ANNUAL REPORT
2010 - 2011

MAFUBE
LOCAL
MUNICIPALITY

ACKNOWLEDGEMENTS

This annual report is published by the Mafube Local Municipality. It reviews all activities of the municipality for the period July 2010 to June 2011. Every effort has been made to ensure that the facts are correct.

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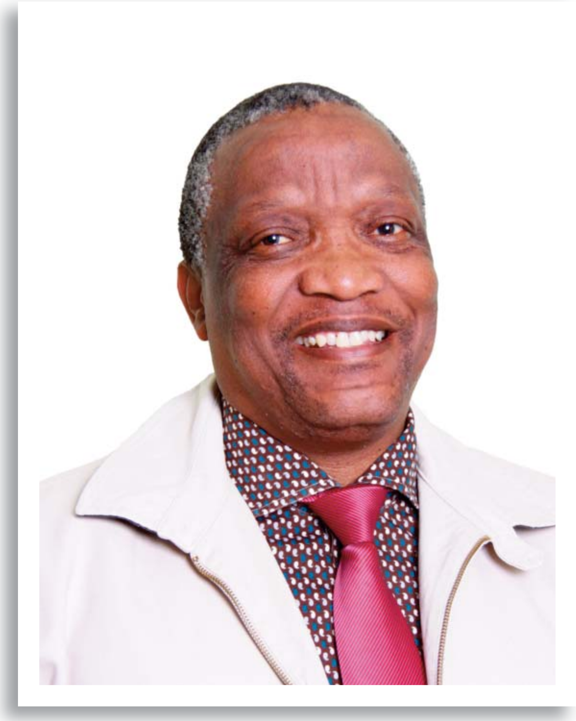


Mayor Madala Ntombela

Herewith our Annual Report for the period July 2010 to June 2011. This Report gives an account of the work of Mafube Council in its first year of the new term of office following the recent local government elections. The important strides made during this financial year represent further advances made by the ANC led Council to continue to deliver a better life for all. The many advances we are making are our humble repayment of the overwhelming confidence shown by our people in the ANC in the recent elections.

We submit this Report conscious of the limitations of our municipality and the burden on our shoulders to do better against the many daunting challenges we have. We are however confident that with the support of our communities, our staff, the national and provincial government, we will continue to do our best to make Mafube a better place.

At the end of 2009-2010 we submitted an Annual Report on our performance in the last year of our tenure. In that report, we briefly reflected on the strides we made in consolidating internal structures, systems and processes, build capacity for accelerated implementation of the IDP in relation to building sustainable communities, grow the local economy and create jobs, improve the delivery of basic services and build a financially viable municipality

As usual our work during this financial year was guided by our Party Manifesto, the Constitution and most immediately, our Integrated Development Plan (IDP). All these enjoin us to strengthen our governance, institutional and organizational capacity, mobilize resources to build sustainable communities, revitalize local economy and accelerate service delivery.

Important strides were again made this financial year in the areas above. We continued to strengthen our ward committees as a critical and strategic link to our communities to ensure that they play strategic and catalytic role in facilitating development and service delivery in our communities. We have also introduced various measures to improve the efficiencies in various Council operations including improving the quality in decision making and tracking and ensuring implementation of Council resolutions.

On organisational capacity, despite the continuous challenge of loss of persons and skill in critical areas, we continued to fill critical posts while using available resources to ensure continued provision of services to our people. At this point, I would like to thank those of our managers and staff who continue to serve the municipality in acting capacity and in extremely difficult circumstances given the many challenges we have.

Many efforts have also gone towards improving the local economy during these difficult periods of global and macro-economic turmoil and instability. Locally, we are continuing to endure the more acute effects of the triangular challenge of poverty, inequality and unemployment. We however continue to support SMMEs, mobilize local investments and use strategic resources like land to unlock new economic opportunities for our people. We are also thankful to the provincial government, who, through various means including Operation Hlasela, continue to support and partner with us by adding or bringing catalytic economic investments in our area.

A lot more work continued to be done social development and service delivery front. Our human settlement programme continue to see many of our people being provided with housing on an increasing scale, while programmes like HIV/AIDs are taking root and the positive effects thereof felt on the ground. More work still needs to be done though to turn the tide against this decease that is decimating our communities and causing untold misery on our families.

On the infrastructure and service delivery, we continue to make some progress despite the many financial and capacity challenges we have. Again, this year we were able to spent 100% of the MIG funds allocated for this financial year. These funds have gone towards improving our water, sanitation and roads infrastructure and thereby improve better of our communities to basic services. We have also invested significantly in the rehabilitation and improvement of our sports and recreational facilities. A number of our community parks, cemeteries and sports grounds are benefiting from this investment.

All these would not have been possible without collective leadership of the outgoing and incoming Councils, the support of the Municipal Manager and the rest of staff. I would therefore like to thank everybody for putting shoulder to the wheel and make things happen for the people of Mafube.

With many challenges ahead I wish to affirm that we have indeed taken the baton and will continue to make further advances in accelerating service delivery to our people.

Together, we can indeed do more!

Cllr Madala Ntombela
Mayor

FOREWORD BY THE MUNICIPAL MANAGER

Mr Puseletso I Radebe

It is again our great pleasure to table the 2010/2011 Annual Report. As usual the Report covers the performance of the municipality in various key priority areas of local government strategic agenda including Municipal Transformation And Organizational Management, Infrastructure Development And Service Delivery, Local Economic Development, Financial Viability And Public Participation And Good Governance. The Report also notes some of the challenges the municipality continued to face during the financial year and some of the measures taken to overcome those.

The performance of the municipality this financial year represents further progress on the some of the successes recorded in the previous financial years. In this year's Report, it would be shown that we continued to make some progress in strengthening our organizational structures and systems to enable us meet our IDP objectives and accelerate service delivery. This financial year we were able to make minor changes to our organizational structure so as to strengthen critical areas of service delivery. We were also able to appoint a service provider on short-medium term contract to assist the municipality with the implementation of performance management system – a matter that remained a audit query for some time I am happy that important progress is being made in this regard. Outstanding human resources policies have also be finalized and adopted by Council.

We however continued to experience serious challenges on the organizational front. Critical of these has been the loss of senior managers and staff in critical areas such as infrastructure services, finance, planning and local economic development. This seriously affected the capacity of the organization to effectively deliver on these important areas of work for the municipality. Like the Mayor, I would also like to thank managers and staff who have had to carry the burden of performing their normal duties while acting in other posts with limited rewards give the many challenges we have.

We have however continued to soldier on and ensured that though we did not have a Manager for Infrastructure and Technical Services the whole year, were able to ensure that 100% of our MIG and capital budget was spent. This has seen massive investment in infrastructure and expansion of services to the needy areas in our community. It has seen improvements to our water, sanitation, roads infrastructure in different areas of our municipality. We have also invested significantly in the rehabilitation and improvement of our sports and recreational facilities. A number of our community parks and cemeteries have benefitted from this investment.

There is clearly more we can do to expand and accelerate service delivery but as a municipality we have serious financial constraints relative to the infrastructure backlogs we have. And, this leads me to the matter of to the financial viability of the municipality. Despite the many efforts, we continue to raise limited revenue locally given the high unemployment rates and poverty level in our communities. This has not been helped by insufficient infrastructure grants we receive. These place the he municipality in a tight leash and hamstring its capacity to deliver the services at the speed it should.

We are acutely aware that critical to the long term sustainability of our municipality, is our ability to grow the local economy and thereby broaden our tax base, create jobs and reduce poverty. Various efforts have thus gone in this direction. These have included rapid release of land for strategic and economic developments, support to our local business people, focus on critical sectors like agriculture, empowerment of our SMME and the informal sector with the support of the provincial government. A blot in our performance in this regard, has been our failure to finalize LED Strategy that is necessary to guide our efforts in stimulating local economy. Every effort is being made to ensure that the Strategy is finalized in the coming financial year.

On the Public Participation and Good Governance side, we have ensured that all new Ward Committees are established in their entire area of Mafube and that they were all inducted and with provided with basic training under the leadership of the Office of the Speaker. We know more still needs to be done to strengthen ward committees to ensure that they function optimally.

Despite the many challenges, I believe we continue to make steady progress to realizing a better life for our people but there is more we can and we can be better at it.

On this note, I would like to thank the Mayor, MAYCO, the Council for continued guidance and leadership; the community, our staff and our partners who have made the achievement of our objectives this financial year possible.

PI Radebe
Municipal Manager

CHAPTER 1 Introduction and Overview of the Municipality

Introduction

The Mafube Local Municipality is one of the local municipalities found within the Fezile Dabi District Municipality. The municipality was established in terms of the section 12 of the Municipal Structures Act, 1998 and following the local government elections of 2000. The municipality is made up of four towns, namely, Frankfort, Villiers, Cornelia and Tweeling. Frankfort, serves as a home for the headquarters of the municipality.

Loosely defined, Mafube is a South Sotho word for ‘a place of dawn’.

1.1 Governance Structures

Mafube Local Municipality is an Executive Committee type municipality wherein all powers are vested in Council. The municipality has a Council made up of 17 Councillors. Nine (9) of the Councillors are Ward Councillors while eight (8) are drawn from the proportional representative list.

Below is a list of Councillors making up the Council of Mafube Local Municipality:

Party Name	Seat Type	Councillor’s Name
ANC	PR	Madala Louis David Ntombela
ANC	PR	Mildred Moloi
ANC	PR	Maleseli Maria Sekhoto
ANC	PR	Ntsoaki Emmeldah Xaba
ANC	Ward 1	Jabulani Eliot Sigasa
ANC	Ward 2	Jabulane Jan Hlongwane
ANC	Ward 3	Fusi Petrus Motloung
ANC	Ward 4	Madise Andries Mosia
DA	Ward 5	Johannes Jacobus Pretorius
ANC	Ward 6	Mahlale Jackson Moloi
ANC	Ward 7	Undikho Christopher Jafta
ANC	Ward 8	Willem Caravan Motloung
ANC	Ward 9	Lucky Simon Kubeka
COPE	PR	Peter Motloung
COPE	PR	Miriam Hadebe
DA	PR	Marchand Casper Du Plessis
DA	PR	Shoeshoe Adel Mosia

The Council established an Executive Committee comprising the following members to provide leadership and guidance to the administration between Council meetings:

Name	Designation
LMD Ntombela	Mayor
JE Sigasa	Member, Cornelia
JJ Pretorius	Member, Frankfort

The municipality has also established Ward Committees in all the 9 wards within the area of jurisdiction of Mafube. The Ward Committees act as critical community organs that facilitate community input into municipal policy making, planning and implementation of municipal programmes. In addition, the municipality has also established other fora to ensure structured engagement with the community and other key role players. These include the IDP Representative Forum established to ensure community input in the formulation of the IDP.

1.2 Geographic Profile

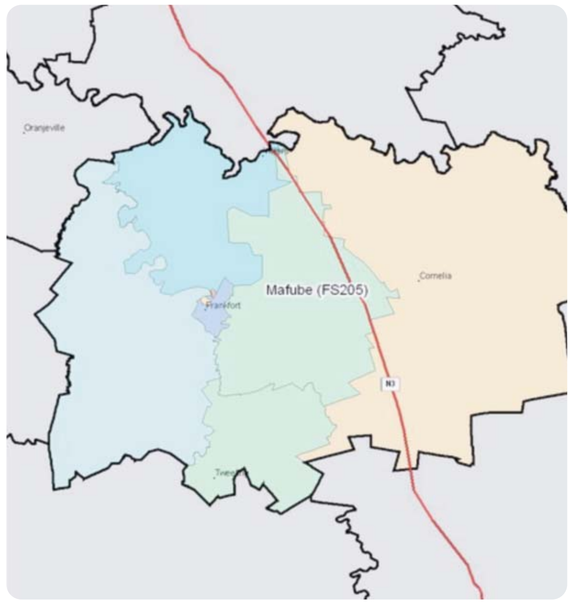
The Mafube Local Municipality is situated in the far eastern end of the Fezile Dabi region. The municipality covers a total of 21,5% of the total area of Fezile Dabi region. The municipality is made up of four main towns, namely; Frankfort, Villiers, Cornelia and Tweeling.

Frankfort, which serves as headquarters for the municipality, is situated 55 kilometres east of Heilbron and approximately 120 kilometres south east of Sasolburg.

Villiers is situated at the banks of the Vaal River, adjacent to the N3 National Road linking Gauteng to KZN. The town is located about 120 kilometres from Johannesburg, 80 kilometres from Vereeniging and 117 from Sasolburg.

Cornelia is situated about 157 kilometres east of Sasolburg and 36 kilometres south east of Villiers. The town is also adjacent to the R103 road between Warden and Villiers.

Finally, Tweeling is situated about 150 kilometres east of Sasolburg and is within 160 kilometres of major urban centres like Vereeniging and Vanderbijlpark.



Map of Mafube

2.3 Demographic profile

Mafube has a population size estimated at 57650. Frankfort makes the largest part of the total population in the area.

Below is a breakdown of the population by area.

Area	Numbers	%
Franfort / Namahadi	21 316	37.0
Villliers / Qalabotjha	18 229	31.6
Tweeling / Mafahlaneng	5 362	9.3
Cornelia / Ntswanatsatsi	3 378	5.9
Mafube rural	9 365	16.2
TOTAL	**57 650**	**100.0**

Table 2.3.1 (b): Estimated population and economic contributions of sub-area in Mafube Sources: Statistics South Africa, 1996 and 2001; Free State Growth and Development Strategy, 2006

The following comments should be made in respect of the figures above.

- Between 1996 and 2001, population growth in Mafube (1.6% per annum) was higher than that of the Free State (0.6% per annum).
- All urban areas grew at considerable rates for the period under consideration. Yet, there was a considerable decline in the rural population of 10.3% per annum over the past 5- year period. This can, amongst others, be attributed to the liberalisation of agriculture in South Africa. It should also be seen in association with the decline of agriculture in Mafube (to be discussed later).
- The highest annual population growth rate was in Villiers with an annual growth rate of 11%. Tweeling and Cornelia also experienced relatively high levels of population growth

1.3 Economic profile

This section provides an overview of the economic profile of Mafube. The analysis starts off with a broad comparison of economic change in the Free State and Fezile Dabi while at the same time emphasising the situation in Mafube (see table below).

Area	Annual Growth Rate (1996 – 2004)
Mafube	0.5%
Fezile Dabi	2.1%
Free State	0.7%
South Africa	2.8%

Table 2.5: Annual economic growth rate in Mafube, Fezile Dabi and the Free State, 1996 – 2008 Source: Free State Growth and Development Strategy, 2006; Quantec Database, 2007

The economy of Mafube grew by 0.5% per annum between 1996 and 2004. This was significantly less than the annual economic growth rate of 2.1% per annum for the district, 0.7% per annum for the Free State and 2.8% per annum in South Africa for the same period.

1.4 Total economy as share of the district economy

This low growth relative to that of the district has resulted in a decreased share, for Mafube of the district economy (see Figure 1.4.1).

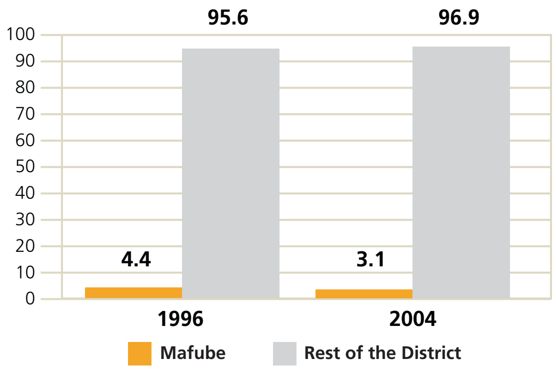


Figure 1.4.1: Percentage share of Mafube of the district economy (GDP), 1996 and 2004 (Source: Quantec Database, 2007)

It is evident from Figure 2.5.1 that the proportional contribution of Mafube decreased between 1996 and 2004. In 1996, Mafube contributed to 4.4% of the Free State economy. This decreased to 3.1% in 2004.

1.5 Percentage of economic contributions

Having considered the relative contribution of Mafube to the district economy, the focus is redirected in this section to the relative contributions made to the economy by the respective municipal areas in Fezile Dabi (see Figure 1.4.2) and the relative sectoral contributions in Mafube, Fezile Dabi and the Free State (Table 1.4.3).

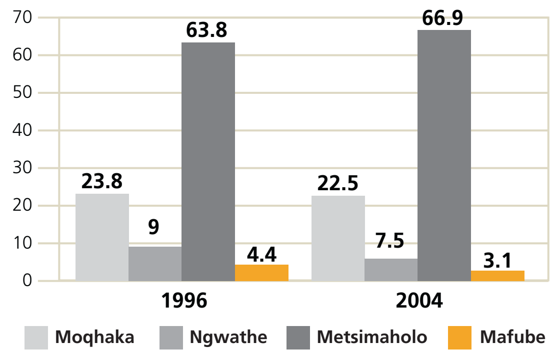


Figure 1.4.2: The relative economic contribution for the four municipalities in Fezile Dabi, 1996 and 2004 (Source: Quantec Database, 2004)

Economic Sector	Mafube		Fezile Dabi		Free State	
	1996	2004	1996	2004	1996	2004
Agriculture	22.2	13.9	6.2	3.5	6.5	4.3
Mining	0.5	0.7	5.4	4.4	13.5	8.0
Manufacturing	24.5	24.0	45.8	51.7	21.0	25.0
Construction	4.3	4.5	4.3	2.5	4.0	3.0
Water	1.0	0.7	4.5	3.7	3.4	2.8
Transport	3.3	7.0	5.2	6.6	7.7	10.9
Trade	7.7	9.0	7.6	7.5	12.2	13.7
Finance	12.1	12.1	7.0	6.8	11.3	11.2
Community Services	24.4	28.1	13.9	13.5	20.5	20.9
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Table 1.4.3: Proportional contribution of the economic sectors in Mafube, Fezile Dabi and the Free State Source: Quantec database

The following should be noted in respect of the sectoral contributions:

- The relative contribution of agriculture has decreased rapidly, and then more significantly in Mafube than in the district or the Free State. While one should caution against assessing this sector on the information on yearly basis, the declining importance of agriculture in the economies should nevertheless be acknowledged.
- A second important comparison in the above data is the relative importance of manufacturing in Mafube. Nearly one quarter of the economy in Mafube is dependent on manufacturing – mainly linked to the agricultural economy in and around Frankfort. Yet, the share of the manufacturing economy in Mafube is still significantly smaller than the share in the district – where the petro-chemical industry dominates in Metsimaholo.
- Sectors in which remarkable proportional gains are reported are trade, transport and community vices.

1.6 Employment per sector

Table 1.4.4 provide an overview of employment per economic sector and for each of the four local municipalities in the Fezile Dabi District.

1.7 Poverty levels and HDI

The Free State growth and development strategy recorded the percentage of people living in poverty in Mafube at 77%, with unemployment lying at 33.8% in 2004. The HDI was estimated at 0.54 in 2004.

Economic Sector	Mafube		Fezile Dabi		Free State	
	1996	2004	1996	2004	1996	2004
Agriculture	3908	2132	23924	17402	109366	89406
Mining	87	74	5651	3252	91364	17402
Manufacturing	693	534	14981	14019	53174	50679
Construction	382	255	4600	3024	23153	15168
Water	33	20	831	626	3008	2443
Transport	147	78	2365	1470	14317	8598
Wholesale	821	1074	8981	11057	56284	64532
Finance	345	711	4672	6949	32270	45275
Community services	3026	2716	30124	28863	181961	176573
Total	**9441**	**7595**	**96129**	**86661**	**564897**	**470073**

Table 1.4.4: Employment profile per economic sector in Mafube, Fezile Dabi and the Free State, 2004. Source: Quantec Database, 2007

CHAPTER 2 Leadership and Management

Council Leadership

Mr LMD Ntombela
Mayor

Ms TM Moloi
Speaker

Mr JE Sigasa

Mr JJ Hlogwane

Mr WC Motloung

Ms L Masiteng

Ms S Mosia

Mr FP Motloung

Mr LS Kubeka

Ms MM Sekhoto

Ms M Mofokeng

Mr JJ Pretorius

Mr MA Mosia

Mr MC Du Plessis

Mr UC Jafta

Ms MM Hadebe

Executive Management

Mr PI Radebe
Acting Municipal Manager

Ms ZE Mofokeng
Manager: Community Services

Mr MS Malindi
Acting Manager:
Corporate Services

Mr NN Molefe
Acting CFO

Ms NE Radebe
Manager: Town Planning &
Economic Development

Vacant
Manager: Technical Services

CHAPTER 3

VISION

A viable, developed and sustainable municipality.

