196	767,013,160
Commercial	481,318,906	473,886,600
Government	39,679,500	39,639,500
Agricultural	83,994,500	83,678,500
Farms	500,865,000	500,865,000
Exempted	471,110,274	410,777,080
Total Property Valuations	2,441,016,376	2,295,859,840

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 1999. Interim valuations are processed on a daily basis to take into account changes in individual property values due to alterations and subdivisions. A general rate of R0.4099c/R is applied to property valuations to determine assessment rates. A rebate on the general rate of 20% is granted to state property. Rates are levied on a monthly basis. Interest on all outstanding amounts are determined for every financial year and calculated from the basis of the average rate between the bank rate +1% as prevailing at the beginning of the financial year and the bank rate projected by the Reserve Bank for the ensuing 12 months. As per section 89 of the MPRA, an application for the extension of the existing valuation roll was forwarded and approved by the MEC for Local Government and Housing for the 2007/2008 financial year. A property valuer is currently on the field for the compilation of a general valuation roll compliant to the MPRA for implementation on 1 July 2009.

	2008 R	2007 R
19 SERVICE CHARGES		
Sale of electricity	181,277,960	140,972,062
Sale of water	16,290,216	15,574,956
Refuse removal	34,741,711	31,324,165
Sewerage and sanitation charges	11,170,550	10,427,181
Total Service Charges	243,480,437	198,298,364

Refer to Note 40 for Exemptions

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
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20 GOVERNMENT GRANTS AND SUBSIDIES

	161,950,512	128,666,723
Government Subsidies & Grant		
Equitable share	117,863,860	102,360,951
Financial Management	500,000	500,000
Municipal Support Programme	734,000	-
Setu Grant	484,164	637,667
DWAF	39,875,057	23,500,653
Health	2,100,000	1,050,000
Space Norwegian	75,000	142,849
Department of Housing	318,431	474,603
Capital Subsidies & Grants		
MIG Grant	327,682,162	266,067,968
DWAF Grant	62,775,150	77,174,505
DME	6,991,239	1,088,341
2010 Soccer World Cup	2,052,924	2,028,700
Provincial Grants	240,186,651	185,776,422
Public Transport Infrastructure Services	3,053,644	-
Department of Agriculture & Land Affairs	9,602,554	-
Department of Agriculture & Land Affairs	3,000,000	-
Total Government Grant and Subsidies	489,632,674	394,734,691

	2008	2007
	R	R
MIG		
Balance unpaid at beginning of year	8,436,152	11,184,104
Current year receipts	63,851,542	74,070,972
Conditions met - transferred to revenue	(62,775,150)	(77,174,505)
Transfer to	(4,525,709)	-
Transfer From	4,056,578	355,581
Conditions still to be met - transferred to liabilities (see note 9)	15,416,912	8,436,152

2008
This grant was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas.

2007
This grant was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas (included in the roads and sewerage votes in Appendix B). An amount of R3 489 000 was subsequently withheld by National Treasury due to persistent under-spending. An amount of R17 437 020 for grants receivable was not raised as a debtor due to a history of non-performance.

DWAF		
Balance unpaid at beginning of year	572,569	1,660,910
Current year receipts	7,628,000	-
Conditions met - transferred to revenue	(6,991,239)	(1,088,341)
Transfer to	(1,756,498)	-
Transfer From	2,888,548	-
Conditions still to be met - transferred to liabilities (see note 9)	2,381,280	572,569

2008
This grant was used to construct water infrastructure as part of the upgrading of informal settlement areas. No funds were withheld.

2007
This grant was used to construct water infrastructure as part of the upgrading of informal settlement areas (included in the water vote in Appendix B). No funds have been withheld.

LED		
Balance unpaid at beginning of year	16,929	90,423
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Transfer to	-	(73,494)
Transfer From	-	-
Conditions still to be met - transferred to liabilities (see note 9)	16,929	16,929

2008
Provincial LED Projects grants are used to promote Small, Medium and Micro Enterprises. The grant is spent in accordance with a business plan approved by the Provincial Government. No funds have been withheld.

2007
Provincial LED Projects grants are used to promote Small, Medium and Micro Enterprises. The grant is spent in accordance with a business plan approved by the Provincial Government. No funds have been withheld.

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
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DME		
Balance unspent at beginning of year	1,215,130	(1,131,170)
Current year receipts		2,560,000
Conditions met - transferred to revenue	(2,052,924)	(2,028,700)
Transfer to		
Transfer From		1,818,000
Conditions still to be met - transferred to liabilities (see note 9)	(837,794)	<u>1,215,130</u>

2008
This grant was used to construct electricity infrastructure as part of the upgrading of informal settlement areas. No funds were withheld.

2007
This grant was used to construct electricity infrastructure as part of the upgrading of informal settlement areas (included in the electricity vote in Appendix B). No funds have been withheld.

EDM		
Balance unspent at beginning of year	894,200	915,284
Current year receipts		-
Conditions met - transferred to revenue		-
Transfer to		(21,084)
Transfer From		-
Conditions still to be met - transferred to liabilities (see note 9)	<u>894,200</u>	<u>894,200</u>

2008
The EDM grant was used to construct roads and water infrastructure. No funds were withheld.

2007
This grant was used to construct roads and water infrastructure as part of the upgrading of informal settlement areas (included in the roads and water votes in Appendix B). No funds have been withheld.

	2008	2007
	R	R
SPORT		
Balance unspent at beginning of year	1,940	1,940
Current year receipts		-
Conditions met - transferred to revenue		-
Transfer to		-
Transfer From		-
Conditions still to be met - transferred to liabilities (see note 9)	<u>1,940</u>	<u>1,940</u>

2008
This grant was used to construct Nsikasi sport stadium (included in Appendix B). No funds have been withheld.

2007
This grant was used to construct Nsikasi sport stadium (included in Appendix B). No funds have been withheld.

Provincial		
Balance unspent at beginning of year	14,066,332	15,311,623
Current year receipts	7,781,259	1,567,148
Conditions met - transferred to revenue	(3,053,644)	-
- operational	(5,507,324)	-
Transfer to		(2,812,439)
Transfer From	(4,782,090)	-
Conditions still to be met - transferred to liabilities (see note 9)	<u>11,039,517</u>	<u>14,066,332</u>

2008
This grant was used to construct roads, water and sewerage infrastructure as part of the upgrading of informal settlement areas (included in the roads, water and sewerage votes in Appendix B). No funds have been withheld.

2007
This grant was used to construct roads, water and sewerage infrastructure as part of the upgrading of informal settlement areas (included in the roads, water and sewerage votes in Appendix B). No funds have been withheld.

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
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2010 SOCCER WORLD CUP

Balance unpaid at beginning of year	72,371,107	-
Current year receipts	918,186,061	257,113,692
Interest earned	7,511,436	-
Conditions met - transferred to revenue	(240,186,631)	(185,776,422)
Transfer to	-	-
Transfer From	-	1,033,836
Conditions still to be met - transferred to liabilities (see note 9)	<u>157,881,973</u>	<u>72,371,107</u>

2008

This is a grant used for the construction of the 2010 FIFA World Cup Stadium. The total of R 7 511 455 was interest earned 07/08.

2007

This grant was used to construct 2010 Soccer World Cup Stadium. (included in Appendix B). No funds have been withheld. An amount of R1 033 836 for grants receivable was not raised as a debtor due to a history of non-performance.

PUBLIC TRANSPORT INFRASTRUCTURE SERVICES

Balance unpaid at beginning of year	53,000,000	-
Current year receipts	(9,662,554)	-
Conditions met - transferred to revenue	-	-
Transfer to	-	-
Transfer From	1,810,000	-
Conditions still to be met - transferred to liabilities (see note 9)	<u>47,147,446</u>	<u>-</u>

2008

This grant was used to construct and improve new and existing public transport and non-motorised transport infrastructure and systems, in order to meet the needs of the 2010 FIFA World cup.

DEPARTMENT OF AGRICULTURE & LAND AFFAIRES

Balance unpaid at beginning of year	3,000,000	-
Current year receipts	(3,000,000)	-
Conditions met - transferred to revenue	-	-
Transfer to	-	-
Transfer From	-	-
Conditions still to be met - transferred to liabilities (see note 9)	<u>-</u>	<u>-</u>

2008

The purpose and the use of the grant is for implementing the development project defined as the provision of infrastructure for basic services which will be bulk water supply system.

