



Makhuduthamaga Local Municipality LIMPOPO PROVINCE



ANNUAL REPORT 2009/2010

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Mayor's foreword

In our endeavor to better the lives of the citizen of our Municipality, we took it upon ourselves as the council of the Makhuduthamaga to take IDP to the people through public participation process through the clustering of wards so that all the stakeholders such as Traditional leaders, community based organizations and business communities should be seen taking part in the delivery services. We have made sure that the implementations of our IDP activities that are people orientated and allocating it with proper budget that will foster credible service delivery.

Our Municipality has fasten their seat belts through the establishment of an active, vibrant and responsive LED unit that help in reducing the rate of unemployment and also creating small business and cooperatives that helped a lot in job creation, as the municipality we are equal to the task in reducing the rate of unemployment and poverty alleviation with our partners such as department of agriculture, Libsa, Trade and Investment Limpopo, Social Development and SEDA.



The Milestones that we made during the year 2009/2010 for electricity and Roads.

- Erection of Jane Furse streetlights
- Electrification of 150 households in Bothaspruit.
- Electrification of 183 households in Kome Village
- Electrification of 510 households in Phatantshwane.

Makhuduthamaga is also proud to note that it has established HIV council that works hand in glove with the TCE organization in a fight against HIV and AIDS. The primary objective was to curb the infection rate and also making awareness.

We are also proud to report that we have a vibrant youth council that looks after the affairs of young people in our Municipality, among other things is encouraging young people to take education very serious and promoting a healthy life style through engagement in sports activities such as fun run, sports tournaments and promoting young entrepreneurs by starting their own businesses.

Through partnership with one of our stakeholders such as National Lottery, we have benefited an artificial turf that will also help our sport loving people to engage in sport activities.

This annual report has fully complied with the mandates enshrined in the Municipal Systems Act 32 of 2000. It also covers the achievements, challenges and Progress made during 2009/2010.

The Mayor : Cllr. Q.E Mokhabela

Municipal Manager's Perspective



Our local Municipality has got mandate of ensuring the developmental and transformational local government. We are also duty bound to ensure we partner with strategic governmental institution in making a service delivery a success. We are looking forward to see the Municipality as the centre for strategic implementation of services to our citizens. In realizing this dream we have capacitated our workforce through workshops and training in order to equip them with the relevant skills, competencies and values.

The Municipality has realized service delivery excellence requires integration of world best practices, together with legislative and policy requirements. Our Municipality has done well during its public consultative process of IDPs, SDBIPs, Project management budget and public participation to generate an outcome bearing service delivery.

We have committed ourselves as the Municipality to ensure that we employ enough workforces to accelerate service delivery to the communities in our Municipality. This is dedicated personnel that will from time to time interact with the stakeholders to build a credible image of the municipality.

As the institution we are doing well in terms of working relationship with other NGO, Business and our strategic partners in service delivery. Makhuduthamaga has done well in electrification of villages and majority benefited from free basic electricity. This was the snapshot of the commitment made during 2009/2010 measuring challenges, performance and achievements.

Municipal Manager: Morebudi Thamaga

CHAPTER 1: Introduction and overview

1.1 Introduction

1.1.1 Overview

In order to comply with the requirements of *section 46 of the Municipal Systems Act No. 32 of 2000 and section 121 of the Municipal Finance Management Act No. 56 of 2003*, which are hereto referred as MSA and MFMA, we have compiled this annual report as a way to establish whether the municipality's performance adheres to the key performance areas set out by local government, namely:

- *Service delivery and infrastructure development;*
- *Local economic development (LED);*
- *Municipal financial viability;*
- *Municipal transformation and institutional development; and*
- *Good governance.*

1.1.2 Purpose of the Annual Report

In accordance with section 121 (2) of the MFMA, the purpose of an annual report is:

- To provide a record of the activities of the Municipality during the 2009/10 financial year.
- To provide a report on performance against the budget of the Municipality for the 2009/10 financial year; and
- To promote accountability to the Makhuduthamaga community for the decisions made throughout the 2009/10 financial year by the Municipality.

1.1.3 Makhuduthamaga Structure

Makhuduthamaga Municipality is a **category B** Municipality established in terms of section 12 of the Municipal Structures Act (117 of 1998). Makhuduthamaga Municipality as established under the Structures Act has adopted a collective Mayoral System with the Mayor being the head of the Executive Committee. The Council has a Speaker who chairs Council. The Executive Committee is constituted by 10 members. The Council comprises of **61 councillors** composed of 31 ward councillors and 30 proportional representative councillors. Constitutionally, the Council is the supreme legislative and executive authority. The traditional leadership of the area is represented by **12 traditional leaders** who were elected by the traditional leadership themselves. This traditional leadership is representing 146 villages which are total villages in the municipal area.

1.1.4 Ward Committees

The Municipality comprises of **31 demarcated wards**. To give effect to the democratic tenets for governance, Council has established 31 ward committees in terms of section 72-78 of the Municipal Structures Act (117 of 1998). These committees are chaired by their respective ward councillors and each has ten elected members represented on the committee. Although Ward Committees have no formal powers, they are consultative community structures. This means that they are meant to broaden participation in the democratic process of Council and to assist the Ward Councillor with organizing public meetings, disseminating information, and encouraging participation from residents in the ward. Ward Committees meet on a monthly basis to discuss ward issues.

1.1.5 Standing Committees

Section 79 and 80 of the Municipal Structures Act (117 of 1998) and Section 160 of the Constitution of the Republic of South Africa (1996)

In terms of section 79 and 80 of the Municipal Structures Act (117 of 1998), as well as Section 160 of the Constitution of the Republic of South Africa (1996), standing municipal committees have been established

to assist the work of the Mayor. Council aligned the political and administrative structures of Makhuduthamaga Municipality by aligning the standing committees with the new organizational structures and creating both operational and strategic standing committees. The following operational and strategic committees were created for Makhuduthamaga Municipality:

OPERATIONAL STANDING COMMITTEES	
Corporate Services LED Infrastructure and Planning	Finance and Budget Community Services

Table 1: Operational standing committees

1.1.6 Oversight Committee

Makhuduthamaga Municipality Council established an Oversight Committee in terms of section 129 of the Municipal Finance Management Act (56 of 2003). The Council established the Committee under section 33 and section 79 of the Municipal Structures Act (117 of 1998) to consider the Makhuduthamaga Municipality Annual Reports for the financial year 2009/2010. Councillor Chabedi PP was the inaugural chairperson of the Oversight Committee. The membership of the committee is as follows;

NAME	DESIGNATION
Councillor Chabedi PP	Chairperson
Councillor Bahula M	Member
Councillor Malaka MS	Member
Councillor Mashifane	Member

Table 2: Oversight Committee

1.1.7 Audit Committee

Dissolved during 2009/2010 financial year.

1.1.8 Makhuduthamaga Executive Committee



The Mayor
Cllr. Queen Mokhabela
Cell: 082 493 9285



Head: Community Services
Cllr. Hilda Makgoga
Cell: 082 857 3173



Head: Finance Services
Cllr. Abel Mampana
Cell: 082 852 4800



Head: LED
Cllr. Mokgampe Lentswane
Cell: 082 857 3154



Head: Infrastructure
Cllr. Alfred Matlala
Cell: 082 434 0142



Exco Member
Cllr. Rinah Maisela
Cell: 082 858 0115



Head: Corporate Services
Cllr. Rodgers Monama
Cell: 082 857 3182



Head: Technical Services
Cllr. Judy Mphelane Nkgadima
Cell: 082 857 3178



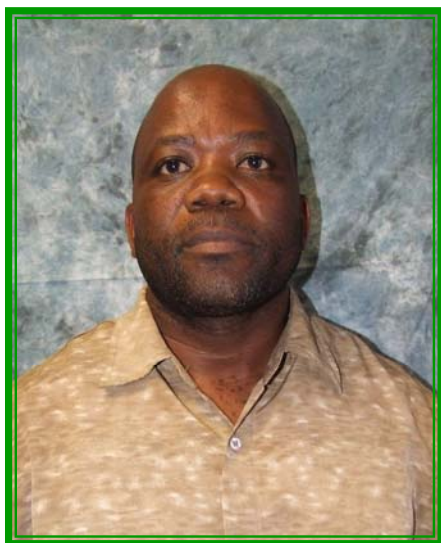
Exco Member
Cllr. M.E Mankwana
Cell: 082 857 3144



Exco Member
Cllr. Philip Vilakazi
Cell: 082 938 4590

Exco as at 30 June 2010

1.1.9 Management



The Manager
Morebudi Thamaga



Director:
Community Services
Thabang Lekala



CFO:
Finance Services
Dorothy Diale



Director:
Strategic Support
Vacant



Director:
Corporate Services
Mogobadi Moropa



Director:
Technical Services
Mr. Manaka

1.1.10 Vision

A development Municipality that provides needs satisfying, sustainable services.

1.1.11 Mission

To strive for a people centred Municipality that delivers sustainable services underpinned by the following principles:

- Efficiency;
- Effectiveness;
- Economy;
- Integration and
- Accountability

1.1.12 Our Values

We believe: That councillors should stand united, trust each other and be trustworthy and at all times. They should be approachable and honest in order to achieve a cohesive, transparent relationship of mutual understanding and tolerance amongst themselves.

We believe: In building a partnership based on trust and fidelity aimed at continued acknowledgement and respect for the respective roles of councillors and staff in order to achieve complementary Municipality building and an amicable resolution of differences through agreed procedures.

We believe: In adherence to the Batho Pele Principles, we councillors and officials, strive to respect and be responsive to our community by being humble, courteous, accountable, transparent, fair and honest while, by being members of the community ourselves, report the service delivery problems we encounter.

We believe: That officials should mutually respect the different roles that each member of staff plays and resolve differences according to agreed procedures to achieve a complementary Municipality building partnership based on trust and fidelity.

1.1.13 Priorities

The priorities are embrocatated within the Local Government Strategic Agenda to instil compliance and acceleration of service delivery. As such the Municipality's main strategic priorities are:

- Service delivery and infrastructure development
- Good governance and intergovernmental relations
- Municipal transformation and institutional development
- Local economic development
- Municipal financial viability and sustainability

The Municipality has a five year strategy in the form of an IDP, which has been adopted by council. The council IDP outlines the priorities and objectives of council on eradicating the legacies of under development and poverty facing the residents of the Municipality.

1.1.14 Functions, Powers and Duties

In terms of Section 84 of the Municipal Structures Act (No. 117 of 1998), the Local Municipality has the following functions and powers:

- Integrated Development Planning for the Local Municipality as a whole, including a framework for integrated development plans of all municipalities in the area of the Local Municipality.
- Solid waste disposal sites, in so far as it relates to:
 - The determination of a waste disposal strategy;
 - The regulation of waste disposal; and
 - The establishment, operation and control of waste disposal sites, bulk waste transfer facilities and waste disposal facilities for more than one local Municipality in the Local
- Regulation of passenger transport services.
- The establishment conducts and control of fresh produce markets and abattoirs serving the area of a major proportion of the municipalities in the Local.
- The establishment conducts and control of cemeteries and crematoria serving the area of a major proportion of municipalities in the Local.

Promotion of local tourism for the area of the Local Municipality.

Municipal public works relating to any of the above functions or any other functions assigned to the Local Municipality.

The receipt, allocation and, if applicable, the distribution of grants made to the Local Municipality.

The imposition and collection of taxes, levies and duties as related to the above functions or as may be assigned to the Local Municipality in terms of national legislation.

1.1.14 Our Mandates

1.1.14.1 Specific mandates

SPECIFIC MANDATES
Municipal Finance Management Act, No. 56 of 2003;
Municipal Structures Act , No. 117 of 1998
Municipal Systems Act , No. 32 of 2000;
Local Government Municipal Planning and Performance Management Regulation, 2001; and
Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Manager, 2006; and
Integrated Development Planning document.

Table 3: Specific Mandates for the Annual Report

1.1.14.2 Supporting mandates

SUPPORTING MANDATES
The Constitution of the Republic of South Africa, No. 108 of 1996;
White Paper on Transforming Public Service Delivery (Batho Pele), 1997;
The White Paper on Service Delivery
Basic Conditions of Employment No. 75 of 1997
Compensation for Occupational Injuries and Health Diseases Act No. 130 of 1993
Employment Equity Act No. 55 of 1998
Labour Relations Act No. 66 of 1995
Occupational Health & Safety Act No. 85 of 1993
Skills Development Levies Act No. 9 of 1999
Skills Development Act No. 97 of 1998
Unemployment Contributions Act No. 4 of 2002
Unemployment Insurance Act No. 63 of 2001

SUPPORTING MANDATES
The Constitution of the Republic of South Africa, No. 108 of 1996;
White Paper on Transforming Public Service Delivery (Batho Pele), 1997;
The White Paper on Service Delivery
Basic Conditions of Employment No. 75 of 1997
Compensation for Occupational Injuries and Health Diseases Act No. 130 of 1993
Employment Equity Act No. 55 of 1998
Labour Relations Act No. 66 of 1995
Occupational Health & Safety Act No. 85 of 1993
Skills Development Levies Act No. 9 of 1999
Skills Development Act No. 97 of 1998
Unemployment Contributions Act No. 4 of 2002
Unemployment Insurance Act No. 63 of 2001

Table 4: Supporting Mandates for The Annual Report

1.2 Geographic and Demographic Profile

1.2.1 About Makhuduthamaga

Makhuduthamaga Local Municipality is one of the five local municipalities within the Sekhukhune District Municipality in the Limpopo Province. The municipality spans a total area of 2096, 55 km² (Makhuduthamaga Spatial Development Framework). According to the Bureau for Market Research at Unisa, Makhuduthamaga had a population of 262,904 and a population density of 113, in 2007 a population of 285,879 and a density of 123 per km². The projected population for the current year of 2009 using the Bureau for Market Research growth rates is 287,598 and 300,206 for 2011 at a density of 129/km².



Figure 1: Location of Sekhukhune District in Municipality in the Limpopo Province

The diagram above shows the location of Sekhukhune district Municipality within the Limpopo province. Makhuduthamaga is located in the Sekhukhune district Municipality.

The Municipality is also surrounded by four other local municipalities within the Sekhukhune district.



Figure 2: Location of Makhuduthamaga Local Municipality Sekhukhune District in the Limpopo Province

1.2.2 Makhuduthamaga Population Dynamics

The population of the Municipality is estimated to approximately **262 912** according to Census 2001 and is projected to grow to **300,206 by 2011**. This Municipality has a predominantly African population. The expected population growth and population density, based on the Census 2001 population, is indicated below in table 4:

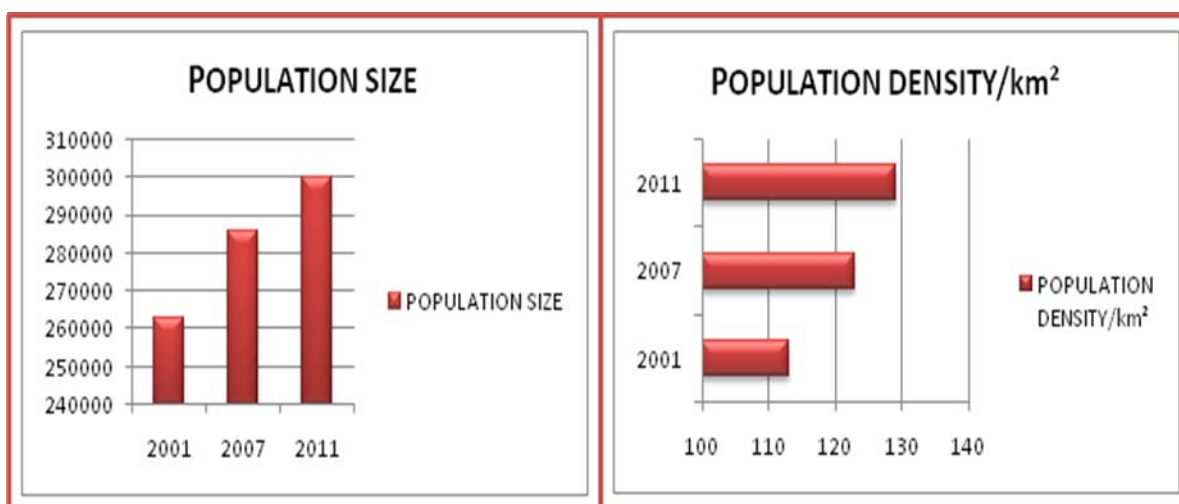


Figure 3: Population Growth and Density Estimates- the Bureau for Market Research

Figure 3 above shows that the municipality has a steady increase in the population over the years. An escalation in the population increases the need for basic services such as housing, electricity, water and roads to leverage economic growth and improve the standards of living.

1.2.3 Population Groups

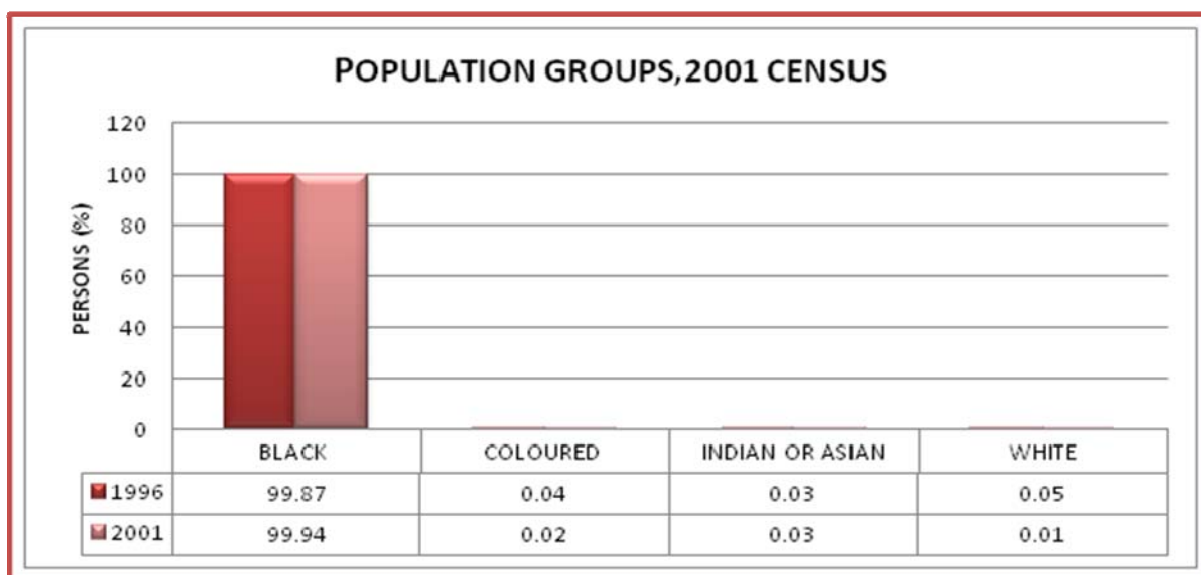


Figure 4: Population Groups within the Municipality

1.2.4 Age Distribution

The age structure of the Municipality's population is typical of that of other developing areas with the trademark characteristic of a pyramid shape. In **figure 5**, the population is classified into following three age groups from the age of 4 years to above 85 years:

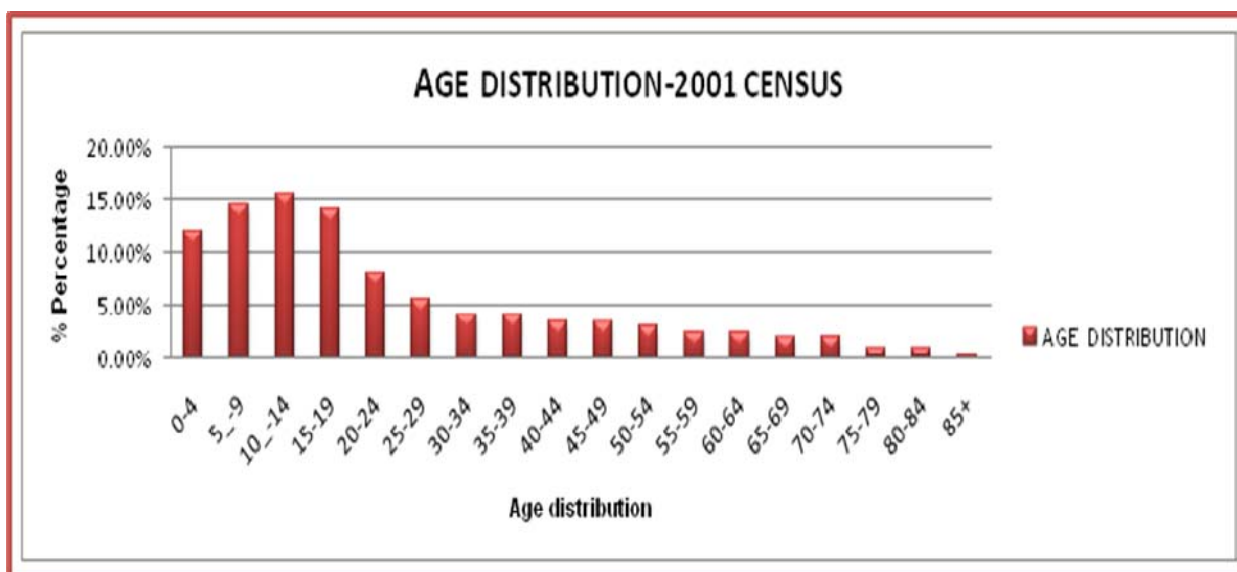


Figure 5: Age and Gender Distribution

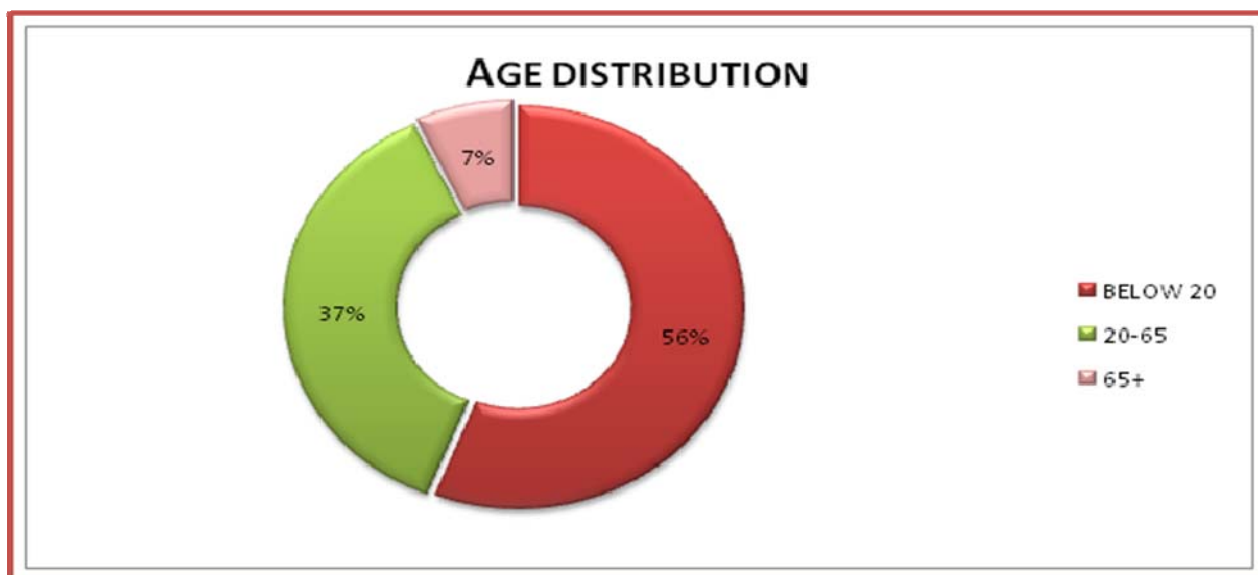


Figure 6: Age Distribution

The majority of the population falls in the 5- 19 years age bracket, which is also a reflection of the general national trend. The proportion of male population is higher in the 0-24 year's category. The age composition is an indicator that the Municipality will in the future experience increased demand in services supplying enough services for its population. This is largely due to the large number of the population in the ages of below 39, figure 5.