MISSION

To provide effective, transparent government and ensure efficient, affordable and sustainable service delivery, promote integrated development and economic growth.

MANDATE

As provided for in section 152 of the Constitution:

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

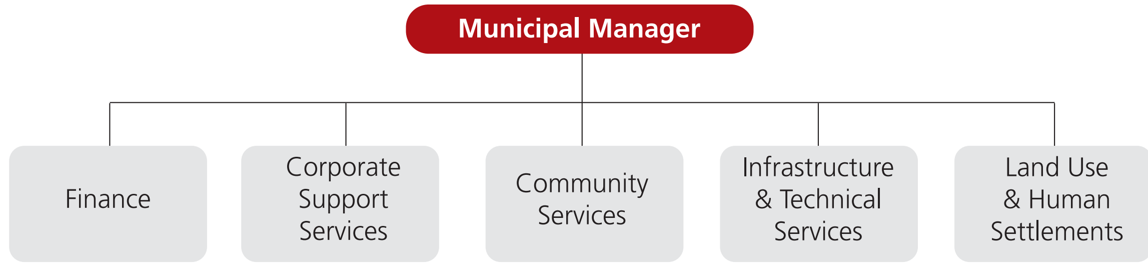
Powers and Functions

Category B Functions	Category C Functions	Provincial and National
Local Municipality	**District Municipality**	**District Municipality**
Air pollution	Refuse removal and solid waste	Libraries
Building regulations	Municipal roads	Housing
Bill boards and display of advertisements	Municipal airports	
Storm water	Fire fighting	
Trading regulations	Markets	
Cleansing	Cemeteries	
Facilities, accommodation and burial of animals	Municipal public works	
Fencing and fences	Electricity regulation	
Local sport facilities	Municipal health	
Municipal parks and recreation	Storm water	
Municipal planning	Potable water	
Municipal public transport	Sanitation	
Municipal roads	Licensing	
Public places and local amenities		
Street lighting		
Traffic and parking		
Licensing of dogs		

CHAPTER 4 Human Resources and Organisational Management

4.1 Organisational Structure

The top structure of the municipality for the period under review was as follows:



4.2 Functions and Responsibilities

The municipality is administratively organised into 5 programmes meant to take the vision of developmental local government forward under the leadership of the Municipal Manager. The programmes are:

- Office of the Municipal Manager
- Budget and Treasury Office
- Technical Services and Infrastructure
- Community Services
- Corporate Services
- Land Use and Human Settlements

4.2.1 Office of the Municipal Manager

This programme is meant to provide overall strategic management for the municipality.

Objective	Key Focus Areas
To oversee overall programmes of the municipality, coordinate and manage the transformation and strategic agenda of the municipality as well as facilitating the transformation process by providing strategic advice and project support to the Municipal Manager, Mayor and Speaker and thereby ensuring political and administrative cohesion.	• Integrated Development Planning (IDP) • Local Economic Development • Implementation Support

4.2.2 Budget and Treasury Office

This programme is responsible for the general management of finances of the municipality.

Objective	Key Focus Areas
To manage and control all financial functions of the municipality so that the current and future effectiveness of Council services, programmes and operations is asserted in a sustainable way.	• Budgeting • Credit Control, Billing and Collections • Financial Accounting • Budgeting and Financing • Assets management • Insurance and public management • Banking and Investments • Management Accounting • Supply Chain Management • Meter reading

4.2.3 **Technical Services and Infrastructure**

This programme is broadly responsible for infrastructure development, service delivery and maintenance (internal and external).

Objective	Key Focus Areas
To deliver infrastructural services in a manner that achieves a high level of customer satisfaction and cost effectiveness, improving on benchmarks.	• Water • Sanitation • Electricity • Road and Storm Water • Mechanical services

4.2.4 **Community Services**

This programme attends to social issues involved in the development of Mafube community

Objective	Key Focus Areas
To ensure that social services are effectively provided to the Mafube community.	• Municipal health – and primary Health Care services • Library Services • Social Development • Environmental Management • Waste Management • Traffic • Public Safety • Sport and Recreation • Emergency Services • Arts and Culture • Cemeteries • Refuse Removal

4.2.5 **Land Use and Human Settlement**

This programme is meant to deal with issues relating land use and management as well as housing development.

Objective	Key Focus Areas
To ensure that land is properly managed and that housing is provided sustainably for the poor.	• Land Use Management • Town Planning • Housing • Property Management

4.2.6 **Corporate Services**

This programme is meant to provide organisational support services to the municipality.

Objective	Key Focus Areas
To provide internal support services, facilitate transformation and ensure service excellence to the Mafube Community.	• Human resource management/development • Corporate Management Support • Information Management and Technology • Legal Services • Corporate branding • Committee Secretariat

4.3 Staff Compliment

The municipality has the staff establishement of 353. Below is a breakdown of the staff compliment:

Department	Filled positions	Vacant positions	Total position
Political office	4	5	9
Mm's office	3	7	10
Corporate services	19	13	32
Financial services	26	10	36
Infrastructure services	75	34	109
Community services	68	60	128
Land use & human settlement	7	1	8
Villiers service delivery unit	96	49	145
Cornelia service delivery unit	39	31	70
Tweeling service delivery unit	47	29	76
Total	**384**	**240**	**624**

4.4 Remuneration Packages

4.4.1

Remuneration Packages of Councillors	June 2011
Mayor	672 958
Speaker	552 852
Executive Committee Members	534 268
Councillors	2 552 930
TOTAL	**4 313 008**

4.4.2

Remuneration of the Municipal Manager	June 2011
Annual remuneration	304 247
Travel, motor car, accomodation, subsistence and	202 315
Contributions to UIF, medical and pension funds	197 381
Other	9 318
TOTAL	**713 261**

4.4.3

Remuneration of Chief Financial Officer	June 2011
Annual remuneration	230 034
Travel, motor car, accomodation, subsistence and other allowances	119 564
Other	251 957
TOTAL	**601 555**

4.4.4

Remuneration of Director: Technical Services	June 2011
Annual remuneration	297 785
Travel, motor car, accommodation, subsistence and other allowances	52 875
Contributions to UIF, medical and pension funds allowances	53 625
Other	46 800
TOTAL	**451 085**

4.4.5

Remuneration of Direction: Corporate Services	June 2011
Annual remuneration	255 865
Travel, motor car, accomodation, subsistence and other allowances	54 149
Contributions to UIF, medical and pension funds allowances	19 701
Other allowances	269 517
TOTAL	**599 232**

4.4.6

Remuneration of Director: Community Services	June 2011
Annual remuneration	512 620
Travel, motor car, accomodation, subsistence and other allowances	74 017
Contributions to UIF, medical and pension funds allowances	14 810
Other allowances	
TOTAL	**601 447**

4.4.7

Remuneration of Director: Land Use and Human Settlement	June 2011
Annual remuneration	505 447
Travel, motor car, accomodation, subsistence and other allowances	96 000
Contributions to UIF, medical and pension funds	-
Other	-
TOTAL	**601 447**

4.5 Departmental Operating Budget

4.5.1 EXCO AND COUNCIL

Description	June 2011
Councillor Allowances	4 677 582
Conferences and Workshop	20 000
Entertainment General	5 000
Travel and Subsistence	245 000
Sub-Total	**4 947 582**

4.5.2 OFFICE OF THE MAYOR

Description	June 2011
Bursaries	250 000
Youth Contribution	50 000
Donations	5 000
Entertainment	5 000
HIV / AIDS	20 000
Mayoral Projects	200 000
Publication	33 000
Refreshments	2 000
Travel and Subsistence	70 000
Sub Total	**635 000**

4.5.3 OFFICE OF THE SPEAKER

Description	June 2011
August Month Celebration	-
Conferences and Workshop	12 890
Entertainment	5 000
Public Participation	81 780
Refreshments	3 000
Travel and Subsistence	60 000
Wards Committee Awards	20 000
Sub Total	**182 670**

4.5.4 OFFICE OF THE MUNICIPAL MANAGER

Description	June 2011
Advertisement	50 000
Affiliation	50 000
Agricultural Development	30 000
Audit Unit	500 000
Bursaries - Internal	45 000
Conferences and workshop	60 000
Entertainment	5 000
IDP	150 000
IT Expenses	350 000
LED	58 250
Marketing and Promotion	34 400
PMS	110 000
Policy and By-laws	350 000
Refreshments	5 000
SALGA	200 980
Security	530 000
Section 57 Salaries	3 375 757
Skills Development	400 000
SMME Development	50 000
Travel and Subsistence	159 165
Sub Total	**6 513 552**

4.5.5 COMMUNITY SERVICES

Description	June 2011
Awareness Programme	15 000
Cleaning Material	85 465
Contribution Aged	20 000
Disaster Assistance	80 000
Entertainment	5 000
Gender: Special Programmes	12 133
Pauper Burials	22 000
Special Programme: Children	15 000
Sports: Special Programmes	266 750
Travel and Subsistence	84 400
Cleaning Campaign	15 550
Waste Management Plan	200 000
Sub Total	**821 298**

4.5.6 CORPORATE SERVICES

Description	June 2011
Advertisement	158 250
Employee Related Costs	#REF!
Books and Magazines	80 000
Entertainment	40 000
Insurance - General	633 000
Legal Costs	850 000
HR Policies and By-laws	250 000
Postage	450 000
Protective Clothing	220 000
Repairs and Maintenance - Buildings	250 000
Telephone Expenses	1 500 000
Travel and subsistence	120 000
Traffic Fines	80 000
Vehicle License	175 000
Sub Total	**#REF!**

4.5.7 LAND USE AND HUMAN SETTLEMENT

Description	June 2011
Entertainment	5 000
Housing Sector Plans	20 000
Housing Policy	-
Land Audit	50 000
LUMS	65 000
Spatial Development	-
Town Planning Scheme	50 000
Planning and Surveying of Ervens	250 000
Travel and Subsistence	32 000
Computer Equipment	50 000
Office Furniture	50 000
Sub Total	**572 000**

4.5.8 INFRASTRUCTURE SERVICES: Roads and Transport

Description	June 2011
Consumable Stores	111 000
Repairs and Maintenance	900 000
Sub Total	**1 011 000**

4.5.9 INFRASTRUCTURE SERVICES: Electricity

Description	June 2011
Consumables (Stores)	311 000
New Connections	50 000
Electricity Purchase	48 600 000
Repairs & Maintenance - Maintenance	1 000 000
Repairs & Maintenance - Tools & Equipment	700 000
Sub Total	**50 661 000**

4.5.10 INFRASTRUCTURE SERVICES: Water

Description	June 2011
Consumables (Stores)	211 000
Entertainment	5 000
Travel & Subsistence	100 000
Water Chemicals	2 000 000
Water Purchase	468 104
Repairs & Maintenance - Maintenance	1 848 000
Repairs & Maintenance - Tools & Equipment	1 000 000
Sub Total	**5 632 104**

4.5.11 INFRASTRUCTURE SERVICES: Sewerage

Description	June 2011
Consumables (Stores)	161 000
Waste Water Management Plan	100 000
Repairs & Maintenance - Maintenance	800 000
Repairs & Maintenance - Tools & Equipment	500 000
Sub Total	**1 561 000**

4.5.12 INFRASTRUCTURE SERVICES: Mechanical

Description	June 2011
Fuel / Lubrication	1 600 000
Repairs & Maintenance - Maintenance	700 000
Repairs & Maintenance - Tools & Equipment	650 000
Sub Total	**2 950 000**

4.5.13 FINANCIAL SERVICES

Description	June 2011
Audit and Accounting Fees	4 563 129
Bank Charges	380 000
Entertainment	5 000
Financial Management Grant	1 000 000
Fixed Assets Register	100 000
Interest Paid	350 000
Loan Repayment	500 000
Consultancy Fees	800 000
Provision for Bad Dets	25 000 000
System Support	720 000
Printing and Stationery	600 000
Preparation of Financial Statements	800 000
Machine Rental	1 200 000
Travel and Subsistence	180 000
Sub Total	**36 198 129**

CHAPTER 5 Performance Highlights

The performance review of the municipality will be undertaken in relation to the five areas of Local Government Strategic Agenda agreed to nationally. These are Municipal Transformation and Organisational Development, Infrastructure Development and Service Delivery, Local Economic Development, Municipal Financial Viability and Management, and Good Governance and Public Participation.

5.1 Municipal Transformation and Organisation Development

Challenges

- Ensuring that the organizational structure is aligned to the IDP and responsive to the organizational needs;
- Ensuring that the organizational functions at optimal capacity;
- Making sure that organizational policies are in place and are effectively implemented;
- Ensuring that performance of staff is effectively monitored and improved; and
- Ascertaining that organizational and HR systems are in place and effectively implemented.

Key Strategies

- Revise organizational structure and align to needs in the IDP;
- Fill all critical post identified;
- Revise and implement Workplace Skills Plan
- Outstanding HR policies developed and implemented;
- Develop and implement Performance Management System;
- Develop and implement organizational and HR systems;
- Develop outstanding bylaws;
- Develop Communication Policy / Strategy;
- Develop and implement Employee Assistance Programme;
- Maintain a vibrant and healthy labour relations environment in the municipality;
- Ensure efficient running of the municipal administration;

Key Performance Indicators

- Organisational structure revised and aligned to needs in the IDP;
- All critical post identified and filled;
- Workplace Skills Plan revised and implemented;
- Outstanding HR policies developed and implemented;
- Performance Management System developed and implemented;
- Organisational and HR systems developed and implemented;
- Outstanding bylaws developed and implemented;
- Communication Policy / Strategy developed;
- Employee Assistance Programme developed and implemented;
- A vibrant and healthy labour relations environment maintained in the municipality;
- Efficient running of the municipal administration ensured.

Key Performance Highlights

- Following the significant review of the organizational structure the previous financial year, this year the municipality revised and effected minor changes to the structure. Therefore the organisational structure developed the previous year remains significantly unchanged although it is still responsive to the changing needs of the municipality.

- The municipality identified a number of critical posts that needed to be filled. Consequently the following posts were identified and filled during the period under review:

Section	Post Filled	Total No.
Office of the Municipal Manager	Municipal Manager	1
Land Use and Human Settlement	Town Planner	1
Infrastructure Services	Bricklayer Pump Station Attendant TLB/Grader/Excavator operator Six General Workers	9
Financial Services	Credit Control Officer Billing Officer Financial Intern	3
Corporate Services	Handyman Records Officer Personnel Officer	3
Cornelia Unit	Supervisor for Environmental Services Sewer Plant Operator Assistant Electrician	3
Tweeling Unit	Two supervisors for environmental services and water & sanitation services Tipper Driver TLB/Grader Operator	4
Grand Total		**24**

- The municipality also ensured that the Workplace Skills Plan was revised and implemented. The following are some of the highlights with regard to the implementation of the Plan:

- As far as Human Resources policies are concerned, the municipality ensured that, during the year under review, the following human resources policies were developed and adopted on 26 August 2010:

  – Recruitment Policy
  – Leave Policy
  – Training And Development Policy
  – Internal Bursary Policy
  – Occupational Health And Safety Policy
  – Attendance And Punctuality Policy
  – Incapacity Policy
  – Transport Allowance Policy

- With regard to performance management, the municipality has ensured that a lot of work was done in this regard. First, the new Performance Management Framework and Policy were developed and adopted by Council. Second, the Performance Agreements for all section 57 managers including the Municipal Manager were developed and signed by all. Third, the review, monitoring and quarterly reporting and assessment templates were developed. The templates have provided a good framework for structured reporting while setting basis for monitoring and accountability. More work still needs to be done though especially with regard to regular reporting as well as assessment of managers. The system is also yet to be cascaded to levels below section 57 managers.

- The municipality however ensured that the Section 46 Annual Report (2009/10), required in terms of section 46 of the Municipal Systems Act, 2000, was developed and approved by Council. The Annual Report was accordingly reviewed by the Oversight Committee, which is now re-constituted as Municipal Public Accounts Committee (MPAC)

- As part of the process of completing its suite of by-laws, the municipality drafted and adopted a by-law on Municipal Pounds. The by-law seeks to set a regulatory framework for better management of pounds in Mafube while also introducing mechanisms to enhance the capacity of the municipality to enforce the by-law.

- On the labour relations front, the municipality continued to make efforts to improve the overall functionality of the Local Labour Forum. The Forum however remains fairly non-functional though measures are been at various levels to correct situation.

- The municipality also faced a number of labour relations cases this financial year. In total, the municipality dealt with 6 cases ranging from misconduct by employees, grievances of various kinds against the municipality, disputes relating to various matters including unfair labour practice and so forth. The municipality managed to effect disciplinary measures in some of the cases while agreed on settlements on others. There are a number of other cases that remain outstanding especially those handled through external labour dispute mechanisms. See chapter 3 for more details.

- The municipality continued to implement its Employee Assistance Programme. Given its limited resources, the municipality has encountered various challenges in implementing some critical aspects of the Programme. In this regard, the municipality approached the provincial Department of Health with a view to secure support in the form of interventions and resources to provide health and counseling services to the employees. Follow ups continue to be made to realize this objective.

- The municipality continued to implement its Communication Strategy with some relative success and challenges. Measures are going to be introduced to ensure effective implementation of the Strategy in the new financial year.

5.2 Infrastructure Development and Service Delivery

Challenges

- Appropriate prioritization and planning for community needs;
- Provision of basic services within limited infrastructure, resources and equipment;
- Provision of shelter to the poor;
- Provision of basic social services with limited resources; and
- Ensure availability and sustainable use of land for development.

Key Strategic Priorities

- Review the IDP in a manner that prioritizes community needs;
- Provide and extend basic services including water, sanitation, electricity, roads and storm water and waste removal;
- Upgrade and maintain infrastructure for provision of services;
- Facilitate the provision of housing to the community;
- Provide social and community services to the community; and
- Undertake land audit, develop SDF/LUMS and upgrade informal settlements.

Key Performance Indicators

- IDP revised and adopted in accordance with legislation;
- Communities provided with access to basic services;
- Infrastructure projects implemented and completed;
- Number of houses built and related town planning services provided;
- Social and community services provided to the community; and
- Land audit completed, SDF/LUMS developed and informal settlements upgraded.

Key Performance Highlights

Integrated Development Plan

As required by the Municipal Systems Act, 2000 and related regulations, the municipality was able to review and adopt the IDP 2011/2012 in time. The adoption followed extensive consultation processes that involved Ward Committees, IDP Representative Forum Steering Committees; among others. The municipality also ensured that the IDP was aligned to other plans as required.