MBOMBELA LOCAL MUNICIPALITY
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	2008 R	2007 R
21 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	157,258,867	143,466,169
Employee related costs - Social contributions	34,976,425	32,835,006
Total Employee Related Costs	192,235,292	176,301,175
Remuneration of the Municipal Manager		
Annual Remuneration	720,000	720,000
Performance Bonuses	-	-
Car Allowance	100,000	100,000
Total	820,000	820,000
Remuneration of the Chief Operations Manager		
Annual Remuneration	605,500	605,500
Performance Bonuses	-	-
Car Allowance	114,500	114,500
Total	720,000	720,000
Remuneration of the Chief Finance Officer		
Annual Remuneration	428,076	450,000
Performance Bonuses	-	-
Car Allowance	91,500	150,000
Total	519,576	600,000
Remuneration of Executive Manager - Technical Services		
Annual Remuneration	500,000	500,000
Performance Bonuses	-	-
Car Allowance	120,000	120,000
Total	620,000	620,000
Remuneration of Executive Manager - Community Services		
Annual Remuneration	288,735	-
Performance Bonuses	-	-
Car Allowance	144,000	-
Total	432,735	-
Remuneration of Executive Manager - Corporate Services		
Annual Remuneration	420,000	520,000
Performance Bonuses	-	-
Car Allowance	100,000	100,000
Total	620,000	620,000

Disclosure in terms of the MFMA, 2003, Section 124(1)(c)

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
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	2008 R	2007 R
22 REMUNERATION OF COUNCILLORS		
Executive Mayor		
Annual Remuneration	253,769	283,779
Housing	-	-
Travel Allowance	101,084	106,346
Cell Phone Allowance	12,246	13,404
Total	367,099	403,529
Deputy Executive Mayor		
Annual Remuneration	240,466	223,840
Housing	-	-
Travel Allowance	97,040	89,861
Cell Phone Allowance	14,317	13,404
Total	351,823	327,105
Speaker		
Annual Remuneration	240,467	223,840
Housing	-	-
Travel Allowance	97,040	89,861
Cell Phone Allowance	14,317	13,404
Total	351,824	327,105
Mayoral Committee Members		
Annual Remuneration	1,233,822	1,223,400
Housing	-	-
Travel Allowance	500,352	496,496
Cell Phone Allowance	75,326	76,964
Total	1,809,500	1,796,860
Councillors		
Annual Remuneration	5,700,591	5,319,579
Travel Allowance	2,227,475	2,098,538
Cell Phone Allowance	558,595	551,255
Office Allowance	-	0
Total	8,497,061	7,969,372
Councillors' pension contribution	1,154,682	1,161,289
Councillors' medical contribution	289,451	232,148
Total Councillors' Remuneration	12,821,440	12,217,408

In-kind Benefits

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

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

The Executive Mayor has one full-time bodyguard.

Disclosure in terms of the MFMA, 2003, Section 124(1)(e)

Certification by the Administrator

I, France Sgananda Sibona, Acting Municipal Manager certify that the remuneration of councillors are in accordance with the Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination of the upper limits of the salaries, allowances and benefits as published in government gazette 27138, dated 21 December 2004.

Signed: Acting Municipal Manager

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
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	2008 R	2007 R
23 BAD DEBTS		
Opening balance	142,913,932	175,801,097
Adjustment	(60,957)	-
Contribution to the bad debt provision	33,391,827	37,657,344
Bad debts written off	(761,525)	(70,544,509)
Closing Balance	177,482,877	142,913,932
24 INTEREST ON EXTERNAL BORROWINGS		
External loans	10,885,051	12,649,059
Finance leases	-	-
Bank overdrafts	-	-
Total Interest on External Borrowings	10,885,051	12,649,059
25 BULK PURCHASES		
Electricity	110,704,382	96,980,639
Water	4,942,872	2,075,938
Total Bulk Purchases	115,647,254	99,056,577
26 CASH GENERATED BY OPERATIONS		
Net surplus for the year	372,453,999	260,987,490
Adjustments Previous Years:		
Operating Income and Expenditure	(1,674,222)	-
Offsetting Depreciation	16,280,698	14,602,111
Transfer to CCR	(12,454,873)	(28,000,000)
Transfer to Leave Reserve	-	(3,103,276)
Transfer to NDR Utilised Capital	(327,682,163)	(266,067,967)
Transfer to Surplus Operating Income	-	(3,210,217)
Transfer from CRR	34,299,613	28,000,000
Transfer from NDR Operating Expenditure	-	465,044
Transfer from Accumulated Surplus	-	335,692
Depreciation	15,830,927	29,253,589
Gain on disposal of property, plant and equipment	(1,425,230)	(601,043)
Reserves	291,665,161	291,127,928
Provisions	3,233,250	1,361,834
Contribution to bad debt provision	34,629,902	-
Interest Received	(30,121,700)	(21,330,963)
Interest paid	10,885,051	12,649,059
Operating surplus before working capital changes:	425,910,313	316,469,301
Increase in inventories	(2,391,056)	(3,475,945)
Increase in debtors	(9,103,132)	1,317,274
Increase in other debtors	20,697,855	(10,367,787)
Increase in vat	(1,320,103)	20,920,033
Increase in conditional grants and receipts	196,391,659	70,264,712
Increase in creditors	8,292,088	16,766,252
Increase in Provision	3,119,250	-
Cash generated by operations	581,210,875	411,893,840
27 CASH AND CASH EQUIVALENTS		
Balance at the end of the year	211,462,794	117,379,715
Balance at the beginning of the year	117,379,715	117,513,920
Net increase/(decrease) in cash and cash equivalents	94,083,079	(134,205)

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
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		2008 R	2007 R
28 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE			
MANAGEMENT ACT			
Contributions to SALGA			
	Opening balance		-
	Council subscriptions	431,773	1,361,837
	Amount paid - current year	635,773	1,361,837
	Amount paid - previous years		-
	Balance unpaid (included in creditors)		-
Audit fees			
	Opening balance	814,067	306,357
	Current year audit fee	1,794,362	814,067
	Amount paid - current year	727,840	306,357
	Amount paid - previous years	1,079,965	-
	Balance unpaid (included in creditors)	800,624	814,067
VAT			
VAT inputs receivables and VAT outputs receivables are shown in note 11.			
All VAT returns have been submitted by the due date throughout the year.			
PAVE			
	Opening balance		-
	Current year payroll deductions	21,462,067	19,922,673
	Amount paid - current year	21,462,067	19,922,673
	Amount paid - previous years		-
	Balance unpaid (included in creditors)		-
LIFE			
	Opening balance		-
	Current year payroll deductions	2,485,360	2,295,015
	Amount paid - current year	2,485,360	2,295,015
	Amount paid - previous years		-
	Balance unpaid (included in creditors)		-
Skill Development Levies			
	Opening balance		-
	Current year payroll deductions	1,492,313	1,348,723
	Amount paid - current year	1,492,313	1,348,723
	Amount paid - previous years		-
	Balance unpaid (included in creditors)		-
Group Insurance Deductions			
	Opening balance		-
	Current year payroll deductions and Council Contributions	2,545,873	2,284,698
	Amount paid - current year	2,545,873	2,284,698
	Amount paid - previous years		-
	Balance unpaid (included in creditors)		-
Pension Fund Deductions			
	Opening balance		-
	Current year payroll deductions and Council Contributions	35,887,741	33,360,025
	Amount paid - current year	35,887,741	33,360,025
	Amount paid - previous years		-
	Balance unpaid (included in creditors)		-
Medical Aid Deductions			
	Opening balance		-
	Current year payroll deductions and Council Contributions	13,550,407	12,014,555
	Amount paid - current year	13,550,407	12,014,555
	Amount paid - previous years		-
	Balance unpaid (included in creditors)		-

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
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Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at -

30th June 2008	Total	Outstanding Less Than 90 Days	Outstanding More Than 90 Days
Councillor TK Mabilane	R 513,31	R 87,84	R 425,47
Councillor ZM Boroko	R 2,294,28	R 39,12	R 2,255,16