1.2.5 Gender Distribution

Although much of the labour force is represented by males, the female population in the municipality is still higher than the male at 56.6% and 43.3% respectively, in the gender distribution. The main reason this, as is prevalent in most rural areas in the province, e.g. Gauteng is the migration of men to other provinces of higher economic activity in search of employment. The effect of the migration can be attributed to the high level of single parent households and ability to afford the provision of services.

The municipal proportion of females (+/- 52%) is marginally higher than that of males but significantly lower than the national average. Figure 7 compares the municipal gender ratio with the provincial and national ratios.

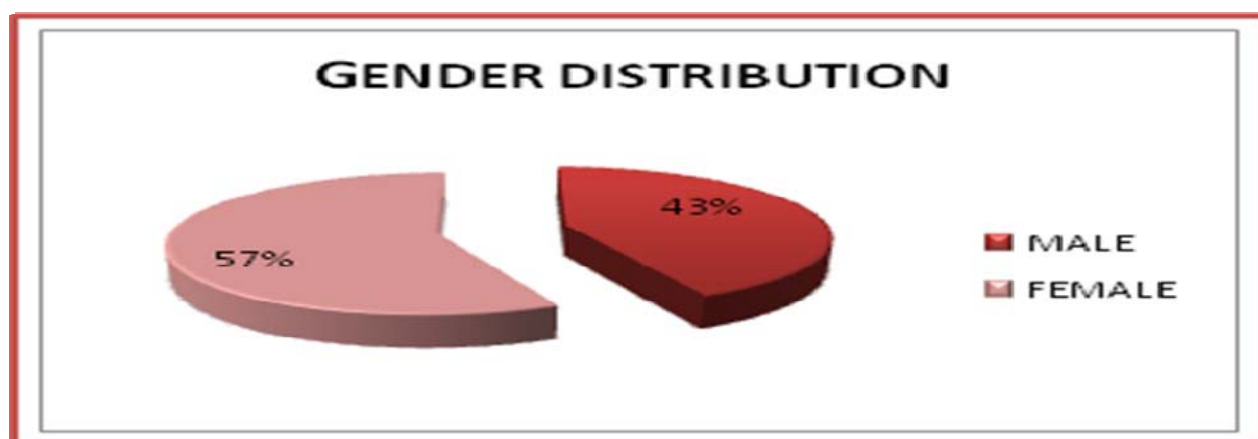


Figure 7: Gender Distribution

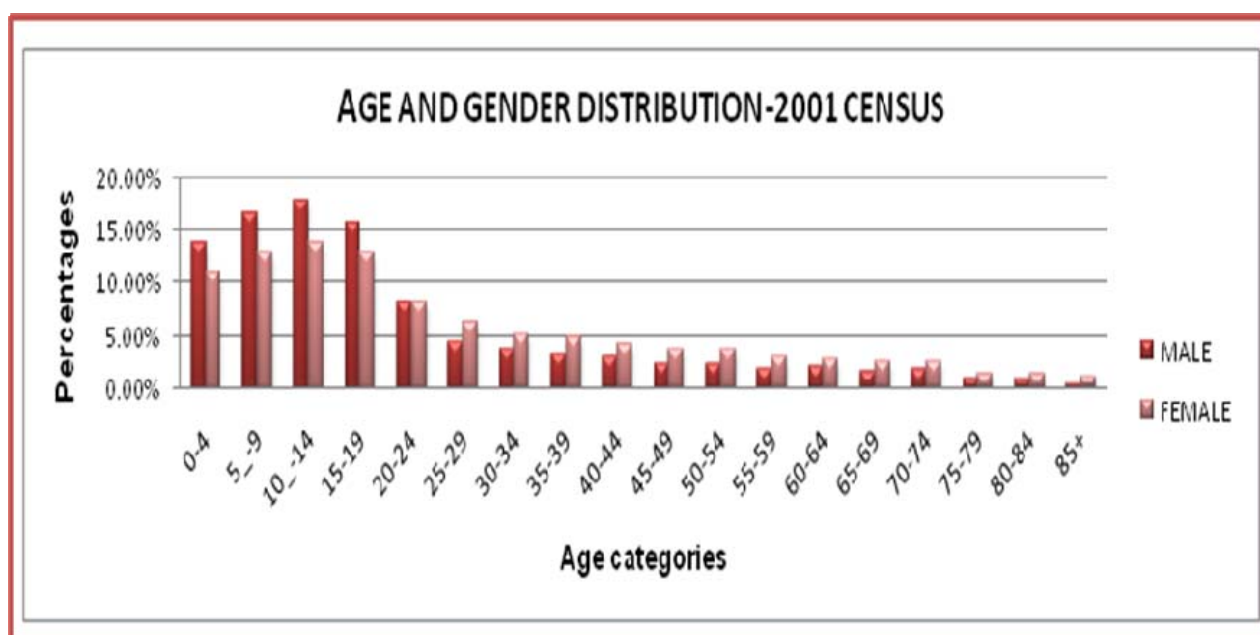


Figure 8: Age and Gender Distribution

1.2.6 Persons with Disabilities

The table below depicts the Persons with disability in the Municipality.

Persons	2001	1996
Sight	3609	6945
Hearing	2234	3940
Communication	562	-
Physical	3148	3852
Intellectual	1353	1359
Emotional	1702	-
Multiple	1898	1122

Table 5: Persons with Disabilities in the Municipality- Statistics South Africa, 2001 (Updated)

Table 6 above demonstrate that there has been a significant decline in the numbers of cases of sight and hearing disabilities. The physical and intellectual disabilities have not shown any significant decrease since 1996. The reduction in the number of disability cases are normally attributed to effective implementation of primary health awareness programmes by provincial health department and other social services stakeholders.

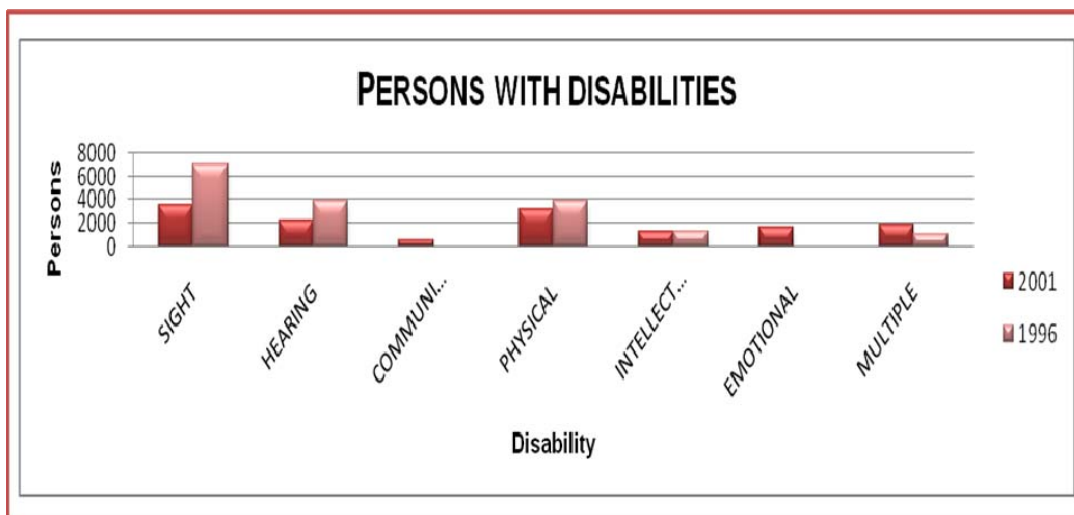


Figure 9: Graphic Profile of Disabilities

Some of the strategic implications of the municipal disabilities profile are the following;

- Improvement and co-ordination of access to primary health care for all communities,
- Improvement and co-ordination of access to health education for all communities.

1.2.7 Levels of Education

It is obvious from the pie chart below that the levels of education within the Municipality is generally low when a comparison is made between the numbers of persons with various categories of education and the total municipal population. Only 11% of the population has grade 12 schooling. This highlights the pressure on delivery of educational services, ranging from pre-school level to improvement of opportunities for tertiary education.

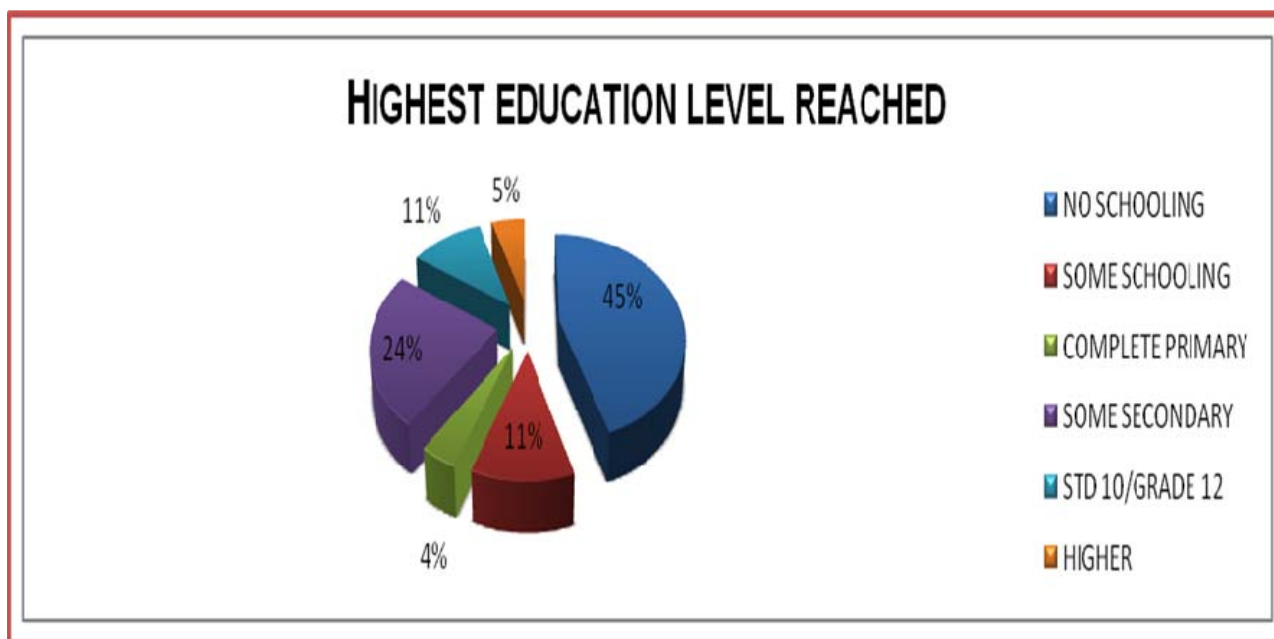


Figure 10: Level of Education

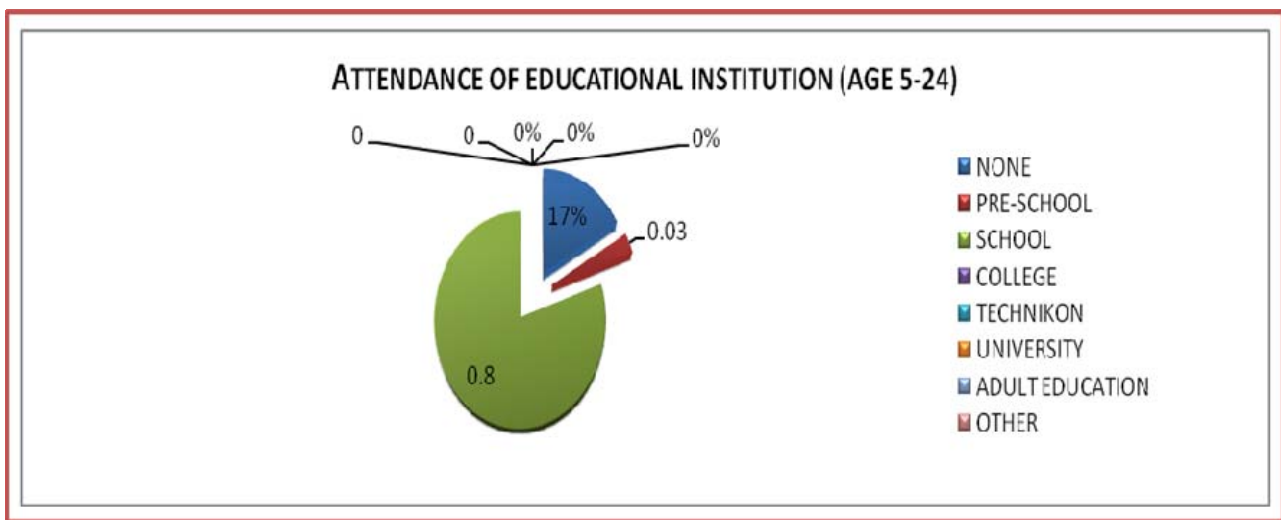


Figure 11: Educational Institution

Figure 11 above highlights the need to give more attention to early childhood development and higher education.

1.2.8 Income Distribution

The majority of households are very poor due to their low income which is constrained by the rural economy which is unable to provide individuals with remunerative jobs or self employment opportunities. An estimated 42% in persons in Makhuduthamaga have no income. The majority of the economically active people are employed in the service sector. This sector is dominated by the civil services in terms of the various departments that render services such as health, justice, local government, education, etc. **Table 6 and figure 12** below indicates the income categories within the Municipality.

ANNUAL HOUSEHOLD INCOME		
Income Categories	No.	Population (%)
No income	22525	41.56
R1 - R4 800	4197	7.74
R4 801 - R 9 600	14546	26.84
R9 601 - R 19 200	6781	12.51
R19 201 - R 38 400	2687	4.96
R38 401 - R 76 800	2346	4.33
R76 801 - R153 600	815	1.50
R153 601 - R307 200	186	0.34
R307 201 - R614 400	57	0.11
R614 401 - R1 228 800	18	0.03
R1 228 801 - R2 457 600	27	0.05
R2 457 601 and more	12	0.02
Total	54198	

Table 6: Annual Household Income, Statistics South Africa, 2001 (Updated)

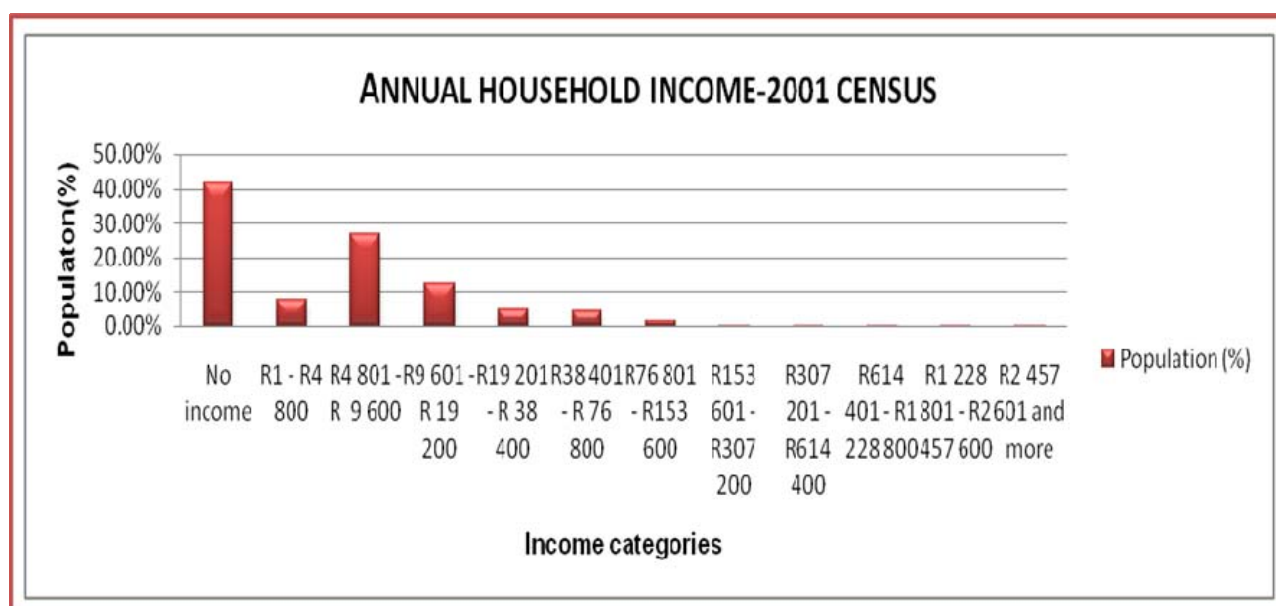


Figure 12: Household Income

The income profile of households within the Municipality has not shown a marked improvement since 1996. This situation can be explained in terms of broader national economic situation which has generally been characterized by high interest rates, high fuel price increases, etc. The number of households with no income has increased since 1996. It should be noted that most of the households with some form of income rely on social grants (pensions and disability grants).

1.2.9 Economic Analysis

1.2.9.1 Regional and Sub regional Context

Figure 13 below compares the various economic sectors in terms of economic production between the five local municipalities and district. **Table 8** provides an indication of economic indicators by comparing the five local municipalities. The primary and tertiary sectors are the main dominant sectors in the MLM which implies that MLM has a comparative advantage over Groblersdal and Marble Hall in terms of the share contribution of the primary sector (15%) and over Fetakgomo and Tubatse in the tertiary sector (76%).

	PRIMARY SECTOR (%)	SECONDARY SECTOR (%)	TERTIARY SECTOR (%)
Greater Marble Hall	10.9	8.0	81.1
Greater Groblersdal	7.2	6.8	86.0
Greater Tubatse	33.1	9.5	57.4
Makhuduthamaga	15.4	7.8	76.7
Fetakgomo	39.5	8.0	52.6
Sekhukhune District	22.2	8.1	69.7

Table 7: Source: DBSA, Limpopo Province Socio-Economic Profile, 2003

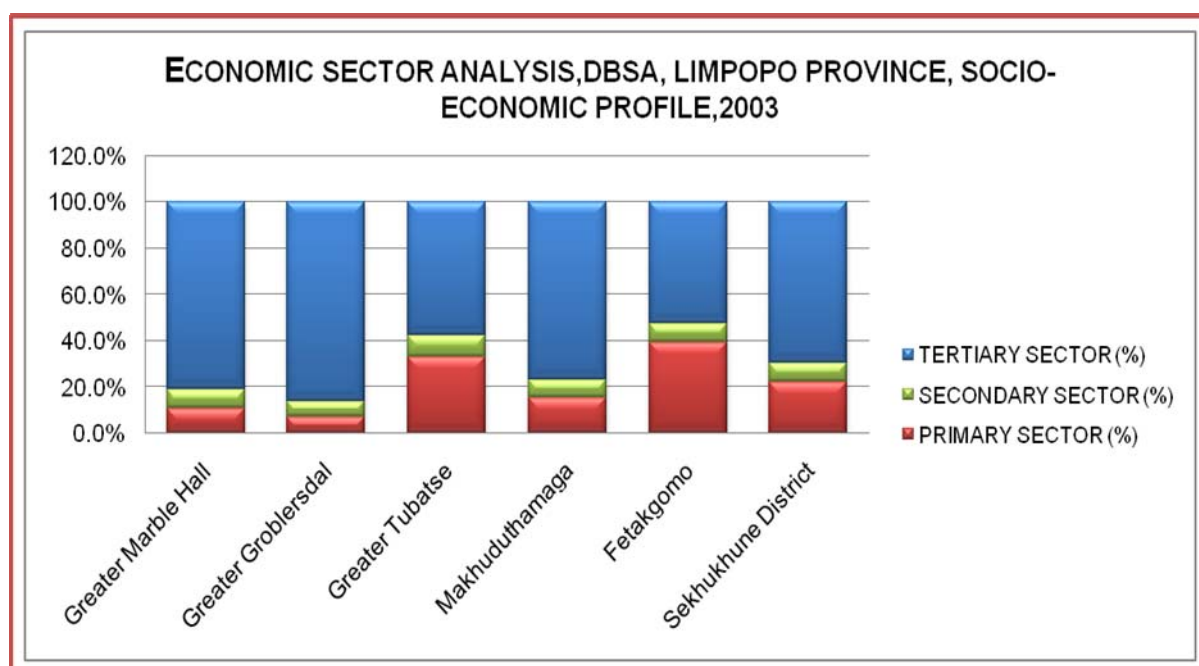


Figure 13: Economic analysis

Employment per R1 million GVA is an indicator of the relative labour intensity of the production process involved. From **table 8** and **figure 14** above it is clear that MLM has the largest employment per R1 million Gross Value Added (GVA) in the tertiary sector. On average 17 people are employed in the Municipality to produce R1 million of gross value added, which puts MLM as the highest in the district.

MUNICIPALITY	NOMINAL GROSS VALUE ADDED (R1000)	PRIMARY SECTOR AS % OF TOTAL	SECONDARY SECTOR AS % OF TOTAL	TERTIARY SECTOR AS % OF TOTAL	CONTRIBUTION OF MUNICIPALITY TO PROVINCIAL GVA (%)	AVERAGE ANNUAL GROWTH, 2000-2003 (%)	EMPLOYMENT PER R1M GVA
Greater Marble Hall	213,317	10.9	8.0	81.1	0.5	0.1	14.4
Greater Groblersdal	343,123	7.2	6.8	86.0	0.7	0.2	14.4
Greater Tubatse	612,080	33.1	9.5	57.4	1.3	5.4	12.4
Makhuduthamaga	943,469	15.4	7.8	76.7	2.1	1.8	14.2
Fetakgomo	417,521	39.5	8.0	52.6	0.9	6.6	12.2
Sekhukhune District	2,529,510	46.5	8.1	69.7	5.5	3.0	13.5

Employment per R1 million GVA is an indicator of the relative labour intensity of the production process involved. From **table 8** and **figure 14** above it is clear that MLM has the largest employment per R1 million Gross Value Added (GVA) in the tertiary sector. On average 17 people are employed in the Municipality to produce R1 million of gross value added, which puts MLM as the highest in the district.