Basic Services

The municipality continued to improve infrastructure development and service delivery with limited resources. This financial year, the municipality was able to spend all its capital budget on identified projects. The budget was spent as follows:

Project code	Project Name	Project Budget	Sources of Funding	Total Expenditure By June 2011	No of Jobs Created	Remarks
MIG/FS0503/W/08/09	Villiers:Water Purification Plant	20,525,016.00	MIG	6,669,074.99	324	Multi Year
MIG/FS0721/W/09/11	Namahadi: Water Reticulation Network and Installation of 1714 Erf Connections	21,325,744.57		4,254,611.72	235	Multi Year
MIG/FS/0671/R,ST/10/11	Namahadi/Phahameng: Roads & Stormwater Drainage Upgrading	16,430,000.00	MIG	10,137,892.19	80	Multi Year
MIG/FS0506/R,ST/09/10	Mafahlaneng: Roads & Stormwater Drainage Upgrading	5,034,240.00	MIG	2,777,014.86	162	Multi Year

Project code	Project Name	Project Budget	Sources of Funding	Total Expenditure By June 2011	No of Jobs Created	Remarks
OPERATION HLASELA	Ntswanatsatsi: Roads & Stormwater Drainage Upgrading	3,500,000.00	FS D PRT	3,500,000.00	86	
	Mafahlaneng- 212 Electricity Connections	1,320,099.08	DoE	1,320,099.08	556	Change control
	Ntswanatsatsi-324 Electricity Connections	2,017,509.92	DoE	2,017,509.92		Change control
	Villiers - 199 Electricity Connections	1,164,150.00	DoE	1,164,150.00	24	
	Qalabotjha - 359 Electricity Connections	2,106,741.00	DoE	2,106,741.00		
	Villiers - Electricity Bulk Infrastructure		DoE			Eskom
	Tweeling - Electricity Bulk Infrastructure	667,406.00	DoE	667,406.00		Specialised Works
	Cornelia - Electricity Bulk Infrastructure	514,108.00	DoE	514,108.00		Specialised Works

Water Provision

- The municipality also drafted and adopted the Water Consumer Charter. The Charter sets out a framework and guidelines for responsible use of water by consumers;

- The municipality also held Water Week celebrations sponsored by DWA and Rand Water;

- A Blue Drop Task Team was also formed to address some of the blue drop issues.

In addition a new water purification works is currently being built in Villiers and it is 72% complete. Further, water reticulation in Namahadi new extension is under construction and it is 37% complete.

The municipality also resolved to approach Development Bank of Southern Africa (DBSA) for a loan to fast-track the implementation of the projects below. The municipality was to pledge future MIG allocations for the loan.

Project	Amount
Namahadi Water Reticulation	R12 358 077
Villiers Water Purification Plant	R7 736 223
Namahadi Water Treatment Plant	R18 408 720

Electricity Provision

The following projects were carried out during this financial year:

- 558 households were electrified in Qalabotjha at a cost of R3,270,891.00;

- MV lines at the substations were upgraded in Cornelia and Tweeling at a cost of R514,108.00 and R667,406.00 respectively;

- In Mafahlaneng and Ntswanatsatsi 536 house connections were completed in the new extensions at a cost of R3,337,609.00.

Roads and Stormwater

During this financial year, the municipality has ensured that:

- 1.03 km of roads are paved in Ntswanatsatsi, Cornelia, and the process is continuing;
- 2.4 km of roads in Mafahlaneng, Tweeling, are being upgraded and paved;
- 5.3 km of roads In Namahadi, Frankfort, are being upgraded and paved.

Human Settlements

- Following the land audit that was conducted and completed the previous year and resulting in the purchase of the land adjacent to Frankfort and Cornelia, the municipality has now appointed a service provider appointed to ensure proper rezoning of the land.
- Again following the formalization of the informal settlement in Frankfort for the provision of housing, municipal services, the municipality has now placed an advertisement for the finalization of township establishment.
- Further, the municipality continued to facilitate the provision of low cost housing to the poor. This financial year,the municipality applied for housing subsidies from the province. A total of 1000 subsidies were allocated. Consequently and a total of 1000 houses were built during this financial year as follows:

Area	No of houses built
Namahadi	500
Qalabotjha	200
Mafahlaneng	300

- The municipality has also developed a criterion for the allocation of houses. Further a housing register for beneficiaries has been developed and updated.

Land Use

- The municipality has also ensured that the draft Spatial Development Plan and Land Use Management System were developed. A service provider has however appointed to finalize these.

Waste Management

- awaiting text

Parks and Open Spaces

- The municipality continued to maintain its parks and open spaces. As in previous years, the municipality continued to ensure that the grass is cut regularly and maintained.

Roads and Streets

- The municipality continues to undertake various responsibilities related to maintenance roads and streets, and management of traffic. In particular, the municipality refreshed the road markings and signs while ensuring that JJ Hadebe Street is cleaned every day.
- The municipality has also ensured that road blocks continued to be mounted regularly to ensure effective management of traffic. The municipality has also worked with the provincial government to improve monitoring of roads especially during Easter and the festive season.
- The municipality however continues to lack enough traffic vehicles to enforce traffic by-laws. Negotiations are continuing with the provincial government and the Fezile Dabi District Municipality to assist with the provision of traffic vehicles.

Fire Firefighting

- Following extensive negotiations, the municipality entered into a service level agreement with the Fezile Dabi District Municipality for the provision of fire fighting services in Mafube. As part of the agreement, Fezile Dabi has since purchased fire fighting trucks for use in Mafube.

Cemeteries

- The municipality also continued to improve conditions and management of cemeteries. First, the municipality established new cemeteries at Namahadis new Section. Second, the old cemetery is in the process of being fenced. Access roads to cemeteries have also been maintained.

Cemeteries

- The municipality also continued to improve conditions and management of cemeteries. First, the municipality established new cemeteries at Namahadi new Section. The cemeteries were fenced internally while roads were also maintained. Extended Public Works Programme (EPWP) employees were also deployed to assist with the cemeteries work.
- Second, Council also resolved to extend the Ntswanatsatsi cemeteries. Work in this regard will continue into the next financial year.

Libraries

- The municipality also continued to improve conditions and services at its libraries. In particular, the municipality has ensured that all libraries have computers and internet services. Library staff has also been trained in various areas of library management.
- Programmes for children were also organized at Namahadi, Frankfort and Tweeling libraries. The idea was to introduce children to the value of libraries while encouraging the culture of reading among children.

Sports and Recreation

- The municipality further continued to support various sporting initiatives in Mafube. To start with, the municipality ensured that the Mafube Sports Council continued to function optimally.
- Various sporting events continued to be supported. The municipality continued to provide financial and material support to the Mafube Chapter of OR Tambo games held annually in various parts of the Free State province.
- In addition, the municipality also continued to provide financial and material support to the Easter Tournament which is held annually in Mafube.
- Following extensive consultations and negotiations, the municipality resolved to transfer the Tweeling Stadium (site 514) to the provincial Department of Social Development so that they could upgrade the facility. The municipality was in turn appointed as agent for the redevelopment of the stadium estimated at R3,8 million. It is expected that the stadium will be completed during the 2011/2012 financial year.
- Further, the municipality applied for funding from the National Lottery for the upgrading of various sporting facilities in the Mafube area.
- The municipality has also renegotiated new terms with the service provider, Wilge Makiti for improvements in the management of Show Grounds. This followed queries the municipality had with the way the Grounds were managed over a period of time.

The municipality also supported the implementation of the following Operation Hlasela projects:

PROJECT DESCRIPTION	FUNDING SOURCE	AMOUNT ALLOCATED	PROGRESS
Renovation of Municipal Offices in Cornelia	Dept of Public Works, Dept of Rural Development	R296 000	Renovations of two municipal houses, town hall and Ntswanatsatsi hall achieved,
Paving of 11 km roads in Ntswanatsatsi	Dept. Of Public Raods and Transport	R11 000 000	Achieved
Multi-Purpose Sports Centre	Dept. Of Sports, Arts and Culture	R114 000	Achieved
Building of Administration Block in Ntswanatsatsi Primary School	Dept. Of Education	R3 000 000	Achieved
Township Registration of Magashule Section	COGTA	R1 000 000	Achieved
Supply of Nguni cattle	Dept. Of Agriculture	R350 000	28 Nguni cattle supplied and now they are 50

5.3 Local Economic Development

Challenges

- Providing strategic frameworks to guide economic development;
- Mobilising local investments and create jobs;
- Increasing support of SMMEs;
- Improving support to the local businesses.

Key Priorities

- Finalise and implement the LED Strategy;
- Increase support to SMMEs'
- Maximise economic development and growth; and
- Implement LED projects

Key Performance Indicators

- LED Strategy and Africa Rural Development Strategy developed and approved;
- Construction of Industrial Park completed;
- Various measures introduced to support SMMEs;

Key Performance Highlights

- The municipality intended to finalise its Local Economic Development Strategy this financial year. This was however not achieved due to various reasons including lack of funding and the fact that a senior manager responsible for LED left the municipality. The municipality has however taken measures to raise funds for development of the LED Strategy while building the necessary capacity, including the establishment of an LED Unit, to give full attention to LED issues in the municipality.

- Council resolved to introduce a Business Incentive Scheme to retain existing and attract new business to the area. Processes to develop the Scheme are underway as a critical aspect for stimulating growth and promoting local economic development.

- In line with the drive to mobilise business to the area, Council agreed to make 8 hectares of land available for Hau Shu Investment and Jabulani Waste Material to erect a Steel Melting Plant. This venture will undoubtedly add impetus to the job creation drive in the municipality.

- Further, Council resolved to sell portion 818 to a long serving company in the area, Kromdraai Milling for expansion of business. The expansion was to involve creation of a bakery which would contribute significantly towards job creation.

- The municipality also continued implement LED projects from the previous financial year. Many of those projects are underway and the municipality can report progress especially on the following:

PROJECT DESCRIPTION	FUNDING SOURCE	AMOUNT ALLOCATED	PROGRESS
Development of industrial sites in all towns	FDDM	R20 000	Achieved
Provide infrastructure and operational support for Cornelia and Villiers Youth Advisory Centres & extend Centres to Frankfort and Tweeling	Municipal Budget, Umsobomvu Youth Fund	R800 000	Youth Advisory Centres were established in Villiers and Cornelia, Frankfort and Tweeling still outstanding
Brick Manufacturing Plant	Municipal Budget, Dept. of Social Development	R1 500 000	Plant established in Namahadi
Oil factory	Private	R10 000 000	Structure being build in Villiers
Tyre Manufacturing plant	Private	R50 000	Achieved
Pounding	Municipal Budget	R30 000	Pound Master appointed

5.4 Financial Viability and Management

Challenges

- Ensuring that the budget complies with legislation and is aligned development priorities;
- Improving financial management in the municipality; and
- Improving revenue collection for the municipality to meet its service delivery obligations.

Key Strategic Priorities

- That the 2010/2011 budget is compiled and adopted in accordance with applicable Municipal legislation;
- Develop and implement Debt Collection Strategy to improve revenue collection;
- Ensure that outstanding financial management policies and systems are in place;
- Ensure that budget and expenditure is in accordance with legislation; and
- Build internal capacity for improved financial management.

Key Performance Indicators

- 2010/2011 budget developed and adopted in line with the requirements of applicable legislation;
- Debt Collection Strategy developed and implemented, and revenue collection improved;
- Outstanding Financial Management policies and systems developed and implemented;
- Budget and treasury office established;
- Creditors paid within prescribed time-frames; and
- Financial management staff trained and capacitated.

Key Performance Highlights

- The municipality ensured that the 2011/2012 Budget was prepared and adopted in accordance with the Municipal Finance Management Act and Circular 54 of National Treasury. The municipality developed a Budget Process Plan that provided for extensive consultations and time-frames. In accordance with this, the municipality consulted widely and ensured that the Budget (aligned to the IDP) was finalized and adopted in time, 28 May 2011.

- In addition, the municipality compiled and approved the 2010/2011 Service Delivery Budget Implementation Plan (SDBIP). The Plan is a concrete expression of how the budget is translated into deliverables for the financial year. It also serves as a link between the budget planning and performance management. In fact, the SDBIP serves as a basis for the compilation of performance agreements for Section 57 managers.

- The municipality continues to implement Revenue Collection Strategy to increase payment levels. As part of these measures, the municipality ensured the following:

  - Common Valuation Roll compiled following extensive consultations with all affected stakeholders;
  - Indigent Register was developed and is 90% complete;
  - Asset Register was developed and is 90% complete.

- The municipality also wrote off certain debts for the indigents and the churches. This was done with a view to lessen the burden on the poor while encouraging the culture of service payment.

- The municipality also developed a number of financial management policies. These included the following:

  - Budget Policy
  - Borrowing Policy
  - Bad Debts Policy
  - Property Rates Policy
  - Banking and Investment Policy
  - Subsistence and Travelling Policy
  - Debt Collection and Credit Control Policy
  - Budget Transfers and Virements Policy

- The municipality also developed a Finance Policy and Procedure Manual. The manual assists the financial officers to effectively manage and operate the new financial system.

- The municipality also introduced Cost Containment Measures to ensure prudent use of Council resources, eradicate wastage while redirecting resources to critical areas of need.

- The municipality however continuously failed to pay creditors in time (i.e. 30 days of receipt of invoices). This owed largely to continuous cash-flow crisis.

- To strengthen capacity in the Finance Section, the municipality reviewed the organizational structure to ensure that more positions were created there. The municipality also appointed 5 financial interns to help improve capacity.

- In relation to compliance, the municipality developed a comprehensive Risk Management Register which has highlighted risk areas requiring attention. The municipality has also ensured that the financial reports and mid-term performance report in terms of section 71 and 72 were compiled and submitted to Council in time.

5.5 Good Governance and Public Participation

Challenges

- Lack of sufficient involvement of communities in governance and municipal affairs in general; and
- Weak public participation structures in the community

Key Priorities

- Ensure active involvement of communities in the planning and budgeting process;
- Build capacity of community structures to effectively engage in local governance and development processes; and
- Encourage civic responsibility and voluntarism.

Key Achievements

- As per usual the municipality took measures to ensure that communities participate actively in the formulation of the IDP and Budget for 2010/2011. This took the form of ward level meetings, Imbizos as well as involvement at the level of the IDP Representative Forum.

- The municipality has ensured that ward committees in the whole of Mafube area were established. The municipality also ensured that all ward committees were inducted following the establishment process. The induction programme was delivered by Department of Cooperative Governance and Traditional Affairs (CogTA) and coordinated by the Office of the Speaker.

- The municipality also supported the establishment of Street Committees in Ward 7 (Phomolong and Phahameng). This was another measure to deeped democracy and maximise community involvement in the affairs of the municipality.

- The municipality further appointed new community development workers (CDW's) for Ward (s) 2,6,7 & 9. This was after the incumbent CDWs resigned.

- In addition, the municipality held bi-monthly and quarterly public meetings throughout the year. This was to ensure the municipality continuously received feedback from the community while also communicating progress on projects to the community.

- The Community participation programme also mobilized different sections of the community to participate in various programmes and campaigns. Some of the programmes or initiatives included the following:

PARTICIPATION	PLACE	PERIOD	PARTICIPANTS	PERFORMANCE
INDIGENT REGISTRATION CAMPAIGN	All municipal wards	March 2011	Speaker's office, Municipal Officials, Ward Councilor and Ward Committee members	Complete; the campaign was carried over to 2012
HOME AFFAIRS CAMPAIGN	Mafube Municipality	June 2011	Mafube Municipality and Home Affairs Department	The campaign was launched to cater for people in need of the departmental services pertaining applications for ID's and Birth Certificates across the municipality.
HOME AFFAIRS CAMPAIGN	Mafube Municipality	June 2011	Mafube Municipality and Home Affairs Department	The campaign was launched to cater for people in need of the departmental services pertaining applications for ID's and Birth Certificates across the municipality.
FARMWORKER SUPPORT	Cronje Farm in Ward 8	July 2010	Mafube Municipality, SAPS, Correctional Services, Department of Labour, Department of Home Affairs, Social Development, Free State Care In Action, Save the Children & Department of Health	The municipality hosted the event on Mandela's birthday with afore mentioned government departments invited to provide services to the farm dwellers. 81 ID's were issued from the Home Affairs department, 11 residents were provided with clothes by Free State Care In Action and 18 people were tested for HIV/AIDS by the department of Health

Key Performance Highlights

- As per usual the municipality took measures to ensure that communities participate actively in the formulation of the IDP and Budget for 2010/2011. This took the form of ward level meetings, Imbizos as well as involvement at the level of the IDP Representative Forum.

- Under the leadership of the Speaker, the municipality initiated 'Job Hunting Skills' programme. The objective was to empower young people to improve their chances of securing employment. The programme, supported by the Department of Labour, assisted young people with the compilation of CVs and how to conduct oneself in job interviews ect.

- The programme also assisted the municipality to generate unemployment statistics in various wards. Below is the unemployment statistics by wards as established through this process:

Ward	Statistics
Ward 1	362
Ward 2	481
Ward 3	264
Ward 4	345
Ward 5	574
Ward 6	334
Ward 7	432
Ward 8	386
Ward 9	428
Total	**3606**

- The municipality also organized a Youth Indaba as an information session to further empower youth in their various endeavors. The Indaba also laid basis for the establishment Youth Development Forum. The Indaba was attended by National Youth Development Agency, SA Micro Apex Fund and Youth Development Agency.

5.6 Challenges

While work has been done, the municipality continues to encounter challenges including the following:

- Limited budget to travel and get Ward Committees to actively participate in municipal activies
- Lack of office space for the Ward Committees to function
- Lack capacity and training for the new Ward Committee members
- Lack of monitoring of the work of Ward Committees

Moving forward, the municipality is considering the following options to improve the situation in the new financial year.

- Increase travelling allowance for the office of the Speaker to support public participation.
- Identify office space Ward Councilors, Ward Committees and CDW's
- Provide mobile communication and a laptops for the office of the speaker.

Financial Statements 2011

- Abbreviations

COID Compensation for Occupational Injuries and Diseases
CRR Capital Replacement Reserve
DBSA Development Bank of South Africa
SA GAAP South African Statements of Generally Accepted Accounting Practice
GRAP Generally Recognised Accounting Practice
GAMAP Generally Accepted Municipal Accounting Practice
HDF Housing Development Fund
IAS International Accounting Standards
IMFO Institute of Municipal Finance Officers
IPSAS International Public Sector Accounting Standards
ME's Municipal Entities
MEC Member of the Executive Council
MFMA Municipal Finance Management Act
MIG Municipal Infrastructure Grant (Previously CMIP)

GENERAL INFORMATION

LEGAL FORM OF ENTITY LOCAL MUNICIPALITY (MFMA)

The following is included in the scope of operation Mafube Municipality is a local municipality performing the functions as set out in the Constitution, (Act no. 108 of 1996) which includes municipal services, infrastructure development and furthering the interests of the community.

MAYORAL COMMITTEE

Executive Mayor	L.M.D. Ntombela
Councillors	J.E. Sigasa
	J.J. Pretorious
	M. Moloi
	M.M. Sekhoto
	N.E. Xaba
	J.J. Hlongwane
	F.P. Motloung
	M.A. Mosia
	M.J. Moloi
	U.C. Jafta
	W.C. Motloung
	L.S. Kubeka
	P. Motloung
	M. Hadebe
	M.C. Du Plessis
	S.A. Mosia

GRADING OF LOCAL AUTHORITY

Category B Municipality as defined by the Municipal Structures Act. (Act no. 117 of 1998).

CHIEF FINANCIAL OFFICER

Mr N.N. Molefe (Acting)

ACCOUNTING OFFICER

P.I. Radebe

REGISTERED OFFICE

64 JJ Hadebe Street	P.O Box 2
FRANKFORT	FRANKFORT
9830	9830

AUDITORS

Auditor-General (FS)
BLOEMFONTEIN
9301

ATTORNEYS

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Richter van der Watt
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Breytenbach Mavuso Inc
Roodt Geldenhuys

PRINCIPAL BANKERS

ABSA Bank, Frankfort

ATTORNEYS

Podbielski Mhlambi Inc.
Claasen Attorney
Richter van der Watt
Hennie Venter Attorney

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the municipality sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page ???.