Directors arrear consumer and other accounts

The following Director had arrear accounts outstanding for more than 90 days as at -

30th June 2008	Total	Outstanding Less Than 90 Days	Outstanding More Than 90 Days
RC Matola	R 7,191,97	R 128,40	R 7,063,57

Note that there is an arrangement of paying arrear debt by Director RC Matola

The following Councillors had arrear accounts outstanding for more than 90 days as at -

30th June 2007	Total	Outstanding Less Than 90 Days	Outstanding More Than 90 Days
Councillor DP Tau	R 3,573,42	R 325,30	R 3,248,12
Councillor MJ Mabi	R 5,893,81	R 123,17	R 5,770,64

Directors arrear consumer and other accounts

The following Director had arrear accounts outstanding for more than 90 days as at -

30th June 2007	Total	Outstanding Less Than 90 Days	Outstanding more Than 90 Days
DC Mogale	R 367,04		R 367,04

29 UTILIZATION OF LONG TERM LIABILITIES

RECONCILIATION

Long term liabilities (see note 6)	(76,458,096)	(86,031,367)
Used to finance property, plant and equipment at cost	17,684,242	15,143,961
Sub-Total	(58,773,854)	(70,887,406)
Cash set aside for the repayment of long term liabilities (see note 12)	17,684,242	15,143,961
Cash invested for the repayment of long term liabilities	17,684,242	15,143,961

30 IRREGULAR EXPENDITURE DISALLOWED, FRUITLESS & WASTEFUL EXPENDITURE

2008	2007	
Incident	Disciplinary Steps/Criminal Proceedings	Amount
Payment of Bonuses	Still busy with investigation	721,368
Botmae PPP	Still busy with investigation	498,750
Mass Containers	Still busy with investigation	314,988
Fraudulent Overtime Payment	Still busy with investigation	11,822
Rebuilding of KaNyamazane Stadium Hall	Still busy with investigation	18,870
Absent from Office	Still busy with investigation	
Contract with Asset West Finance as ceded to IN	Still busy with investigation	5,987,644
Payment of acting allowances	Still busy with investigation	
	Salary and benefits of incumbent for period 1/12/2007 until 30/03/2008	
	Acting allowances of a acting CFO, for seven days.	
2007	Disciplinary Steps/Criminal Proceedings	Amount
Theft	Employee Resigned / SAPS Found Guilty / Money Recovered from Pension	66,559
Theft	Employee Resigned / SAPS Found Guilty - Suspended Sentence	22,267
Supply and Delivery of Mass Containers, Tender Number CO1/2005		314,988

31 COMMITMENTS

31.1 Capital Commitments

Commitments in respect of capital expenditure:

- Approved and contracted for

	2008	2007
	R	R
Infrastructure	254,460,134	43,949,369
Community	19,645	82,143,113
Other	1,637,105	3,361,984
Total	256,116,884	129,454,466

This expenditure will be financed from:

-External Loans	9,225,885	21,347,863
-Capital Replacement Reserve	23,173,417	8,688,594
-Government Grants	223,717,582	99,418,009
Total	256,116,884	129,454,466

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2008

31.2 Operating Leases - Expenditure

The future minimum lease payments payable under operating leases are as follows:

	2008 R	2007 R
- Within One year	88,730	-
- In second to fifth year	191,152	-
- Later than five years	-	-
32 OTHER INCOME		
The following abnormally high revenue accrued:		
Building Plans Fees	-	190,672
Electricity Connections Fees	-	2,318,348
Interest on Current Account	-	1,337,981
33 GENERAL EXPENDITURE		
No abnormal expences accrued during 2007/2008		
34 RETIREMENT BENEFIT INFORMATION		
The municipality provides for retirement benefits to its employees and councillors and contribute to the under - mentioned pension funds:		
Joint Municipal Pension Fund		
Municipal Employees Pension Fund		
Municipal Gratuity Fund		
SANLAM Pension Fund		
Councillors are members of the Municipal Councillor's Pension Fund that was established in terms of the Remuneration of Public Office Bearers Act 1998 (Act 20 of 1998).		
The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.		
All Pension Funds are defined contribution plans.		
35 IN KIND DONATIONS AND ASSISTANCE		
Secondment of International Finance Advisor and Interns by National Treasury for 2 years		
36 COMPARISON WITH THE BUDGET		
The comparison of the Municipality's actual financial performance with that budgeted is set out in Appendix E(1) and E(2)		
37 OTHER INFORMATION		
The Municipality was placed under administration since the 20 February 2008 by the MEC for Local Government and Housing under Section 139 (i)(b).		
The Executive Mayor resigned with effect from 25 April 2008 which resulted in the disbanding of the Mayoral Committee referred to on page 1 of the Financial Statements. These Mayoral Committee Members with effect from 25 April 2008 were paid as ordinary Councillors.		
Delegated powers of the Mayoral Committee, as stipulated on page 1, were revoked and the Administrator assumed these duties.		
A new Executive Mayor was elected by the Municipal Council on the 29 May 2008.		
The Muntipal Manager was suspended since 22 November 2007 with full pay pending investigations.		

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2008

38 CONTINGENT LIABILITY

2008				
Parties	Nature of the claim & status report	Amount claimed R	Estimated contingency liability R	Estimated legal cost R
Botmac Mbombela (Pty) Ltd / MLM	Breach of contract based on failure to honour payment and loss of future income due to MLM's repudiation of the of public Private Partnership agreement. MLM has been advised to settle without prejudice and without admission of liability. Matter may be settled.	1,978,804	5,000,000	1,000,000
Telegenix 655 Trading CC / MLM	Claim emanates from termination of a tender following a court order which set aside the award. Based on legal advice Council is defending the matter.	7,313,522	200,000	100,000
NR Nkosi / MLM / Buscor (Pty) Ltd	Claim emanates from bodily injuries suffered in a bus accident MLM is joined as a third party in this action on the basis of contributory negligence occasioned by newly constructed speed humps without warnings. MLM has been advised to tender 20 % of proven damages suffered by the plaintiff.	835,013	160,000	12,000
Bellim MK / MLM	Claim emanates from inadequately constructed storm water drainage system which was flooded and caused property damages. The amount claimed is allegedly a reasonable repair or replacement costs of the damaged good.	100,000	40,000	25,000

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2008

38 CONTINGENT LIABILITY

2008				
Parties	Nature of the claim & status report	Amount claimed	Estimated contingency liability	Estimated legal cost
		R	R	R
GXZ Business Enterprises / MLM	Claim emanates from a fire that destroyed a business and stock. MLM's fire fighter allegedly failed or neglected to carry out their duty to extinguish the fire, rescue property etc. The breakdown of the fire truck was due to mechanical failure. No summons has been served. Claim referred to insurance for consideration.	1,301,475	2,000,000	500,000
MLM / Relanc Trading CC	MLM is the plaintiff in this matter. The claim emanates from breach of contract of sale of an immovable property, in that the defendant breached the contract by failing to make payments. The orders sought are for cancellation of the deed of sale, return of possession of the property and payment of rates	6,127	None	40,000
MLM / Morgan C	MLM is the plaintiff in this matter. MLM seeks an order to cancel sale of immovable property	None	None	30,000
Smith PA / MLM	The claim emanates from a damaged canal which caused damages to the plaintiff's property. Technical services directorate has ruled no negligence on MLM as the cause of loss is a foreign concrete block which fell as a result of flooding into the canal	100,000	40,000	15,000
Mdluli P / MLM	This application to interdict transfer of the land on which the 2010 world cup stadium is being constructed into MLM's name.	None	None	150,000