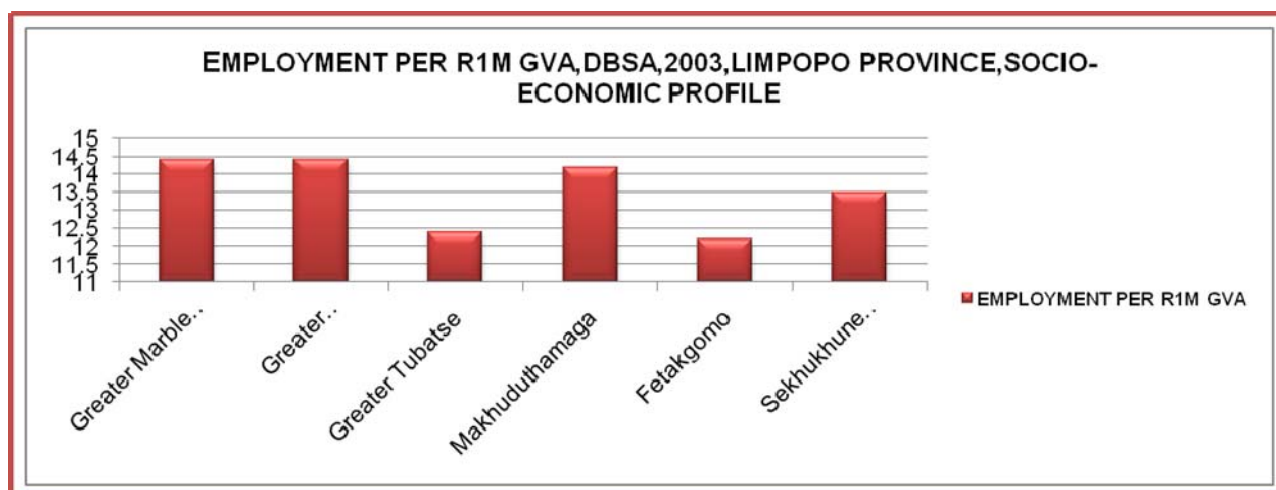


Figure 14: Employment per R1m GVA

1.2.10 Employment Status

Employment status is a critical factor which gives an indication of the economic stability and financial well-being of the population within a Municipality. The main features in describing the employment status of the population are economic active population (employed and unemployed persons) and not economic active population. Statistics South Africa defines economically active population as all persons between the ages of 15 and 65 years who are working or are unemployed. The definition excludes people of working age who are not available for work due to age as pupils, aged or are unable to work due their health status. An estimated 16% of the population in MLM is economically active with only 35% being uneconomically active. The majority (56%) of the economically active population are female.

Unemployed people are defined as those people who during the week prior to Census night did not have a job but were actively looking for work (either full time or part time) and were available to start work.

As at the 2001 Census, MLM had an unemployment rate of 75% and employment rate of 25% Figures 15 and figure 16 illustrate the level of unemployment and employment.

	MALE	MALE	FEMALE	FEMALE	TO-TAL	TO-TAL
Employed	5655	52.67	5080	47.32	10736	24.93
Unemployed	13121	40.59	19207	59.41	32329	75.07
Economically Active	18776	43.60	24287	56.40	43065	16.38
Not applicable (younger than 15 and older than 65)	60054	47.42	66575	52.57	126630	48.17
Not Economically Active	35155	37.72	58053	62.28	93208	35.45
Total	113985		148915		262903	

Table 8: Economically Active Population by Gender

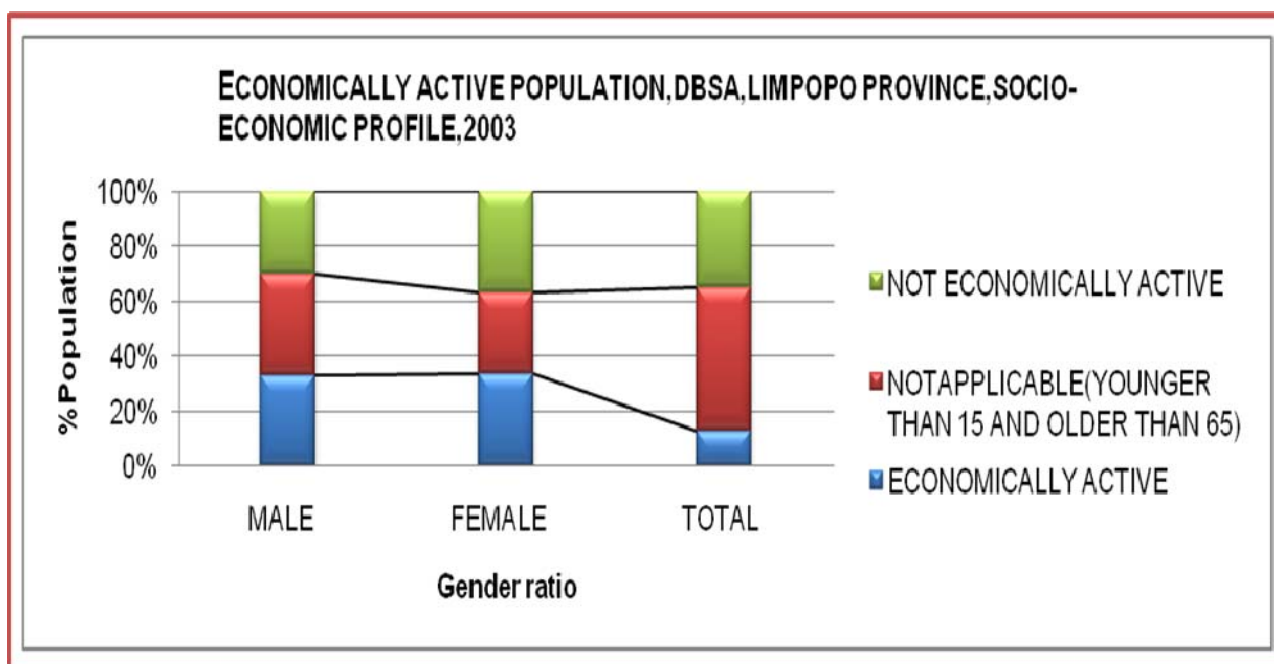


Figure 15: Gender Ratio

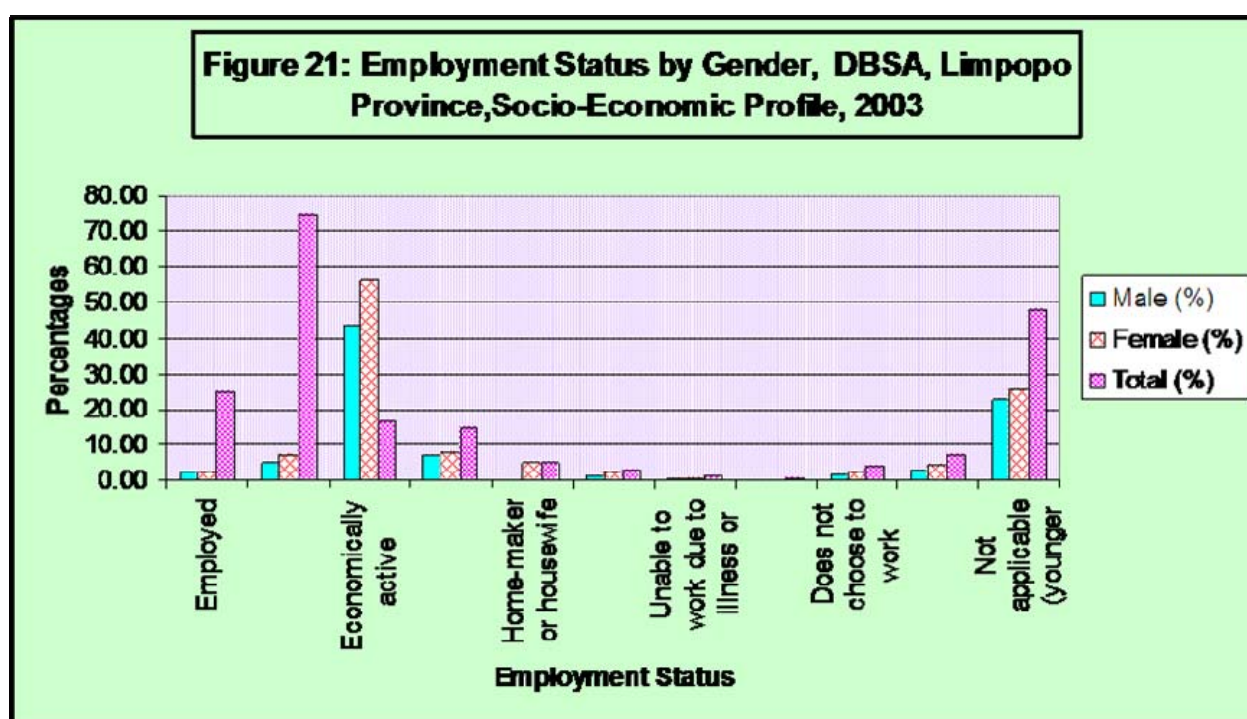


Figure 16: Employment Status

1.2.11 Economic Sector Analysis

1.2.11.1 Economic Contribution and Job Creation

Table 10 and **figure 17** indicates the total labour force of formally employed people per economic activity in the study area. It is clear that most people (35%) in 2001 were employed in the community, social and personal services. The ensuing sections provide an outline of each economic sector.

ACTIVITY	POPULATION	POPULATION (%)	POPULATION	POPULATION (%)
	2001	2001	1996	1996
Agriculture/Forestry/Fishing	235	2.19	423	3.07
Community/Social/Personal	4987	46.42	4749	34.51
Construction	563	5.24	1008	7.32
Electricity/Gas/Water	148	1.38	224	1.63
Financial/Insurance/Real Estate/Business	356	3.31	495	3.60
Manufacturing	394	3.67	593	4.31
Mining/Quarrying	147	1.37	819	5.95
Other	0	0.00	0	
Private Households	958	8.92	1476	10.73
Transport/Storage/Communication	502	4.67	879	6.39
Undetermined	896	8.34	1580	11.48
Wholesale/Retail	1558	14.50	1516	11.02
Total	10744	100.00	13762	100.00

Table 9: Source: Municipal Demarcation Board Website, 2003

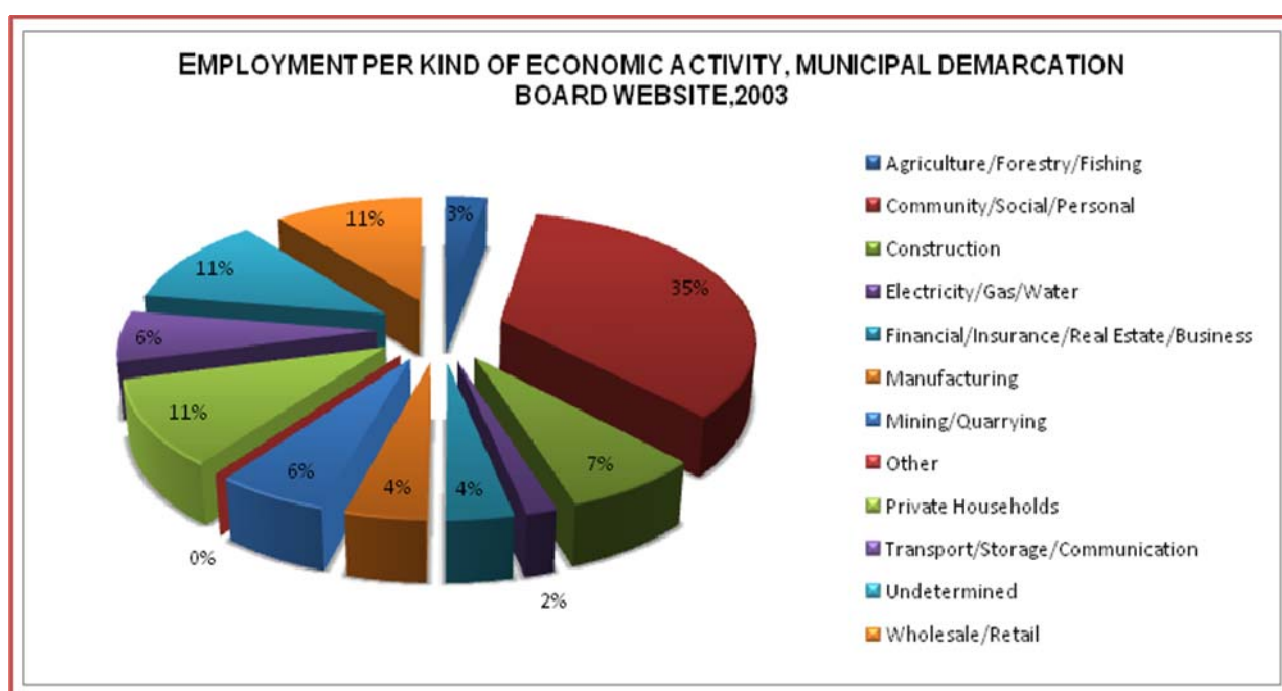


Figure 17: Employment per Economic Activity

1.2.12 Mining and Quarrying

The mining and quarrying sector plays a very limited role in the Municipality's economy representing less than 1% of the total economic production. The number of formal sector employment opportunities within the Municipality is less than 1%.

1.2.13 Agriculture, Forestry and Fishing

The sector represents only 2% of all formal sector employment opportunities throughout the Municipality, which is a little less than expected what with the municipality being largely rural. Forestry and fishing activities are not practised in the municipality, and therefore the main contributing activity in this sector is agriculture. Agriculture is the main formal contributor to the economy of the Municipality albeit at very limited scale. There was a slight decline in terms of the contribution of this sector from 1986 to 2001.

1.2.14 Construction

The construction sector plays a very limited role in the Municipality's economy. The number of formal sector opportunities in this sector within the Municipality declined from about 7% to 5% between 1986 and 2001.

1.2.15 Electricity, Gas and Water

The electricity, gas and water sector plays a very limited role in the economy of the Municipality including the percentage of formal employment opportunities which declined from about 2% in 1986 to less than 1% in 2001.

1.2.16 Transportation, Storage and Communication

As with other many other sectors, the transportation, storage and communication sector plays a limited role towards the GGP of the Municipality. The number of formal sector employment opportunities in this sector within the Municipality declined from about 6% to 5% between 1986 and 2001.

1.2.17 Manufacturing

The manufacturing sector contributes a relatively higher percentage of the total economic production in the Municipality. The number of formal sector employment opportunities in this sector within the Municipality declined from about 4.3% to 3.6% between 1986 and 2001.

1.2.18 Wholesale and Retail

The wholesale and retail sector contributes relatively higher percentage of the total economic production in the Municipality. There has been an improvement between 1986 and 2001 with about 11% employment opportunities to about 15% respectively.

1.2.19 Private Households

The private households play some role in the economy of the Municipality. This sector experienced a significant decline in terms of employment formal employment opportunities which declined from about 11% in 1986 to less than 9% in 2001.

1.2.20 Financial, Insurance, Real Estate and Business

The financial, insurance, real estate and business sector contributes very little towards the total economic production in the Municipality. There has been an improvement between 1986 and 2001 with about 4% employment opportunities to about 3% respectively.

1.2.21 Community, Social and Personal

The community, social and personal sector is the largest contributor towards the total economic production of the Municipality. This sector experienced a significant increase in terms of employment opportunities between 1986 and 2001 with about 35% employment opportunities to about 46% respectively.

1.2.22 Key Economic Sector Conditions

The GSDM is in the process of formulating a 20 year development strategy and has conducted some research into the key economic sectors of the municipal area, namely agriculture, mining and tourism. The outcome of this research is contained in a Synthesis Report of which the following is extract of issues that may be relevant to Makhuduthamaga Municipality.

1.2.23 Agriculture

Water – Despite potential for agricultural production, not all this potential can be realized due a general lack of water. Ecological reserves from dammed rivers have become affected and the non maintenance of annual flow of the Olifants River is impacting negatively on small scale irrigation farming along the banks of the river. Rainfall is variable/unpredictable which makes the cultivation of dryland crops highly risky.

Land – There is good arable land throughout the district but with restricting factors such as lack of full ownership of land which has an effect on ability to raise capital for farming purposes. It also has a negative impact on conservation due to over utilization and unsustainable practices.

Support Services – This is a major problem for developing agriculture. Many government assisted schemes from the previous dispensation has come to a standstill when support was withdrawn.

Infrastructure and enabling environment – The District generally has adequate infrastructure to support agriculture, although water remains a huge challenge to fully maximise agricultural potential. Makhuduthamaga is however not exceptional in this regard. The creation of a suitable environment to attract industrialists, especially for processing and value adding of primary agricultural products will be required to help realize the full potential of the resources in the area.

Disparity in agriculture – An inherited legacy is the disparity in agriculture with a huge gap between commercial and subsistence/small scale farming. Attention needs to be given to institutional restructuring and incentives.

Commercial farming - Large scale commercial agricultural production mostly occurs in the southern and eastern areas of the GSDM and occurs mostly on privately owned land. Agriculture has generally been under pressure the past five to ten years. However the economic contribution and job creation Municipality of agriculture in the District is significant. There is trend towards an increase in establishing permanent crops.

Developing agriculture – The majority of farmers (70%) in Sekhukhune are subsistence farmers (mostly extensive cropping and live stock). The potential of the area can be illustrated by the extent of production that was maintained by the Farmer Support Programmes of the mid 90's (40,000ha cultivated). Makhuduthamaga has a higher livestock potential if commercial can be given a focused attention.

Competitive advantage – The District has a competitive advantage in a number of crops such a table grapes, citrus and vegetable processing. An effective method of maintaining this competitive advantage is to create a market for products locally, especially primary products, for processing or value-adding. This forms the basis for cluster development and value chains.

General agricultural trends –

- Agriculture is under increasing financial pressure
- Farm management and productivity has had to increase significantly
- The youth is not keen to become involved in the industry

- Movement away from labour intensive production
- Movement to perennial crops
- Production for niche markets
- Here is still a serious lack of access to support services due to Municipality problems in the public sector and historical constraints linked with the private sector.

1.2.24 Irrigation schemes to be revitalized in the Makhuduthamaga Area:

No	SCHEME	NO OF FARMERS	SIZE (HA)
1	De Paarl	54	66
2	Gataan	129	155
3	Goedverwacht	75	90
4	Hakdoorndraai	84	102
5	Hindustan	43	52
6	Nooitgesien	91	110
7	Veeplaas	385	463
8	Vlakplaas	62	74
	Total	923	1112

[Table](#) 10: Irrigation Schemes in the Makhuduthamaga Area

1.2.25 Projects with potential

Bio-fuels

Local government is linked into initiatives underway to develop the biofuel industry in the district. A major programme by Limpopo Department of Agriculture, funded by LIBSA, is being established at Tompi Seleka. This creates opportunities in backwards linkages in the industry, especially the production of raw materials by emerging farmers through farmer support and other development programmes.

1.2.26 Mining

Job Creation

The total employment in GSDM ferrochrome plants, including those within 30 km of the GSDM, is therefore estimated as 833 in 2005 and 1270 in 2015.

Mining recruiting practices

How much of the potential employment for the expansion for mining on the Eastern Limb of the Bushveld Complex would go to employees recruited from within the GSDM is one of the questions this study sets out to answer. Three general factors together with the regulatory framework favour the employment of GSDM residents.

Modern mining approach to mining industry careers phases out migrant labour

South Africa mining industry as a whole has adopted an approach to recruitment that plans to phase out migrant labour contract in favour of full time employees living in housing close to the mines on which they work.

Social Objectives of the Mining Charter

Closely related to the above the Broad-Based Social-Economic Empowerment Charter for the South African Mining Industry, 2002 does not explicitly deal with recruitment but does directly speak to migrant labour and housing and living conditions under sections 4.3 and 4.5 respectively.

Trends for reduced employment of contract labour

Specialist contractors have long been employed in shaft sinking and development roles as well as the installation of mechanical, electrical, ventilation, pumping and materials movement infrastructure. A notable feature of the changes in employment in the South African mining industry commencing in the late 1980s was the increase in the use of contract services for what had hitherto been considered core mining operations.

1.2.27 TOURISM

The specific focus of this research is the tourism sector and the objective is to facilitate implementation of the projects that are recommended in the Sekhukhune District Tourism Development Strategy. The Strategy recommends five tourism anchor projects in GSDM as follows:

- Flag Boshielo Cluster
- Tjate Heritage Site
- Main Entrance Gate and Route Development
- Klein Drakensberg Escarpment
- De Hoop Dam to Mapoch Recreation Complex.

The tourism potential in Makhuduthamaga can be superlatively unleashed if a tourism route can be established right through the Nebo Plateau up to the ageless Leolo Mountain range .

Flag Boshielo-Schuinsdraai

The vision of the Flag Boshielo-Schuinsdraai Complex is to boost the attraction for tourists to Sekhukhune District significantly by catering for the recreational needs of families and the leisure needs of high-income wildlife enthusiasts from Gauteng.

Tjate heritage

The vision of the proposed project is to create a major tourism anchor project and cultural icon in the district based on the formidable contribution of King Sekhukhune to the formation of an African Empire. It is potentially the most prominent anchor project within the special interest cluster for Sekhukhune and together with Makapan, Modjadji and mapungubwe, prominent culture and heritage destination in Limpopo.

Entrance Gates and Route Development

The vision of this proposed project is to promote sustainable tourism development in Sekhukhune District by drawing tourists from flagship projects to a wide range of smaller local attractions along various routes and by so doing increase the length of stay and total expenditure in the area.

The project objectives are to develop a range of attractions in all local municipalities, to connect these attractions from entrance gates along convenient routes and to increase the length of stay, as well as the total expenditure of tourists in Sekhukhune district.

The two main project components are three entrance gates and at least three routes between the gates with an average of five local attractions on each route.

Klein Drakensberg Escarpment

The vision of this development proposal is to optimize the remote and rugged appearance of the Drakensberg escarpment and Olifants river gorge for adventure tourism activities as proposed in the Escarpment development plan.

De Hoop Dam to Mapoch

The project objective is to create a recreation facility for local and domestic tourists around the dam and a conservation area in the mountains on either side of the Steelpoort river valley once the dam is completed.

Cultural villages

The Gamamo cultural resort located near the Piet Gous Dam offers tourist insight into the Bapedi culture complete with the traditional clay huts, revamped regularly with cattle dung and thatched roofs.

The Mabhedla cultural village is a sight to behold for any tourist on the Swazi culture. It features the huts structured like bird nests and the fascination of different soil types and their uses by the locals, more especially the white soil used as paint for clay huts.

Heritage

Thlako Tisane nature reserve is a must see location that attracts many nature lovers with its botanical sites and Bushmen rock art.

Manche Masemola gravesite is another site that brings an influx of tourists on their annual commemoration pilgrimage on the first Sunday of August.

The rain making pots are the tourist wonders of Makhuduthamaga, attracting the curious and non-believers locally and internationally. The virgins fetch water from the sacred pools and the sands to the elders who put it in special pots with muti to form condensation, which will result in rain.

Also of attraction to both locals and other close communities are the cultural dances that feature the Kiba music and the various archaeological sites and caves that were used as fortification sites, a reflection of the lengths a man would go to protect his rights.

1.2.28 Cross-Cutting Issues

Cross-Cutting Issues refer to those issues, which require a multi-sectoral, mainstreaming response and thus need to be integrated and entrenched into all Municipality's core functions both internally as an employer and externally as a service provider/and income generator. The issues are called crosscutting because they can't be taken as isolated issues, because they affect all other sectors. If these issues are not tackled, the successes in other sectors will be very limited. Supporting these activities is essential for poverty reduction. The Municipality has identified the following "cross-cutting issues".

- ◇ HIV/AIDS
- ◇ Local Agenda 21
- ◇ Poverty
- ◇ Gender
- ◇ Disability
- ◇ Older Persons
- ◇ Youth & Children

Local Agenda 21

At the Rio [Earth Summit](#) in 1992, the United Nations agreed that the best starting point for the achievement of [sustainable development](#) is at the local level. In fact, two thirds of the 2500 action items of [Agenda 21](#) relate to local councils. Each local authority has had to draw up its own Local Agenda 21 (LA21) strategy following discussion with its citizens about what they think is important for the area. The principle of sustainable development must form a central part of the strategy. LA21 regards sustainable development as a community issue, involving all sections of society, including community groups, businesses and ethnic minorities. Involvement of the whole society will give everyone the opportunity to participate and will generate a resource of enthusiasm, talent and expertise, which is vital to achieve sustainable development. Many local authorities have begun schemes of co-operation to allow them to exchange ideas about sustainable development. Groups of local authorities can join together to give themselves a louder voice to influence large companies.