The annual financial statements set out on pages 58 to 103, which have been prepared on the going concern basis, were approved by the Council on 28 October 2011 and were signed on its behalf by:

PI Radebe
Municipal Manager

AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 30 June 2011.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet four times per annum as per its approved terms of reference. During the current year one of meetings was held.

Name of member	Number of meetings attended
Mr T.L. Scholtz (Chairperson) (appointment 09/08/2010)	1
Mr P.R. Mnisi (appointment 09/08/2010)	1
Ms Z.P. Zathu (appointment 09/08/2010)	1

Audit committee responsibility

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirements of section 166(2)(a) of the MFMA. We further report that we have conducted our affairs in compliance with this charter.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King II Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management letter of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations there from. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

We are satisfied with the content and quality of monthly and quarterly reports prepared and issued by the auditors of the municipality during the year under review. It was however noted that suspense accounts were not cleared on a monthly basis, and that reconciliations were not performed regularly.

Evaluation of annual financial statements

We have:
- Reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the auditors;
- Reviewed the Auditor-General of South Africa's management letter and management's response thereto;
- Reviewed changes in accounting policies and practices;
- Reviewed the entities compliance with legal and regulatory provisions;
- Reviewed significant adjustments resulting from the audit.

We concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

We are satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

We have met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

REPORT ON THE FINANCIAL STATEMENTS

1. Introduction

I was engaged to audit the accompanying financial statements of the Mafube Local Municipality, which comprise the statement of financial position as at 30 June 2011, and the 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 information, as set out on pages 44 to 55.

2. Accounting officer's responsibility for the financial statements

The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standard of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

3. Auditor-General's responsibility

As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the International Standards on Auditing and *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. Because of the matters described in the basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

4. Cash and cash equivalents

I was unable to obtain sufficient appropriate audit evidence for cash and cash equivalents of R16 669 779 (2010: R42 774 596) as disclosed in note 11 to the financial statements. I was unable to perform alternative procedures due to the unavailability of bank reconciliations, sufficient and appropriate audit evidence for debit journals of R68 287 944 and credit journals of R22 807 135. The unreconciled difference of R31 226 984 between the disclosure and the underlying accounting records could also not be substantiated. Debit orders of R5 152 742 in 2008-09 that appeared on the bank statements but had not been processed in the cash book could not be confirmed to be resolved. Consequently I could not determine the rights, valuation, existence, completeness presentation and disclosure of cash and cash equivalents disclosed in the financial statements, nor could I practicably quantify the resulting misstatement.

The corresponding figure for cash and cash equivalents as disclosed in note 11 to the financial statements has been restated by R31 033 334 from R11 741 262 to R42 774 596. No supporting documentation could be submitted for the restatement. There is an unreconciled difference of R3 283 095 between the restatement as disclosed in note 41 to the financial statements and the actual restatements that could not be explained. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the existence, completeness, valuation and allocation of and rights pertaining to the cash and cash equivalents corresponding figure of R42 774 596.

My report was modified in the prior year as unprocessed deposits and receipts of R56 531 998 were identified which had not been accounted for at year-end. Consequently, accumulated surplus was understated and receivables were overstated. The municipality's records did not allow me to quantify the understatement relating to revenue and the overstatement of receivables. The total unprocessed deposits and receipts for the year under review could not be quantified as no bank reconciliations have been prepared.

Contrary to the requirements of the South African Statement of Generally Accepted Accounting Practice, IAS 39 (AC 133) Financial Instruments: Recognition and Measurement, the municipality did not disclose the fact that land with a value of R1 500 000 has been provided as security to the bank in respect of the municipality's overdraft facility.

The SA Standards of GRAP, GRAP2 Cash Flow Statements, requires the municipality to prepares and present a cash flow statement in accordance with the requirements of the standard. The cash flow from operating activities was not prepared and the accuracy and completeness of the cash flow statement could not be confirmed.

5. Property, plant and equipment

I was unable to obtain sufficient appropriate audit evidence for property, plant and equipment of R208 542 470 (2010: R208 542 470) as disclosed in note 4 to the financial statements. I was unable to perform alternative procedures due to the unavailability of a complete and accurate asset register, sufficient appropriate audit evidence for the difference of R7 910 685 between the asset register and disclosure, additions of R27 948 734, disposals of R1 040 693 as well as debit journals of R434 601 151 and credit journals of R428 935 099. The unreconciled difference of R5 666 052 between the disclosure and the underlying accounting records and the evaluation of the impairment of assets could also not be substantiated. The descriptions, serial numbers and locations of property, plant and equipment with a carrying value of R36 195 392 (2010: R34 736 041) recorded in the fixed asset register were inadequate to identify the assets.

Consequently, I could not determine the rights, valuation, existence, completeness, presentation and disclosure of property, plant and equipment disclosed in the financial statements, nor could I practicably quantify the resulting misstatement.

Contrary to the requirements of paragraph 5 of the SA Standard of GRAP, GRAP 16 *Investment Property*, the municipality did not perform an evaluation to determine which properties should be disclosed as investment property. Municipal properties that conform to the definition and recognition criteria of an investment property as stated in GRAP 16 were not disclosed as such in the financial statements and were not included in an investment property register. Due to the lack of sufficient appropriate audit evidence, it was impracticable to determine the total extent of this understatement of investment property and overstatement of property, plant and equipment as disclosed in note 4 to the financial statements.

The municipality did not review the residual values and useful lives of property, plant and equipment at each reporting date in accordance with the SA Standard of GRAP, GRAP 17 *Property, plant and equipment*, as property, plant and equipment with a gross carrying amount of R208 542 270 (2010: R208 542 270) was included in the financial statements at provisional amounts and not cost less accumulated depreciation. Erven, that conform to the definition and recognition criteria of property, plant and equipment as stated in paragraph 11 of GRAP 17 and that were identified as municipal property on the municipal valuation roll, were not accounted for as property, plant and equipment in the financial statements. Due to the lack of sufficient appropriate audit evidence, the total financial impact of the misstatement could not be determined. Consequently, I could not obtain adequate audit assurance as to the valuation and completeness of property, plant and equipment.

. Paragraph 18 of the SA Standard of GRAP, GRAP1 *Presentation of Financial Statements*, requires financial statements to fairly present the financial position, financial performance and cash flows of the municipality. My report was modified in the prior year due to calculation errors as well as, property, plant and equipment disclosed in the financial statements exceeding the underlying accounting records by R12 082 231. Property, plant and equipment and the accumulated surplus were therefore overstated by R12 082 231.

6. Consumer debtors

Consumer debtors of R103 805 427 (2010: R86 563 762) as disclosed in note 10 to the financial statements could not be confirmed against sufficient appropriate audit evidence. I was unable to perform alternative procedures due to the unavailability of sufficient appropriate audit evidence for the difference of R405 742 between the age analysis and the disclosure and credit journals of R68 639 625. The unreconciled difference of R18 651 727 between the disclosure and the underlying accounting records, consumer debtor balances of R103 805 427 and government debtors of R1 272 654 (2010: R1 766 925) could also not be substantiated. Consequently, I could not determine the rights, valuation, existence, completeness, presentation and disclosure of consumer debtors disclosed in the financial statements, neither could I practicably quantify the resulting misstatement in other account balances, classes of transaction and disclosures.

The corresponding figure for consumer debtors as disclosed in note 10 to the financial statements has been restated by R36 575 863 from zero to R36 575 863. No supporting documentation was available for the restatement. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the existence, completeness, valuation and allocation of and rights pertaining to the consumer debtors corresponding figure of R86 563 762.

South African Statement of Generally Accepted Accounting Practice, IAS 39 (AC 133), *Financial Instruments: Recognition and Measurement* states that an entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. The municipality did not assess the consumer debtors, individually or by category, for any indication that these assets may be impaired. Management raised a general provision of R83 757 128 (2010: R49 987 899) for impairment against these consumer debtors. The recoverability of consumer debtors is doubt as consumer debtors with outstanding balances amounting to R85 090 156 had been outstanding for longer than 90 days. The recoverability is further compromised by the ongoing litigation resulting in payments being withheld by consumers. The municipality's records did not permit the application of alternative audit procedures and I was therefore unable to perform all the procedures I considered necessary to obtain adequate audit assurance as to the completeness and valuation of consumer debtors and impairment of debtors.

Contrary to the SA Standards of GRAP, GRAP 1, *Presentation of Financial Statements* details in respect of the aging of consumer debtors were not disclosed in note 10 to the financial statements to achieve fair presentation.

7. Trade and other receivables

I was unable to obtain sufficient appropriate audit evidence for trade and other receivables of R43 783 398 (2010: R34 001 491) as disclosed in note 9 to the financial statements. I was unable to perform alternative procedures due to the unavailability of sufficient appropriate audit evidence for debit journals of R102 445 663 and credit journals of R110 563 897. The financial statements exceeded the underlying accounting records by R4 333 560 and the difference could not be substantiated. Consequently, I could not determine the rights, valuation, existence, completeness, presentation and disclosure of trade and other receivables disclosed in the financial statements, neither could I practicably quantify the resulting misstatement in other account balances, classes of transaction and disclosures.

The corresponding figure for trade and other receivables as disclosed in note 9 to the financial statements has been restated by R20 001 622 from R13 999 869 to R34 001 491. There is an unreconciled difference of R18 042 013 between the disclosed restatement and the actual restatement that could not be explained. No supporting documentation was available for the restatement. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the existence, completeness, valuation and allocation of and rights pertaining to the trade and other receivables corresponding figure of R34 001 491.

My report was modified in the prior year as trade and other receivables of R43 783 398 (2010: R34 001 491) was disclosed in note 9 to the financial statements. Due to the lack of sufficient appropriate evidence and the fact that a journal of R6 195 758 had been processed without sufficient appropriate audit evidence, the existence and rights of other receivables could not be confirmed. The municipality's records did not permit the application of alternative audit procedures and I was unable to confirm the existence and rights of trade and other receivables of R43 783 398 (2010:R7 485 242).

8. Trade and other payables

Trade and other payables of R57 256 314 (2010: R41 053 054) as disclosed in note 18 to the financial statements could not be confirmed against sufficient appropriate audit evidence. I was unable to perform alternative procedures due to the unavailability of sufficient appropriate audit evidence for the payroll suspense accounts with debit balances of R31 472 281(2010: R13 948 313) and credit balances of R26 933 460 (2010: R2 104 581) included in trade and other payables. The difference of R62 660 072 between the supplier list and the disclosure could not be substantiated. Debit journals of R142 916 014 and credit journals of R62 101 980 as well as an unreconciled difference of R81 886 038 between the disclosure and the underlying accounting records could not be substantiated. Consequently I could not determine the rights, valuation, existence, completeness, presentation and disclosure of consumer debtors disclosed in the financial statements, neither could I practicably quantify the resulting misstatement in other account balances, classes of transactions and disclosures.

The corresponding figure for trade and other payables as disclosed in note 18 to the financial statements has been restated by R31 281 041 from R9 772 013 to R41 053 054. There is an unreconciled difference of R31 281 041 between the disclosed restatement and the actual restatement that could not be explained. No supporting documentation was available for the restatement. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the existence, completeness, valuation and allocation of and rights pertaining to the trade and other payables corresponding figure of R41 053 054.

In accordance with paragraph 37 of the SA Standards of GRAP's *Framework for Preparation and Presentation of Financial Statements*, the financial statements should be prepared on the accrual basis. Under this basis, transactions are recognised when they occur. Transactions are therefore recorded in the accounting records and reported in the financial statements of the periods to which they relate. However, various payments made to suppliers and/or service providers after year-end pertained to the current year. These payments were not recognised in the current year, resulting in the understatement of trade payables and expenditure. The municipality's records did not permit me to determine the total extent of this misstatement.

My report was modified in the prior year as trade and other payables of R15 453 873 as well as debtors with credit balances of R1 559 672 included in trade payables in note 18 to the financial statements could not be confirmed against sufficient appropriate audit evidence. Accordingly, I was unable to obtain sufficient appropriate audit evidence that trade and other payables of R57 256 314 (2010: R41 053 054) as included in the statement of financial position and note 18 to the financial statements, did not contain significant misstatements.

9. Expenditure

I was unable to obtain sufficient appropriate audit evidence for expenditure of R148 991 812 (2010: R86 747 665) disclosed in the statement of financial performance. I was unable to perform alternative procedures due to the unavailability of sufficient appropriate audit evidence for debit journals of R32 690 390 and credit journals of R71 974 925. The underlying accounting records does not agree with the financial statements by R41 230 266 and the difference could not be substantiated. Payments made amounting to R35 031 701 (2010: R20 124 994) could not be substantiated against sufficient appropriate audit evidence. Consequently I could not determine the occurrence, accuracy, classification, completeness, presentation and disclosure of expenditure disclosed in the statement of financial position, neither could I practicably quantify the resulting misstatement in other account balances, classes of transaction and disclosures.

The corresponding figure for expenditure as disclosed in the financial statements on the statement of financial performance has been restated by R20 366 348 from R64 482 194 to R84 848 542. There is an unreconciled difference of R13 584 423 between the disclosed restatement and the actual restatement that could not be explained. No supporting documentation was available for the restatement. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the occurrence, completeness, and accuracy of the expenditure corresponding figure of R86 747 665.

My report was modified in the prior year as payments of R2 026 674 had only been recorded in the current financial year, resulting in the understatement of the corresponding disclosure of expenditure by R2 026 674.

10. Irregular expenditure

Section 1 of the MFMA defines irregular expenditure as expenditure incurred by a municipality that is not in accordance with a requirement of the act and that has not been condoned in terms of section 170. The following cases of irregular expenditure were identified, which resulted from non-compliance with the municipality's supply chain management (SCM) policy. This irregular expenditure was not disclosed as required by section 125(2)(d) of the MFMA and therefore irregular expenditure as disclosed in note 46 to the financial statements was understated by the following:

(a) Non compliance with the requirements of the SCM policy, section 65(2)(a) of the MFMA and the Treasury Regulations that resulted in irregular expenditure amounting to R11 578 437.

(b) Expenditure amounting to R114 570 incurred as a result of the double payment of consultants due to lack of compliance with the SCM policy.

(c) The municipality could not submit sufficient appropriate audit evidence regarding the tender process and as a result the entire tender process and payments made relating to tenders could not be confirmed. Due to the lack of sufficient appropriate audit evidence, the total financial impact could not be determined.

Sufficient appropriate audit evidence that all irregular expenditure transactions had been identified, investigated and recorded during the year under review could not be provided. I was unable to perform reasonable alternative audit procedures. Consequently, I could not obtain adequate audit assurance as to the accuracy and completeness of irregular expenditure amounting to R42 118 515 (2010: R40 649 285) as disclosed in note 46 to the financial statements.

No evidence could be obtained that the irregular expenditure identified in prior financial years had been investigated and that political office bearers or officials of the municipality who had deliberately or negligently incurred or authorised irregular expenditure were held liable for such expenditure in terms of sections 32(1)(c) and 32(2)(b) of the MFMA. Trade and other receivables can thus be understated and the accumulated surplus overstated, but due to the lack of supporting documentation the amount could not be quantified.

11. Revenue

Revenue of R147 508 379 (2010: R134 333 052) as disclosed in the statement of financial performance could not be confirmed against sufficient appropriate audit evidence. I was unable to perform alternative procedures due to the unavailability of sufficient appropriate audit evidence to confirm the income foregone totalling R12 704 333 as disclosed in note 22 to the financial statements. Receipts amounting to R17 213 068 (2010: R6 589 318) could not be confirmed to have been recorded in the accounting records. Debit journals of R24 502 392 and credit journals of R26 557 422 could not be substantiated. Furthermore, there is an unreconciled difference of R4 109 800 between the disclosure and the underlying accounting records. Consequently, I could not determine the occurrence, accuracy, classification, completeness, presentation and disclosure of revenue as disclosed in the financial statements, neither could I practicably quantify the resulting misstatement in other account balances, classes of transaction and disclosures.

The corresponding figure for revenue as disclosed in the financial statements on the statement of financial performance has been restated by R10 661 821 from R123 663 913 to R134 333 052. There is an unreconciled difference of R25 397 905 between the disclosed restatement and the actual restatement that could not be explained. No supporting documentation was available for the restatement. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the occurrence, completeness, and accuracy of the revenue corresponding figure of R134 333 052.

Accounting policy note 1.13 was not in line with the SA Standards of GRAP, GRAP 9 *Revenue from Exchange Transactions*, since revenue from the sale of prepaid meter vouchers was recognised immediately on receipt of cash and not only at the stage when the entity no longer retained continuing managerial involvement to the degree usually associated with ownership or effective control over the goods sold. As a result, the sale of prepaid electricity revenue was incorrectly recognised as revenue, instead of deferred income as required by GRAP 9. Due to the volume of transactions involved and the fact that the system could not provide me with the relevant information, I could not quantify the extent to which revenue was overstated and deferred income understated. No alternative procedures could be performed in this regard.

In accordance with the SA Standards of GRAP, GRAP 1 *Presentation of Financial Statements*, the financial statements should be prepared on the accrual basis. Under this basis, transactions are recognised when they occur. Various instances of the incorrect application of approved tariffs were identified relating to service charges, specifically electricity and water, prepaid electricity as well as estimates used for electricity and water. Due to the lack of sufficient appropriate evidence the total financial impact could not be determined. Furthermore, the municipality did not provide for service charges relating to the period between the last meter-reading date and the year-end date on an annual basis. The under collection of service charges due to the incorrect application of tariffs approved and the lack of provision for service charges resulted in revenue and consumer debtors being understated, while the under collection of pre-paid electricity due to the incorrect application of tariffs approved resulted in a loss of income.

My reports was modified in the prior year as property rates of R13 087 940 were included in note 22 to the financial statements. Improvements to properties of R6 400 940 had not been updated on the system, resulting in the under collection of rates. Consequently, property rates revenue and trade receivables from non-exchange transactions were understated, but the municipality's records did not allow me to quantify the understatement.

12. Employee Related Costs

I was unable to obtain sufficient appropriate audit evidence for employee related costs of R56 167 507 (2010: R53 247 959) as disclosed in note 28 and 29 to the financial statements. I was unable to perform alternative procedures due to the unavailability of sufficient appropriate audit evidence for debit journals of R3 773 779 and credit journals of R195 444. The financial statements exceeded the underlying accounting records by R2 742 644 and the difference could not be substantiated. Furthermore an unreconciled difference of R2 223 422 between the payroll accounting system and the financial statements could not be substantiated. Uncleared payroll suspense accounts with a net debit balance totalling R4 538 821 (2010: (R378 784) could not be substantiated against sufficient appropriate audit evidence. Consequently I could not determine the occurrence, accuracy, classification, completeness, presentation and disclosure of employee related costs disclosed in the statement of financial performance, neither could I practicably quantify the resulting misstatement in other account balances, classes of transactions and disclosures.

The corresponding figure for employee related costs as disclosed in the financial statements on the statement of financial performance has not been restated. There is an unreconciled difference of R5 734 817 between the disclosed amount and note 41 to the financial statements that indicates that a prior period error correction was made to the amount of R5 734 817. No supporting documentation was available for the disclosure. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the occurrence, completeness, and accuracy of the employee related cost corresponding figure of R48 776 438.

13. Remuneration of councillors

Paragraph 18 of GRAP 1 requires financial statements to fairly present the financial position, financial performance and cash flows of the municipality. Overpayment of R2 204 927 were identified in respect of councillor remuneration included in note 29 to the financial statements this was reported for the past two financial years. Consequently councillor remuneration were overstated with R546 207, accumulated surplus were overstated with R1 658 720 and receivables understated by R2 204 927.

The municipality did not disclose the particulars of the salaries, allowances and benefits of the councilors of the municipality, in accordance with section 124 of the MFMA. The particulars of the remuneration of councilors amounting to R4 365 842 as disclosed on the statements of financial performance and note 29 of the financial statements should have been disclosed in detail.