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2008

38 CONTINGENT LIABILITY

2008				
Parties	Nature of the claim & status report	Amount claimed R	Estimated contingency liability R	Estimated legal cost R
Saamstaan (Pty) Ltd /MLM	This claim emanates from termination of a lease agreement. MLM has been advised to settle the claim. Summonses have not being served. Preliminary settlement negotiations ongoing	533,631	347,646	None
FP Prollius / V Sibiya / MLM	This claim emanates from a defamation related incident. MLM is alleged to be vicariously liable as the employee concerned was acting within the scope and cause of his employment at the time of the incident.	100,000	None	30,000
Ensemble Trading / MLM	This claim emanates from a cession of rights and interest in a tender. The cession agreement was allegedly communicated to Council. The delivery of the cession is disputed.	2,540,042	1,000,000	100,000
Cas Le Roux / MLM	This matter emanates from an unfair dismissal. Matter has been settled following a legal opinion. The amount payable representing reinstatement salaries will take into account the salary received and tax liability	800,000	600,000	40,000
Bert Houy / MLM	Matter relates to placement of employees. The matter is being resolved by establishing a committee to look into whether the employees involved were properly placed. There is no order for payment of money being sought.	None	None	45,000
Municipal Employees Pensions Fund	The claim is for payment of arrear pension fund contributions. An agreement has been reached with the plaintiff's attorneys to pend the matter to allow investigations. The matter will be settled as investigations revealed that there are no arrears owing.	106,225	None	None

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2008

38 CONTINGENT LIABILITY

2008				
Parties	Nature of the claim & status report	Amount claimed R	Estimated contingency liability R	Estimated legal cost R
Nedcor / MLM / Fig Tree Hotel	Claim for proceed of sale in execution following a judgement in favour of MLM. The property sold was subject to a mortgage by Nedcor. The civil action will be withdrawn. The judgement was for rates and taxes of which are preferential claims.	520,000	None	40,000
Machaba M & Others / MLM	Claim for recovery of reasonable replacement costs of property demolished without a court order. Matte may be settled by public liability insurance. If insurance repudiates, a reasonable offer as per legal advice will be considered by MLM	437,624	14,800	6,000

2007

- (1). Action was instituted against the Municipality by Telegenix 655 Trading CC in the amount of R7 313 522.36
- (2). Botmac Mbombela (Pty) Ltd, they claimed R19 million. Attorney's estimate of financial exposure (inclusive of costs and disbursements) is R6 000 000. Attorney's remarks: Matter may be settled.

39 AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE

2008		
Name of the Person	The Capacity in which that person is in the service of the state	The Amount of the Award
Sigananda Sibozza	Chief Operational Manager	R 33.94 per Ream for 24 months
Sigananda Sibozza	Chief Operational Manager	R 61.71 per Ream for 24 months
Bulelani Ngcuka	Deputy President of the RSA - Her husband is a substantial share holder of the company.	R 810,097,694

The amount of the outstanding transactions are calculated as follows:

Appointed Contract	R 810,097,694
Expenditure until 30 June 2008	R 323,703,635
Outstanding Balance	R 486,394,059

Disclosure in terms of the Government Gazette 27636, dated 30 May 2005, section 45

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2008

40 LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT 2003, EXEMPTIONS
General Notice 552 of 2007, issued in Government Gazette no. 30013 of 29 June 2007

Financial reporting standard	Extent of exemption from standard	Milestones to be achieved to comply with exemption	Expiry date of compliance
Property, plant and equipment (GAMAP 17)	Review of useful life of items of PPE recognized in the annual financial statements [paragraphs 59 – 61, and 77]	ELECTRICAL ASSETS:REDS Appoint a service provider to assist municipality due lack of capacity Identification & componentization of assets Measurement & recognition of assets Classification of PPE Update asset register WATER & OTHER INFRASTRUCTURE ASSETS: Appoint service provider to assist municipality due to lack of capacity Identification & componentization of assets Measurement & recognition of assets Development of Asset Management Plans for Water, Sanitation, Streets & Storm water Classification of assets Training of asset management personnel on asset management Update asset register with assistance of service provider due to capacity Recalculate financial ratios: solvability, etc municipality due to nature of the work to be done and lack of expertise. However, the municipality will budget for what it could afford during the budget process for 2008/09. Risk Management	June 2008
	Review of depreciation method applied to PPE recognised in the annual financial statements [paragraphs 62 and 77]	Determine life span & method of depreciation with the assistance of service provider due to capacity challenge or with assistance of International Financial Advisor allocated to municipality by National Treasury	June 2008
	Impairment of non-cash-generating assets [paragraphs 64 – 69 and 75(e)(v) – (vi)]	Identification of non-cash generating assets	June 2008
	Impairment of cash-generating assets [paragraphs 63 and 75(e)(v) – (vi)]	Identification of cash generating assets	June 2008
Impairment of Assets (IAS 36/AC 128)	Entire Standard		June 2008
Inventories (GAMAP 12)	The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17	Land audit to identify undeveloped & developed land for the municipality	June 2008
	The entire standard to the extent that it relates to water stock that was not purchased by the municipality	Appoint service provider to assist Civil engineering due to lack of expertise	June 2008
Investment Property (IAS 40/AC 135)	The entire standard to the extent that the property is accounted for in terms of GAMAP 17	Not applicable	June 2008
	Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of the standard [paragraphs 70(e)(i) – (ii)]	Not applicable	June 2008

MBOMBELA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2008

Leases (IAS 17/AC 105)	Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement. <i>(SAICA circular 12/06 paragraphs 8 – 11 and paragraphs 33, 34, 50, 51 of IAS 17/AC 105)</i>	Analyze all leases of the municipality	June 2008
Intangible Assets (IAS 38/AC 129)	The entire standard except for the recognition, measurement and disclosure of computer software equipment and website costs (SIC 32/AC 432) and all	Compliant	June 2008
Employee Benefits (IAS 19/AC 116)	Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative	Appoint Actuarial if municipal Pension Administrator cannot provide assistance	June 2008
Revenue (GAMAP 9)	Initial measurement of fair value discounting all future receipts using an imputed rate of interest. <i>(SAICA circular 09/06 and paragraph 12)</i>	Assess/review system designs for initial measurement of fair value with assistance of Business Connection – IT Contract Manager & International Financial Advisor	June 2008
Financial Instruments: Recognition and Measurement (IAS 39/AC 133)	Initially measuring financial assets and financial liabilities at fair value. <i>(SAICA circular 09/06, paragraph 43, AG 79, AG 64 and AG 65 of IAS 39/ AC 133)</i>	Conduct an analysis to ensure that all Financial Instruments are recognition and measurement	June 2008
Non-current Assets held for Sale and Discontinued Operations (IFRS 5/AC142)	Classification, measurement and disclosure of non-current assets held for sale. <i>(paragraphs 6 – 14, 15 – 29 in so far as it relates to non-current assets held for sale), 38 – 42)</i>	Not Applicable	June 2008
Financial Instruments: Disclosures (IFRS 7/AC 144)	Entire Standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998	Conduct an analysis to ensure that all Financial Instruments are recognition and measurement	June 2008
Construction Contracts (IAS 11/AC 109)	Entire Standard	An assessment on the 2010 stadium with assistance of the International Financial Advisor / a service provider due lack of expertise within the municipality.	June 2008
Business Combinations (IFRS 3/AC 140)	Entire Standard	Not applicable	June 2008
Accounting for Government Grants and disclosure of Government (IAS 20/AC 134)	Entire Standard excluding paragraph 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42 – 46 of GAMAP 9	Fully compliant to this standard.	June 2006

The fact that the comparative (i.e. the 2005/2006 accounting policy and disclosures) may not be consistent with the current year accounting policies and disclosures due to the application of the exemptions.