LA21 follows the principles of sustainable development and the goal of ensuring a better quality of life for everyone, both now and in the future. Like Agenda 21, it focuses on an economic, social and environmental agenda, and develops solutions to problems through encouraging better, more efficient practices. It realizes that sustainable development is achievable, without sacrificing the quality of our lives. However, sustainable development can only be achieved if we learn to think more sustainably and adopt more sustainable behavior.

1.2.29 HIV/AIDS

The HIV and AIDS epidemic in South Africa is one of the most severe in the world. There are currently approximately 6 million people living with HIV and AIDS in Southern Africa. It is expected that HIV/AIDS will have a significant impact on the South African society. Approximately 34% of the South African population is already infected with the HI Virus which causes AIDS, implying that approximately 4 million people are currently affected. This number is expected to grow to 6 million in less than ten (10) years (DBSA, 2000). HIV has also lead to an explosion of HIV related diseases, such as tuberculoses and malaria.

The following projected impacts of AIDS are particularly noteworthy:

- Life expectancy is expected to decline from approximately 60 years average to about 40 years average within the next eight (8) years;

- Women are more vulnerable to infection than men;
- Most of the people who die from the disease are in the age group between 25 and 40. This is also the economically active age bracket, implying that the market loses trained people with experience who are able to work. It is expected that South Africa could lose 20% of its workforce in the next seven (7) years;
- HIV/AIDS has a significant impact on productivity, especially in the second phase of infection where people suffer from AIDS related diseases, reducing productivity to between 80% and 50% of the normal level for mine workers. The loss of productivity will have a negative impact on the entire economy, with some sectors such as mining and transport being among the worst affected;
- The loss of physical and mental Municipality to perform work, particularly physically straining work such as cane or timber cutting would have a severe impact on performance, productivity and on the entire economy;
- One anticipated impact on the building industry is the decline in demand for affordable housing by as much as 55% over the next five (5) years;
- The cost of health care is expected to rise dramatically, with a severe strain on health resources;
- HIV/AIDS affects the breadwinners in the family (one or both), resulting in a society with a large number of orphans. As many as 2 million people are expected to be orphaned by 2010 because of AIDS;
- The cost of funerals would have a high bearing on household expenditure, particularly in poor families;
- An increase in the number of dependants (children and the aged) in a household with a decrease in the number of breadwinners, resulting in an increase in dependency, poverty, crime, street children and orphans;
- Polarization at both ends of the income spectrum;

AIDS therefore has a direct bearing on planning and allocation of resources. Although the imminent need for basic services and housing is not denied, AIDS necessitates a shift towards Social Development and expenditure on health and welfare. It also requires a proactive approach in terms of AIDS education, training and skills development programmes for the youth, nutritional programmes and basic health care. This shift in focus should also be reflected in the Municipality's allocation of financial and human resources as well as projects and programmes. No specific HIV/AIDS figures are available for Makhuduthamaga Local Municipality.

1.2.30 Health Services

Provision of health services within Makhuduthamaga is not satisfactory. This view derives from generally low levels of services combined with poor health infrastructure. Makhuduthamaga is not authorised to provide health services. The municipality relies primarily on the district health services and the sector departments.

Poverty

The high levels of poverty are apparent in the statistics from Census 2001 where approximately 7.74% of households have an income of less than R1500 per month (the household subsistence level) and 28% of all households have R0 income. Poverty alleviation is a central issue for Makhuduthamaga Local Municipality and is addressed, within the available resources, through various IDP programmes and projects. Examples of these include the Municipality LED programme, the provision of free basic services to qualifying households.

Gender

The Employment Equity Act (55 of 1998) addresses the legacy of discrimination in relation to race, gender and disability. The Act is intended to ensure that workplaces are free of discrimination and that employers take active steps to promote employment equity. The municipality has developed a 2007-2012 Employment Equity Plan.

Gender inequalities still exist in the social, economic, physical and institutional environment of Makhuduthamaga Municipality. The negative impact of these inequalities is chiefly borne by women whereby women constitute 53% of the population (Census 2001), yet there is poor representation of women in community structures;

- Violence against women;
- Women are more vulnerable to HIV/AIDS;
- Women are generally poorer with less access to resources.

In response to the challenges of gender mainstreaming, Makhuduthamaga has developed gender empowerment policy to target the vulnerable rural women and other aspirant women entrepreneurs in order to bring them in the main streams of the economy.

Disability

The Municipality has, According to Census 2001; approximately 5.5% of population is living with disabilities. There is a lack of sensitivity to the needs of those living with disabilities due to the fact that there is a lack of care facilities for persons living with disabilities, especially children, access to public buildings and education facilities is limited, as is the general access in streets.

In terms of Employment Equity Act (55 of 1998) Chapter 3, employers are mandated to take certain affirmative action measures to achieve employment equity. Such equity also includes the needs of People Living with Disabilities. To address this, the Municipality will through the Employment Equity Plan make sure that we achieve equity in the workplace, making the municipal workforce more representative and ensuring fair and equitable employment practices for all employees.

Makhuduthamaga has developed a policy for disabled persons in order to place their needs and aspirations on par.

Older Persons

Approximately 7% of Makhuduthamaga Municipality's population is 60 years and older (Census 2001). There is generally insufficient sensitivity and awareness of the needs of older persons. The Municipality aims to monitor the development and implementation of its policies so as to, where appropriate, support sensitivity to the needs of older persons.

Youth & Children

According to Census 2001, approximately 72% of Makhuduthamaga Municipality's population can be categorized as either children 41% (0-14 yrs) or youth 31% (15-34 yrs). This group is the most vulnerable and is greatly affected by the social ills ravaging our society. Many children in Municipality are subject to child abuse and foetal alcohol syndrome (5% of children in the country are affected, which is the highest rate in the world). Furthermore, there are many abandoned and 'street children', as well as AIDS orphans. There is at present a lack of child-care facilities, especially for handicapped and disabled children, and the standard of some day-care centers, especially in disadvantaged areas, is poor.

Makhuduthamaga is experiencing a number of youth-related problems, namely HIV and AIDS; gangsterism, vandalism and crime; teenage pregnancy; alcohol and substance abuse; and the non-completion of schooling.

Makhuduthamaga has developed a youth development policy in order to respond adequately to the needs of the young women and men who form larger segment of the population.

CHAPTER 3: HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT

2.1 Introduction

The Human Resource Development and Human Resource Management are essential for the operation of the organization whereby the Human Resource Development is the framework for assist employees develop their personal and organizational skills, knowledge and abilities includes such opportunities as employee training, employee career development and on the other hand the Human Resource Management is the function within an organization that focuses on recruitment of management and providing direction for the people who work in the organization. It also deals with issue related to people such as compensation, hiring, performance management and others. Makhuduthamaga has well functioning Human Resources Development and Human Resource Management units within the Corporate Services department.

The functions of HRD

- Preparing for future responsibilities, while increasing the capacity to perform at a current job
- Management training
- Supervisor development
- Implements HRD programs and procedures
- On-the-job training (OJT)
- Coaching/mentoring/counseling
- Career and employee development

Makhuduthamaga has put Human Resource Development at the centre of its organization development initiatives. In this regard 90 % of the employees have been trained on various courses including Certificate programs in Municipal Finances. More than 70 % of councilors have undergone similar training.

The functions of HRM

- Human resource planning
- Equal employment opportunity
- Staffing (recruitment and selection)
- Compensation and benefits
- Employee and labor relations
- Health, safety, and security
- Human resource development
- Organization and job design
- Performance management/ performance appraisal systems
- Research and information systems

2.2 Integrated Human Resources System

The Integrated Human Resource System has been designed to assist employers in the management of leave records. It allows for the setting of a company leave policy. As it is integrated with the payroll functions, employers can set ten categories for leave. This can for instance include:

- Sick leave
- Long unpaid leave
- Unauthorized leave
- Study leave
- Maternity leave
- Annual leave

The system automatically provides a warning if a person applies for more leave days than allowed. Adherence to statutory regulations is made possible through the ability to set-up the leave interface accordingly.

The establishment of Key Human Resource Management Policies, Systems and Procedures in the Municipality including the performance Management policies and remuneration policies has helped to improve the accuracy of human resources administration and add to the organizational capacity to meet the municipality's obligation relating to obligation, such as the basic conditions of the Employment Act, Labor Relations Act, Employment Equity Act, skills Development Act, Occupational Health and safety Act, etc.

2.3. Employment Equity

2.3.1 Legislative Mandate

The Municipality is mandated by section 9 of the Constitution and section 20 of the Employment Equity Act No. 55 of 1998. In terms of the employment equity act the Municipality must prepare and implement an employment equity plan, which will achieve the reasonable progress toward employment equity in the employer's workforce. The Municipality has developed an Employment equity plan and the plan has been submitted to the Department of Local Government and Housing.

2.3.2 Stakeholder Participation

The Municipality has endorsed the request stakeholder participation and therefore has invested the following: management, union and employees from designated groups and all categories of employees and levels met to think over and plan the EEP.

2.3.3 Goals of Employment Equity

The plan will leverage the Municipality to achieve within the employment process. The Employment Equity Plan, was developed for application in the period between 2007 and 2012, intends to achieve equity at the workplace, making the municipal workforce organizational culture that is non-discriminatory, and values diversity and legitimizes the input of all employees. The plan was developed in a participatory way, with representatives drawn from the Unions and the Employment Equity and Training Steering Committee. Furthermore, and organizational audit has been undertaken to assess the Municipality's employment policies, practices, procedures and the working environment. The success and competitive standing of Council's core activities and service delivery hinge critically upon the quality of its human capital and continual development of a competent and motivated workforce. The 5- year Employment Equity Plan was adopted by Council and it guides the organization's human resources practices in promoting: employment equity, the recruitment of employees from designated groups, and the advancement of appropriate gender representation in the organization. Organizational equity targets were set out in the Employment Equity Plan, which simultaneously ensures compliance with the requirements of the Department of Labor.

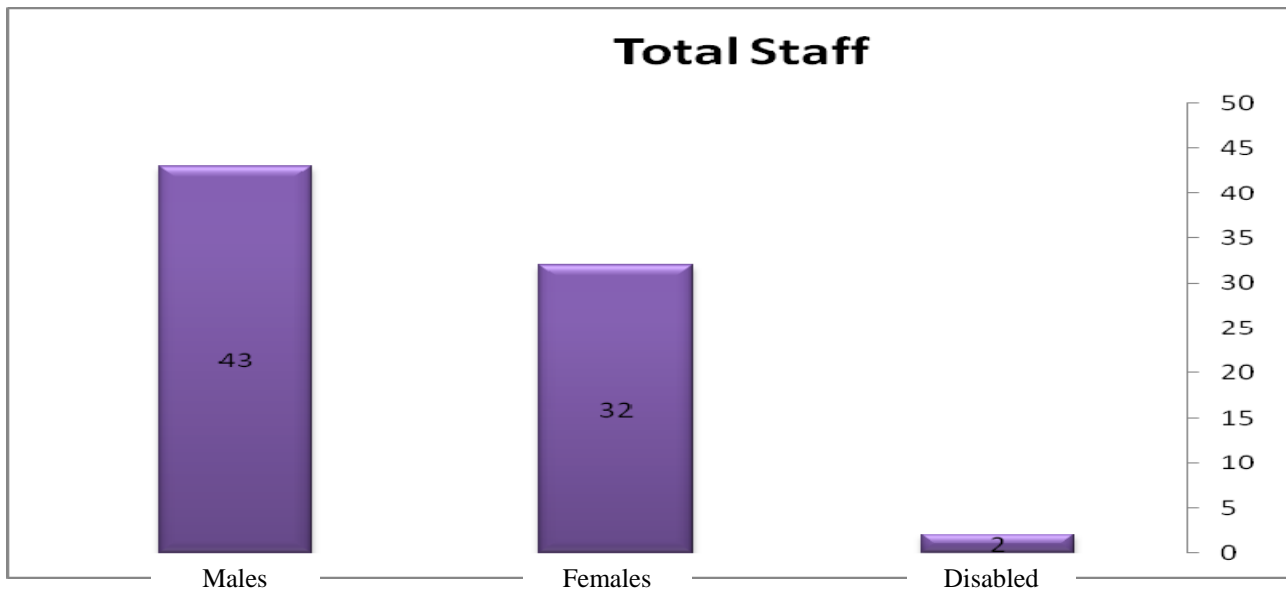
2.4 Objectives of the Employment Equity

2.4.1 Objective of the Employment Equity Plan of the Municipality

- To ensure the workplace is free of unfair discrimination (direct and indirect) against anyone on one or
- more grounds of being designated group and others in terms of Section 5 & 6 (1) of the Employment Equity of Act No. 55 of 1998.
- To achieve equity I the workplace by complying with Section 20 of the Employment Equity Act.
- Promoting equal opportunity and fair treatment in employment through the elimination of unfair

discrimination and

- Implementing affirmative action measures to redress the disadvantages of the past.
- To maintain the target of 50/50 ratio in gender and 2% for disability as the organization develop and grow.

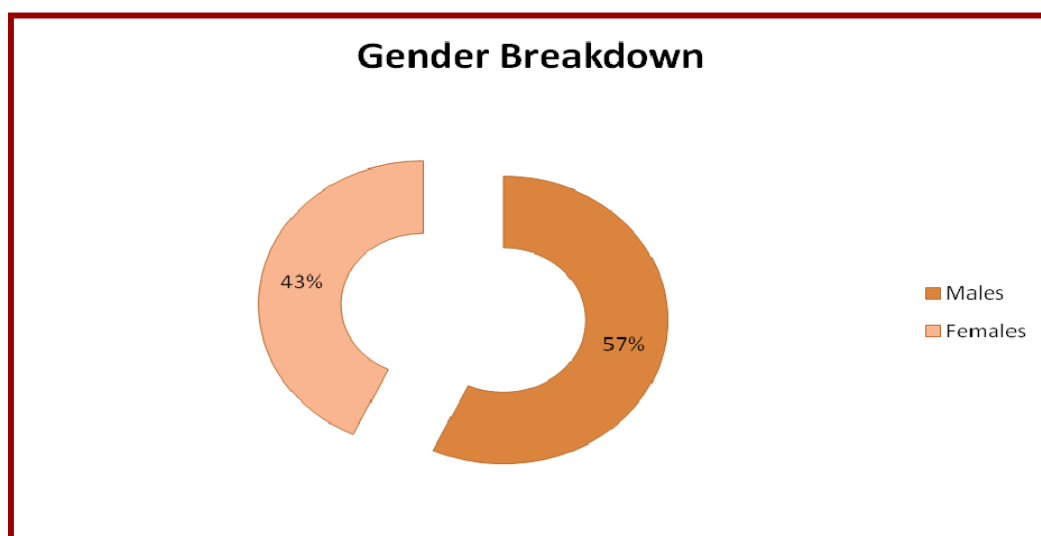


2.4.2 Employment Equity Status Quo

The above figure depicts the employment equity status quo of the overall municipality, whereby employees are categorized according to their gender and physical ability. This also shows the municipality workforce with organizational culture that is non-discriminatory, and values diversity and legitimizes the input of all employees.

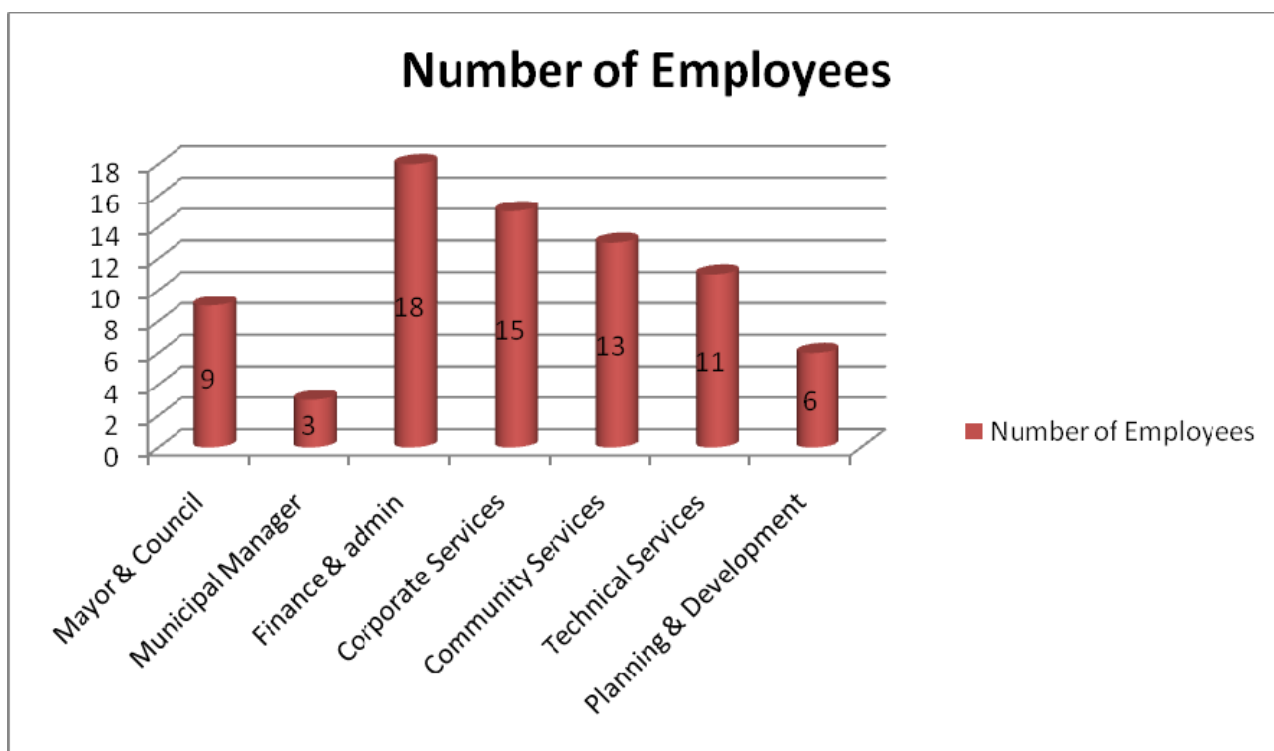
2.4.3 Gender Equality

The below figure depict the municipality gender breakdown and this will assist the municipality to ensure compliance with the requirements of the Department of Labour in terms of Gender Equality.



2.4.4 Number of Employees per directorate.

The figure below depicts the number of employees per directorate and it also assists the municipality to plan for the capacitation and future budget allocation which will leverage the employment process.



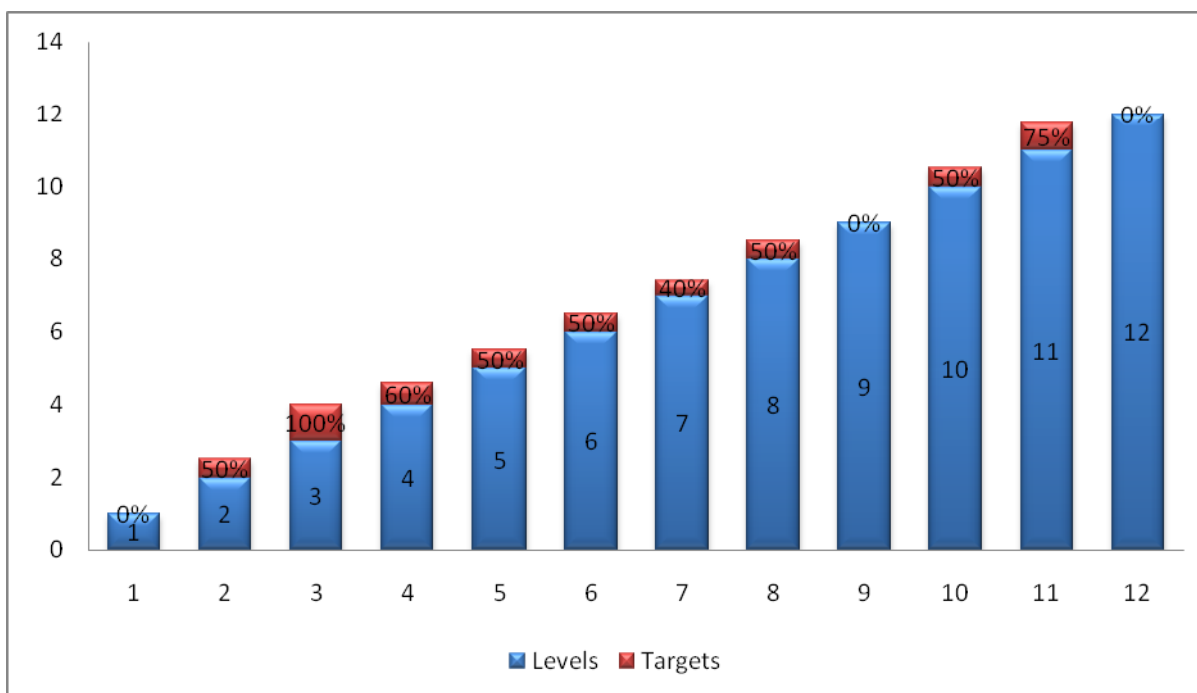
Employees per directorate break-down by gender

This section shows the gender equality per directorate and number of vacant positions in the municipality.

	Males	Females	Vacant	Total
Mayor & Council	7	2	3	12
Municipal Manager	2	1	7	10
Finance	7	11	15	33
Corporate Services	7	8	7	22
Community & Social Services	8	5	25	38
Technical Services	7	4	8	19
planning	5	1	1	7
Total	43	32	66	141

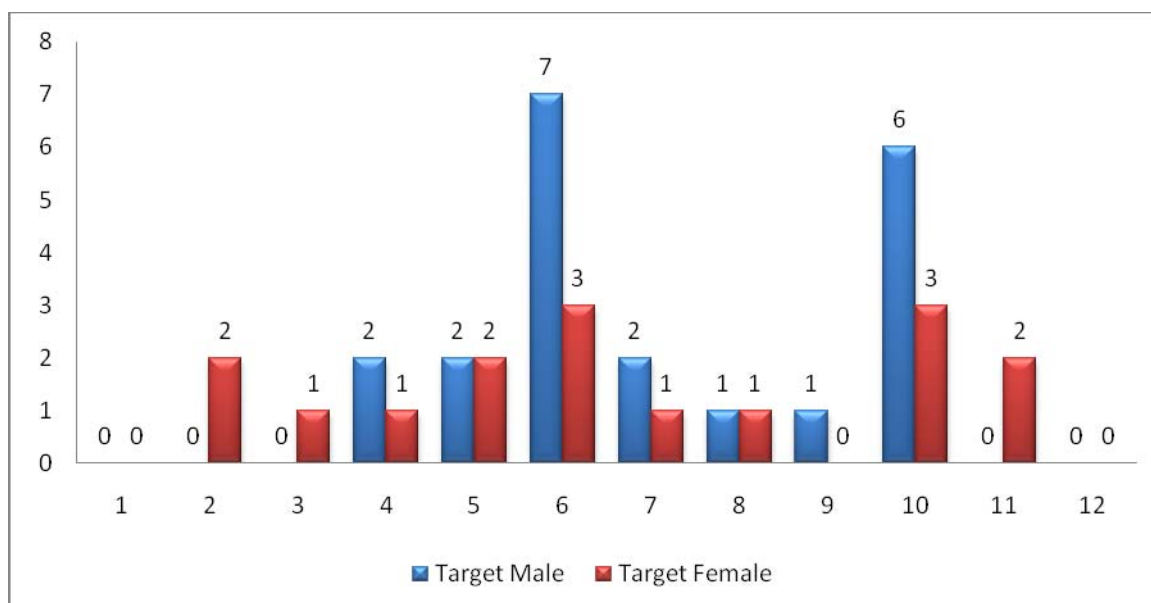
Employment Equity Targets by Employee Level

This section shows the level and the targets per directorate in the Municipality.