14. Value-added tax

The VAT payable of R5 649 738 (2010: R5 786 711) as disclosed in note 19 to the financial statements could not be confirmed against sufficient appropriate audit evidence. I was unable to perform alternative procedures due to the unavailability of sufficient appropriate audit evidence to confirm debit journals of R214 993 and credit journals of R10 464 203. An unreconciled difference of R1 590 797 between the returns submitted and the accounting records could not be substantiated. Furthermore, a difference of R12 591 425 between the underlying accounting records and the third party confirmation could not be substantiated. Consequently, I could not determine the rights, valuation, existence, completeness, presentation and disclosure of VAT payable disclosed in the financial statements, neither could I practicably quantify the resulting misstatement in other account balances, class of transactions and disclosures.

The corresponding figure value added tax payable as disclosed in note 19 to the financial statements has been restated by R8 400 537 from R14 187 248 to R5 786 711. There is an un reconciled difference of R8 400 537 between the disclosed restatement and the actual restatement that could not be explained. No supporting documentation was available for the restatement. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the existence, completeness, valuation and allocation of and rights pertaining to the VAT payable corresponding figure of R5 786 711.

My report was modified in the previous year as the completeness and valuation of VAT payable of R5 649 738 (2010: R5 786 711) could not be confirmed. Accordingly, I was unable to obtain sufficient appropriate audit evidence that VAT payables of R5 649 738 and the corresponding disclosure of R5 786 711, as included in the statement of financial position and note 19 to the financial statements, did not contain significant misstatements.

15. Accumulated surplus

I was unable to obtain sufficient appropriate audit evidence for the accumulated surplus as disclosed on the statement of financial position of R210 747 461 (2010: R267 252 230). I was also unable to perform alternative procedures due to the unavailability of sufficient appropriate audit evidence for debit journals of R400 836 911 and credit journals of R486 177 679. The underlying accounting records exceeded the financial statements by R53 245 414 and the difference could not be substantiated. Consequently, I could not determine the rights, valuation, existence, completeness, presentation and disclosure of the accumulated surplus disclosed in the financial statements, neither could I practicably quantify the resulting misstatement in other account balances, classes of transaction and disclosures.

The corresponding figure for accumulated surplus as disclosed in the financial statements on the statement of financial position has been restated by R281 514 518 from R14 262 288 deficit to R267 252 230 surplus. There is an un-reconciled difference of R166 702 217 between the disclosed restatement and the actual restatement that could not be explained. No supporting documentation was available for the restatement. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the existence, completeness, valuation and allocation of and rights pertaining to the accumulated surplus corresponding figure of R5 786 711.

Due to the disclaimer of opinion on the prior year's financial statements and the lack of sufficient appropriate audit evidence that prior year misstatements and scope limitations had been followed up and resolved, I could not obtain sufficient appropriate audit evidence to confirm the existence, completeness and valuation of the accumulated surplus of R210 747 461 and the corresponding disclosure of R267 252 230 as disclosed in the statement of financial position. The municipality's records did not permit the application of alternative audit procedures and accordingly, I could not obtain sufficient appropriate audit evidence to ensure that accumulated surplus was fairly stated in the financial statements.

16. Unspent conditional grants and receipts

I was unable to obtain sufficient appropriate audit evidence for unspent conditional grants and receipts as disclosed in note 16 to the financial statements of R2 200 692 (2010: (R19 192)). I was unable to perform alternative procedures due to the unavailability of sufficient appropriate audit evidence for debit journals of R466 000 and credit journals of R2 239 020. The underlying accounting records exceeded the financial statements by R2 006 020 and the difference could not be substantiated. Furthermore a difference of R5 273 866 (2010: R9 007 009), between the underlying accounting records in respect of operation Hlasela and the third party confirmation for the separate bank account maintained for this purpose, could not be substantiated. Due to the lack of sufficient appropriate audit evidence I could not determine if Operation Hlasela's expenditure had been understated or if the municipality had used this money to defray other running costs. Consequently I could not determine the rights, valuation, existence, completeness, presentation and disclosure of unspent conditional grants and receipts disclosed in the financial statements, neither could I practicably quantify the resulting misstatement in other account balances, classes of transaction and disclosures.

17. Provisions

The municipality did not disclose or raised a provision in respect of pending litigation and legal actions instituted against the municipality. In the absence of sufficient appropriate audit evidence that legal actions had been evaluated to determine whether they should be disclosed as contingent liabilities or provided for in accordance with the SA Standards of GRAP, GRAP 19, *Provisions, Contingent Liabilities and Contingent Assets*, I was unable to determine if accruals, provisions and contingent liabilities were understated. Third party confirmation letters sent out to the municipality's legal representatives were not responded to and the application of alternative audit procedures could thus also not be performed. Provision was not made for the environmental rehabilitation costs of restoring the municipality's landfill sites. In the absence of a valuation in respect of the costs for the rehabilitation of landfill sites, I was unable to quantify the extent of the understatement of provisions. Accordingly, I could not obtain sufficient appropriate audit evidence to ensure the completeness of provisions.

I was unable to obtain sufficient appropriate audit evidence for debit journals of R1 658 051 and for credit journals of R829 026. I was unable to confirm the completeness, accuracy and validity of the journals processed against provisions and other account balances or classes of transaction contained in the financial statements.

18. Contingent liabilities

Contingent liabilities of R20 916 762 were identified during prior year audits. This disclosure has not been included in the financial statements, no evidence could be obtained that these cases had been resolved by 30 June 2011 and as a result no assurance could be expressed that contingent liabilities as disclosed in the financial statements were complete.

19. Fruitless and wasteful expenditure

Section 1 of the MFMA defines fruitless and wasteful expenditure as expenditure incurred by a municipality that was made in vain and that could have been prevented had reasonable care been taken and that has not been condoned in terms of section 170. The following cases of fruitless and wasteful expenditure were identified, that had not been disclosed as required by section 125(2)(d) of the MFMA.

Therefore, fruitless and wasteful expenditure as disclosed in note 45 to the financial statements was understated by the following:

(a) Fruitless and wasteful expenditure incurred as a result of councillor overpayments of R546 207 have not been disclosed.

(b) The municipality did not disclose fruitless and wasteful expenditure of R537 341 incurred as a result of interest and penalties levied against them due to late payments being made to SARS for employee tax, Skills Development Levy and Unemployment Insurance Find as required by section 125(2)(d) of the MFMA.

(c) The municipality did not disclose fruitless and wasteful expenditure of R38 080 incurred as a result of interest and penalties levied against them due to late payments being made to SARS for VAT, as required by section 125(2)(d) of the MFMA.

(d) Fruitless and wasteful expenditure of R10 400 incurred due to late payment of suppliers were not disclosed.

(e) The municipality did not disclose fruitless and wasteful expenditure of R3 470 incurred as a result of late payments and traffic fines.

(f) Expenditure amounting to R30 000 incurred as a result of payments to consultants for an inadequate asset register were not disclosed as fruitless and wasteful expenditure.

20. Commitments

The commitments balance of R12 701 718, as disclosed in note 38 to the financial statements, did not agree to the balance of R17 811 327 per the underlying accounting records. The municipality did not reconcile the difference of R5 109 609 between the financial statements and the underlying accounting records. Consequently, the commitments balance was understated by R5 109 609.

No evidence could be obtained that management had confirmed the completeness of commitments of R12 701 718 (2010: R30 650 586) as disclosed in note 38 to the financial statements. Accordingly, I was unable to obtain sufficient appropriate audit evidence that capital commitments of R12 701 718 (2010: R30 650 586) as disclosed in note 38 to the financial statements, did not contain significant understatement for the year under review. Comparative figures are understated with R81 690 055.

21. Changes in accounting policy

Contrary to the requirements of the SA Standard of GRAP, GRAP 3 Accounting Policies, Changes In Accounting Estimates And Errors, the municipality did not disclose the write off of funds and reserves amounting to R183 879 771 to the accumulated surplus in terms of accounting policy note 1.24 as a prior period error, but disclosed it incorrectly as a change in accounting policy in note 2 to the financial statements. This is regarded as a prior period error as the funds and reserves should have been written off to the accumulated surplus with the first time adoption of GRAP as there were no subsequent changes to the accounting policy.

22. Unauthorised expenditure

Section 1 of the MFMA defines unauthorised expenditure as overspending of the total amount appropriated in the municipality's approved budget. Unauthorised expenditure to the amount of R45 862 732 was not disclosed in the financial statements as required by section 125(2)(d) of the MFMA and therefore unauthorised expenditure was understated by the said amount.

23. Going concern

The municipality incurred an operating deficit of R57 650 940 during the financial year under review and a deficit of R5 662 572 in the prior year. In addition the going concern ratios are regarded as unfavourable. The municipality did not settle its debt within 30 days as required by the MFMA and is significantly dependent on the national and provincial government for its continued sustainability. The municipality is experiencing serious difficulties with regard to debt collection. All of these are indicators of serious financial problems as detailed in section 138 of the MFMA. The municipality may therefore be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements and notes thereto do not disclose this fact.

24. Disclaimer of opinion

Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

25. Emphasis of matters

I draw attention to the matters below. My opinion is not modified in respect of these matters:

26. Material losses

As disclosed in note 22 to the financial statements, the municipality suffered significant income rate losses of R12 704 333 during the year under review, due to income foregone relating to the commercial, small holdings and farm rates charged.

27. Material Impairments

As disclosed in note 10 to the financial statements, the municipality incurred material impairments amounting to R83 757 128, mainly due to outstanding consumer debtors. The recoverability of these amounts is doubtful.

28. Additional matters

I draw attention to the matters below. My opinion is not modified in respect of these matters:

29. Unaudited supplementary schedules

The supplementary information does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

30. Material inconsistencies in other information included in the annual report

As the municipality failed to submit a draft annual report for the financial period under view, the consistency and accuracy of information that will be reported could not be verified against actual audited information relating to the municipality.

31. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the PAA and in terms of *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages [xx] to [xx] and material non-compliance with laws and regulations applicable to the municipality.

32. Predetermined objectives

Material findings on the report on predetermined objectives, as set out on pages xx to xx, are reported below:

33. Presentation of information

No annual performance report was submitted for the financial period under review. Consequently, the accuracy and completeness of reporting on pre-determined objectives could not be evaluated.

34. Usefulness of information

It could not be confirmed that the municipal performance management framework and policy for the financial period under review had been approved or properly implemented. Consequently, the processes followed to identify, collect, manage and report on information relating to pre-determined objectives could not be verified.

35. Reliability of information

Contrary to section 30 of the Municipal System Act, 2000 (Act No.32 of 2000)(MSA), no committee of councillors was appointed by the municipal council to manage the drafting of the municipality's integrated development plan (IDP), nor could it be confirmed that responsibilities in this regard had been delegated to the municipal manager.

The municipal IDP did not include specific information, such as input, output or outcome indicators relating to the local government strategic five-point plan.

The municipal budget and the service delivery and budget implementation plan (SDBIP) could not be linked in such a way that gave effect to the municipal IDP. Information relating to budgeted infrastructure as included in the municipal budget and SDBIP could not be linked to the municipal IDP and in some instances were not included in the IDP, which contributed to a lack of clear and transparent inter relationships between the municipal budget, SDBIP and IDP.

The municipal IDP did not include input, output or outcome indicators, as prescribed by section 13 (3) of the rules and regulation of the MSA. Key performance indicators and performance targets included in the IDP could not be confirmed to be:

- Specific (the nature and the required level of performance can be clearly identified)
- Measurable (the required performance can be measured)
- Achievable (the target is realistic given existing capacity)
- Relevant (the required performance is linked to the achievement of a goal)
- Time-bound (the time period or deadline for delivery is specified)

Compliance with laws and regulations

36. Strategic planning and performance management

Reports submitted by the accounting officer regarding to monthly reporting on income and expenditure were not adequate in terms of section 71 and 72 of the MFMA.

37. Annual financial statements, performance and annual report

The accounting officer failed to submit financial statements within the legislative deadline, as prescribed by section 126 (a) of the MFMA.

The municipality did not reported performance against predetermined objectives, as required by section 121 of the MFMA and section 46 of the MSA.

The accounting officer failed to submit a draft annual report for the financial period under review, contrary to the terms of engagement as agreed upon at the start of the audit engagement, which stated that: 'the draft annual report and all other information that is to be issued with the financial statements should be submitted by no later than 31 August in order for us to determine any inconsistencies with the audited financial statements and report on predetermined objectives. If this information is not received as agreed it may have a significant impact on the audit due to additional time that will be required to review events subsequent to the date of the auditor's report.'

38. Audit committees

The audit committee did not properly function during the financial period as it could not be confirmed that the committee had executed its duties as prescribed by section 166 (1) to 166 (5) of the MFMA.

39. Internal audit

The internal audit function at the municipality was outsourced during the financial period and no adequate audit assurance could be obtained that the internal auditors had executed their duties in terms of section 165 of the MFMA, as no up to date service level agreement could be submitted for audit purposes.

40. Procurement and contract management

Goods and services with a transaction values of between R2 000 and R500 000, totalling R1 112 270, were procured without obtaining the required number of written price quotations from prospective suppliers, as per the requirements of regulations 12 and 16 (GNR. 868 of 30 May 2005)

Goods and service with transaction values of R2 000 and above, totalling R986 490, were procured without the proper authorisation to incur the expenditure in terms of section 62 (1)(b) of the MFMA.

41. Expenditure management

The accounting officer did not take effective or appropriate steps to prevent unauthorised, irregular as well as fruitless and wasteful expenditure, as per the requirements of section 62 (1)(d) of the MFMA.

The accounting officer did not ensure that expenditure incurred by the municipality, totalling R426 056 was reviewed as proof that the expenditure had been captured on the municipal financial system, contrary to section 65 of the MFMA.

VAT claimed on expenditure incurred, totalling R384 167, was based on invoices that did not comply with section 20(4) of the VAT Act.

42. Revenue management

The accounting officer did not review the scale of tariffs for fees and charges at the time of preparing the budget relating to pre-paid electricity, resulting in too little being charged for pre-paid electricity, contrary to section 64(1)(a) to 64(1)(h) of the MFMA.

43. Asset management

The accounting officer did not ensure that a proper control system existed for assets to eliminate theft, losses, wastage and misuse, as per the requirement of section 63 of the MFMA.

The accounting officer failed to ensure compliance with the SA Standard of GRAP, GRAP *Property, Plant and Equipment*, as the municipality applied Directive 4 issued by the Auditing Standards Board after the allowed period.

44. INTERNAL CONTROL

In accordance with the PAA and in terms of *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the basis for the disclaimer of opinion, the lack of an annual performance report and the findings on compliance with laws and regulations included in this report.

45. Leadership

Key staff members were not available for meetings during the planning phase of the audit, which delayed the execution phase. Attendance of meetings by key staff members improved during the execution and reporting phases of the audit.

The council did not develop and establish an information technology committee, risk committee, budget committee, fraud prevention plan, business continuity plan or disaster recovery plan, which lead to a breakdown of internal controls resulting in numerous reporting errors not being identified and addressed in a timely manner.

Consultants were used to prepare the financial statements due to a lack of technical expertise in respect of the GRAP accounting framework. The municipality also suffered from capacity problems during the financial period. The consultants appointed did not have the proper competency levels to ensure material reduction in misstatements, nor did the appointed consultants transfer skills to the staff of the municipality. Management did not ensure that adequate and sufficiently skilled resources were in place or that performance was monitored.

The municipality did not have documented and approved internal policies and procedures to address planning, implementation, monitoring and reporting processes and events pertaining to performance management and reporting as well as related party transactions.

The municipality had not established an information technology (IT) risk management framework or IT governance framework to assist IT in aligning the evaluation and management of IT risks to the overall approach of the municipality.

Numerous long outstanding resolutions have not been resolved. Sufficient appropriate audit evidence could not be submitted to determine whether or not these resolutions had been adequately addressed.

46. Financial and performance management

The response time to requests for information and communication of audit findings was slow and not in line with the timeframes agreed upon in the audit engagement letter. This resulted in the bulk of information being submitted for audit purposes towards the end of the audit. The majority of responses to audit findings were also not received within the agreed-upon timeframes, which in turn had a negative impact on timely and effective feedback sessions between the AGSA and the management of the municipality. As a result audit adjustments to the financial statements were made at a very late stage of the audit.

Management did not implement the daily and monthly controls as designed for the municipality's business processes as monthly cash and cash equivalents, debtor, creditor and payroll reconciliations were not properly prepared and reviewed.

A recurring issue in recent years has been the number of suspense accounts that are not reconciled and cleared in a timely manner.

The municipality had not formalised its backup process by designing a backup strategy.

The municipal budget could not be confirmed to be consistent with the strategic objectives of the municipality as included in the municipal IDP.

Non-compliance with laws and regulations could have been prevented had compliance been properly reviewed and monitored.

The municipality failed to submit a report on pre-determined objectives for the financial period ended 30 June 2011, the consistency of information could not be confirmed.

47. Governance

Management had not implemented appropriate risk management activities to ensure that regular risk assessments, including the consideration of IT risks and fraud prevention, would be conducted and that a risk strategy would be developed and monitored to address the risks identified in a timely manner. The municipality did a risk assessment during February 2011 but this was not used to develop and monitor risks during the year under review and only had an impact in the 2012 year.

The internal audit unit did not function as intended during the year under review as only a single compliance report was issued during the financial period, consisting of reviews of DORA, procurement, and general compliance focus areas. No other work was performed by the internal auditors.

The audit committee did not function throughout the year as only one meeting was held and it could not be confirmed that the audit committee had executed their duties as required by section 166 of the MFMA.

Bloemfontein
29 February 2012

AUDITOR-GENERAL

ACCOUNTING OFFICER'S REPORT

The accounting officer submits his report for the year ended 30 June 2011.

1. Date established

The municipality was established in 2001.

2. Review of activities

Main business and operations
The municipality is engaged in local municipal service provision and operates principally in South Africa

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R 57 650 940 (2010: deficit R 5 662 572).

3. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

4. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

5. Accounting Officer's interest in contracts

The accounting officer has no interests in contracts for the year under review.

6. Accounting policies

The annual financial statements were prepared in accordance with the South African Generally Recognised Accounting Practice (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

7. Non-current assets

Refer to the changes in accounting policy section for changes in the policy relating to the use of non-current assets.

8. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
P.I. Radebe	South African

9. Corporate governance

General
The municipality is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the municipality supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report III on Corporate Governance for South Africa 2009.

The salient features of the municipality's adoption of the Code is outlined below:

Council and Section 57 Managers
The Council:

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;

Remuneration
The upper limits of the remuneration of the councillors of the municipality, are determined by the Government Gazette Notice No. 1196,Government Gazette No. 33867, Volume 546, issued on 10 Decmber 2010, and the council will determine the remuneration within the above mentioned limits. The upper limits of the remuneration of the Section 57 Managers of the municipality, are determined by the Council.

Council meetings
The Council has met on 13 separate occasions during the financial year. The Council schedules to meet at least 4 times per annum.

Audit and risk committee
For the current financial year the chairperson of the audit committee was Mr TL Scholtz . The committee met once during the financial year to review matters necessary to fulfil its role.

Internal audit
The municipality has outsourced its internal audit function to Makomota Financial Management Services since 2002. This is in compliance with the Municipal Finance Management Act, 2003.

10. Special resolutions

No special resolutions were passed during the year.

11. Bankers

ABSA Bank Frankfort

12. Auditors

Auditor-General will continue in office for the next financial period.

13. Non compliance with applicable legislation

The municipality failed to meet the deadline for the submission of the Annual Financial Statements as prescribed by the MFMA.