APPENDIX A MBOMBELA LOCAL MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008						
EXTERNAL LOANS	Balance at 01/07/07	Received during year	Redeemed or written off during Year	Deferred Interest	Balance at 30/06/08	
EXTERNAL LOANS						
LOAN NO	%	REDEMABLE				
Local Registered Stock:						
3	11.60%	1976/2001			3,000	
79A	17.20%	30/06/2011			2,900,000	
80A	17.00%	30/06/2011			9,000,000	
					11,903,000	
Annuity Loans:						
ABSA						
R 14,350,000	13.10%	2002/2012			8,496,629	
Delta						
R1,000,000					769,139	
Development Bank of South Africa						
R 22,000,000	15.50%	1998/2016			19,186,525	
INCA						
R 25,000,000	10.50%	2005/2020			22,593,684	
R 20,000,000	16.43%	2000/2009			3,070,237	
R 15,000,000	12.61%	2001/2011			6,665,039	
R 8,300,000	12.61%	2002/2011			3,773,843	
					64,555,096	
					(40,092)	
					76,458,096	

**APPENDIX B
MBOMBELA LOCAL MUNICIPALITY: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008**

	COST						ACCUMULATED DEPRECIATION					
	Opening Balance	Additions	Transfer To and From	Disposals/Transfers	Closing Balance	Opening Balance	Additions	Disposals/Transfers	Closing Balance	Carrying Value		
Land and Buildings												
Civic Land & Buildings	16,969,239	-	-	-	16,969,239	1,590,160	390,123	-	1,980,283	14,988,956		
Other Land & Buildings	70,050,718	778,965	-	-	70,829,683	23,997,026	1,867,728	-	25,864,754	45,264,929		
	87,019,957	778,965			87,798,922	25,587,186	1,957,851		27,545,037	60,253,885		
INFRASTRUCTURE												
Roads, Pavements, Bridges & Stormwater	298,158,705	40,541,635	-	-	338,700,340	93,430,627	10,183,282	-	103,613,909	235,086,431		
Water Reservoirs & Reticulation	412,384,386	40,056,265	-	-	452,440,651	124,441,518	12,676,844	-	137,118,362	315,302,289		
Sewerage Purification & Reticulation	64,752,383	15,101,840	-	-	79,854,223	7,766,998	2,157,076	-	9,924,074	69,930,149		
Car Parks, Bus Terminals & Taxi Ranks	923,491	-	-	-	923,491	153,511	23,087	-	176,598	746,893		
Electricity Reticulation	49,274,899	1,195,999	-	-	50,470,898	8,570,408	2,352,184	-	10,922,592	50,310,706		
Housing	2,418,044	-	-	-	2,418,044	581,165	48,361	-	629,526	1,788,518		
Street Lighting	5,349,533	945,978	-	-	6,295,511	1,814,154	257,665	-	2,071,819	3,623,092		
Refuse sites	5,268,528	2,425,867	-	-	7,694,395	376,950	293,223	-	670,173	7,024,223		
Other	11,453,732	7,887,815	-	-	19,341,547	4,949,694	379,125	-	5,328,819	14,012,728		
	849,983,702	118,297,199			968,280,901	242,085,025	28,370,847		270,455,872	697,825,029		
COMMUNITY ASSETS												
Establishment of Parks & Gardens	8,489,291	245,219,022	-	-	253,708,313	2,035,039	169,487	-	2,204,526	251,503,786		
Sportfields	198,503,957	10,000	-	-	198,513,957	1,039,098	300,645	-	1,339,743	197,174,214		
Community Halls	1,360,764	-	-	-	1,360,764	381,290	40,010	-	421,300	939,464		
Libraries	184,736	-	-	-	184,736	42,480	4,311	-	46,791	137,945		
Recreational Facilities	3,529,537	-	-	-	3,529,537	1,145,549	126,732	-	1,272,281	2,257,256		
Clubs	27,816	-	-	-	27,816	27,815	-	-	27,815	1		
Other	4,303,660	539,625	-	-	4,843,285	416,942	92,235	-	509,177	4,334,108		
	216,399,760	245,768,647			462,168,407	5,088,213	733,420		5,821,633	456,346,775		
Total Carried Forward	1,153,403,419	364,844,811			1,518,248,230	272,760,424	31,062,118		303,822,542	1,214,425,689		

**APPENDIX B
MBOMBELA LOCAL MUNICIPALITY: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008**

	COST						ACCUMULATED DEPRECIATION							
	Opening Balance	Additions	Transfer To and From	Dispose/Transfers	Closing Balance	Opening Balance	Additions	Dispose/Transfers	Closing Balance	Opening Balance	Additions	Dispose/Transfers	Closing Balance	Carrying Value
Total Brought Forward	1,153,403,419	364,844,811	-	-	1,518,248,230	272,760,424	31,062,118	-	303,822,542	1,214,425,689				
OTHER ASSETS														
Other Motor Vehicles	39,038,638	2,520,317	-	605,345	40,953,610	27,891,217	2,006,714	300,240	29,397,691	11,355,919				
Plant & Equipment	16,588,164	228,098	-	-	16,816,262	15,718,133	657,324	-	16,375,457	440,805				
Office Equipment	272,496	-	-	-	272,496	24,525	8,450	-	29,975	242,521				
Abattoirs	387,955	-	-	-	387,955	85,442	36,256	-	121,698	266,257				
Markets	23,235,122	13,016,085	-	-	36,251,207	15,744,584	1,296,732	-	17,041,316	19,209,891				
Airports	79,522,375	15,764,500	-	605,345	94,688,530	59,463,591	4,002,476	300,240	63,166,137	31,515,394				
Security Measures	78,904	-	-	-	78,904	-	986	-	986	77,918				
Other	78,904	-	-	-	78,904	-	986	-	986	77,918				
HERITAGE ASSETS														
Heritage Assets	4,548,027	-	-	-	4,548,027	490,035	391,871	-	881,906	3,666,121				
SPECIALISED VEHICLES														
Refuse	827,150	-	-	-	827,150	124,073	55,143	-	179,216	647,934				
Fire	3,513,466	665,776	-	-	4,179,242	614,109	755,347	-	308,333	3,870,909				
Conservancy	8,888,643	665,776	-	-	9,554,419	614,109	755,347	-	1,369,456	8,184,964				
TOTAL	1,241,893,341	381,275,087	-	605,345	1,622,563,083	332,838,433	35,820,927	300,240	368,959,120	1,254,203,964				

Refer to Note 40 for Exemptions

APPENDIX C
MBOMBELA LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	COST						ACCUMULATED DEPRECIATION					
	Opening Balance	Additions	Transfer To and From	Disposals/Transfers	Closing Balance	Opening Balance	Additions	Disposals/Transfers	Closing Balance	Carrying Value		
EXECUTIVE & COUNCIL	191,654,432	269,064,732	-	-	460,719,164	1,801,644	1,120,714	-	2,922,358	457,796,806		
Council General	713,713	-	-	-	713,713	404,289	10,467	-	414,756	298,957		
Executive Mayor & Councillors	1,089,173	-	-	-	1,089,173	551,400	181,675	-	733,075	356,098		
Municipal Manager	238,063	266,386	-	-	504,449	243,139	1,120	-	244,259	280,190		
Chief Operations Manager	189,593,483	268,798,346	-	-	458,391,829	602,816	927,452	-	1,530,268	456,861,561		
FINANCE & ADMINISTRATION	30,020,419	583,903	-	-	30,604,322	17,233,256	736,613	-	17,969,869	12,634,453		
Chief Financial Officer	3,071,050	-	-	-	3,071,050	2,713,121	159,230	-	2,872,351	198,699		
Financial Planning	549,183	-	-	-	549,183	430,960	7,008	-	437,968	111,215		
Income and Revenue Management	2,031,512	383,903	-	-	2,615,415	1,750,650	21,014	-	1,771,664	843,751		
Debt Collection and Credit Control	1,266,122	-	-	-	1,266,122	1,264,804	214	-	1,265,018	1,104		
Information Technology (Computer Service)	431,722	-	-	-	431,722	-	21,568	-	21,568	410,154		
Human Resources	628,381	-	-	-	628,381	242,091	33,836	-	275,927	352,454		
Support Services	2,895,661	-	-	-	2,895,661	1,968,349	-	-	1,968,349	927,312		
Properties	18,292,878	-	-	-	18,292,878	8,107,713	490,975	-	8,598,686	9,694,192		
Administration & Legal Service	822,325	-	-	-	822,325	723,983	2,770	-	726,753	95,572		
Director Corporate Service Administration	31,585	-	-	-	31,585	31,585	-	-	31,585	-		
PLANNING & DEVELOPMENT	27,449,298	6,722,922	-	-	34,172,220	9,753,331	944,193	-	10,697,524	23,474,696		
Planning & Development	17,805,523	3,008,323	-	-	20,813,846	6,274,633	802,369	-	7,097,002	13,716,844		
Technical & Civil Engineering	9,643,775	3,714,599	-	-	13,358,374	3,478,698	121,824	-	3,600,522	9,757,852		
ROAD TRANSPORT	334,337,620	39,035,037	-	115,641	373,257,016	109,257,205	11,533,831	115,641	120,665,395	252,591,621		
Vehicle Licensing & Testing	7,639,197	-	-	-	7,639,197	1,758,264	270,698	-	2,028,762	5,610,435		
Roads & Stormwater	286,909,987	39,035,037	-	115,641	325,829,383	83,745,034	11,253,333	115,641	94,882,726	230,946,657		
Roads Other	39,788,436	-	-	-	39,788,436	23,753,907	-	-	23,753,907	16,034,529		
Total Carried Forward	583,461,769	315,406,594	-	115,641	898,732,722	138,045,436	14,323,351	115,641	152,255,146	746,497,576		