Note: The EE targets do not include the current staff establishment; they are based on the vacancies within the structure.

EE Level Target by Gender



2.5 Organizational Strength and Challenges

Strength

- An approved organizational structure is in place.
- Vacant posts budgeted for.
- Workplace still development forum in place.
- Workplace skill plan in operation is reviewed annually.
- Bursary committee established which consists of locally prominent educated citizens.
- Bursary scheme offered by the Municipality to address skills shortage within the Municipality.
- Employment equity is established and is functional.

- Municipality offices have been recently upgraded.

Challenges/ weaknesses

- Salary packages are low as compared to other Municipality that generates revenue.
- No retention strategy as result of uncompetitive salary.
- High staff turnover caused by lack of competitive salaries.
- To ensure that we meet National targets as set by DPSA for 2009 which are 50% males, 50% females and 2% disabled.
- To ensure organizational representative based on the demographics of the Municipality.
- To develop a multi-skilled, representative and flexible workplace which enables the Municipality to adapt rapidly to a changing environment in which it functions.
- The building is not user to people with disability in a way that it does not have elevators, no special facilities for bathrooms etc. This will be addressed in future due to budget constraints.
- Having the right staff with relevant skills at the place to deliver the quality services required.

Threats

- High unemployment
- High illiteracy rate
- High poverty rate
- Undeveloped infrastructure
- No ownership of land by the Municipality
- Lack of skills and expertise

Opportunity

- Nodal point
- Availability mineral resources

2.6 Organizational Benefits

Medical Aid

Medical aid membership for 2002/2010

Medical Aid	Number of Employees
HOSMED	2
BONITAS	21
L.A HEALTH	7

Pension Fund

Pension Fund membership for 2008/2009

PENSION - MEPP
65

2.7 Transformation and Skills Retention

To facilitate the objective of transformation, skill development, the Municipality has developed a workplace skills development plan. This will serve to ensure that our workforce is well capacitated to carry out the duties of the mandate on service delivery.

2.8 Organizational Structure as at 30 June 2010

The organizational structure of MLM comprises of the political and administrative sections. Figure below

shows the broad Organizational structure of Makhuduthamaga Local Municipality.

The administrative component of the Municipality on the other hand, is made up of the following four Departments:

- Finance
- Corporate Services
- Infrastructure and Planning
- Community Services

Accounting policies to the financial statements for the year ended 30 June 2010;

(A) Basis of Presentation

- These financial statements have been prepared to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Practice for Local Government Accounting (1997) and the Published Annual Financial Statements for Local Authorities (2nd edition 1996, as amended)
- The financial statements are prepared on the historical cost basis, adjusted for capital expenditure as more fully detailed in note 3. The accounting policies are consistent with those applied in previous years, except fully detailed in note 3. The accounting policies are consistent with those applied in previous years, except if otherwise indicated.
- The financial statements are prepared on the accrual basis:

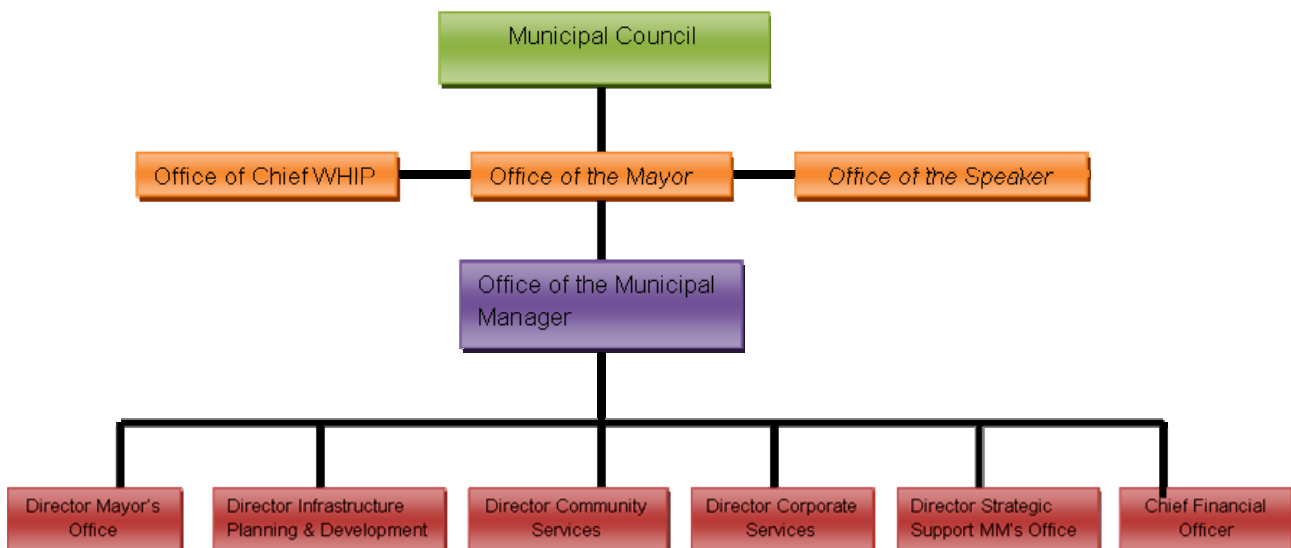
The balance sheet includes Rate and General Services, Housing income is recorded when received, such as traffic fines, certain licences and governmental grants Expenditure is accrued in the year it is incurred.

(B) Consolidation

The balance sheet includes Rate and General Services, Housing Service, Trading Services and the different funds, reserves and provisions. All inter-departmental charges are set-off against each other, with the exception of assessment rates, sewerage and water, which are treated as income and expenditure in the respective departments.

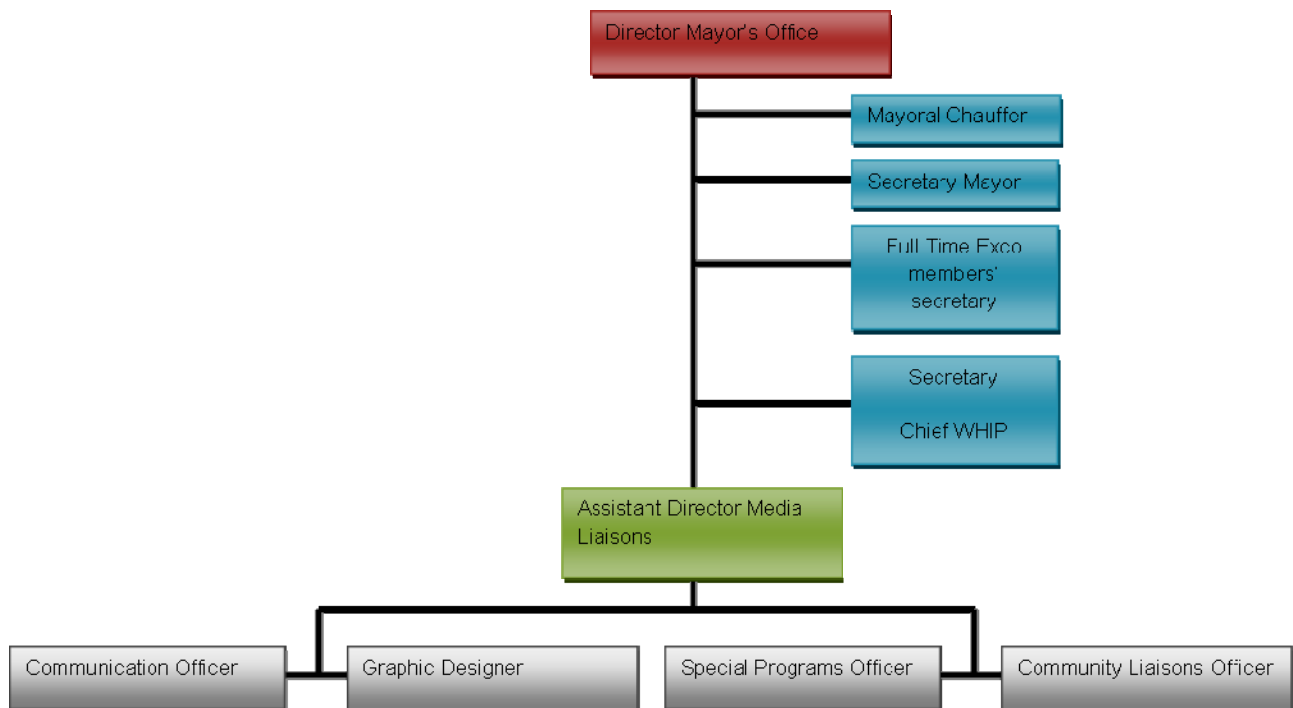
(C) Fixed Assets

- Property, plant and equipment are stated at cost, less accumulated depreciation.
- Fixed assets are stated at historical cost or at valuation (based on market price at date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the Treasurer.
- All net proceeds from the sale of fixed property are credited to the Land Trust Fund. Net proceeds from

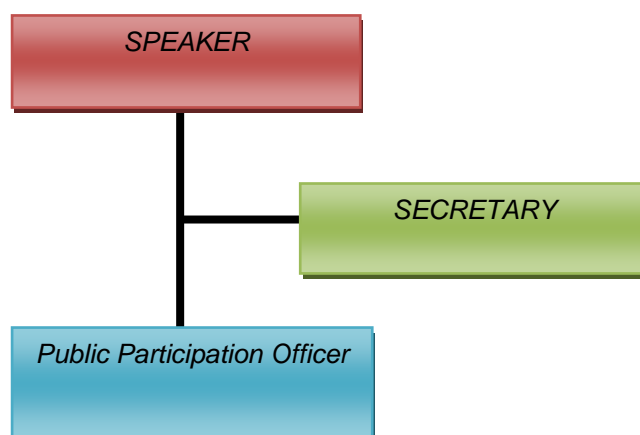


The political section is constituted by the Council, the Speaker, Mayor and the Executive Committee. The Mayor is the head of the Executive Committee (EXCO) which comprises of 10 Councilors who are head of various departments in terms of section 79 of the Municipal Structures Act. The Municipality comprises of 31 Wards .

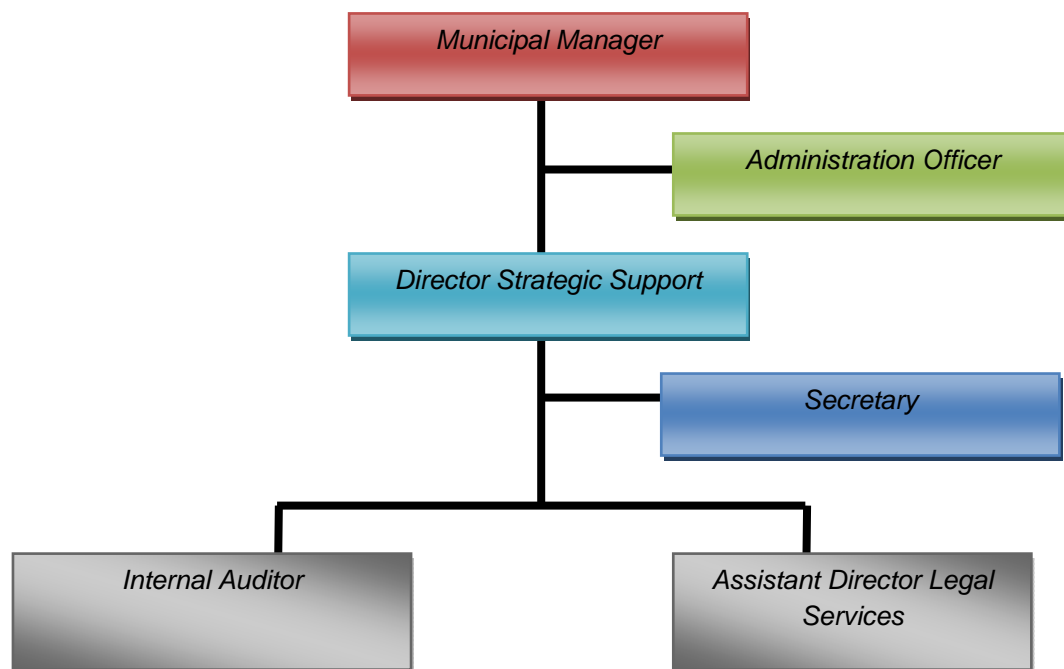
MAYOR'S OFFICE



THE SPEAKER'S OFFICE



MUNICIPAL MANAGER'S OFFICE



2.9. Staffing Level as at 30 June 2010

The table below shows the number of employees per directorate in the Municipality.

Directorate	Number of Posts	Number of Post Filled	Vacant Posts
Mayor's Office	12	9	3
Municipal Manager's Office	10	3	7
Director Planning	7	6	1
Community Services	38	13	25
Corporate Services	22	15	7
Technical Services	19	19	8
Financial and Admin Services	33	18	15
Office of the Speaker	3	3	0
Total	141	86	66

2.10 Staff Costs

As a result of a decision taken by SALGA to advise all local municipalities to reduce their staff costs to 30%, and also due to a requirement for the Restructuring Grant allocation from National Treasury that personnel expenditure be a maximum of 30% of total income, Makhuduthamaga Local Municipality has aligned the staff costs with these requirements as shown on the table below. The following table depicts the information for the employee costs within the Municipality;

Costs 2007-2008	Budget	Actual
Total	R 24,526,973.00.00	R 12,786,920.50.00
Percentage of Total Budget	26 %	

2.11 Employee Wellness

The Municipality does not have an Employee Wellness Programme in place. The Municipality intends to embark, through the Department of Local Government establishment of Employee Wellness Programme.

2.12 Employee Qualification Profile

The table below shows the qualification profile of the Municipality.

QUALIFICATION	NO. OF STAFF
Masters(NQF7)	1
Honors(NQF6)	2
Degree(NQF6)	21
Diploma(NQF6)	27
Certificate(NQF4)	18
Matriculates(NQF5)	5
Standard 8(NQF3)	2

CHAPTER 3: AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION

the sale of other assets are credited to the Capital Development Fund or to Income.

- iv. Capital assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans and advances. Interest is charged to the service concerned at the ruling interest applicable at the time the advance is made.
- v. Major improvements to buildings, plant and equipment are capitalised. Maintenance and repairs are expensed when incurred.
- vi. Depreciation is calculated on cost, using the straight line method over the estimated useful lives of the assets. The depreciation rates are based on the following estimated asset lives:

Infrastructure	Years
Water	15-20
Sewerage	15-20
Other	
Buildings	30
Specialist vehicles	10
Other vehicles	5
Office equipment	5
Furniture and fittings	5
Specialised plant and equipment	5
Other items of plant and equipment	5

(D) Inventory

Inventory (stores and materials) is valued at the lower of cost, determined on a FIFO (first in- first out) basis, and net realisable value.

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

(E) Funds and Reserves

- i. Capital development fund: The Capital Development Fund Ordinance no 9 of 1978 requires a minimum contribution of 1,0% of the defined income for the immediately preceding financial year.
- ii. Land trust fund: The Land Trust Fund is used to finance the acquisition of land for housing projects. When land owned by the Council is sold, all proceeds there from are credited to the Fund.

(F) Provisions

Provisions are created for liabilities or contingencies which are known at the date of the balance sheet, but for which the amounts involved cannot be determined with substantial accuracy. Provisions are made for leave payments, audit and bad debts.

(G) Surpluses and Deficits

Any surpluses or deficits arising from the operation of the water services are transferred to Rate and General Services to alleviate the tax burden of rate payers.

(H) Investments

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred, and are invested according to the provisions contained in Circular 1 of 1994 issued by the Provincial Administration.

(I) Comparative figures

Certain figures in the financial statements were regrouped.

(I) Revenue recognition

Revenue from the sale of water is recognised when either a meter reading has been performed or an estimate of consumption is raised on a provisional basis.

Interest and rentals are recognised on a time proportion basis that takes into account the effective yields on assets.

Revenue from fines is recognised when payment is received, and the revenue from the issuing of summons is recognised when collected.

Amounts received from government and donors are recognised as revenue. Amounts in respect to capital expenditure are reinvested into investments accounts.



MAKHUDUTHAMAGA LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

Makhuduthamaga local municipality

Annual Financial Statements for the year ended 30 June 2010

General Information

Legal form of entity	Local municipality
Mayor	Cllr Queen Mokhabela
Councillors	Cllr Mampane Abel Cllr Vilakazi Phillip Cllr Mohlala Maisela Rinah Cllr Matlala Alfred Cllr Lentswane Ivy Cllr Mashengwaneng Mankwana Cllr Makgoga Hilda Cllr Mphelane Judy Cllr Monama Rodgers
Grading of local authority	Low capacity municipality
Accounting Officer	MJ Thamaga
Chief Finance Officer (CFO)	DS. Diale
Postal address	Private Bag x 434 Jane Furse 1085
Bankers	ABSA Bank Limited
Auditors	Auditor General

Makhuduthamaga local municipality

Annual Financial Statements for the year ended 30 June 2010

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Statement of Financial Performance	6
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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)

Makhuduthamaga local municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Officer's Responsibilities and Approval

The accounting officers are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are 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 officers 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 Practices (GRAP).

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

The accounting officers acknowledge that they are 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 officers to meet these responsibilities, the accounting officer 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 officers are 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 officers have reviewed the municipality's cash flow forecast for the year to 30 June 2011 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 4 to 41, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2010 and were signed on its behalf by:

ME Moropa
Acting Municipal Manager

31 August 2010

Makhuduthamaga local municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Officer's Report

The accounting officers submit their report for the year ended 30 June 2010.

1. Review of activities

Main business and operations

Net surplus of the municipality was R 52 160 276 (2009: surplus R 65 359 207).

2. 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.

3. Subsequent events

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

4. Accounting policies

The annual financial statements prepared 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.

5. Accounting Officer

The accounting officers of the municipality during the year and to the date of this report are as follows:

Name	Changes
MJ Thamaga	Resigned 31 July 2010
ME Moropa	Appointed 01 August 2010

6. Bankers

The municipality banks primarily with ABSA Bank Limited.

7. Auditors

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

8. Public Private Partnership

In accordance with the Public Private Partnership agreement, the Contractor shall open a separate account with a bank registered in the Republic of South Africa, for the purpose of administering and separate safekeeping of:

- moneys deposited as excess surpluses;
- any foreign exchange rate amounts;
- any service credits; and
- any penalties for later service commencement text.

Makhuduthamaga local municipality
Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Position

Figures in Rand	Note(s)	2010	2009
Assets			
Current Assets			
Inventories	4	114 220	66 260
Trade and other receivables from exchange transactions	5	-	4 061 355
VAT receivable	6	11 017 602	13 195 908
Consumer debtors	7	14 133 485	-
Cash and cash equivalents	8	65 178 257	52 357 662
		90 443 564	69 681 185
Non-Current Assets			
Property, plant and equipment	3	158 635 099	111 913 714
Total Assets		249 078 663	181 594 899
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	10	7 607 973	3 583 987
Unspent conditional grants and receipts	9	11 299 501	-
		18 907 474	3 583 987
Total Liabilities		18 907 474	3 583 987
Net Assets		230 171 189	178 010 912
Net Assets			
Accumulated surplus		230 171 189	178 010 912

Makhuduthamaga local municipality
Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Performance

Figures in Rand	Note(s)	2010	2009
Revenue			
Administration and management fees received		3 092 455	3 257 591
Fines		-	3 765 985
Government grants & subsidies	13	117 027 810	81 179 552
Interest received - investment	20	2 193 884	8 574 693
Var recovery		566 103	15 743 131
Property rates	12	17 956 005	-
Rental of facilities and equipment		-	7 339
Total Revenue		140 836 257	112 528 291
Expenditure			
Administration		(4 083 196)	(970 761)
Contracted services	23	(2 790 099)	(239 503)
Debt impairment	19	(2 566 229)	-
Depreciation and amortisation	21	(9 193 367)	(5 547 450)
General Expenses	15	(20 628 385)	(15 254 219)
Grants and subsidies paid	24	(5 874 456)	(1 140 850)
Personnel	17	(16 821 110)	(9 545 026)
Remuneration of councillors	18	(13 635 664)	(10 285 031)
Repairs and maintenance		(13 083 475)	(4 186 244)
Total Expenditure		(88 675 981)	(47 169 084)
Surplus for the year		52 160 276	65 359 207

Makhuduthamaga local municipality
Annual Financial Statements for the year ended 30 June 2010

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2009	112 651 705	112 651 705
Changes in net assets		
Surplus for the year	65 359 207	65 359 207
Total changes	65 359 207	65 359 207
Balance at 01 July 2009	178 010 913	178 010 913
Changes in net assets		
Surplus for the year	52 160 276	52 160 276
Total changes	52 160 276	52 160 276
Balance at 30 June 2010	230 171 189	230 171 189
Note(s)		

Makhuduthamaga local municipality
Annual Financial Statements for the year ended 30 June 2010

Cash Flow Statement

Figures in Rand	Note(s)	2010	2009
Cash flows from operating activities			
Receipts			
Cash received from Consumers, Government and other sources of revenue		137 889 350	126 030 711
Interest income		2 193 884	8 574 693
		<u>140 083 234</u>	<u>134 605 404</u>
Payments			
Cash paid to suppliers, employees and other related services		(68 780 408)	(47 013 669)
Net cash flows from operating activities	25	<u>71 302 826</u>	<u>87 591 735</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(58 482 231)	(35 234 073)
Net increase/(decrease) in cash and cash equivalents		<u>12 820 595</u>	<u>52 357 662</u>
Cash and cash equivalents at the beginning of the year		52 357 662	-
Cash and cash equivalents at the end of the year	8	<u>65 178 257</u>	<u>52 357 662</u>

Makhuduthamaga local municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

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.

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.

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting 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 / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and 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.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. .

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 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

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 municipality determines 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 municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

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

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

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, and only when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the enterprise, 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.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The fair value of investment properties has not been reviewed as the municipality have applied the transitional provisions as set out in Directive 4. The municipality is in the process of determining the the fair value of all its investment properties. A service provider was acquired to assist with the process.

Transitional provision

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

Accounting Policies

1.2 Investment property (continued)

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 . 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 2010 and investment property has accordingly been recognised at provisional amounts, as disclosed in .

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.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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.

Accounting Policies

1.3 Property, plant and equipment (continued)

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.

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

Item	Average useful life
Land	Indefinite
Buildings	25 years
Plant and machinery	3 - 10 years
Furniture and fixtures	4 - 6 years
Motor vehicles	5 - 7 years
Office equipment	3 - 4 years
IT equipment	1 - 3 years
Infrastructure	5 - 25 years

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.

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.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Transitional provision

The municipality changed its accounting policy for property, plant and equipment in 2010. 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 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 3. 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. The municipality acquired a transfer(s) of function in 2010 and property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 3.

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),

Accounting Policies

1.3 Property, plant and equipment (continued)

- 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.

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 (subject to (b)) is credited to other comprehensive income and accumulated in the revaluation surplus in equity, 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
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to other comprehensive income as a decrease to the revaluation surplus 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; and
- 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 end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and to other comprehensive income under (a). If a revaluation is necessary, all assets of that class are revalued.