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

	Note(s)	2011 (R)	2010 (R)
Assets			
Current Assets			
Inventories	8	456 138	389 532
Trade and other receivables from exchange transactions	9	43 783 398	34 001 491
Consumer debtors	10	16 082 320	36 575 863
Cash and cash equivalents	11	16 669 779	42 774 596
		76 991 635	**113 741 482**
Non-Current Assets			
Property, plant and equipment	4	208 542 470	208 542 470
Investment	5	145 602	145 602
		208 688 072	**208 688 072**
Total Assets		**285 679 707**	**322 429 554**
Liabilities			
Current Liabilities			
Operating lease liability	6	467 037	410 061
Trade and other payables from exchange transactions	18	57 256 314	41 053 054
VAT payable	19	5 649 738	5 786 711
Consumer deposits	20	622 996	1 026 917
Unspent conditional grants and receipts	16	2 200 692	(19 192)
Provisions	17	2 187 136	1 308 714
Current portion of long term liability		239 291	134 449
		68 623 204	**49 700 714**
Non-Current Liabilities			
Long term Liability	15	1 900 042	1 791 610
Retirement benefit obligation	7	4 409 000	3 685 000
		6 309 042	5 476 610
Total Liabilities		**74 932 246**	**55 177 324**
Net Assets		**210 747 461**	**267 252 230**
Net Assets			
Accumulated surplus		210 747 461	267 252 230

STATEMENT OF FINANCIAL PERFORMANCE AT 30 JUNE 2011

	Note(s)	2011 (R)	2010 (R)
Revenue			
Rendering of services		911 332	328 097
Property rates	22	11 951 965	13 087 940
Service charges	23	59 958 504	49 871 073
Rental of facilities and equipment		477 955	304 387
Interest received (trading)		7 418 100	6 858 245
Fines		357 913	152 965
Licences and permits		–	100
Government grants & subsidies	24	64 465 587	62 773 772
Miscellaneous other revenue		212 434	638 019
Other income	25	1 754 589	318 454
Total Revenue		**147 508 379**	**134 333 052**
Expenditure			
Employee related costs	28	(51 801 665)	(48 776 438)
Remuneration of councillors	29	(4 365 842)	(4 471 521)
Administration	30	–	(1 238 534)
Finance costs	32	(495 291)	(293 000)
Debt impairment	31	(52 518 150)	(38 562 792)
Repairs and maintenance		(9 417 770)	(4 839 110)
Bulk purchases	36	(51 947 539)	(20 050 318)
General Expenses	26	(34 613 062)	(21 763 911)
Total Expenditure		**(205 159 319)**	**(139 995 624)**
Deficit for the year		**(57 650 940)**	**(5 662 5720**

STATEMENT OF CHANGES IN NET ASSETS AT 30 JUNE 2011

	Capital replacement reserve	Capitalisation reserve (R)	Government grant reserve (R)	Total reserves (R)	Accumulated surplus (R)	Total assets (R)
Opening balance as previously reported	6 720 724	2 380 323	174 777 871	183 878 918	89 035 878	272 914 796
Adjustments						
Change in accounting policy	(6,720,724)	(2 380 323)	(174 777 871)	(183 878 918)	183 878 918	–
Balance at 01 July 2009 as restated	**–**	**–**	**–**	**–**	**272 914 796**	**272 914 796**
Changes in net assets						
Surplus for the year	–	–	–	–	(5 662 572)	(5 662 572)
Total changes	–	–	–	–	(5 662 572)	(5 662 572)
Balance at 01 July 2010	**–**	**–**	**–**	**–**	**268 398 406**	**268 398 406**
Changes in net assets						
Surplus for the year	–	–	–	–	(57 650 940)	(57 650 940)
Total changes	–	–	–	–	(57 650 940)	(57 650 940)
Balance at 30 June 2011	**–**	**–**	**–**	**–**	**210 747 466**	**210 747 466**
Note(s)	12	13	14			

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Note(s)	2011 (R)	2010 (R)
Cash flows from operating activities			
Receipts			
Other cash item		–	33 290 420
Payments			
Finance costs		(495 291)	(293 000)
Other cash item		(26 968 972)	(56 375 612)
		(27 464 263)	(56 668 612)
Net cash flows from operating activities	**37**	**(27 464 263)**	**(23 378 192)**
Cash flows from investing activities			
Proceeds from sale of financial assets		–	(145 602)
Net cash flows from investing activities		**–**	**(145 602)**
Cash flows from financing activities			
Repayment of long term liability		108 432	1 791 610
Movement in other liability		104 842	134 449
Net cash flows from financing activities		**213 274**	**1 926 059**
Net increase/(decrease) in cash and cash equivalents		**(27 250 989)**	**(21 597 735)**
Cash and cash equivalents at the beginning of the year		42 774 596	–
Cash and cash equivalents at the end of the year	**11**	**15 523 607**	**(21 597 735)**

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with section 122(3) of the Municipal Finance Management Act, (Act No.56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

The standards included in the GRAP reporting framework, as determined in Directive 5 as issued by the Accounting Standards Board are summarised as follows:

Standard of GRAP	
GRAP 1	Presentation of financial statements
GRAP 2	Cash flow statements
GRAP 3	Accounting policies, changes in accounting estimates and errors
GRAP 4	The effects of changes in foreign exchange rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated financial statements and accounting for controlled entities
GRAP 7	Investments in associates
GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GAMAP 17	Property, plant and equipment
GAMAP 19	Provisions, contingent liabilities and contingent asset
GRAP 100	Non current Assets held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
IFRS 3 (AC 140)	Business Combinations
IFRS 4 (AC 141)	Insurance Contracts
IFRS 6 (AC 143)	Exploration for and Evaluation of Mineral Resources
IFRS 7 (AC 144)	Financial Instruments: Disclosures
IAS 12 (AC 102)	Income Taxes
IAS 19 (AC 116)	Employee Benefits
IAS 32 (AC 125)	Financial Instruments: Presentation
IAS 36 (AC 128)	Impairment of Assets
IAS 39 (AC 133)	Financial Instruments: Recognition and Measurement
IPSAS 20	Related Party Disclosure
IPSAS 21	Impairment of Non Cash Generating Assets
IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 14	The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 1	Applying the Probability Test on Initial Recognition of Exchange Revenue

Accounting policies for material transactions, events or conditions not covered by the above GRAP reporting framework have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 and the hierachy approved in Directive 5, as issued by the Accounting Standard Board.

These accounting policies are consistent with the previous period, except for the changes set out in the note in the relevant policy.

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables/or loans and receivables
The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Provisions
Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Post retirement benefits
The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The actuaries determine the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the actuaries made reference to market yields at the balance sheet date of South African long term bonds

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model
Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	**Useful life**
Property - buildings	30 years

Transitional provision
The municipality changed its accounting policy for investment property in 2011. The change in accounting policy was made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure investment property for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Investment property. Investment property has accordingly been recognised at provisional amounts, as disclosed in note . The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where investment property was acquired through a transfer of functions, the municipality is not required to measure that investment property for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2011 and investment property has accordingly been recognised at provisional amounts, as disclosed in note 4.

Until such time as the measurement period expires and investment property is recognised and measured in accordance with the requirements of the Standard of GRAP on Investment property, the municipality need not comply with the Standards of GRAP on:
- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Investment property implies that any associated presentation and disclosure requirements need not be complied with for investment property not measured in accordance with the requirements of the Standard of GRAP on Investment property.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	
• Land	infinite
Buildings	
• Office Buildings	30
Plant and machinery	5
Furniture and fixtures	3-10
Motor vehicles	5
Office equipment	5
IT equipment	3
Computer software	3
Infrastructure	
• Taxi Ranks	20
• Bus Terminals and Shelters	20
• Street Lights	25
Community	
• Recreational centres	30
• Sports and regulated grounds	30
• Outdoor sports facilities	20
• Community halls	30
• Public conveniences	30
Other property, plant and equipment	
• Bins and containers	5-10
• Computer equipment	5
• Computer software (part of computer)	5
• Emergency equipment	5-15
• Other assets	2-30

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Transitional provision
The municipality changed its accounting policy for property, plant and equipment in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 4. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where property, plant and equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant and equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

1.4 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

1.5 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential.

Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Computer software, other	5 years

1.6 Financial instruments

Classification
The municipality classifies financial assets and financial liabilities into loans and receivables category.

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement
Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement
Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Impairment of financial assets
At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.
Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit .

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Trade and other receivables
Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables
Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings
Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Derivatives
Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

Held to maturity
These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

Financial liabilities and equity instruments
Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases - lessor
Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee
Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Transitional provision
The municipality changed its accounting policy for inventories in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure inventories for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Inventories.

Inventories has accordingly been recognised at provisional amounts, as disclosed in 8. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where inventories was acquired through a transfer of functions, the municipality is not required to measure that inventories for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2011 and inventories has accordingly been recognised at provisional amounts, as disclosed in 8.

Until such time as the measurement period expires and inventories is recognised and measured in accordance with the requirements of the Standard of GRAP on Intangible assets, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Inventories implies that any associated presentation and disclosure requirements need not be complied with for inventories not measured in accordance with the requirements of the Standard of GRAP on Inventories.

1.9 Construction contracts and receivables

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.11 Employee benefits

Short-term employee benefits
The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans
Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans
For defined benefit plans the cost of providing the benefits is determined using the projected unit credit valuation method as prescribed by IAS 19.

Actuarial valuations are conducted on an annual basis. Old Mutual conducted Mafube Municipality's valuations for the years 2010 and 2011.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.12 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39

Decommissioning, restoration and similar liability
Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount, and account for any impairment loss, in accordance with the amounting policy on impairment of assets as described in accounting policy 1.10 and .

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  -a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  -an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and
  net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

Transitional provision
The municipality changed its accounting policy for provisions, contingent liabilities and contingent assets in 2011. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where provisions, contingent liabilities and contingent assets was acquired through a transfer of functions, the municipality is not required to measure that provisions, contingent liabilities and contingent assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2011 and provisions, contingent liabilities and contingent assets has accordingly been recognised at provisional amounts, as disclosed in 17.

Until such time as the measurement period expires and provisions, contingent liabilities and contingent assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets, the municipality need not comply with the Standards of GRAP on:
- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets implies that any associated presentation and disclosure requirements need not be complied with for provisions, contingent liabilities and contingent assets not measured in accordance with the requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement
Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services
When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- 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 stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement
Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest
Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines
Revenue from the issuing of fines is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender.

Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Levies
Levies are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:
- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

Government grants
Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations
Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.15 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.16 Investment income
Investment income is recognised on a time-proportion basis using the effective interest method.

1.17 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.19 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements.

The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity'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.

1.22 Use of estimates

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

1.23 Presentation of currency

These annual financial statements are presented in South African Rand.

1.24 Offsetting

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

1.25 Internal reserves

Capital replacement reserve (CRR)
In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of a Council resolution. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised 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 utilised.

Capitalisation reserve
On the implementation of GAMAP/GRAP, the balance of certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment, were transferred to a Capitalisation Reserve rather than the accumulated surplus/deficit, as in prior years, in terms of a directive (Circular No. 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation charge that will be incurred over the useful lives of these items of property, plant and equipment is offset by transfers from this reserve to the accumulated surplus/deficit.

The balance on the Capitalisation 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 Capitalisation Reserve to the accumulated surplus/deficit.

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

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

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

1.26 Housing subsidies

The municipality provides post-retirement housing subsidies for qualifying staff members. The payment of these subsidies is reflected as expenditure in the statement of financial performance.

1.27 Investments
Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.28 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.

1.29 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.30 Research and development expenditure

Research costs are charged against operating surplus as incurred. Development costs are recognised as an expense in the period in which they are incurred unless the following criteria are met:

- The product or process is clearly defined and the costs attributable to the process or product can be separately identified and measured reliably;
- The technical feasibility of the product or process can be demonstrated;
- The existence of a market or, if to be used internally rather than sold, its usefulness to the municipality can be demonstrated;
- Adequate resources exist, or their availability can be demonstrated, to complete the project and then market or use the product or process; and
- The asset must be separately identifiable.

Where development costs are deferred, they are written off on a straight-line basis over the life of the process or product, subject to a maximum of five years. The amortization begins from the commencement of the commercial production of the product or use of the process to which they relate.

1.31 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements.

The Statement of comparative and actual information have been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.32 Capital commitments

A capital commitment is an agreement to undertake capital expenditure in future, which has not yet become an actualliability. Capital commitments are not recognised. Capital commitments are disclosed in note 38.

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice. This represents a change in accounting framework from IMFO to Generally Recognised Accounting Practice. The aggregate effect of the changes in accounting policy on the annual Financial Statements for the year ended 30 June. 2010 are as follows:

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2010 is as follows:

	2011 (R)	2010 (R)
Statement of financial position		
Capitalisation Reserve		
Previously stated	–	2 380 323
Adjustment	–	(2 380 323)
	–	–
Capital Replacement Reserve		
Previously stated - 6 721 622		
Adjustment - (6 721 622)		
	–	–
Government Grant Reserve		
Previously stated	–	174 777 871
Adjustment	–	(174 777 871)
	–	–
Accummulated surplus		
Previously stated	–	34 248 456
GRAP Adjustment	–	183 879 771
	–	**218 128 227**

3. New standards and interpretations

3.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2011 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
  - pool the assets contributed by various entities that are not under common control; and
  - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides postemployment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
  - an entity's decision to terminate an employee's employment before the normal retirement date; or
  - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;
  - Actuarial assumptions: Salaries, benefits and medical costs;
  - Actuarial gains and losses;
  - Past service cost.
- Plan assets:
  - Fair value of plan assets;
  - Reimbursements;
  - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

The aggregate impact of the initial application of the statements and interpretations on the municipality's annual financial statements is expected to be as follows:

4. Property, plant and equipment

	2011 Cost / Valuation (R)	2011 Accumulated depreciation & accumulated impairment (R)	2011 Carrying value (R)	2010 Cost / Valuation (R)	2010 Accumulated depreciation & accumulated impairment (R)	2010 Carrying value (R)
Land	694 837	–	694 837	694 837	–	694 837
Buildings	2 682 990	–	2 682 990	2 682 990	–	2 682 990
Plant and machinery	7 914 745	–	7 914 745	7 914 745	–	7 914 745
Furniture and fixtures	1 136 431	–	1 136 431	1 136 431	–	1 136 431
Motor vehicles	8 985 237	–	8 985 237	8 985 237	–	8 985 237
Office equipment	286 955	–	286 955	286 955	–	286 955
IT equipment	1 374 691	–	1 374 691	1 374 691	–	1 374 691
Infrastructure	173 035 014	–	173 035 014	173 035 014	–	173 035 014
Community	5 245 233	–	5 245 233	5 245 233	–	5 245 233
Other property, plant and equipment	2 243 913	–	2 243 913	2 243 913	–	2 243 913
Communication equipment	70 865	–	70 865	70 865	–	70 865
Housing development fund	4 871 559	–	4 871 559	4 871 559	–	4 871 559
Total	**208 542 470**	**–**	**208 542 470**	**208 542 470**	**–**	**208 542 470**

	2011 (R)	2010 (R)
Reconciliation of property, plant and equipment		
Land	694 837	694 837
Buildings	2 682 990	2 682 990
Leasehold property	–	–
Plant and machinery	7 914 745	7 914 745
Furniture and fixtures	1 136 431	1 136 431
Motor vehicles	8 985 237	8 985 237
Office equipment	286 955	286 955
IT equipment	1 374 691	1 374 691
Infrastructure	173 035 014	173 035 014
Community	5 245 233	5 245 233
Other property, plant and equipment	2 243 913	2 243 913
Communication equipment	70 865	70 865
Housing development fund	4 871 559	4 871 559
	208 542 470	**208 542 470**

Transitional provisions

Property, plant and equipment recognised at provisional amounts

The effective date of the standard is for years beginning on or after 01 April 2011.

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note 2, certain property, plant and equipment with a carrying value of R 208 542 470 (2010: R 208 542 470) was recognised at provisional amounts. Carrying amounts of property, plant and equipment carried at provisional amounts are as follows:

	2011 (R)	2010 (R)
Due to initial adoption of GRAP 17		
Property, plant and equipment	208 542 470	208 542 470

Steps taken to establish the values of property, plant and equipment recognised at provisional amounts due to the initial adoption of GRAP 17, is as follows:

The municipality has appointed a suitably qualified consultant to perform a complete valuation of property plant and equipment, at the date of the presentation of the Annual Financial Statements to the Auditor General, the process of valuing property, plant and equipment.

The balances per the Fixed Asset Register differ from the balances in the financial statements. This is due to the verification, valuation and recording of the assets that is still in progress.

The date at which full compliance with GRAP 17 is expected, is 30 June 2012.

		2011 (R)	2010 (R)
5.	**Investment**		
	Available-for-sale		
	Investments	145 602	145 602
	Non-current assets		
	Available-for-sale	145 602	145 602

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

		2011 (R)	2010 (R)
6.	**Operating lease liability**		
	Current liabilities	(467 037)	(410 061)

7. Employee benefit obligations

Post retirement medical aid plan

Mafube has a post employment medical aid fund for its current pensioners, where the employer subsidy policy is 60% of the total contribution payable for the principal member and spouse where applicable, until the time of death of the principal member.

The amounts recognised in the statement of financial position are as follows:

	2011 (R)	2010 (R)
Carrying value		
Present value of the defined benefit obligation	(3 685 000)	(3 392 000)
Actuarial loss recognised	(423 000)	–
Interest cost	(301 000)	(293 000)
Net liability	**(4 409 000)**	**(3 685 000)**

The fair value of plan assets includes:

Changes in the present value of the defined benefit obligation are as follows:

	2011 (R)	2010 (R)
Opening balance	3 685 000	–
Net expense recognised in the statement of financial performance	724 000	3 685 000
Closing balance	**4 409 000**	**3 685 000**
Net expense recognised in the statement of financial performance		
Current service cost	–	3 392 000
Interest cost	301 000	293 000
Actuarial (gains) losses	423 000	–
Total included in employee related costs	**724 000**	**3 685 000**
Calculation of actuarial gains and losses		
Actuarial (gains) losses – Obligation	423 000	–

	2011 (R)	2010 (R)
Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used	8,80 %	9,20 %
Medical Inflation Rate	7,50 %	7,60 %

Mortality of continuation members is in accordance with PA (90) ultimate male and female tables.

The valuation is based on the Projected Unit Credit valuation method, as prescribed by IAS 19.

General increases to the employer's medical aid subsidy take into account the estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

The inflation rate has been determined by reference to market yields at the balance sheet date of long term bonds.

The medical inflation premium has been set based on past experience for the industry.

The discount rate has been determined by reference to market yields at the balance sheet date of South African long -term bonds. The rate of 8.8% (2010: 9.2%) is the yield on the R186 government bond as at 30 June 2011.

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	**One percentage point decrease**
Effect on the aggregate of the service cost and interest cost	29 000	15 000
Effect on defined benefit obligation	(315 000)	368 000

Amounts for the current and previous four years are as follows:

	2011 (R)	2010 (R)	2009 (R)	2008 (R)	2007 (R)
Defined benefit obligation	4 409 000	3 685 000	–	–	–

		2011 (R)	2010 (R)
8.	**Inventories**		
	Consumable stores	456 138	389 532
	Water	–	–
	Stores, materials and fuels	–	–
		456 138	**389 532**

	2011 (R)	2010 (R)
Transitional provisions		
Inventories recognised at provisional amounts		
In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note 2, certain inventories with a carrying value of R 456 138 (2010: R 389 532) was recognised at provisional amounts. Carrying amounts of inventories carried at provisional amounts are as follows:		
Due to initial adoption of GRAP 12		
The municipality is currently in the process of identifying all inventory which must be measured in terms of GRAP 12.		
Consumable stores	456 138	389 532
The date at which full compliance with GRAP 12 is expected, is 30 June 2012.		