APPENDIX C
MBOMBELA LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	COST					ACCUMULATED DEPRECIATION				
	Opening Balance	Additions	Transfer To and From	Disposals/Transfers	Closing Balance	Opening Balance	Additions	Disposals/Transfers	Closing Balance	Carrying Value
Total Brought Forward	583,461,769	315,406,594	-	115,641	898,752,722	138,045,456	14,325,531	115,641	152,255,146	746,497,576
COMMUNITY & SOCIAL SERVICES	59,223,732	4,293,472	-	-	63,517,204	20,515,097	1,111,981	-	21,627,078	41,890,126
Health Services	707,233	-	-	-	707,233	501,065	38,496	-	539,561	167,672
Libraries & Archives	1,273,555	1,251,755	-	-	2,525,308	305,745	21,809	-	327,554	2,197,754
Museums & Art Galleries	12,714,226	94,800	-	-	12,809,026	3,365,678	315,923	-	3,681,601	9,127,425
Community Halls, Culture Centres & Facilities	14,053,112	2,145,321	-	-	16,198,433	5,820,888	342,739	-	6,163,627	10,034,806
Civic Centre	21,551,949	-	-	-	21,551,949	8,515,415	-	-	8,515,415	13,036,534
Cemeteries & Crematoriums	6,340,591	801,598	-	-	7,142,189	644,408	148,741	-	793,149	6,349,040
Director Community Services	2,583,066	-	-	-	2,583,066	1,361,898	244,273	-	1,606,171	976,895
PUBLIC SAFETY	21,750,458	2,676,872	-	340,473	24,066,854	12,522,837	1,030,321	154,753	13,468,405	10,598,449
Fire & Rescue	6,902,294	1,016,140	-	-	7,918,434	3,923,330	267,046	-	4,190,376	3,728,058
Public Safety Other	14,848,161	1,660,732	-	340,473	16,168,420	8,609,407	763,275	154,753	9,218,029	6,950,391
SPORT & RECREATION	14,522,835	-	-	-	14,522,835	1,943,382	404,328	-	2,347,710	12,175,125
Sport & Recreation	14,522,835	-	-	-	14,522,835	1,943,382	404,328	-	2,347,710	12,175,125
WASTE MANAGEMENT	141,203,163	15,856,940	-	-	157,060,103	48,647,664	5,240,009	-	53,887,673	103,172,430
Refuse & Solid Waste	20,235,497	2,908,275	-	-	23,143,772	10,481,616	789,207	-	11,270,823	11,872,949
Sewerage	120,967,666	12,948,665	-	-	133,916,331	38,166,048	4,450,802	-	42,616,850	91,299,481
HOUSING	7,643,634	-	-	-	7,643,634	2,427,401	10,775	-	2,438,176	5,205,458
Housing	7,643,634	-	-	-	7,643,634	2,427,401	10,775	-	2,438,176	5,205,458
WATER	257,671,809	31,631,334	-	149,232	289,151,911	42,986,557	7,224,478	29,846	50,184,189	238,967,722
Water Distribution	198,413,683	31,157,136	-	149,232	229,421,587	32,933,934	5,865,166	29,846	38,767,254	190,654,333
Water Purification	59,258,126	474,198	-	-	59,732,324	10,052,623	1,361,312	-	11,416,935	48,315,389
ELECTRICITY	156,415,944	11,409,874	-	-	167,825,818	65,737,069	6,473,685	-	72,210,744	95,615,074
Electricity Distribution	105,304,519	11,409,874	-	-	116,714,393	63,549,624	6,473,685	-	70,023,309	46,691,084
Streetlighting	51,111,425	-	-	-	51,111,425	2,187,435	-	-	2,187,435	48,923,990
TOTAL	1,241,893,341	381,275,066	-	605,346	1,622,563,081	332,838,433	35,820,928	300,240	368,359,121	1,254,203,960

Refer to Note 40 for Exemptions

**APPENDIX D
MBOMBELA LOCAL MUNICIPALITY
SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

	2007		2008		2008 SURPLUS/ (DEFICIT) R
	ACTUAL INCOME R	ACTUAL EXPENDITURE R	ACTUAL INCOME R	ACTUAL EXPENDITURE R	
	102,477,881	97,904,272	117,863,860	110,287,767	7,576,093
	178,765,206	99,961,856	202,476,843	118,000,026	84,476,817
	5,070,322	16,884,800	6,823,413	16,512,803	(9,689,390)
	1,283,169	10,475,235	2,309,130	8,850,082	(6,540,952)
	186,601,811	36,496,732	251,138,695	38,636,166	212,502,529
	50,679,942	83,915,958	59,108,179	93,959,904	(34,851,725)
	65,727,002	70,132,855	58,190,074	82,599,067	(24,408,993)
	18,773,005	43,791,423	34,404,211	45,494,559	(11,090,348)
	76,356,846	73,564,491	85,379,149	81,042,881	4,336,268
	169,653,650	159,313,883	191,880,957	176,378,548	15,502,409
	855,388,834	692,441,505	1,009,574,511	771,761,803	237,812,708
	-	(127,293,750)	-	(134,710,321)	134,710,321
	855,388,834	565,147,755	1,009,574,511	637,051,482	372,523,029

APPENDIX E(1)
MBOMBELA LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)
FOR THE YEAR ENDED 30 JUNE 2008

	2008 ACTUAL R	2008 BUDGET R	2008 ADJUSTMENT BUDGET R	2008 VARIANCE R	2008 VARIANCE %	EXPLANATION OF SIGNIFICANT VARIANCES GREATER THAN 10% VERSUS BUDGET
REVENUE						
Property Rates	142,044,993	139,613,922	143,157,000	(1,112,007)	-0.78%	
Service Charges	243,480,438	248,994,995	255,708,961	(12,228,523)	-4.78%	
Rental of Facilities and Equipment	1,932,194	2,087,366	2,087,366	(155,172)	-7.43%	
Interest Earned - External Investments	30,121,700	7,475,843	17,474,893	12,646,807	72.37%	The increase is mainly attributable to the increases of the prime interest rates
Interest Earned - Outstanding Debtors	16,390,889	12,107,101	12,107,101	4,283,788	35.38%	Increase in debtors
Fines	3,384,898	10,070,054	10,070,054	(6,685,156)	-66.39%	Traffic Violations of BOTIMAC been suspended
Licences and Permits	2,257,573	857,877	857,877	1,399,696	163.16%	Increase in licensing fees
Income for Agency Services	47,476,381	35,905,340	40,607,474	6,868,907	16.92%	Increase in public vehicles and licence fees
Government Grants and Subsidies	161,950,512	153,023,739	153,565,554	8,384,958	5.46%	
Capital Grants and Subsidies	327,682,163	-	-	327,682,163	100.00%	Increase in revenue as result of unspent grant from previous financial year.
Other Income	31,363,375	34,298,124	69,772,615	(38,409,240)	-55.05%	Additional Water and Electricity Sales
Gains on Disposal of Property, Plant and Equipment	1,489,395	-	-	1,489,395	100.00%	Sold of Nelpark Flats
Total Revenue	1,009,574,511	644,434,361	705,408,895	304,165,616	43.12%	