1.5 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

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.

Makhuduthamaga local municipality

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Accounting Policies

1.5 Financial instruments (continued)

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

Regular way purchases of financial assets are accounted for at settlement date.

Subsequent measurement

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

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

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.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment in other comprehensive income and recognised in surplus or deficit.

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 except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

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.

Loans to / (from) economic entities

Loans to economic entities are classified as loans and receivables.

Loans from economic entities are classified as financial liabilities measured at amortised cost.

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

Makhuduthamaga local municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.5 Financial instruments (continued)

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.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Makhuduthamaga local municipality

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Accounting Policies

1.5 Financial instruments (continued)

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.6 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.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

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.

Makhuduthamaga local municipality

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Accounting Policies

1.6 Leases (continued)

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.

1.7 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 weighted average cost 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.

1.8 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.

Makhuduthamaga local municipality

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Accounting Policies

1.8 Impairment of cash-generating assets (continued)

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.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

Makhuduthamaga local municipality

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Accounting Policies

1.8 Impairment of cash-generating assets (continued)

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.9 Impairment of non-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.

Non-cash-generating assets are assets other than cash-generating assets.

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 service amount is the higher of a non-cash-generating asset's 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.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a non-cash-generating asset is the present value of the non-cash-generating asset's remaining service potential.

Makhuduthamaga local municipality

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Accounting Policies

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction / (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation / (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation / (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.10 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.

Makhuduthamaga local municipality

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Accounting Policies

1.10 Employee benefits (continued)

The expected cost of surplus sharing and 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 benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

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 municipality 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.

1.11 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.

Makhuduthamaga local municipality

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Accounting Policies

1.11 Provisions and contingencies (continued)

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 27.

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 accounting policy on impairment of assets as described in accounting policy 1.8 and 1.9.

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

Makhuduthamaga local municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.11 Provisions and contingencies (continued)

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 2010. 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 2010 and provisions, contingent liabilities and contingent assets has accordingly been recognised at provisional amounts, as disclosed in .

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.

1.12 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.

Makhuduthamaga local municipality

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Accounting Policies

1.11 Provisions and contingencies (continued)

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 27.

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 accounting policy on impairment of assets as described in accounting policy 1.8 and 1.9.

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

Makhuduthamaga local municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.12 Revenue from exchange transactions (continued)

Sale of goods

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

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

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 the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends 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.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.13 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.

Makhuduthamaga local municipality

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Accounting Policies

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, whichever is earlier.

Makhuduthamaga local municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

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.

1.14 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.

1.15 Investment income

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

1.16 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

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

1.17 Comparative figures

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

1.18 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.

1.19 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.

Makhuduthamaga local municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is:

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
 - (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
 - (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
 - (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law,
- but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

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.

1.21 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.

1.22 Presentation of currency

These annual financial statements are presented in South African Rand.

1.23 Offsetting

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

1.24 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.

1.25 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the

Makhuduthamaga local municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.25 Conditional grants and receipts (continued)

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.

1.26 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.

Makhuduthamaga local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

2.2 Standards and Interpretations early adopted

The municipality has not chosen to early adopt any standards and interpretations.

2.3 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 2010 or later periods:

Makhuduthamaga local municipality

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Notes to the Annual Financial Statements

Figures in Rand 2010 2009

3. Property, plant and equipment

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Buildings	8 204 487	(1 334 201)	6 870 286	6 683 501	(1 089 594)	5 593 907
Furniture and fixtures	4 118 402	(687 375)	3 431 027	3 544 630	(282 471)	3 262 159
Motor vehicles	6 769 248	(2 522 736)	4 246 512	6 769 249	(1 363 593)	5 405 656
Office equipment	749 953	(282 814)	467 139	340 689	(196 729)	143 960
IT equipment	2 112 999	(1 037 194)	1 075 805	1 550 182	(697 353)	852 829
Infrastructure	165 079 374	(23 098 567)	141 980 807	112 339 916	(16 397 985)	95 941 931
Loose tools	821 729	(258 206)	563 523	801 931	(88 659)	713 272
Total	187 856 192	(29 221 093)	158 635 099	132 030 098	(20 116 384)	111 913 714

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Transfers i.r.o. prior period error	Depreciation	Total
Buildings	5 593 907	1 520 985	-	(244 606)	6 870 286
Furniture and fixtures	3 262 159	573 772	-	(404 904)	3 431 027
Motor vehicles	5 405 656	-	-	(1 159 144)	4 246 512
Office equipment	143 960	409 264	-	(86 085)	467 139
IT equipment	852 829	562 816	-	(339 840)	1 075 805
Infrastructure	95 941 931	55 395 596	(2 567 479)	(6 789 241)	141 980 807
Loose tools	713 272	19 798	-	(169 547)	563 523
	111 913 714	58 482 231	(2 567 479)	(9 193 367)	158 635 099

Reconciliation of property, plant and equipment - 2009

	Opening balance	Additions	Depreciation	Total
Buildings	5 816 538	-	(222 631)	5 593 907
Furniture and fixtures	3 387 745	-	(125 586)	3 262 159
Motor vehicles	534 924	5 548 855	(678 123)	5 405 656
Office equipment	10 170	140 968	(7 178)	143 960
IT equipment	609 372	471 632	(228 175)	852 829
Infrastructure	71 957 001	28 270 687	(4 285 757)	95 941 931
Loose tools	-	801 931	(88 659)	713 272
	82 315 750	35 234 073	(5 636 109)	111 913 714

Transitional provisions

Property, plant and equipment recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note certain property, plant and equipment with a carrying value of R 162 426 837 (2009: R 113 159 932) was recognised at provisional amounts. Carrying amounts of property, plant and equipment carried at provisional amounts are as follows:

Makhuduthamaga local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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3. Property, plant and equipment (continued)

Due to initial adoption of GRAP 17

Tangible fixed assets	18 796 070	16 081 526
Infrastructure assets	143 630 767	97 078 406

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 will use the services of an accredited service provider which will assist in determining the valuation of the Property, plant and equipment.

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

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

4. Inventories

Consumable stores	114 220	66 260
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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 , certain inventories with a carrying value of R 114 220 (2009: R 66 260) was recognised at provisional amounts. Carrying amounts of inventories carried at provisional amounts are as follows:

Due to initial adoption of GRAP 12

Consumable goods	114 220	66 260
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Steps taken to establish the values of inventories recognised at provisional amounts due to the initial adoption of GRAP 12, is as follows:

The municipality will employ the services of a valuator to accurately determine the valuation method and valuation of consumables to comply with Grap 12.

The date at which full compliance with GRAP 12 is expected, is 30 June 2012.

5. Trade and other receivables from exchange transactions

Trade debtors	-	4 061 355
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6. VAT receivable

VAT	11 017 602	13 195 908
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Makhuduthamaga local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
7. Consumer debtors		
Gross balances		
Rates	16 699 714	-
Less: Provision for debt impairment		
Rates	(2 566 229)	-
Net balance		
Rates	14 133 485	-
Rates		
Current (0 -30 days)	1 553 990	-
31 - 60 days	2 057 130	-
61 - 90 days	1 320 768	-
91 - 120 days	1 579 151	-
121 - 365 days	1 311 772	-
> 365 days	6 310 674	-
	14 133 485	-
Reconciliation of debt impairment provision		
Contributions to provision	(2 566 229)	-

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2010, R 2 566 229 (2009: R -) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	1 553 990	-
2 months past due	2 057 130	-
3 months past due	1 320 768	-

Consumer debtors impaired

As of 30 June 2010, consumer debtors of R 2 566 229 (2009: R -) were impaired and provided for.

Makhuduthamaga local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 453	7 780
Bank balances	65 176 804	52 349 882
	65 178 257	52 357 662

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
ABSA Bank - 9113420033	34 234	31 904	34 234	31 904
ABSA Bank - 9087599067	32 660	30 437	32 660	30 437
ABSA Bank - 4069702429	26 265 121	24 984 377	26 265 121	24 984 377
ABSA Bank - 4069702615	16 090 104	10 219 785	16 090 104	15 368 204
ABSA Bank - 4063761912	8 160 127	2 954 508	8 162 956	7 139 175
ABSA Bank - 4050384145	6 474 089	2 602 436	2 588 328	3 660 673
ABSA Bank - 4054362230	11 966 534	15 380 878	11 966 534	1 101 108
ABSA Bank - Money Market	36 867	34 004	36 867	34 004
Total	69 059 736	56 238 329	65 176 804	52 349 882

9. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant	11 243 930	-
Finance Management Grant	42 051	-
Municipal Systems Improvement Grant	13 520	-
	11 299 501	-

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 13 for reconciliation of grants from Provincial Government.

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

10. Trade and other payables from exchange transactions

Trade payables	6 796 739	3 251 060
Accrued leave pay	811 234	332 927
	7 607 973	3 583 987

Makhuduthamaga local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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11. Revenue

Property rates	17 956 005	-
Rental of facilities & equipment	-	7 339
Fines	-	3 765 985
Government grants & subsidies	117 027 810	81 179 552
	134 983 815	84 952 876

The amount included in revenue arising from exchanges of goods or services are as follows:

Rental of facilities & equipment	-	7 339
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The amount included in revenue arising from non-exchange transactions is as follows:

Property rates	17 956 005	-
Fines	-	3 765 985
Government grants & subsidies	117 027 810	81 179 552
	134 983 815	84 945 537

12. Property rates

Rates received

Residential	17 956 005	-
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Valuations

Residential	214 316 400	-
Commercial	245 338 000	-
State	632 220 000	-
Municipal	15 754 300	-
Social	33 537 000	-
	1 141 165 700	-

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2013.

Makhuduthamaga local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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13. Government grants and subsidies

Equitable share	83 785 936	64 880 722
Municipal Infrastructure Grant	30 330 070	13 475 000
Financial Management Grant	2 179 429	2 475 080
Municipal Systems Improvement Program Grant	732 375	348 750
	117 027 810	81 179 552

Equitable Share

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

Municipal Infrastructure Grant

Current-year receipts	27 924 000	13 745 000
Conditions met - transferred to revenue	(30 330 070)	(13 745 000)
2010/11 MIG received in advance	13 650 000	-
	11 243 930	-

Conditions still to be met - remain liabilities (see note 9)

Financial Management Grant

Current-year receipts	2 221 480	2 475 080
Conditions met - transferred to revenue	(2 179 429)	(2 475 080)
	42 051	-

Conditions still to be met - remain liabilities (see note 9)

Municipal Systems Improvement Program Grant

Current-year receipts	745 895	348 750
Conditions met - transferred to revenue	(732 375)	(348 750)
	13 520	-

Conditions still to be met - remain liabilities (see note 9)

Changes in level of government grants

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

14. Other revenue

Administration and management fees received - third party	3 092 455	3 257 591
Sundry Income - (Major component - Vat Recovery)	566 103	15 743 131
	3 658 558	19 000 722

Makhuduthamaga local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
15. General expenses		
Advertising	1 324 939	2 606 531
Auditors remuneration	1 755 058	144 110
Bank charges	87 015	55 583
Cleaning	208 164	366 722
Commission paid	173 009	-
Conferences and seminars	83 018	204 023
Consulting and professional fees	1 718 157	1 925 189
Consumables	753	-
Delivery expenses	5 000	-
Donations	687 490	1 547 734
Electricity	388 555	538 474
Entertainment	85 119	321 836
Fuel and oil	360 551	135 319
IT expenses	170 352	58 221
Insurance	362 350	57 728
Lease rentals on operating lease	149 364	262 595
Marketing	704 565	-
Motor vehicle expenses	329 800	9 697
General expenses	24 217	347 279
Postage and courier	25 269	873
Printing and stationery	790 376	538 214
Promotions and sponsorships	301 634	27 000
Protective clothing	19 453	11 012
Security (Guarding of municipal property)	6 427 607	2 206 918
Stock written off	-	147 493
Subscriptions and membership fees	36	423 636
Telephone and fax	1 169 441	940 228
Training	2 437 715	1 613 952
Travel - local	839 378	763 852
	20 628 385	15 254 219

16. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Operating lease charges

Lease rentals on operating lease - 2

- Contractual amounts

	149 364	262 595
Depreciation on property, plant and equipment	9 193 367	5 547 450
Employee costs	30 456 774	19 830 057

Makhuduthamaga local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
17. Employee related costs		
Basic	9 577 758	8 639 256
Medical aid - company contributions	384 397	267 278
UIF	57 732	20 778
WCA	233	-
SDL	68 230	-
Leave pay provision charge	506 528	-
Post-employment benefits - Pension - Defined contribution plan	1 766 838	583 572
Overtime payments	68 400	-
Car allowance	1 075 258	-
Housing benefits and allowances	245 243	-
Leave bought out	1 812	-
Audit committee allowance	44 866	34 142
	13 797 295	9 545 026
Remuneration of municipal manager		
Annual Remuneration including benefits and allowances	815 920	-
Remuneration of chief finance officer		
Annual Remuneration including benefits and allowances	528 735	-
Corporate and human resources (corporate services)		
Annual Remuneration including benefits and allowances	545 476	-
Health, safety and social services (emergency management services)		
Annual Remuneration including benefits and allowances	545 476	-
Procurements and infrastructure (planning, transport and environmental affairs)		
Annual Remuneration including benefits and allowances	588 208	-
18. Remuneration of councillors		
Councillors	13 635 664	10 285 031
In-kind benefits		
National Treasury has provided the municipality with a technical advisor (J. Hewitt) and terminated the service at 30 June 2010.		
19. Debt impairment		
Contributions to debt impairment provision	2 566 229	-
20. Investment revenue		
Interest revenue		
Bank and investments	2 193 884	8 574 693
21. Depreciation and amortisation		

Makhuduthamaga local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
21. Depreciation and amortisation (continued)		
Property, plant and equipment	9 193 367	5 547 450
22. Auditors' remuneration		
Fees	1 755 058	144 110
23. Contracted services		
Information Technology Services	243 192	69 553
Specialist Services	31 114	169 950
Other Contractors	2 515 793	-
	2 790 099	239 503
24. Grants and subsidies paid		
Other subsidies		
Indigent grants	5 874 456	1 140 850
25. Cash generated from operations		
Surplus	52 160 276	65 359 207
Adjustments for:		
Depreciation	9 193 367	5 547 450
Debt impairment	2 566 229	-
Changes in working capital:		
Inventories	(47 960)	(66 260)
Trade and other receivables from exchange transactions	4 726 979	23 455 048
Consumer debtors	(16 699 714)	-
Trade and other payables from exchange transactions	5 925 842	6 492 198
VAT	2 178 306	(13 195 908)
Unspent conditional grants and receipts	11 299 501	-
	71 302 826	87 591 735
26. Commitments		
Operating leases - as lessee (expense)		
The municipality still has future commitments to service providers for services still to be rendered. The minimum payments still due to the service providers at 30 June 2010 amounts to R15 187 723.		
27. Contingencies		
Litigation is in the process against the municipality relating to a dispute with the municipality's pension fund who alleges that the municipality owes them an amount of R103 627. The matter was still however pending at year end.		
There is no reimbursement from any third parties for potential obligations of the municipality.		
Unfilled conditions and other contingencies attaching to government grants related to agricultural activity.		
28. Related parties		
Relationships		
Accounting Officers	Refer to accounting officers' report note	
Post employment benefit plan for employees of entity and/or other related parties	Municipal Gratuity Fund	

Makhuduthamaga local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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29. Prior period errors

The following prior year errors were identified and adjusted retrospectively:

- Reserves were cashed back to GRAP1.
- Valuation and existence of Property, plant and equipment amounting to R17,906,724.38 could not be confirmed.
- Existence of investments reported could not be confirmed.
- Existence of Long term debtors reported could not be confirmed.
- Valuation of inventory was overstated by R128,732.
- VAT Receivable was separately disclosed from Trade and other receivables from exchange transactions.
- Bank reconciliation was cleared and followed up, errors amounting to R9,141,461.
- Suspense account was reconciled and the differences were cleared.
- Provisions amounting to R332,927 were written off as existence could not be confirmed.
- Creditors amounting to R 6,824,455 were overstated and could not be confirmed.

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

Statement of financial position

Reserves	-	208 418
Property, plant and equipment	-	(17 906 724)
Investments	-	(48 415 416)
Long term debtors	-	(20 070)
Stock	-	(128 732)
Accumulated surplus	-	74 244 434
Provisions	-	332 927
Creditors	-	6 824 455
Debtors	-	(12 898 701)
Vat receivables	-	13 195 908
Cash	-	(9 141 461)
Suspense accounts	-	(6 274 505)
Short term portion of long term debtors	-	(20 533)
		-

For more detail on the above prior year error and restatement refer to attached Appendix G.

30. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for members and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 8, cash and cash equivalents disclosed in note 8, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the municipality may adjust the amount of dividends paid to members, return capital to members, issue new shares or sell assets to reduce debt.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Liquidity risk

Makhuduthamaga local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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30. Risk management (continued)

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 no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. 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. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

31. 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.

32. Unauthorised expenditure

The municipality had no unauthorised expenditure for the year under review.

33. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	4 304	-
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The above fruitless and wasteful expenditure relates to penalties and interest levied from supplier to whom payments were not made on time.

34. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net surplus per the statement of financial performance	44 824 175	-
Adjusted for:		
Property rates	(11 856 005)	-
Administration and management fees received	(2 376 619)	-
Interest received (Investments)	73 741	-
Other income	8 663 897	-
Government grants and subsidies	4 621 635	-
Remuneration of councillors	(191 137)	-
Contracted Services	2 233 275	-

Makhuduthamaga local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
Other grants	-	-
Interest received (Investments)	73 741	-
Personnel	(6 306 100)	-
Administration	(357 305)	-
Depreciation	10 231 151	-
Finance cost	-	-
Debt impairment	2 566 229	-
Repairs and maintenance - General	(33 245 360)	-
Bulk purchases	-	-
Grants and subsidies paid	248 386	-
General expenses	(1 870 386)	-
Net surplus per approved budget	46 066 703	6 304 172

35. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Amount paid - previous years	1 755 058	-
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Pension and Medical Aid Deductions

Current year subscription / fee	1 766 837	583 572
Amount paid - current year	(1 766 837)	(583 572)
	-	-

VAT

VAT receivable	11 017 602	13 195 908
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VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. There were no deviations for the current year.

36. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix D for the comparison of actual operating expenditure versus budgeted expenditure.
Appendix B: Analysis of property, plant and equipment

Makhuduthamaga local municipality
Appendix C

Segmental Statement of Financial Performance for the year ended					
Prior Year			Current Year		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand	Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality					
-	18 655 919	(18 655 919)	3 499	24 548 779	(24 545 280)
112 528 290	22 872 986	89 655 304	140 832 758	59 796 887	81 035 871
-	889 280	(889 280)	-	1 562 275	(1 562 275)
-	1 994 636	(1 994 636)	-	2 736 002	(2 736 002)
-	1 726 331	(1 726 331)	-	3 512 571	(3 512 571)
-	774 187	(774 187)	-	1 658 995	(1 658 995)
-	28 750	(28 750)	-	263 347	(263 347)
-	11 947	(11 947)	-	21 639	(21 639)
-	215 047	(215 047)	-	259 501	(259 501)
112 528 290	47 169 083	65 359 207	140 836 257	94 359 996	46 476 261
Municipal Owned Entities					
Other charges					

Makhuduthamaga local municipality
Makhuduthamaga local municipality
Appendix B

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	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Infrastructure												
Buildings and grouped infrastructure	112 339 916	55 395 596	-	(2 567 479)	-	165 168 033	(16 397 985)	-	-	(6 789 241)	(23 197 226)	141 980 807
	112 339 916	55 395 596	-	(2 567 479)	-	165 168 033	(16 397 985)	-	-	(6 789 241)	(23 197 226)	141 980 807
Other assets												
Buildings	6 683 501	1 520 985	-	-	-	8 204 486	(1 089 594)	-	-	(244 606)	(1 334 200)	6 870 286
Furniture and fittings	3 544 630	573 772	-	-	-	4 118 402	(232 471)	-	-	(404 904)	(897 376)	3 431 027
Motor Vehicles	6 769 249	-	-	-	-	6 769 249	(1 363 595)	-	-	(1 159 144)	(2 522 737)	4 246 512
Office Equipment	340 689	409 264	-	-	-	749 953	(196 729)	-	-	(88 095)	(282 814)	467 139
IT Equipment	1 550 182	562 816	-	-	-	2 112 998	(697 353)	-	-	(339 840)	(1 037 193)	1 075 805
Loose tools	601 931	19 798	-	-	-	621 729	(86 658)	-	-	(169 547)	(256 208)	365 521
	19 690 182	3 096 635	-	-	-	22 776 817	(3 718 399)	-	-	(2 404 126)	(6 122 626)	16 654 292
Total												
Infrastructure	112 339 916	55 395 596	-	(2 567 479)	-	165 168 033	(16 397 985)	-	-	(6 789 241)	(23 197 226)	141 980 807
Other assets	19 690 182	3 096 635	-	-	-	22 776 817	(3 718 399)	-	-	(2 404 126)	(6 122 626)	16 654 292
	132 030 098	58 492 231	-	(2 567 479)	-	187 944 850	(20 116 384)	-	-	(9 193 367)	(29 309 751)	168 635 099

Makhuduthamaga local municipality
Annual Financial Statements for the year ended 30 June 2010

Supplementary information

Appendix D: Segmental Statement of Financial Performance

Makhuduthamaga local municipality
Appendix E for the ended 30 June 2010
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun		
Financial Management Grant (FMG)	National Treasury	1 500 000	-	-	-	612 359	408 194	293 519	145 876	Yes	N/A
Municipal Systems Improvement Programme Grant (MSG)	National Treasury	735 000	-	-	-	180 830	321 750	-	218 900	Yes	N/A
Municipality Infrastructure Grant (MIG)	National Treasury	23 557 000	867 000	3 500 000	-	9 897 420	11 218 791	3 524 408	3 283 381	Yes	N/A
		25 792 000	867 000	3 500 000	-	10 690 609	11 946 735	3 817 927	3 648 157		

Makhuduthamaga local municipality
Annual Financial Statements for the year ended 30 June 2010

Supplementary information

Appendix F: Disclosure of grants and subsidies in terms of the Municipal Finance Management Act

3.2 AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE LIMPOPO PROVINCIAL LEGISLATURE AND THE COUNCIL ON MAKHUDUTHAMAGA LOCAL MUNICIPALITY

AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE LIMPOPO PROVINCIAL LEGISLATURE AND THE COUNCIL ON MAKHUDUTHAMAGA LOCAL MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the accompanying financial statements of the Makhuduthamaga Municipality, which comprise statement of financial position as at 30 June 2010, and the statement of financial performance, statement of changes in net assets, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages xx to xx.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of General Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004), 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 1570 of 2009*, issued in *Government Gazette No. 32758 of 27 November 2009*. Because of the matters described in the basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Basis of accounting and framework

4. The municipality converted from the Institute of Municipal Finance Officers (IMFO) basis of accounting to SA Standards of GRAP with effect from 1 July 2009. The conversion was done retrospectively to 1 July 2008. Although the conversion journals were submitted, I could not corroborate the journals with the amounts in the annual financial statements. Consequently, I was unable to confirm the occurrence, completeness, classification, accuracy, valuation, rights to and obligations in respect of, as well as the compliance of the balances disclosed in the annual financial statements for the years ended 30 June 2009 and 30 June 2010.