9. Trade and other receivables from exchange transactions

	2011 (R)	2010 (R)
Trade debtors	14 929 591	12 657 720
Other debtors	28 853 807	21 343 771
	43 783 398	**34 001 491**

10. Consumer debtors

	2011 (R)	2010 (R)
Gross balances		
Rates	103 805 427	86 563 762
Business service levies	(3 965 979)	–
	99 839 448	**86 563 762**
Less: Provision for debt impairment		
Total impairment	(83 757 128)	(49 987 899)
Net balance		
Rates	103 805 427	86 563 762
Business service levies	(3 965 979)	–
Total impairment	(83 757 128)	(49 987 899)
	16 082 320	**36 575 863**
Rates		
Total rates	103 805 427	86 563 762
Business service levies		
Total business services levies	(3 965 979)	–
Consumer debtors		
Total consumer debtors	(83 757 128)	(49 987 899)
Reconciliation of debt impairment provision		
Contributions to provision	(83 757 128)	(49 987 899)

11. Cash and cash equivalents

	2011 (R)	2010 (R)
Cash and cash equivalents consist of:		
Cash on hand	30 952	22 952
Bank balances	16 638 827	42 751 644
	16 669 779	**42 774 596**

The municipality had the following bank accounts

Account number/description	Bank statement balances 30 June 2011 (R)	Bank statement balances 30 June 2010 (R)	Bank statement balances 30 June 2009 (R)	Cash book balances 30 June 2011 (R)	Cash book balances 30 June 2010 (R)	Cash book balances 30 June 2009 (R)
ABSA BANK - Primary bank account - 405-282-3517	1 935 468	(252 522)	(8 369 253)	16 588 527	42 711 023	(10 238 846)
ABSA BANK - Fixed Deposit Accounts (Call Savings Account) - 990-111-270	9 679	9 375	9 375	9 679	–	–
ABSA BANK - Fixed Deposit Accounts (Call account - Friends of the poor) - 922-961-8782	28 761	–	–	28 761	28 761	–
ABSA BANK - Fixed Deposit Accounts (Operation Hlasela) - 923-238-7538	11 860	–	–	11 860	11 860	–
Total	**1 985 768**	**(243 147)**	**(8 359 878)**	**16 638 827**	**42 751 644**	**(10 238 846)**

	2011 (R)	2010 (R)
12. Capital replacement reserve		
Balance at the beginning of the year	–	6 721 622
Transfer to accummulated surplus	–	(6 721 622)
13. Capitalisation reserve		
Balance at the beginning of the year	–	2 380 323
Transfer to accummulated surplus	–	(2 380 323)
14. Government grant reserve		
Balance at the beginning of the year	–	174 777 871
Transfer to accummulated surplus	–	(174 777 871)
15. Long term Liability		
Held at amortised cost		
Development Bank of South Africa	1 900 042	1 791 610
Terms and conditions		
Non-current liabilities		
At amortised cost	1 900 042	1 791 610

		2011 (R)	2010 (R)
16.	**Unspent conditional grants and receipts**		
	Movement during the year		
	Balance at the beginning of the year	(19 192)	(19 192)
	Additions during the year	24 135 406	–
	Income recognition during the year	(21 915 522)	–
		2 200 692	**(19 192)**

See note 24 for reconciliation of grants from National/Provincial Government.

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

17. Provisions

Reconciliation of provisions - 2011

	Opening Balance (R)	Movements (R)	Total (R)
Leave Provision	1 308 714	878 422	2 187 136

Reconciliation of provisions - 2010

	Opening Balance (R)	Movements (R)	Total (R)
Leave Provision	1 308 714	–	1 308 714

Staff Leave

Staff leave accrues to employees according to the collective bargaining agreement. Provision is made for the full cost of accrued leave at reporting date.

		2011 (R)	2010 (R)
18.	**Trade and other payables from exchange transactions**		
	Trade payables	18 495 927	12 012 851
	Payments received in advanced - contract in process	8 507 562	–
	Accrued bonus	977 263	829 026
	Operating lease payables	–	177 266
	Other payables	29 275 562	28 033 911
		57 256 314	**41 053 054**
19.	**VAT payable**		
	Tax refunds payables	5 649 738	5 786 711
20.	**Consumer deposits**		
	Water	622 996	1 026 917

		2011 (R)	2010 (R)
21.	**Revenue**		
	Rendering of services	911 332	328 097
	Property rates	11 951 965	13 087 940
	Service charges	59 958 504	49 871 073
	Rental of facilities & equipment	477 955	304 387
	Interest received – trading	7 418 100	6 858 245
	Fines	357 913	152 965
	Licences and permits	–	100
	Government grants & subsidies	64 465 587	62 773 772
	Miscellaneous other revenue	212 434	638 019
		145 753 790	**134 014 598**
	The amount included in revenue arising from exchanges of goods or services are as follows:		
	Rendering of services	911 332	328 097
	Service charges	59 958 504	49 871 073
	Rental of facilities & equipment	477 955	304 387
	Interest received – trading	7 418 100	6 858 245
	Licences and permits	–	100
	Miscellaneous other revenue	212 434	638 019
		68 978 325	**57 999 921**
	The amount included in revenue arising from non-exchange transactions is as follows:		
	Taxation revenue		
	Property rates	11 951 965	13 087 940
	Fines	357 913	152 965
	Transfer revenue		
	Levies	64 465 587	62 773 772
		76 775 465	**76 014 677**
22.	**Property rates**		
	Rates received	13 175 954	13 042 600
	Commercial	10 080 465	7 893 183
	Small holdings and farms	1 399 879	1 283 281
	Less: Income forgone	(12 704 333)	(9 131 124)
		11 951 965	**13 087 940**
	Valuations		
	Residential	1 000 000	–

Valuations on land and buildings are supposed to be performed every 4 years. A valuation was performed in the 2009-2010 financial year. However this valuation was not implemented because the municipality did not follow the requirements of the Municipal Property Rates Act in performing the valuation. The 2003 valuation was used instead.

Different rates are charged for different categories of rate payers. No additional rebates were granted to any categories of rate payers except for the compulsory phasing in of certain rates as contained in the Council's approved Property Rating Policy.

Rates are levied on a monthly basis in 12 equal instalments payable on the 15th of the subsequent month. No interest and collection charges are levied on outstanding rates accounts.

The updated general valuation will be implemented on 01 July 2011.

	2011 (R)	2010 (R)
23. Service charges		
Service charges	652 333	–
Sale of electricity	28 310 232	27 760 160
Sale of water	13 139 002	7 278 027
Solid waste	14 400	–
Sewerage and sanitation charges	9 129 319	7 716 604
Refuse removal	8 696 948	7 072 806
Other service charges	16 270	43 476
	59 958 504	**49 871 073**
24. Government grants and subsidies		
Finance Management Grant	755 701	–
Equitable share	56 973 660	42 565 551
DME Funds	2 518 386	–
MSIG	750 000	735 000
MIG	3 467 840	19 473 221
	64 465 587	**62 773 772**

Equitable Share

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

MIG	2011 (R)	2010 (R)
Balance unspent at beginning of year	(19 192)	(20 221 161)
Receipts	14 385 000	(31 095 222)
Conditions met - transferred to revenue	(14 404 136)	51 297 191
	(38 328)	**(19 192)**
DME Funds		
Current-year receipts	8 000 406	–
Conditions met - transferred to revenue	(5 761 386)	–
	2 239 020	**–**
Finance Management Grant		
Current-year receipts	1 000 000	–
Conditions met - transferred to revenue	(1 000 000)	–
	–	**–**
MSIG		
Current-year receipts	750 000	–
Conditions met - transferred to revenue	(750 000)	–
	–	**–**
25. Other income		
Other income	1 754 589	318 454

	2011 (R)	2010 (R)
26. General expenses		
Accounting fees	–	1 444 106
Advertising	166 055	81 551
Assessment rates & municipal charges	673 831	3 102 857
Auditors remuneration	2 811 108	4 180 263
Bank charges	769 465	747 575
Cleaning	293 393	32 227
Computer expenses	988 673	173 127
Consulting and professional fees	2 317 217	404 496
Consumables	420 645	296 893
Donations	3 991	10 000
Entertainment	268 742	187 037
Fines and penalties	6 106	–
Insurance	1 053 899	31 332
Community development and training	1 087 144	2 416 322
Conferences and seminars	24 949	496 758
IT expenses	940 207	–
Lease rentals on operating lease	1 274 439	2 338 698
Marketing	–	31 500
Magazines, books and periodicals	31 727	
Motor vehicle expenses	85 455	62 933
Fuel and oil	1 921 499	1 086 571
Postage and courier	468 591	160 803
Printing and stationery	2 561 323	390 610
Protective clothing	95 173	142 784
Security (Guarding of municipal property)	415 583	22 520
Staff welfare	127 741	122 000
Telephone and fax	1 724 560	803 513
Training	117 817	278 099
Travel - local	956 125	1 011 302
Electricity -	–	1 591 356
Water	(142)	76
Refuse	–	27 000
Other expenses	–	3 854
Chemicals	1 203 997	–
Supply chain management system	11 803 749	85 748
	34 613 062	**21 763 911**
27. Operating (deficit) / surplus		
Operating (deficit) / surplus for the year is stated after accounting for the following:		
Operating lease charges		
Lease rentals on operating lease		
Contractual amounts	1 274 439	2 338 698
Employee related costs and remuneration of councillors	56 167 507	53 247 959

28. Employee related costs

	2011 (R)	2010 (R)
Basic	33 140 491	34 979 323
Bonus	2 601 971	2 105 194
UIF	400 240	204 677
Industrial Council Levy	174 342	66 137
SDL	798 765	172 913
Leave pay provision charge	1 867 115	988 693
Short term benefit	309 286	82 446
Post-employment benefits - Pension - Defined contribution plan	5 580 356	6 522 999
Travel, motor car, accommodation, subsistence and other allowances	188 629	242 275
Overtime payments	1 292 269	345 771
Car allowance	1 566 942	905 826
Housing benefits and allowances	133 337	111 873
Other telephone allowances	18 103	11 977
Medical aid	2 174 615	1 654 292
Other allowances	1 132 204	382 042
Actuarial loss on defined contribution plan	423 000	–
	51 801 665	**48 776 438**

Remuneration of municipal manager

	2011 (R)	2010 (R)
Annual Remuneration	285 304	415 904
Travel Allowance	213 978	244 504
Contributions to Pension Funds	171 182	85 517
Contributions to Medical Aid	42 796	3 328
Contributions to UIF	1 497	1 622
Contributions to SDL	7 445	6 598
Cellphone Allowance	–	8 400
Acting Allowance	–	18 636
	722 202	**784 509**

Remuneration of chief finance officer

	2011 (R)	2010 (R)
Annual Remuneration	214 232	346 211
Travel Allowance	135 367	142 561
Contributions to UIF	1 497	1 497
Acting allowance	251 957	44 779
Contributions to SDL	5 569	5 605
	608 622	**540 653**

Technical Services

	2011 (R)	2010 (R)
Annual Remuneration	397 047	329 662
Car Allowance	70 284	70 500
Cellphone Allowance	8 400	8 500
Contributions to Pension Funds	51 096	51 100
Housing Allowance	54 000	54 000
Contributions to Medical Aid	20 400	20 400
Contribution to UIF	1 497	1 497
Contribution to SDL	5 136	5 070
Leave Paid	68 346	–
	676 206	**540 729**

Corporate and human resources (corporate services)

	2011 (R)	2010 (R)
Annual Remuneration	255 865	368 864
Travel Allowance	54 149	55 513
Contributions to SDL	5 963	4 248
Contributions to Pension Funds	66 795	76 650
Contributions to Medical Aid	5 451	9 984
Annual bonus	25 738	–
Acting Allowance	269 518	53 859
UIF allowance	624	1 123
Contributions to UIF	1 497	1 497
	685 600	**571 738**

Health, safety and social services (emergency management services)

	2011 (R)	2010 (R)
Annual Remuneration	512 620	425 340
Car Allowance	74 017	74 017
Contributions to Pension Funds	106 522	88 386
Contributions to Medical Aid	13 313	13 313
UIF Allowance	1 497	1 497
Contributions to UIF	1 497	1 497
Contributions to SDL	5 311	4 339
	714 777	**608 389**

Procurements and infrastructure (planning, transport and environmental affairs)

Land Use and Human Settlements

	2011 (R)	2010 (R)
Annual Remuneration	505 447	398 362
Travel Allowance	96 000	32 000
Contributions to UIF	1 497	1 248
Contributions to SDL	5 886	4 192
	608 830	**435 802**

29. Remuneration of councillors

	2011 (R)	2010 (R)
Councillors	4 365 842	4 471 521

30. Administrative expenditure

	2011 (R)	2010 (R)
Administration and management fees - third party	–	1 238 534

31. Debt impairment

	2011 (R)	2010 (R)
Debts impaired	52 518 150	38 562 792

32. Finance costs

	2011 (R)	2010 (R)
Other interest paid	495 291	293 000

	2011 (R)	2010 (R)
33. Auditors' remuneration		
Fees	2 811 108	4 180 263

34. Operating lease

The municipality entered into a lease agreement with Gestetner from 1 October 2008 for a period of 5 years. The lease terms and conditions include:
- an excalation clause of 15 % per annum.
- there are no restrictions imposed by lease arrangements, such as those concerning return of net surplus, return of capital contributions, additional debt and further leasing.

The municipality is however in the process of terminating its lease with Gestetner due to poor service.

	2011 (R)	2010 (R)
35. Rental of facilities and equipment		
Premises		
Premises	444 915	269 420
Venue hire	33 040	23 667
Other rental income	–	11 300
	477 955	**304 387**
36. Bulk purchases		
Electricity	39 834 576	9 618 615
Water	12 112 963	8 937 648
Sewer purification	–	1 494 055
	51 947 539	**20 050 318**
37. Cash used in operations		
Deficit	(57 650 940)	(5 662 572)
Adjustments for:		
Debt impairment	52 518 150	38 562 792
Movements in operating lease assets and accruals	56 976	410 061
Movements in retirement benefit assets and liabilities	724 000	3 685 000
Movements in provisions	878 422	1 308 714
Changes in working capital:		
Inventories	(66 606)	(389 532)
Trade and other receivables from exchange transactions	(9 781 907)	(34 001 491)
Consumer debtors	(32 024 607)	(75 138 655)
Trade and other payables from exchange transactions	16 203 259	41 053 055
VAT	(136 973)	5 786 711
Unspent conditional grants and receipts	2 219 884	(19 192)
Consumer deposits	(403 921)	1 026 917
	(27 464 263)	**(23 378 192)**

	2011 (R)	2010 (R)
38. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	12 701 718	12 822 893

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

It should be noted that an amount of R94,512,948 was disclosed in the 2010 AFS , this amount was however not supported by supporting documents hence a disclaimer opinion was issued by the auditors. In the current year, a correct amount of R12,822,893 that could be supported by supporting documents was disclosed in the AFS as above

39. Contingencies

The municipality has the following contingent liabilities:
1) The municipality is in the process of terminating its lease agreement with Gestetner for the rental of office quipment. There is a possibility of settlement fees that to be paid to Gestetner. The settlement fee could however not be quantified. However the municipality is currently in the process of inviting tenders for suppliers to provide them with office equipment who will also carry the settlement fees for the cancellation of lease with Gestetner, if any.
2) The munipality is involved in a matter where the previous Municipal Manager is being charged by the State for Contempt of Court for not complying with a Court Order. The attorneys estimates a total fee of plus or minus R30,000.

40. Related parties

Relationships
Accounting Officer Mr PI Radebe
Acting Chief Financial Officer Mr NN Molefe
Acting Director of Corporate Services Mr MS Malindi
Director Land Use and Human Settlement Ms N Radebe
Director of Community Services Ms Z Mofokeng

Key Management and Councillors receive and pay for services on the same terms and conditions as other rate payers.

	2011 (R)	2010 (R)
Compensation to accounting officer and other key management		
Short-term employee benefits	5 604 808	1 151 062
Post-employment benefits - Pension - Defined contribution plan	1 110 892	246 274
	6 715 700	**1 397 336**

	2011 (R)	2010 (R)

Key management information

41. Prior period errors

1. Lease liabilities amounting to R1,945,730, relating to 2010 and prior years, were not recorded.
2. A bonus provision of R868,574, relating to the 2010 financial year, was not recorded.
3. Grant income amounting to R36,067,045, relating to the 2010 financial year was not recorded.
4. Bank and cash transactions amounting to R29,834,373, relating to the 2010 financial year and prior financial years, were not recorded.
5. A post employment medical aid fund liability amounting to R3,685,000, relating to the 2010 financial year, was not recorded.
6. The 2010 financial year leave accrual, amounting to R1,181,243, was not recorded.
7. A conditional grant liability from prior years was overstated by R233,000.
8. Bank and cash balances were overstated by R2,078,009 in the prior years.
9. Investments were overstared by R36,779 in the prior years.

The correction of the error(s) results in adjustments as follows:

	2011 (R)	2010 (R)
Statement of financial position		
Decrease in trade debtors	–	1 959 609
Increase in bank and cash	–	27 750 239
Decrease in investments	–	36 779
Increase in lease liability	–	(1 945 730)
Increase in bonus provision	–	(868 574)
Increase in post employment liability	–	(3 685 000)
Increase in leave provision	–	(988 693)
Decrease in conditional grant liability	–	233 000
Change in Net Assets	–	(24 594 132)
Statement of Financial Performance		
Increase in grant income	–	(36 067 045)
Increase in lease expense	–	1 945 730
Increase in employee cost	–	5 734 817

42. Risk management

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses,the treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

As the municipality has an interest-bearing liability, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes by assessing the impact of changes in interest rates.

The municipality did not hedge against any interest rate risks during the current year.

	2011 (R)	2010 (R)

Credit risk

Credit risk is the risk that a counterparty to a financial or non financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consists mainly of cash deposits, cash equivalents and trade and other debtors. Trade and other debtors are disclosed net of provisions for impairment. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Credit risk pertaining to trade and other debtors is considered to be high due to a history of non payment and limited follow up procedures by the municipality in the past. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts enter into arrears, council endovours to collect such accounts by levying of penalty charges, demand for payment, restriction of services and as a last resort handing over of debt for collection.

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carying value disclosed in notes 12 and 13 of the financial statements is an approximation of its fair value. Interest on overdue balances are disclosed at prime lending rate plus 1% where applicable.

The provision for bad debts was calculated based on the following:
1) 100% of indigents ,
2) 100% on child headed families that did not qualify to receive indigent grants because the property on which they leave on is not registered in their names and
3) 100% on old businesses that are no longer trading and have closed their business

Financial assets exposed to credit risk at year end were as follows:

	2011 (R)	2010 (R)
Financial instrument		
Trade Receivables Net	14 929 591	12 657 720
Cash and Cash equivalents (favourable balances)	16 669 779	42 774 596

Foreign exchange risk

The Municipality does not engage in foreign currency transactions.

Price risk

The municipality is not exposed to price risk.

43. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

44. Events after the reporting date

No significant events occured after the reporting date:

	2011 (R)	2010 (R)
45. Fruitless and wasteful expenditure		
Opening balance	7 297 463	–
Arrear interest-Eskom	2 539 387	66 023
Arrear interest-DWAF	–	7 217 711
Arrear interest-DBSA loan	31 751	13 729
Penalties and interest on SDL-SARS	49 541	–
Penalties and interst on UIF-SARS	72 762	–
Interest on overdue account-Steadfast Engineering	23 617	–
Interest on overdue account-Telkom	3 462	–
Legal representations against former Mayor-Podbielski Mhlambi Inc	90 785	–
	10 108 768	**7 297 463**

No fruitless and wasteful expenditure was condoned during the current and previous year.

	2011 (R)	2010 (R)
46. Irregular expenditure		
Opening balance	40 649 285	39 917 770
Add: Irregular Expenditure - current year	1 469 230	731 515
	42 118 515	**40 649 285**

47. In-kind donations and assistance

The municipality did not receive any in - kind donations or assistance during the year under audit.