APPENDIX E(1) MBOMBELA LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008						
EXPENDITURE	2008 ACTUAL R	2008 BUDGET R	2008 ADJUSTMENT BUDGET	2008 VARIANCE R	2008 VARIANCE %	EXPLANATION OF SIGNIFICANT VARIANCES GREATER THAN 10% VERSUS BUDGET
Employee Related Costs	192,235,293	200,387,074	209,343,691	(17,108,398)	-8.17%	
Remuneration of Councillors	12,821,340	12,973,247	12,973,247	(151,807)	-1.17%	
Depreciation	35,820,927	20,081,475	20,081,475	15,739,452	78.38%	Unfortunately under budgeted
Repairs and Maintenance	64,672,085	62,071,592	68,609,842	(4,027,757)	-5.86%	
Interest Paid	10,885,051	17,474,893	14,533,000	(3,667,949)	-25.20%	A loan was budgeted but never raised
Bank Purchases	115,647,254	104,952,636	115,510,667	136,567	0.12%	
Contracted Services	50,999,691	53,751,699	54,816,586	(3,816,895)	-6.96%	
General Expenses	113,641,768	122,712,286	143,814,582	(30,172,814)	-20.98%	Budget is underspend mainly as a result of savings.
Departmental Charges	139,511,346	134,431,302	134,431,302	5,080,044	3.78%	
Contributions to / (transfers from) Provisions	35,526,948	33,048,504	66,238,000	(30,711,052)	-46.36%	Over budgeted
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	100.00%	Insurance claim.
Less: Amounts Charged Out	(134,710,321)	(135,053,517)	(135,053,517)	343,196	-0.25%	
Total Expenditure	637,051,482	626,831,191	705,408,895	(68,357,413)	-9.69%	
NET SURPLUS / (DEFICIT) FOR THE YEAR	372,523,029	17,603,170	-	354,919,859		

APPENDIX E(2)
MBOMBELA LOCAL MUNICIPALITY
ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2008

	2008 ACTUAL R	2008 UNDER CONSTRUCTION R	2008 TOTAL ADDITIONS R	2008 BUDGET R	2008 ADJUSTMENT BUDGET R	2008 VARIANCE R	2008 VARIANCE %	EXPLANATION OF SIGNIFICANT VARIANCES GREATER THAN 5% VERSUS BUDGET
Executive & Council	269,064,732	-	269,064,732	782,800,000	943,312,410	(654,247,678)	-71.48%	Mbombela Stadium for 2010 World Cup
Finance & Admin	583,903	-	583,903	-	996,438	(412,535)	-41.40%	Due to the procurement process, the purchases of equipment and projects can't be done or started immediately
Planning & Development	6,722,922	-	6,722,922	800,000	4,245,501	2,477,421	58.35%	Due to the procurement process, the purchases of equipment and projects can't be done or started immediately
Health	4,293,472	-	4,293,472	-	3,930,122	363,350	9.25%	
Community & Social Services	4,293,472	-	4,293,472	-	1,337,024	(1,337,024)	-100.00%	Projects were delay due to late approval of business plans by government
Housing	2,676,872	-	2,676,872	4,298,000	8,408,936	(5,732,064)	-68.17%	Due to the procurement process, the purchases of equipment and projects can't be done or started immediately
Public Safety	2,676,872	-	2,676,872	4,298,000	8,408,936	(5,732,064)	-68.17%	Due to the procurement process, the purchases of equipment and projects can't be done or started immediately
Sport & Recreation	-	-	-	2,500,000	2,800,000	(2,800,000)	-100.00%	Projects were delay due to late approval of business plans by government
Waste Management	15,856,940	-	15,856,940	15,207,000	28,491,004	(12,634,064)	-44.34%	Infrastructure for World Cup
Road Transport	39,035,037	-	39,035,037	25,194,341	38,697,151	337,886	0.87%	
Water	31,631,334	-	31,631,334	89,113,459	141,337,254	(109,705,920)	-77.62%	Infrastructure for World Cup
Electricity	11,409,874	-	11,409,874	43,000,000	79,758,578	(68,348,704)	-85.69%	Infrastructure for World Cup
TOTAL	381,275,066	0	381,275,066	962,913,000	1,253,314,418	(872,039,332)	-90.56%	

Refer to Note 40 for Exemptions

ANNEXURE B



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

The Municipal Manager
Mbombela Municipality
PO Box 45
NELSPRUIT
1200

28 November 2008

Reference: 02334REG07/08
Enquiries: Ms Cousins
Ad/

REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF MBOMBELA LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008

The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act, 2004 (Act No. 25 of 2004) read in conjunction with section 188 of the Constitution of the Republic of South Africa, 1996 and section 121(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA).

In terms of sections 121(3) and 127(2) of the MFMA municipalities have to include the audit report in the municipality's annual report for tabling within seven months after the end of the financial year.

Until tabled as required by section 127(2) the report is **not a public document** and should therefore be treated as **confidential**.

As your municipality will be responsible for publishing the attached audit report as part of the annual report, you are required to do the following:

- Submit the final printer's proof of the annual report (which includes the audit report) to the relevant audit manager of the Auditor-General for verification of the audit-related references before it is printed or copied. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.
- The signature *Auditor-General* in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General's logo, should appear at the end of the report, as in the hard copy that is provided to you. The official logo will be made available to you in electronic format.

Please notify the undersigned Business Executive well in advance of the date on which the audit report, or the annual report containing this audit report, will be tabled at the municipality. Your cooperation to ensure that all these requirements are met would be much appreciated.




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

Kindly acknowledge receipt of this letter.

Yours sincerely

Signed


^ Business Executive: Mpumalanga

REPORT OF THE AUDITOR-GENERAL TO THE MPUMALANGA PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE MBOMBELA LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008

REPORT ON THE FINANCIAL STATEMENTS

Introduction

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

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 2 and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2007 (Act No. 1 of 2007 (DoRA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

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 and *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 on 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 control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
7. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

9. The municipality's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in accounting policy note 2.

Basis for qualified opinion

Property, plant and equipment

10. I was unable to confirm the existence of property, plant and equipment amounting to R98 511 503, as a result of inadequate information in the fixed asset register, e.g. descriptions, locations, asset numbers and/or bar codes. The municipality's records did not permit the application of alternative audit procedures regarding these assets. Consequently, I could not obtain sufficient appropriate audit evidence regarding the existence and completeness of these assets included in the balance of R1 254 203 962 disclosed in note 11 to the financial statements

Gains on disposal of property, plant and equipment

11. I was unable to confirm the accuracy of the gains on disposal of property, plant and equipment amounting to R1 425 230, due to a lack of supporting information to reperform the calculation.

Corresponding figures

12. Property plant and equipment was qualified in the 2006 of financial year due to lack of supporting documentation. I was unable to determine the effects of any adjustments that might have been necessary on the corresponding figures on property, plant and equipment, disclosed in note 11 to the financial statements.

Qualified opinion

13. In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to satisfy myself as to the matters described in the Basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Mbombela Local Municipality as at 30 June 2008 and its financial performance and cash flows for the

year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 2 and in the manner required by the MFMA and DoRA.

OTHER MATTERS

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Internal controls

14. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the inefficiencies in the system of internal control, which led to the qualified opinion. The root causes are categorised according to the five components of an effective system of internal control. In some instances deficiencies exist in more than one internal control component.

Reporting item	Control environment	Risk assessment	Control activities	Information and communication	Monitoring
Property, plant and equipment	X	X	X	X	X
Gains on disposal of property, plant and equipment			X		X
Corresponding figures	X		X		X

Control environment: establishes the foundation for the internal control system by providing fundamental discipline and structure for financial reporting.

Risk assessment: involves the identification and analysis by management of relevant financial reporting risks to achieve predetermined financial reporting objectives.

Control activities: policies, procedures and practices that ensure that management's financial reporting objectives are achieved and financial reporting risk mitigation strategies are carried out.

Information and communication: supports all other control components by communicating control responsibilities for financial reporting to employees and by providing financial reporting information in a form and time frame that allows people to carry out their financial reporting duties.

Monitoring: covers external oversight of internal controls over financial reporting by management or other parties outside the process; or the application of independent methodologies, like customised procedures or standard checklists, by employees within a process.

Matters of governance

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

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

OTHER REPORTING RESPONSIBILITIES

REPORT ON PERFORMANCE INFORMATION

16. I have reviewed the performance information as set out on pages xx to xx.

Responsibility of the accounting officer for the performance information

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

municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

Responsibility of the Auditor-General

18. 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.
19. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
20. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings (performance information)

Non-compliance with regulatory requirements

21. Annual performance information not submitted in time
The annual performance information to be included in the annual report in terms of section 46(1)(a)(i) and (ii) of the MSA was not compiled and submitted with the financial statements in accordance with clause 4 of *General Notice 646*.