Property, plant and equipment

5. The accounting records of the municipality did not allow me to perform the required audit procedures to satisfy myself on the existence of property, plant and equipment amounting to R47 503 736 included in the financial statements. The municipality's records did not permit the application of alternative audit procedures.
6. The municipality could not provide sufficient appropriate audit evidence to support capital expenditure of R1 244 414. There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that assets additions occurred, were accurate and properly recorded. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the occurrence, completeness, accuracy, cut-off and classification of assets additions of R58 482 231.
7. An adjustment amounting to R2 567 479 was made to the infrastructure balance of R141 980 807 in note three of the financial statements. Documentation supporting this adjustment could not be provided by the municipality.

Revenue

8. There was no system of control over traffic revenue on which I could rely on for the purpose of my audit, and there were no satisfactory audit procedures that I could perform to obtain reasonable assurance that all traffic revenue was properly recorded. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness of traffic revenue of R3 092 455. The entity's records did not permit the application of alternative audit procedures regarding the revenue.
9. The municipality could not provide sufficient appropriate audit evidence to support an amount of R633 998 included in traffic revenue. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the occurrence, accuracy, cut-off and classification of this amount included in traffic revenue.
10. There was no system of control over property rates revenue on which I could rely for the purpose of my audit, and there were no satisfactory audit procedures that I could perform to obtain reasonable assurance that all property rates revenue was properly recorded. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness of property rates revenue amounting to R17 956 005.
11. There is also an explained difference of R3 607 477 between the amount disclosed in the financial statements and my recalculated amount of R21 563 482. Consequently, I was unable to satisfy myself as to the accuracy of property rates revenue of R17 956 005 in the statement of financial performance.

Expenditure

12. The municipality could not provide sufficient appropriate audit evidence to support an amount of R3 006 005 for expenditure. There was no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that expenditure occurred, were accurate and properly recorded. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the occurrence, completeness, accuracy, cut-off and classification of expenditure of R52 896 708.00.

Valued Added Tax (VAT)

13. The municipality could not provide sufficient appropriate audit evidence to support the balance of R11 017 602 as disclosed in note six to the financial statements. As a result, I could not obtain sufficient appropriate audit evidence to satisfy myself as to the valuation and allocation, rights and existence of the VAT balance in the financial statements. The municipality's records did not permit the application of alternative audit procedures regarding the receivable balance.

Trade and other payables

14. The municipality could not provide sufficient appropriate audit evidence to support an amount of R3 128 089 included in the balance of R5 865 883 in note 10 to the financial statements. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the existence, rights, completeness, and valuation of trade payables.
15. There was no system of control over leave on which I could rely for the purpose of my audit, and there were no satisfactory audit procedures that I could perform to obtain reasonable assurance that provision for leave was properly recorded. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness, rights and obligations, existence and valuation of provision for leave of R811 234.00.

Unauthorised expenditure

16. Unauthorised expenditure to the amount of R2 406 070 was incurred due to the utilisation of the municipal infrastructure grant allocation for expenditure incurred in respect of the municipal structure infrastructure grant that is in contravention with section 38 of the Division of Revenue Act, No 12 of 2009 (DoRA). The unauthorised expenditure was not disclosed in the financial statements as required by section 125(2) (d) (i) of the MFMA.

Disclaimer of opinion

17. 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 the financial statements.

Emphasis of matters

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

Restatement of corresponding figures

19. As disclosed in note 28 to the financial statements, the corresponding figures for the year ended 30 June 2009 have been restated as a result of errors discovered during 2010 in the financial statements of the municipality at, and for the year ended, 30 June 2009.

Fruitless and wasteful expenditure

20. As disclosed in note 32 to the financial statements, fruitless and wasteful expenditure to the amount of R4 304 was incurred on late payments to suppliers.

Additional matters

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

Unaudited supplementary schedules

22. The supplementary information as set out on page xx to xx 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

23. As required by the PAA and in terms of *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the following key laws and regulations and financial management (internal control).

Predetermined objectives

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

Non-compliance with regulatory and reporting requirements

No reporting against predetermined objectives, indicators and targets

25. The municipality did not prepare the annual performance report in terms of section 46 of the MSA, and section 121(3)(c) of the MFMA.

Lack of adoption or implementation of a performance management system

26. The municipality did not implement a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players, as required in terms of sections 36, 38 and 41(2) of the MSA, and regulations 7 and 8 of the Municipal Planning and Performance Management Regulations, 2001.

Compliance with laws and regulations

MFMA

The audit committee was not properly established

27. Contrary to section 166(1) MFMA the municipality did not have an audit committee.

The Internal audit function was not established

28. Contrary to section 165 of MFMA the municipality did not establish an internal audit function.

Expenditure incurred was made in vain or could have been avoided resulting in fruitless and wasteful expenditure

29. Contrary to section 62 of MFMA the municipality incurred fruitless and wasteful expenditure.

Expenditure was not paid within the parameters set by the applicable legislation

30. Contrary to section 65(2) (e) of the MFMA the municipality did not pay for expenditure within the required 30 days from receipt of the invoice from suppliers.

The financial statements were not prepared in accordance with applicable legislation

31. Contrary to section 122(1) of the MFMA the municipality did not prepare financial statements that fairly present its state of affairs as material misstatements were corrected during the audit.

The accounting officer did not adhere to his statutory responsibilities

32. Contrary to section 62(1)(d) of the MFMA the accounting officer did not comply with his legislative responsibilities to implement effective, efficient and transparent processes of financial and risk management to prevent and detect unauthorised expenditure and fruitless and wasteful expenditure.

Municipal Systems Act of South Africa, No. 32 of 2000 (MSA)

The municipality did not implement a performance management system

33. Contrary to section 57 of the MSA the municipality has not implemented a performance management system.

Councillors did not declare their financial interest

34. Contrary to schedule 1 section 7 of the MSA the councillors did not declare their financial interest.

SCM officials and other role players did not declare rewards

35. Contrary to sec 46(2)(e) of the SCM regulations the municipality did not implement controls for SCM officials or other role players to declare any reward, gift, hospitality or any other benefit promised, offered or granted to that person or to any close family member, partner or associate of the person.

INTERNAL CONTROL

36. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the MFMA and MSA, but not for the purpose of expressing an opinion on the effectiveness of internal control.

37. The matters reported below are limited to the significant deficiencies regarding the basis for qualified opinion paragraph, the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

- **Leadership**

Tone at the top

Management's philosophy and operating style does not promote effective control over reporting.

Quality is not understood by all to be a prerequisite and is not embedded in the entity's values

Performance is not measured

Oversight responsibility

The accounting officer does not exercise oversight responsibility over reporting and compliance with laws and regulations and internal control. As a result, the financial statements were subject to material amendments resulting from the audit and non-compliance issues were noted.

Human resource policies do not facilitate the training and disciplining of personnel.

Key officials were not available during the audit

The accounting officer does not evaluate whether management has implemented effective internal controls by gaining an understanding of how senior management has met its responsibilities.

- **Financial and performance management**

Quality, reliable financial statements and management information

The financial statements and other information to be included in the annual report are not reviewed for completeness and accuracy prior to submission for audit.

The financial statements were subject to material amendments resulting from the audit.

Pertinent information is not identified and captured in a form and time frame to support financial and performance reporting.

Proper record keeping and record management

Requested information was not available and supplied without any significant delay.

Adequate financial management systems

General information technology controls are not designed to maintain the integrity of the information systems and the security of the data.

- **Governance**

Risk identification and management

The entity does not have a formal risk assessment process.

The entity does not identify risks relating to the achievement of financial and performance reporting objectives.

The risk of material misstatement due to fraud is not considered.

Internal controls are not selected and developed to prevent and correct material misstatements in financial reporting and reporting on predetermined objectives.

Fraud prevention, detection and response

A fraud prevention plan is not documented and used as per the requirements of applicable legislation.

Polokwane

30 November 2010



**AUDITOR - GENERAL
SOUTH AFRICA**

Auditing to build public confidence

FINANCIAL MANAGEMENT IMPROVEMENT PROGRAMME II ACTION PLAN

Action Plan Details:

AP #	49
Purpose	To prepare detailed responses to all Audit Findings contained in the Auditor General Management Report for the Year Ended June 30, 2010
Prepared By	Diale DS
Date Prepared	February 11, 2010
Target Completion	April 30, 2011

Reference to MFMA Implementation Plan:

8.20	"Ensure that the municipality addresses any issues raised by the A-G in the audit report."
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Reference to 16 Priorities:

7	"Implement accounting reforms – preparation and submission of quality, timely AFS and address audit findings."
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Reference to FMIP II Logframe:

5.4.4	"Audit findings are followed up and remedies put in place."
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Description of Status Quo:

The draft Management Report of the Auditor General for the Year Ended June 30, 2010, dated November 2009, has been received. There are tremendous improvement of Audit Findings than the previous year, down from about 75 Audit Findings to about 35. These Audit Findings cover all departments of Makhuduthamaga Local Municipality. It is imperative that these Audit Findings be addressed.

Desired Outcome:

The desired outcome of this Action Plan is to prepare a detailed response for every Audit Finding. Each detailed response (Activity Report) will contain recommendations for addressing the Audit Finding, and may

Process to Achieving Desired Outcome:

STEP	DESCRIPTION	START DATE	TARGET COMPLETION	RESPONSIBLE OFFICIALS
1	Chief Financial Office prepared action plan on the 18 Jan 2011	25-Jan-11	25-Jan-11	Diale DS
2	Prepare Audit Findings Response Register to control Activity Reports	08-Feb-11	15-Feb-11	Malekana MA
3	Prepare Activity Reports to cover all Audit Findings	23-Feb-10	25-Feb-11	Malekana MA
4	Assign Audit Findings Activity Reports to appropriate Makhuduthamaga officials	11-Mar-11	18-Mar-11	Mrs. D. S. Diale, Chief Financial Officer
5	Conduct investigations for each Audit Finding and complete Activity Report	12-Mar-11	25-Mar-11	Selected Makhuduthamaga officials
6	Review and consolidate Activity Reports	19-April-11	25-April-11	Mrs. D. S. Diale, Chief Financial Officer
7	Prepare Final Consolidated Report for Municipal Manager, Council, and Audit Committee	27-April-11	29-April-11	Mrs. D. S. Diale, Chief Financial Officer

also contain recommendations to prevent the re-occurrence of the Audit Finding.

Acceptance of Responsibility:

NAME	SIGNATURE	DATE
Mrs. D. S. Diale, Chief Financial Officer		
Malekana MA		
Other officials as designated by Chief Financial Officers		

Chapter 4 Functional Area Service Delivery Reporting

4.1 Introduction

4.1.1 Objectives of PMS System

The objective of the Performance Management System is to measure performance overtime to translate council's mandate into implementable deliverables. The facilitation of transformation and improved service delivery, culminating in responsive, accountable and developmental local government is a major challenge confronting government. In response to this daunting challenge, the government has introduced Performance Management by means of a legal framework. A Municipality's performance management system entails a framework that describes and represents how the Municipality's cycle and process of performance planning, monitoring, measurement, review, reporting and improvement will be conducted. Furthermore it ensures sustainable growth and Quality Assurance to enhance organizational alignment based on the Municipality IDP.

4.1.2 Policies and Legislative Framework for Performance Management

The framework for Performance Management is informed by the following policy and legislation on performance management:

- The Constitution of the Republic of South Africa (1996)
- The Batho Pele White Paper (1998)
- The White Paper on Local Government (1998)
- The Municipal Systems Act, Act 32 of 2000
- Municipal Planning and Performance Management Regulations (2001)
- Municipal Financial Management Act 56 of 2003 (MFMA)

4.1.3 White Paper on Local Government Context

- The White Paper acknowledges that not all rural municipalities will be able to assume the full range of municipal powers and functions, and that where the establishment of Category (B) municipalities are unviable, the district government may assume direct responsibility for the delivery of all municipal functions in the area.
- Rural Municipalities are to be allocated a minimum of executive and legislative powers, but as their administrative and financial capacity improve, they will be able to 'draw down' powers from the district government.
- The White Paper on Local Government (1998) proposed the introduction of performance management systems to local government, as a tool to ensure Developmental Local Government.
- The paper recognizes IDP, Budget and PMS as powerful tool to develop an integrated perspective on development.
- Direct resource allocation and institutional systems to new set of objectives.
- Community involvement and feedback management (report back) as crucial in the process achieve the following;
 - ⇒ Accountability is increased
 - ⇒ Trust in local government is enhanced

4.1.4 Batho Pele Policy Context

- The policy states that municipality's needs constant feedback from the service –users to determine if they are satisfied with the level of service delivery.
- Also notes that service oriented culture require active public participation.

4.1.5 The Municipal System Act 32 of 2000, Chapter 6

The Municipal Systems Act, enacted in November 2000, requires all municipalities to:

- Develop a performance management system.
- Set targets, monitor and review performance based on indicators linked to their integrated development plan (IDP).
- Publish an annual report on performance for the councilors, staff, the public and other spheres of government.
- Incorporate and report on a set of general indicators prescribed nationally by the minister responsible for local government.
- Conduct an internal audit on performance before tabling the report.
- Have their annual performance report audited by the Auditor-General.
- Involve the community in setting indicators and targets and reviewing municipal performance.

4.1.6 Constitution of South Africa, 1996; section 152

Requires Local Government to:

- Provide democratic and accountable government for local communities;
- Ensure the provision of services to communities in sustainable manner;
- Promote social and economic development;
- Promote a safe and healthy environment;
- Encourage the involvement of communities and community organizations in the matters of local government

4.1.7 Municipal Financial Management Act 32 of 2000; chapter 6

- Establish a performance management system.
- Development of a performance management system.
- Monitoring and review of performance management system.
- Community involvement.
- General key performance indicators.
- Audit of performance measurement.
- Annual performance reports.

4.2 Principles governing the PMS of the Municipality

The process of developing a performance management system for the Municipality was guided by the process plan, which includes the principles that informed the development of the Municipality's PMS. The said principles are the following:

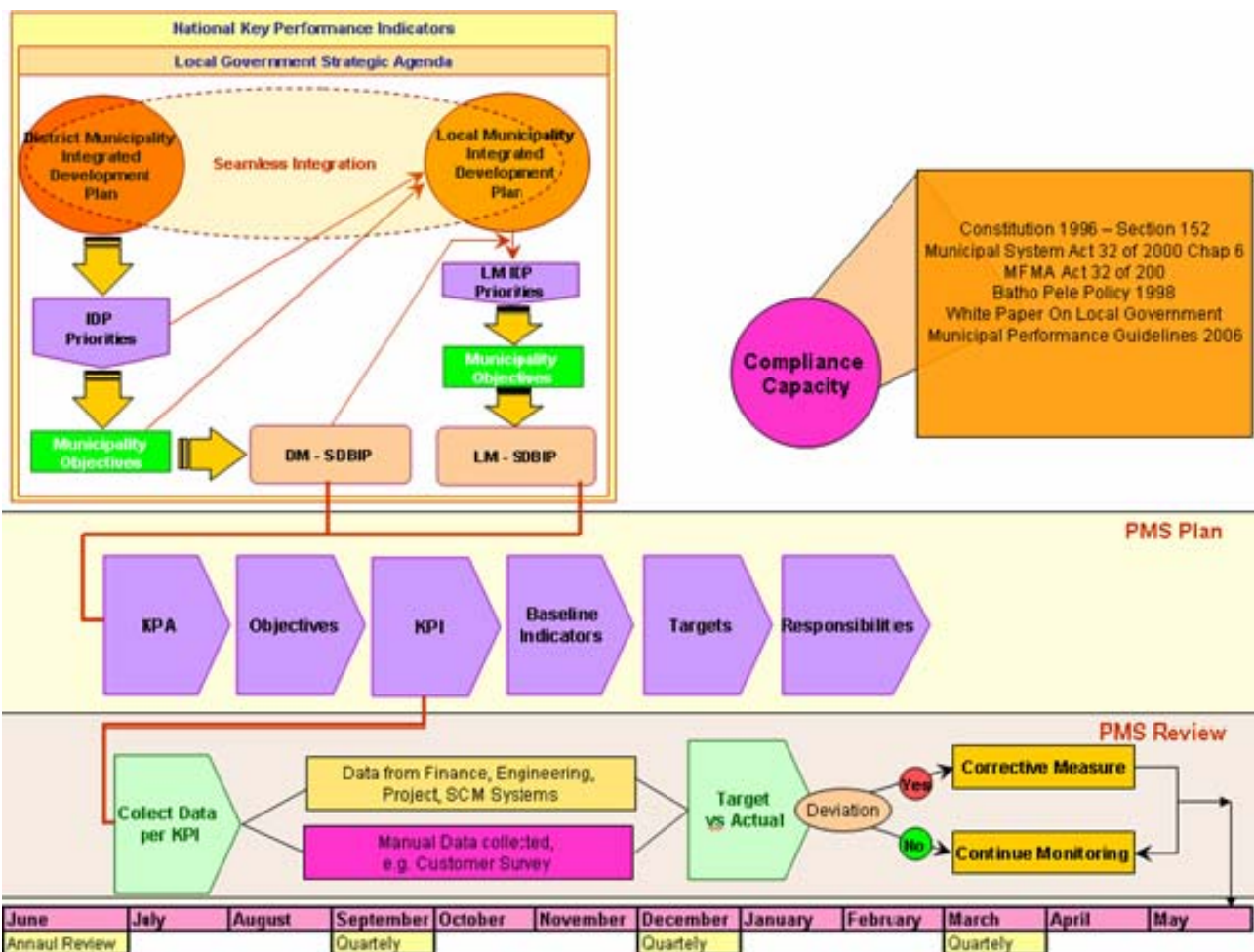
- simplicity so as to facilitate implementation given any current capacity constraints,
- politically acceptable to all political role players,
- administratively managed in terms of its day-to-day implementation,
- implementable within any current resource constraints,
- transparency and accountability both in terms of developing and implementing the system,
- efficient and sustainable in terms of the ongoing implementation and use of the system,
- public participation in terms of granting citizens their constitutional right to participate in the process,
- integration of the PMS with the other management processes within the Municipality,
- objectivity based on credible information and lastly,
- Reliability of the information provided on the progress in achieving the objectives as set out in its IDP.

5.3 Makhuduthamaga PMS System Model

Makhuduthamaga performance management system is basically a framework that describes and represents how the Municipality's cycle and processes of performance planning, monitoring, measurement, review and reporting will happen and be organized and managed, while determining the roles of different role-players. This framework has been developed in accordance with the following aspects:

- Complies with all the requirements sets out in the Act;
- Demonstrates how it is to operate and be managed from the planning stage up to the stages of performance review and reporting;
- Defines the roles and responsibilities of each role-player, including the local community, in the functioning of the system;
- Clarifies the processes of implementing the system within the framework of the IDP process;
- Determines the frequency of reporting and the lines of accountability for performance;
- Links organizational performance to employee performance;
- Provides for the procedure by which the system is linked with the Municipality's IDP processes; and
- Shows how any general key performance indicators (KPIs) envisaged in section 43 of the Act will be incorporated into the Municipality's planning and monitoring processes.

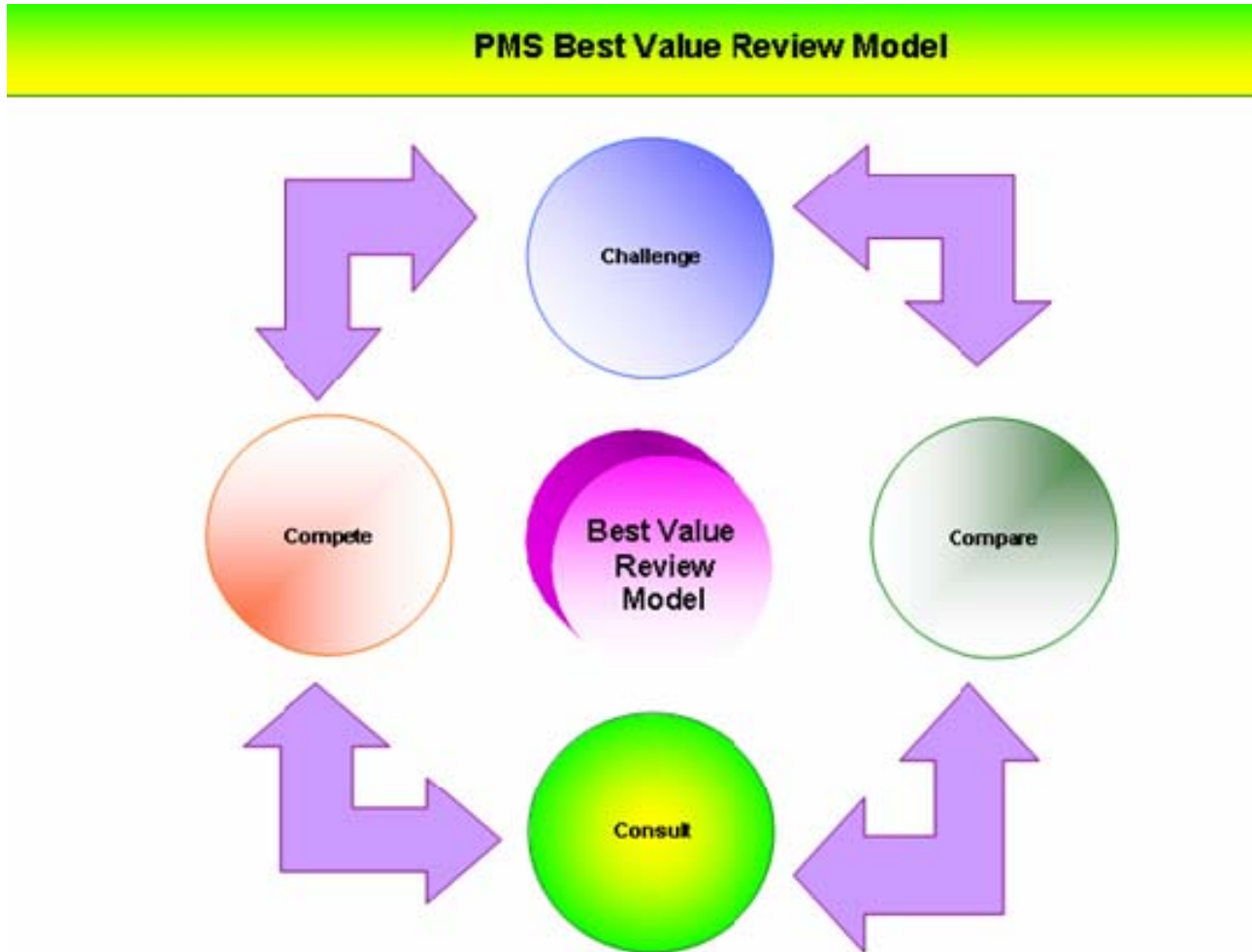
4.4 The Performance Management Framework Model



The above model shows how the PMS is aligned with the National key performance indicator and SDBIP and how PMS is planned, measured, and reviewed whereby performance can be reviewed monthly, quarterly, and annually.

4.5 The Process of managing Organizational performance

The process of performance management is central to modern notions of management i.e. it is inseparable from the things that a manager must do. It is important that performance management is mainstreamed in a Municipality as an approach to daily management.



4.6 Individual Performance Management System

The scorecard for individuals will be governed by the **360 degree feedback** measurement methodology. The scorecard for individuals will be linked to the scorecard of the organization to ensure effective alignment. The performance management for individuals is governed by development of performance plans, performance contracts and personal development plans. The development plans will be a tool to improve or correct poor performance of the employee.