48. Leases (Effects of transitional provisions)

In accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework, the municipality need not comply with the standard on Leases, until such time as the measurement period in the transitional provision for any of the

following Standards of GRAP have expire:

- Construction Contracts
- Inventories
- Investment Property
- Property Plant and Equipments
- Provisions, Contingent Liabilities and Contingent Assets
- Agriculture
- Intangible Assets

49. Reconciliation between budget and cash flow statement

Reconciliation of budget surplus/deficit with the net cash generated from operating, investing and financing activities:

	2011 (R)	2010 (R)
Operating activities		
Actual amount as presented in the budget statement	(27 464 263)	51 131 979
Investing activities		
Actual amount as presented in the budget statement	–	(341 798)
Financing activities		
Actual amount as presented in the budget statement	213 274	1 926 059
Net cash generated from operating, investing and financing activities	**(27 250 989)**	**52 716 240**

	2011 (R)	2010 (R)
50. Additional disclosure in terms of Municipal Finance Management Act		
Audit fees		
Opening balance	3 180 263	–
Current year subscription / fee	2 811 108	4 180 263
Amount paid - current year	(1 900 480)	–
Amount paid - previous years	–	(1 000 000)
	4 090 891	**3 180 263**
PAYE and UIF		
Opening balance	(1 901 085)	–
Current year subscription / fee	(4 722 876)	–
Amount paid - current year	6 976 171	–
	352 210	**–**
Pension and Medical Aid Deductions		
Opening balance	(7 016 472)	–
Current year subscription / fee	(11 343 962)	–
Amount paid - current year	24 439 494	–
	6 079 060	**–**
VAT		
VAT payable	5 649 738	5 786 711

VAT is payable/ receivable on the cash basis

	2011 (R)	2010 (R)
51. Utilisation of Long-term liabilities reconciliation		
Long-term liabilities raised	1 900 042	1 791 610

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

52. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix A for the comparison of actual operating expenditure versus budgeted expenditure.

53. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix B for the comparison of actual capital expenditure versus budgeted expenditure.

54. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the annual financial statements.

The process that was followed for all procurements between R30,000 and R200,000 made during the financial year under review deviated from the provisions of paragraph 12(1)(d)(i) as stated above.

55. **Statement of comparative and actual information - 2011**

	Original budget	Budget adjustment (i.t.o. s28 and s31 of the MFMA)	Final budget	Acutal outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance							
Property rates	7 490 000	-	7 490 000	11 951 965	(4 461 965)	160 %	160 %
Service charges	54 763 029	24 221 483	78 984 512	59 958 504	19 026 008	76 %	109 %
Investment revenue	9 000	1 553	10 553	–	10 553	– %	– %
Transfers recognised - operational	89 228 000	–	89 228 000	60 997 747	28 230 253	68 %	68 %
Other own revenue	–	–	–	11 132 323	(11 132 323)	100 %	100 %
Total revenue (excluding capital transfers and contributions)	**151 490 029**	**24 223 036**	**175 713 065**	**144 040 539**	**31 672 526**	**82 %**	**95 %**
Employee costs	(43 117 649)	(4 068 115)	(47 185 764)	(51 801 665)	4 615 901	110 %	120 %
Remuneration of councillors	(3 929 534)	(748 048)	(4 677 582)	(4 365 842)	(311 740)	93 %	111 %
Debt impairment	–	–	–	(52 518 150)	52 518 150	100 %	100 %
Finance charges	–	–	–	(495 291)	495 291	100 %	100 %
Materials and bulk purchases	(37 284 104)	(11 784 000)	(49 068 104)	(51 947 539)	2 879 435	106 %	139 %
Other expenditure	(40 187 529)	(18 177 608)	(58 365 137)	(44 030 832)	(14 334 305)	75 %	110 %
Total expenditure	**(124 518 816)**	**(34 777 771)**	**(159 296 587)**	**(205 159 319)**	**45 862 732**	**129 %**	**165 %**
Surplus/(Deficit)	**26 971 213**	**(10 554 735)**	**16 416 478**	**(61 118 780)**	**77 535 258**	**(372)%**	**(227)%**
Transfers recognised - capital	–	–	–	3 467 840	(3 467 840)	100 %	100 %
Surplus (Deficit) after capital transfers and contributions	**26 971 213**	**(10 554 735)**	**16 416 478**	**(57 650 940)**	**74 067 418**	**(351)%**	**(214)%**
Surplus/(Deficit) for the year	**26 971 213**	**(10 554 735)**	**16 416 478**	**(57 650 940)**	**74 067 418**	**(351)%**	**(214)%**

June 2011

Schedule of external loans as at 30 June 2011

	Loan Number	Redeemable	Balance at 30 June 2010 Rand	Interest capitalised at 5% p.a Rand	Redeemed written off during the period Rand	Balance at 30 June 2011 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Loan Stock								
Structured loans								
Funding facility								
Development Bank of South Africa								
	25744	31 December 2018	2 027 522	101 376	-	2 128 898	-	-
			2 027 522	**101 376**	**-**	**2 128 898**	**-**	**-**
Bonds								
Other loans								
Lease liability								
Annuity loans								
Government loans								
Total external loans								
Development Bank of South Africa			2 027 522	101 376	-	2 128 898	-	-
			2 027 522	**101 376**	**-**	**2 128 898**	**-**	**-**

Appendix B
June 2011

Analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS pursoses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Infrastructure														
Roads, Pavements & Bridges	30 176	-	-	-	-	-	**30 176**	-	-	-	-	-	-	30 176
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	16 396	-	-	-	-	-	**16 396**	-	-	-	-	-	-	16 396
Street lighting	2 975	-	-	-	-	-	**2 975**	-	-	-	-	-	-	2 975
Dams & Reservoirs	63 913	-	-	-	-	-	**63 913**	-	-	-	-	-	-	63 913
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	300	-	-	-	-	-	**300**	-	-	-	-	-	-	300
Reticulation	46 000	-	-	-	-	-	**46 000**	-	-	-	-	-	-	46 000
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	159 760	**-**	**-**	**-**	**-**	**-**	**159 760**	**-**	**-**	**-**	**-**	**-**	**-**	**159 760**
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	2 683	-	-	-	-	-	**2 683**	-	-	-	-	-	-	2 683
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	5 756	-	-	-	-	-	**5 756**	-	-	-	-	-	-	5 756
Social rental housing	4 872	-	-	-	-	-	**4 872**	-	-	-	-	-	-	4 872
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	221	-	-	-	-	-	**221**	-	-	-	-	-	-	221
	13 532	**-**	**-**	**-**	**-**	**-**	**13 532**	**-**	**-**	**-**	**-**	**-**	**-**	**13 532**

Appendix B
June 2011

Analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
	208 544	**-**	**-**	**-**	**-**	**-**	**208 544**	**-**	**-**	**-**	**-**	**-**	**-**	**208 544**
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties														
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	159 760	-	-	-	-	-	**159 760**	-	-	-	-	-	-	159 760
Community Assets	13 532	-	-	-	-	-	**13 532**	-	-	-	-	-	-	13 532
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	35 252	-	-	-	-	-	**35 252**	-	-	-	-	-	-	35 252
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	208 544	**-**	**-**	**-**	**-**	**-**	**208 544**	**-**	**-**	**-**	**-**	**-**	**-**	**208 544**

June 2011

Segmental analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive & Council/Mayor and Council	498 514	-	-	-	-	**-**	**498 514**	-	-	-	-	-	**-**	498 514
Comm. & Social/Libraries and archives	8 892 477	-	-	-	-	**-**	**8 892 477**	-	-	-	-	-	**-**	8 892 477
Sport and Recreation	1 998 023	-	-	-	-	**-**	**1 998 023**	-	-	-	-	-	**-**	1 998 023
Waste Water Management/Sewerage	45 999 552	-	-	-	-	**-**	**45 999 552**	-	-	-	-	-	**-**	45 999 552
Road Transport/Roads	30 175 847	-	-	-	-	**-**	**30 175 847**	-	-	-	-	-	**-**	30 175 847
Water/Water Distribution	64 212 778	-	-	-	-	**-**	**64 212 778**	-	-	-	-	-	**-**	64 212 778
Electricity /Electricity Distribution	19 370 349	-	-	-	-	**-**	**19 370 349**	-	-	-	-	-	**-**	19 370 349
Other/Air Transport	29 484 245	-	-	-	-	**-**	**29 484 245**	-	-	-	-	-	**-**	29 484 245
	200 631 785	**-**	**-**	**-**	**-**	**-**	**200 631 785**	**-**	**-**	**-**	**-**	**-**	**-**	**200 631 785**
Municipal Owned Entities														
Total														
Municipality	200 631 785	-	-	-	-	**-**	**200 631 785**	-	-	-	-	-	**-**	200 631 785
	200 631 785	**-**	**-**	**-**	**-**	**-**	**200 631 785**	**-**	**-**	**-**	**-**	**-**	**-**	**200 631 785**

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June 2011

Segmental Statement of Financial Performance for the year ended

Prior Year Actual Income Rand	Prior Year Actual Expenditure Rand	Prior Year Surplus /(Deficit) Rand		Current Year Actual Income Rand	Current Year Actual Expenditure Rand	Current Year Surplus /(Deficit) Rand
			Municipality			
-	45 136 524	(45 136 524)	Executive & Council/Mayor and Council	-	46 799 836	(46 799 836)
64 327 080	44 419 758	19 907 322	Finance & Admin/Finance	79 924 265	59 062 682	20 861 583
-	4 345 113	(4 345 113)	Planning and Development/Economic Development/Plan	-	1 034 834	(1 034 834)
-	1 431 298	(1 431 298)	Comm. & Social/Libraries and archives	-	3 441 520	(3 441 520)
-	348 594	(348 594)	Housing	-	62 753	(62 753)
-	-	-	Public Safety/Police	-	6 994	(6 994)
7 556 395	1 658 289	5 898 106	Environmental Protection/Pollution Control	8 837 641	1 799 039	7 038 602
10 130 034	1 970 319	8 159 715	Waste Water Management/Sewerage	9 134 679	5 192 577	3 942 102
16 873 221	2 144 427	14 728 794	Road Transport/Roads	(4 082 255)	4 432 863	(8 515 118)
7 608 286	20 722 354	(13 114 068)	Water/Water Distribution	21 013 997	29 295 255	(8 281 258)
27 838 037	12 316 226	15 521 811	Electricity /Electricity Distribution	32 680 051	43 470 994	(10 790 943)
-	-	-		-	-	-
134 333 053	**134 492 902**	**(159 849)**		**147 508 378**	**194 599 347**	**(47 090 969)**
			Municipal Owned Entities			
			Other charges			
134 333 053	134 492 902	(159 849)	Municipality	147 508 378	194 599 347	(47 090 969)
134 333 053	**134 492 902**	**(159 849)**	**Total**	**147 508 378**	**194 599 347**	**(47 090 969)**

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June 2011

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2011

	Current year 2011 Act. Bal. Rand	Current year 2011 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Fees earned	911 331	-	911 331	-	
Property rates	11 951 966	7 490 000	4 461 966	59,6	
Service charges	59 958 505	75 484 512	(15 526 007)	(20,6)	
Rental of facilities and equipment	477 955	250 000	227 955	91,2	
Interest received (trading)	7 418 100	10 553	7 407 547	193,8	
Fines	357 912	250 000	107 912	43,2	
Licences and permits	-	-	-	-	
Government grants & subsidies	64 465 587	89 228 000	(24 762 413)	(27,8)	
Miscellaneous other revenue	212 434	3 000 000	(2 787 566)	(92,9)	
Other income	1 754 589	-	1 754 589	-	
	147 508 379	175 713 065	(28 204 686)	(16,1)	
Expenses					
Personnel	(51 801 670)	(47 185 764)	(4 615 906)	9,8	
Remuneration of councillors	(4 365 842)	(4 677 582)	311 740	(6,7)	
Administration	-	-	-	-	
Finance costs	(495 291)	(850 000)	354 709	(41,7)	
Debt impairment	(52 518 149)	-	(52 518 149)	-	
Repairs and maintenance - General	(9 417 770)	(7 445 000)	(1 972 770)	26,5	
Bulk purchases	(51 947 539)	(49 068 104)	(2 879 435)	5,9	
General Expenses	(34 613 064)	(50 070 137)	15 457 073	(30,9)	
	(205 159 325)	(159 296 587)	(45 862 738)	28,8	
Other revenue and costs					
Net surplus/ (deficit) for the year	(57 650 946)	16 416 478	(74 067 424)	(451,2)	

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June 2011

Budget Analysis of Capital Expenditure as at 30 June 2011

	Additions Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality					
Bulk Infrastructure	-	514 108	514 108	**100**	
Villiers Ext- 199 Connections	-	2 369 400	2 369 400	**100**	
Qalabotjha ext-359 Connections	-	3 113 400	3 113 400	**100**	
Bulk Infrastructure- Villiers Transformer	-	3 135 686	3 135 686	**100**	
Bulk Infrastructure - Tweeling Transformer	-	667 406	667 406	**100**	
PMU	-	886 000	886 000	**100**	
Villiers Water Purification Plant	-	6 329 173	6 329 173	**100**	
Namahadi - Water reticulation network	-	3 441 403	3 441 403	**100**	
Namahadi - Roads and stormwater drainage	-	3 884 192	3 884 192	**100**	
Mafahlaneng- Roads and stormwater drainage	-	2 295 986	2 295 986	**100**	
Cornellia - Ntswana Tsatsi - Bucket erradication	-	1 085 232	1 085 232	**100**	
	-	**7 721 986**	**7 721 986**	**100**	

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Disclosure of grants and subsidies in terms of Section 123 MFMA, 56 of 2003
Jun-11

Name of Grant	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of the GRAP framework in the latest DORA Act?	Reason for non-compliance
		Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar			
MIG	National Treasury	-		5 815 000,00	1 100 000,00	2 226 000,00	-	359 147,19	7 280 499,68	3 938 203,49	2 826 285,11	None	Yes	None
		-	-	-	5 244 000,00	-	-	-	-	-	-			
		-	-	-		-	-	-	-	-	-			
		-	**-**	**5 815 000,00**	**6 344 000,00**	**2 226 000,00**	**-**	**359 147,19**	**7 280 499,68**	**3 938 203,49**	**2 826 285,11**			

Name of Grant	Name of organ of state or municipal entity	Quarterly receipts					Quarterly expenditure					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of the GRAP framework in the latest DORA Act?	Reason for non-compliance
		Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar			
INEP	Department of Energy	-	-	837 406,00	1 749 000,00	1 765 000,00	-	265 514,00	740 353,00	4 003 576,09	751 941,00	None	Yes	None
		-	-	1 625 000,00	1 494 000,00	530 000,00	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-			
		-	**-**	**2 462 406,00**	**3 243 000,00**	**2 295 000,00**	**-**	**265 514,00**	**740 353,00**	**4 003 576,09**	**751 941,00**			

Name of Grant	Name of organ of state or municipal entity	Quarterly receipts					Quarterly expenditure					Withheld/Delayed	Withheld/Delayed	Withheld/Delayed
		Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar			
FMG	National Treasury	-	-	1 000 000,00	-	-	-	324 983,00	158 480,00	181 102,09	335 435,00	None	Yes	None
		-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-			
		-	**-**	**1 000 000,00**	**-**	**-**	**-**	**324 983,00**	**158 480,00**	**181 102,09**	**335 435,00**			
				1 000 000,00	-675 017,09	324 982,91								

Name of Grant	Name of organ of state or municipal entity	Quarterly receipts					Quarterly expenditure					Withheld/Delayed	Withheld/Delayed	Withheld/Delayed
		Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar			
MSIG	National Treasury	-	-	750 000,00	-	-	-	263 158,00	488 996,00	-	-	None	Yes	None
		-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-			
		-	**-**	**750 000,00**	**-**	**-**	**-**	**263 158,00**	**488 996,00**	**-**	**-**			

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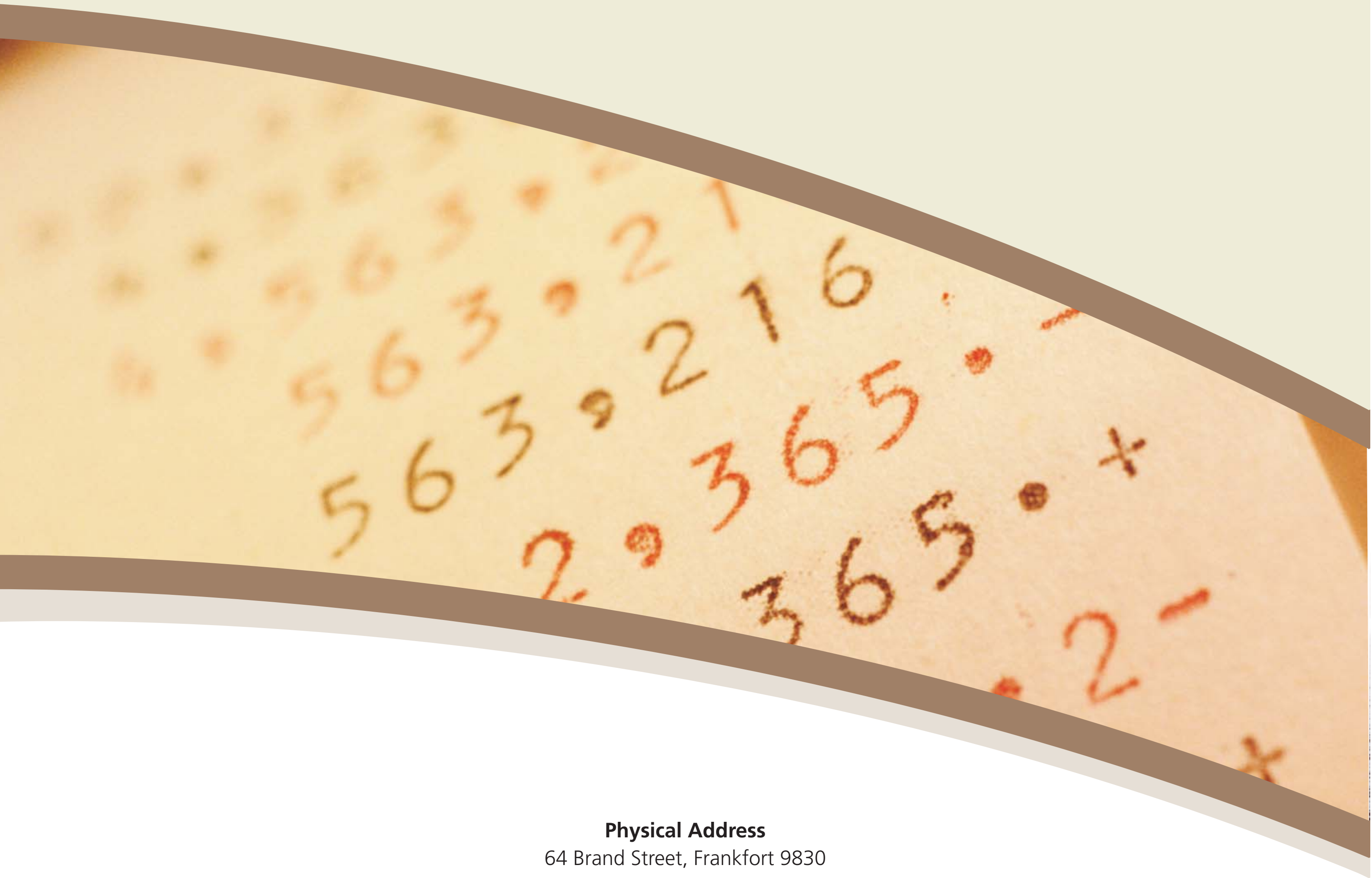
Notes



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