No link between IDP and budget

22. Priorities, objectives and key performance indicators in the IDP could not be aligned to the budget.

Existence and functioning of performance audit committee

23. The audit committee did not advise the municipal council on matters relating to performance management and performance evaluation, as required by section 166(2)(a)(v) and (viii) of the MFMA and regulation 14(4)(a) and (b) of the Local Government: Municipal Planning and Performance Management Regulations, 2001. However, the audit committee discussed, in its meeting held after year-end, the annual performance information.

OTHER REPORTS

Investigations

24. The municipal manager has been suspended and the investigation in this regard has not been completed.

APPRECIATION

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

Auditor-General
Nelspruit

28 November 2008



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

ANNEXURE C

**IMPLEMENTATION PLAN TO ADDRESS ISSUES RAISED BY THE AUDITOR
GENERAL IN AUDIT FINDINGS FOR THE 2007/2008 FINANCIAL YEAR**

FINDING	CLASSIFICATION	CONTROL COMPONENTS	PLANNED ACTION	TIMELFRAME	RESPONSIBLE OFFICIAL
Lack of supporting documentation for Bursary Loans	Financial	Control Activities	All contracts are filed in individual files of applicants and bursary holders.	June 2009	Corporate Services
Provision leave Exceeding 48 hours	Control		Sections 7(3) and 7(4) of SALGBC agreement will be referred to the SALGBC and SALGA for interpretation.	June 2009	Corporate Services
Skills retention policy not in place	Control	Control Environment	A skills retention policy will be developed with the assistance of Resolve Workplace Solutions and GTZ	June 2009	Corporate Services
Employee paid full salary after termination	Financial	Control activities	Procedures to be developed to monitor performance	June 2009	Corporate Services
Overtime exceeds 30%	Control	Monitoring of controls	A new overtime Policy and strategies to prevent excessive overtime was approved by Top Management in October 2008. All line managers are requested to adhere to the policy to prevent excessive overtime and contravention of section 10 of the Basic Conditions of Employment Act, 1997.	June 2009	All line managers
Leave approved after being taken	Compliance (Non-AFS)	Monitoring of controls	It is standard work procedure that employees shall not go off duty without prior permission unless prevented by sudden illness or circumstances acceptable to management. Line managers are informed on a weekly basis of outstanding leave approvals. The electronic leave	March 2009	All line managers

			system will furthermore be programmed to refer outstanding leave approvals to the next higher line of supervision after 3 days of date of application.		
Terminations	Control	Control environment	The authority to accept resignations at a shorter notice than 30 days is delegated to the General Manager: Corporate Services. See delegation number H52.	Currently implemented	Corporate Services
Non Cancellation of lease agreement	Control	Control activities	An assessment of municipal property tenants whether agreements have been signed where there are no signed agreements, be compelled to sign one.	June 2009	Corporate Services
Late Capturing of leave	Control	Control environment	Additional staff has been appointed to ensure daily attendance to all leave matters.	Currently implemented	Corporate Services
Leave Approval after been taken	Control	Control environment	It is standard work procedure that employees shall not go off duty without prior permission unless prevented by sudden illness or circumstances acceptable to management.	Currently enforced	Corporate Services
Mayoral Benefits	Control		They are guided by the Upper Limits gazette which is published annually	Currently implemented	Corporate Services
IT and CIS control	Control	Control environment	Please note that The Department of Corporate Services is in the process of establishing the ICT Unit, which has just been established as per the newly approved organizational structure. The position of the Senior Manager: ICT	June 2009 however, a draft SLA already competed for inputs from other departments	Corporate Services

			has been advertised and shortlisted. A date for the interviews will be set for such an appointment. We are currently utilizing the services of the IT Manager for 2010, who is assisting the Department on IT related matters.		
Submission for Council approval	Financial	Risk assessment process	Mr. J. Putter addressed directly with AG		Internal Audit
Review of the financial Statement	Compliance (Non-AFS)	Risk Assessment process	AFS to submit for review for by Audit Committee before submission to the AG in August annually.	Before end of Aug 2009	Internal Audit & Treasury Services
Composition of Audit Committee	Control	Control environment	Mr. J. Putter addressed directly with AG		Internal Audit
Investigation of the Municipal Manager	Control	Control environment	Office of the AMM Or Corporate Services		Corporate Services/AMM
Payment voucher paid without invoice and order form attached	Control	Monitor of controls	No payment will take place if an invoice is not attached. Emergencies are, however, paid without orders but with the necessary authorization. Regarding the issues mentioned by the AG, mostly the payments were for period contracts for which contracts / service level agreements are signed with the supplier. Monthly orders are not issued to such service providers.	Currently enforced	Treasury Services
Duplicate payment	Financial	Monitoring of control	Venus system has been programmed to issue a warning if the same invoice number is being processed on a supplier than utilized on a previous occasion. Such warnings must be referred to the Accountant: Creditors for	Currently implemented	Treasury Services

			<p>investigation.</p> <p>In the relevant instance mentioned in the Auditor General report, it was explained that the payment was a monthly payment due to a financial institution, as per the reconciliation a duplicate payment did not take place.</p>		
Supplier not register for VAT	Financial	Monitoring of control	<p>If VAT is charged, and it is a non-registered VAT vendor, VAT is deleted on requisition.</p> <p>Spot checks are performed by the creditors section to verify the VAT status of suppliers. The procurement section is in the process of establishing a vetted supplier database and procuring a e-procurement system which should add value in the monitoring and control process of Vat compliance by suppliers.</p>	Currently implemented	Treasury Services
No Original invoice	Control	Control activities	<p>No payment will take place without an original invoice – all payments which do not have an original or certified copy of an invoice attached will be returned to the relevant department for rectification.</p>	Currently enforced	Treasury Services
Approval of purchase after delivery date	Financial	Risk Assessment process	<p>A compliance register has been implemented to record such matters. It must however be noted that where maintenance had to be done in a case of emergency the order is only issued after the service were provided.</p>	Currently enforced	Treasury Services
Outstanding	Financial	Control Activities	<p>The filing clerk must</p>	Currently	Treasury Services

Documents			follow up on a weekly basis on documents not received to be filed. A register must be maintained by the filing clerk for documentation required and removed by other officials and followed up on a weekly basis to return to the filing room. Processes and registers must be monitored by the supervisor.	enforced	
Annual performance information not submitted in time	Performance information	Control activities	The 2008/2009 Annual Performance Report will be submitted on time, as there is capacity do so.	May 2009	PMS
KPI not measurable	Performance information	Control Activities	Measurable targets will be developed during the 2009/2010 IDP process		PMS
No link between Budget and IDP	Performance information		The Budget and Treasury Office and Corporate Strategy will work together to ensure the link between IDP and Budget	March 2009	Corporate Strategy/Treasury Services
Target not measurable	Performance information		Measurable targets will be developed during the 2009/2010 IDP process.	May 2009	PMS / AMM
Existence and function of a performance Audit Committee	Compliance (Non-AFS)	Control activities			Internal Audit /AMM
Property, Plant and Equipment	Financial	Control activities	<ul style="list-style-type: none"> • Appointment of Service provider on movable assets • immovable assets due for bid evaluation • Temporary staff appointed to assist in preparing for auction sale of obsolete assets as approved by Council • Implementation plans to be developed 	Target: June 2009: 1. Already Movable assets service provider to verify appointed and SLA due for finalization. 2. Immovable tender technical report finalized and due for	Treasury Services

			together with appointed service providers .	<p>BEC and adjudication before end of February 2009</p> <p>3. Auction sale to take place before end of June 2009</p> <p>4. 5 temporary staff appointed to assist with the auction sale.</p>	
Gains on disposal of Property, Plant and Equipment	Financial	Control activities	Capitalization and write off of alienated assets to be done before / on year end	June 2009	Treasury services
Rental Agreements not obtained	Control	Monitoring of controls	After status all signed lease agreements will in their personal files and keep a copy with records.	June 2009	Corporate Services