The figure below depicts the plan to manage employee performance;

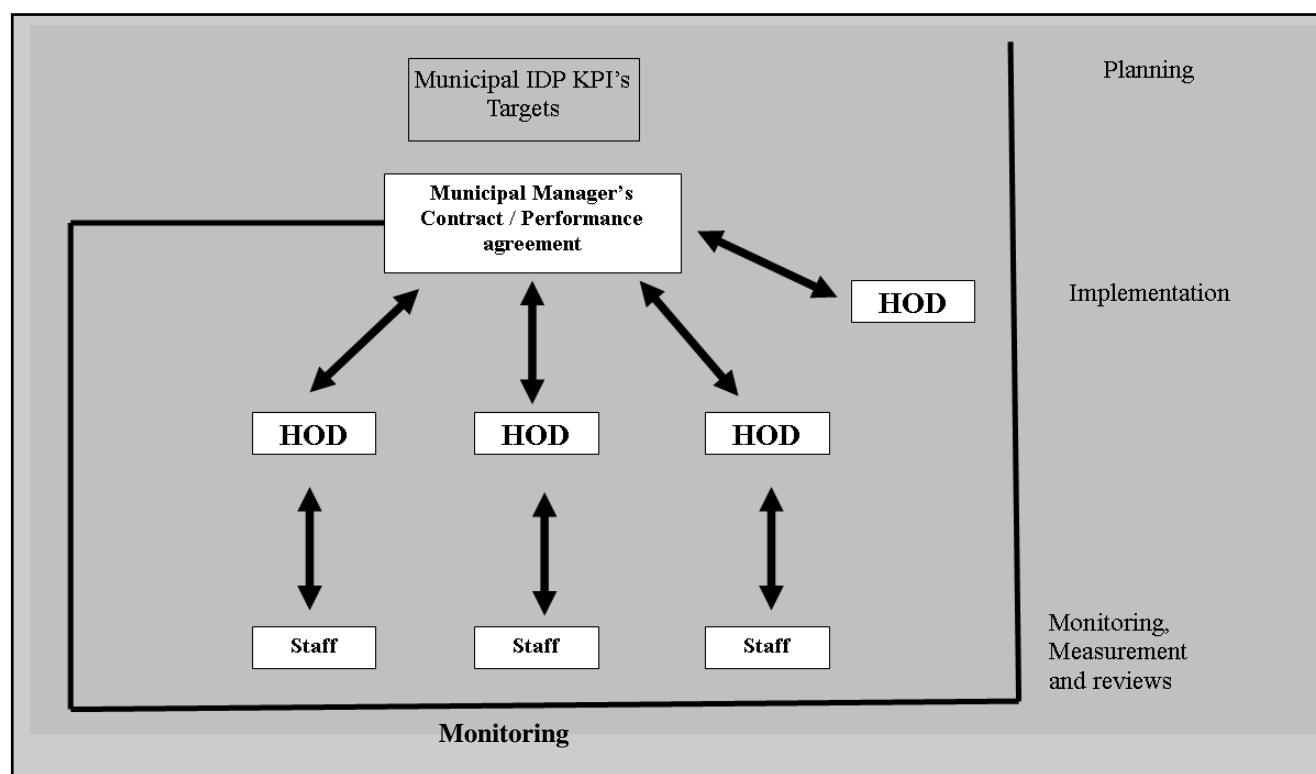


Figure 18: Employee management Performance

The 360 degree feedback methodology is applied at the employee level to ensure the following;

- Employee rates himself/herself
- Manager rates the employee
- Evaluation rates the employees

The criteria upon which the performance of the Employee shall be assessed shall consist of two components, both of which shall be contained in the Performance Agreement.

- The Employee must be assessed against both components, with a Weighting of 80:20 allocated to the Key Performance Areas (KPAs) and the Core Managerial Competencies (CMCs) respectively.
- Each area of assessment will be weighted and will contribute a specific part to the total score.
- KPAs covering the main areas of work will account for 80% and CMCs will account for 20% of the final assessment.

4.7 Scorecards

The performance management framework determines the methodology for analysing data collected through the Performance Monitoring framework to enable performance assessment. Different models are used for measuring performance; however, thorough analysis has taught us that the Input-Output-Outcome model works fairly better than other models, especially for the municipal operation. Our framework says that in measuring performance, municipalities need to look at:

- Inputs (resources, financial perspective)
- Outputs (results, service delivery perspective)
- Outcomes (impact, customer satisfaction, growth, quality of life)

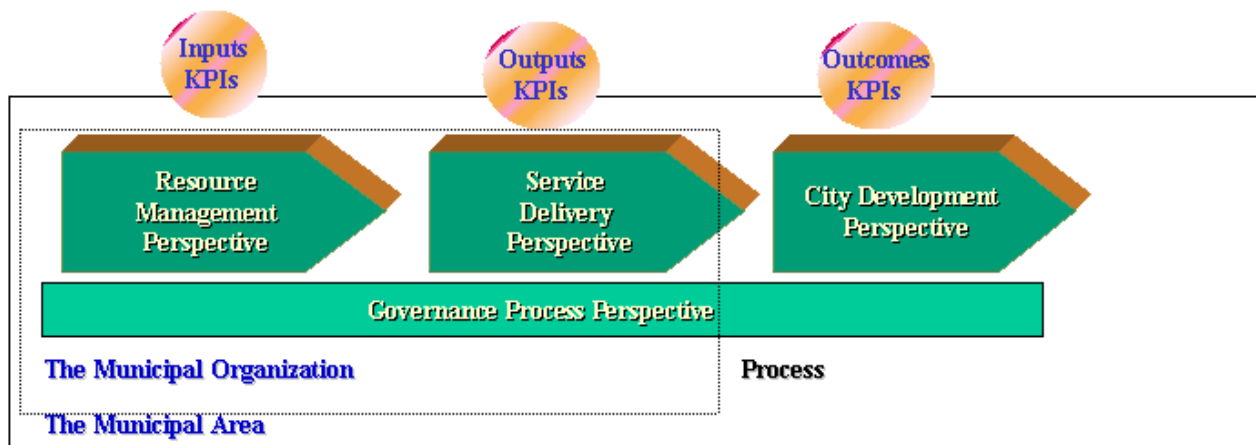


Figure 19: Performance Framework

It is strongly suggest that line managers be responsible for most measurements. Only measurements that are of a central nature, such as citizen surveys and census calculations, need be undertaken centrally

Chapter 5: Performance Highlights

5.1 Introduction

The chapter on performance highlights which is a condensed review of the main outstanding accomplishments of Makhuduthamaga Municipality in its quest to address the backlogs of underdevelopment and poverty. In order to ensure that the report reflects the true standing of events it has been compiled in accordance with the requirements of the Municipal Finance Management Act (MFMA).

Highlighted in this section of the report is the extent to which the municipality has managed to accomplish its objectives successfully in the delivery of services in the 2009/10 financial period. Also included is the municipality's service delivery backlogs and the predicted finances that will be essential to effectively tackle the backlogs in the future especially in the following functional areas of water, electricity, sanitation, refuse removal and roads.

5.2 Service Delivery Highlights

5.2.1 Priorities

The priorities of Makhuduthamaga Municipality are embrocat within the Local Government Strategic Agenda to instil compliance and acceleration of service delivery. As such the Municipality's main strategic priorities are:

- Service delivery and infrastructure development
- Good governance and intergovernmental relations
- Municipal transformation and institutional development
- Local economic development
- Municipal financial viability and sustainability

5.2.2 Institutional Development

The Municipality has accomplished the following;

- The Performance Management System has been established (Contract and Performance Plans for all Section 57 employees).
- The municipality has embarked on the implementation of the revenue enhancement strategy through triggering of billing for Property rates and taxes.
- The financial system has been upgraded to enhance Sound Financial Management and Compliance with Financial Management regulations.
- The Process of IDP development was done internally without utilization external resources form constantans.
- Establishment of the Project Management Unit to do monitoring and evaluation of Capital Projects.

5.2.3 Government and Public Participation

The Municipality has strived to accomplish number of targets within governance and public participation processes and systems objectives during the 2008/09 Financial Year. These include:

- 100 % functionality of ward committees, which includes conducting of regular meetings with about 90 % attendances.
- Adopted the Annual Budget Schedule in compliance with legislation.

- The IDP Process has been complied with and public participation was conducted at all planned areas of the Municipality. The process was accomplished by clustering of the 31 wards within the Municipality.
- All planned Council and Portfolio meetings were held. The council meetings were held in public to enhance transparency.
- The Mayoral Imbizos were successfully held and were instrumental session for public participation.
- Community based planning is undertaken to assess and analyse the community needs.

5.2.4 Service Delivery and Development

Housing Delivery

- There were no housing allocations during the 2009-2010 financial year.

Project Name	Project Budget	Project scope	Total labourers employed	Physical progress
Tshehlwaneng/Makgane road Phase 3	R10,500,000.00	Construction of internal roads and storm water drainage of	26 laborers	100% Complete
Tshela Internal Roads	R11,370,754.58	Construction of 3.4km surface access road	10 laborers	100% Complete
Kutupu Roads and Storm-water	R 22,498,305.00	Construction of 5.5km surface access road	17 laborers	100% Complete
Mohiwekoma Access Road	R6,000,000.00	Construction of 4.2km surface access road	42 laborers	100% Complete
Vierfontein to Reitfontein Link Road	R12 395 167,58	Upgrading of 4.1km from gravel to tar	13 laborers	100% Complete
Hlalanikahle Internal roads	R8,520,178.25	Construction of 1.7km surface access road	33 laborers	Construction
Phokwane Road & Storm-water	R 15,628,705.82	Construction of 4.7km surface access road	17 laborers	Construction
Magolego Access RD	R3 421 616	Construction of 1.7km surface access road	37 laborers	100% Complete

Item	Project Name	Project no.	Project Budget	Projected Scope	Progress
1	Jane Furse Street Lights	MKM/PC/E/06-07/008	R 2,390,302.00	Installation of Jane Furse streetlights for 8km.	The project is 100% complete
2	RDP Jane Furse Electrification	MKM/PC/E/06-07/001	R 4,000,000.00	Electrification of 463 households.	The project is 100% complete
3	Mathapsa/Soetveld Electrification	MKM/PC/E/06-07/007	R 3,340,000.00	Electrification of 301 households.	The project is 100% complete
4	Bothaspruit(Polasseng) Electrification	MKM/SP/05/07/020	R1,708,310.00	Electrification of 150 households	Project is 100% complete.
5	Modda Electrification	MKM/08/09/E/0030A & 113B	R2,000,000.00	Electrification of 150 households	The project is 100% complete
6	Kgopane Electrification	MKM/08/09/E/0038.113A	R2,000,000.00	Electrification of 146 households	Project is 100% complete.
7	Phataniswane Electrification	MKM/09.10/E/510	R8,319,579.82	Electrification of 510 households	Project is 100% complete.
8	Kome Electrification	MKM09/10/E/183	R 3,000,000.00	Electrification of 183 households	Project is 100% complete.

Project Name	Activity	Project scope	Project Budget	Physical progress
Khulenyane Poultry Project. Ga- Mashabela	Egg Production	Assistance in completion of shelter for their hens. Roofing and plastering	R83 538,79	100 percent completed. Project is in good operation
Difahlane Sorgum Seed Production	Seed Production	Fulltime support and assistance in marketing their product	Mentorship Only	In good operation. Up and running
Maano-a-Basadi	Yoghurt Production	Assist the project to market their fresh produce and buy equipments	R393 000,00	In good operation. Up and running

5.8 Service Delivery and Budget Implementation Plan as at June 2010

Community Services

PROGRAMME	KPI	ANNUAL TARGET	PROGRESS	CHALLENGES	FUTURE PLANS
SPORTS,ARTS & CULTURE	Upgrading and maintenance of sports centers	Phokwane,Glen Cowie,Jane Furse and Marishane sport centres upgraded and well maintained	Service provider appointed and is on site . At Peter Nchabeleng, 60% of maintenance and repairs has been done	Limited funding affected our annual target. Nothing has been done at Phokwane, Glen Cowie, Marishane and Jane Furse .	To be considered for the next financial year
	Development of policy on control of sports centers	Proper control on sport centers	Control form has been developed	Limited funding dept could not afford to develop policy	Policy development to be considered for next financial year
	Promotion of sports codes and teams formulation	Promoted unfamiliar sport codes	Malegale Cricket club identified and promoted to club development Glen Cowie Softball team and promoted to club development The municipality is been identified as a pilot for Rugby	Due to insufficient personnel there is lack of facilitation of promotions	Involvement of other structures at ward level e.g. ward councilors ,ward committees, CDWs
	Extension of sports council at ward level	Effective and efficient coordination of sports and recreation	Meetings were arranged for the establishment of sports council at ward level	Non- establishments due to poor response / turn-up from the ward s	Establishment of the committees by 30th September 2010
	Coordinate Municipal, District and Provincial related activities	To liaise with District and Province on yearly activities.	During the meeting Sekhukhune District and Dept of Sports, Arts & culture agreed on the alignment of the programme	There are still no related activities submitted for the IDP by Dept	Follow up to be made with the Dept by 30 July 2010
WASTE AND ENVIRONMENTAL	Extension of current waste collection Project	Identified new areas for waste collection and conducted 4 awareness campaigns at Phokwane, Jane Furse,schoonoord and Apel Cross	Apel cross, Marishane and Phaahla have been identified for extension of waste collection projects. 3 awareness campaigns were conducted at Maserumule Park,Makgwabeand Maseleseleng,	Project could not be implemented due to insufficient funding. Awareness campaigns were not conducted at Phokwane, Glen Cowie,Jane Furse and Schoonoord due to poor attendance	To be considered for next financial year Awareness campaigns to be held at Phokwane, Glen Cowie, Jane Furse by first quarter 2010/11

Community Services

PROGRAMME	KPI	ANNUAL TARGET	PROGRESS	CHALLENGES	FUTURE PLANS
	Development of waste management By-law	Developed and controllable waste management	Draft has been made and submitted to legal service for further comment and still waiting for response	Municipality is unable to collect revenue on the current waste collection project	Follow up to be made with legal service and finalize the by-law by 30 sept 2010
	Identification and maintenance of wetlands	Fencing of wetlands and monitoring	5 wards submitted identified wetlands and still waiting for others. Marishane-ward 20 and Masanteng ward-30 were identified for fencing and the process is on.	Slow submission from some wards delayed the process, not all wetlands are identified.	Internal arrangement to be made for sites identification by 30 sept 2010
	Coordinate Municipal, District and Provincial related activities (Greening)	To liaise with District and Province on yearly activities	During the meeting, District and DEAT agreed on the alignment of the programme	No submission of yearly program by dept	To make follow up with dept by 30 July 2010
	Awareness campaigns at schools	Promoted good and healthy environment at schools	Six awareness campaigns were conducted at Bafedi Primary, Matsebong Secondary, Madibong Primary, Ntsebele secondary, Ga-Mmalebese Primary schools and Lekentle Secondary	Poor attendance by Educators in some schools	To take the matter up with Principals and also to involve Sekhukhune District
	Promotion of Library activities through awareness campaigns and alignment of programmes	Well informed community on Library services and aligned programmes	Eleven schools were visited . Twelve Library orientations held and 455 clients attended. Four Library talks were held and attended by 124 clients. Eight book displays were held and 118 books were issued. Several paintings and drawing sessions took place for small kids. Monthly reports and statistics were sent to the District and Province.	Activities minimal due to lack of space. Lack of resources, transport, staff and funds.	Recruitment and appointment of Library staff by 30 august 2010.

Community Services

PROGRAMME	KPI	ANNUAL TARGET	PROGRESS	CHALLENGES	FUTURE PLANS
TRAFFIC SERVICES	Transferred Traffic services and improvement of building	Improved building structures at Nebo and Schoonoord stations	Traffic services have been transferred. Nebo project is completed and Sekhukhune station-Contractor to be appointed	Insufficient funds for Schoonoord DLTC projects	To be considered for the next financial year
	Recruitment of employees	Effective and efficient operation of the stations	Five examiners were appointed through absorption processes. Two managers and five examiners posts were short-listed	No personnel for Nebo station. The plan was to absorb seven examiners but we only managed five	To speed-up the appointment of personnel by 30 July 2010 To appoint additional two examiners on the current shortlisted examiners
	Controlling of irregularities within the traffic stations	Minimized irregularities within the traffic stations	Legal services has been approached to assist in the development of by-law and strategy plan		
	Operationalisation of crime prevention strategy	Minimized crime within the communities	Crime prevention strategy was revived and dept of safety commended	Slow response from the Department of Safety and Security	Make presentation to Portfolio and other processes by 30 July 2010
	Operationalisation of Transport Forum	To develop the operational program for Transport Forum	Programme developed & Four (Jane Furse Plaza, Main Jane Furse, Schoonoord and Phokwane) Taxi ranks assessed for basic needs, e.g. Water, toilets, lights etc	Poor alignment between the district and local	To make further follow-up with the District for betterment of the alignment by 30 August
INDIGENT REGISTER	Compilation and updating of indigent register	Recruitment of temporary data captureurs	Authorization granted, advert done and waiting for short-listing and appointment	The process of appointing data captureurs has been delayed	To appoint four data captureurs by the end of July 2010 to speed up the capturing process

Community Services

PROGRAMME	KPI	ANNUAL TARGET	PROGRESS	CHALLENGES	FUTURE PLANS
PARKS AND CEMETERIES	Parks and cemeteries development	Site identification and design	-Planning Section has been approached to assist with identification of site		
CUSTOMER CARE	Finalization of Service Standard and roll of awareness campaigns	Operalization of service standard and conducted 8 awareness campaigns	Letters of reminder was issued to all departments with outstanding reports	Some departments not yet responded to the request	To make follow up with MM and Mayor ,s offices by the end of June
DISASTER AND EMERGENCY	Conduct awareness campaigns	Conduct 12 awareness campaigns	Thirteen awareness campaigns were held at Madi-baneng,Makgwaabe ,Maselesele ,Kutupu , Mashegwana-Tswaledi and Phatantshwane Communities	Poor attendance from stakeholders	To involve communication office for assistance in mass mobilization
	Re-establishment and launching of Fire Protection Associations	Launching of MKM Fire protection Association	The launching was arranged but postponed	The launching was delayed due to insufficient funds	To re-arrange the launching by 30 August 2010

Corporate Services

PROGRAMME	KPI	ANNUAL TARGET	PROGRESS	CHALLENGES	FUTURE PLANS
HRM	Approved establishment staff	To fill all critical posts	<ul style="list-style-type: none"> Approved posts = 124 Filled posts = 78 Vacant = 46 Equity status: (Males = 45 & Females = 33) Disabled = 04 Vacant posts = 46 New appointments = 17 Resignations = 2 No. of outstanding adverts = 7 	Insufficient office space and funds	Implement Organogram and fill critical posts. Climate survey Exit Interview
	Approved staff establishment	To fill all advertised Section 57 posts.	<ul style="list-style-type: none"> Section 57 posts=6 Filled = 5 Male = 4 /Female = 1 Disabled = 0 Vacant =1 Employment contracts filled by 05 Directors. Performance contract signed =05 Resignations=1 All deputy directors posts filled.		To fill all vacant managerial posts
	Install electronic leave management system.	Leave electronically captured.	Leaves are electronically captured and appear on pay slips from November 2009	Monitoring of leaves.	Improved leave management
	Management of pensions.	Reconcile pensions monthly.	Monthly updates on pensions done. All outstanding pensions queries resolved.	Reconciliation of pensions	Improved pension management

Service Delivery and Budget Implementation Plan as at June 2010 (Continued)

Corporate Services

PROGRAMME	KPI	ANNUAL TARGET	PROGRESS	CHALLENGES	FUTURE PLANS
	Develop HR plan.	Research on HR plan.	Draft plan ready for comments.	Non existence of HR plan	To present the draft plan to portfolio Committee
	Job Evaluation	Monitor & Evaluate compliance with SALGA job evaluation.	Collective agreement signed and has to be implemented.	Collapse of Mpumalanga Provincial Job Evaluation team.	To re-visit signing of job descriptions in line with SALGA model.
	Review HR policies	To constitute a policy review committee.	Terms of reference developed.	Alignment of policies	To review the current policies in the first quarter of 2010/2011
	Develop & Implement HR strategy	Research on HR strategy	HR Strategy is being developed. Strategy is at a consultative stage.	None.	The strategy to be approved in the 1 st quarter of 2010/2011
HRD		WSP 2009/2010 Developed and submitted on time to Lgseta.	Total number of staff and councilors trained as per WSP.	Repeated nominations of the same councilors for different courses	Training committee to be more hands on in the nominations of councilors & staff.
	Manage municipal bursary	To award bursaries to students in Infrastructure Development & Planning and Finance study fields in terms of the five year bursary strategic plan.	Total Bursary holders = 15 Students, 5 = new intake 2009/2010 8 = Second Year 2 = Third year 1 meeting with Bursary committee & parents 2 internal meeting with students. Total bursary funds spent = R504500.00	Insufficient funds. R4500.00 above budget.	<ul style="list-style-type: none"> To review bursary policy Establish Internal bursary committee To increase the budget

Corporate Services

PROGRAMME	KPI	ANNUAL TARGET	PROGRESS	CHALLENGES	FUTURE PLANS
	Unemployed graduate database.	To compile Database for unemployed graduates	None	No budget allocation for the task.	There is budget allocation for 2010/2011.
	Induction and orientation program	Identify induction gaps	Appointed employees have been inducted. An induction program available.	None.	Implement induction program on demand.
Labour Relations	Employee wellness program in place.	Training on EWP and awareness campaigns to be conducted internally.	EWP Committee appointed. 1 Meeting held	Lack of policy	To develop the policy in 2010/2011
	OHS standards in place.	OHS drafted and implemented	OHS Committee appointed and trained on SHE Representative course. OHS reps trained on first aid. OHS standards in place	Lack of OHS plan/Policy	To develop OHS plan/policy 2010/2011
	Functioning of Local Labour Forum	To re-establish Local Labour Forum Twelve meeting planned	LLF has been re-launched Five meetings held and one workshop was conducted by SALGA	Inadequate of capacity.	To capacitate LLF to function more efficiently. To hold twelve meeting as LLF guidelines.
	Employment equity plan in place	To Implement Employment Equity Plan	EEP report submitted to the Department of Labour on time.	None	To review our current equity plan 2010/2011.
Manage Municipal Administration and Governance Services	Manage Registry Services	Develop records management policy and registry procedure manual.	Policy developed, approved by the Provincial Archivist and adopted by council.	None	Policy Review on-going

Service Delivery and Budget Implementation Plan as at June 2010 (Continued)

Corporate Services

PROGRAMME	KPI	ANNUAL TARGET	PROGRESS	CHALLENGES	FUTURE PLANS
		Implement records management policy and procedure manual.	None	Shortage of staff	To avail policy and procedure manual on MKIM web. To appoint staff
		Implement file plan.	Training on file plan conducted by DLGH to all staff members. HR records allocated references and some of general records have been allocated file reference numbers	No compliance to the file plan None	Meetings will be held with all departmental secretaries and management for implementation during the first Quarter of 2010/2011 ongoing
Manage Municipal Administration and Governance Services	Manage Reception and switchboard services	Provide efficient reception services	Clients are given appropriate information and send to relevant sections.	Inadequate Management	Develop Control Mechanism
	Customer Care Service	Provide Customer Services	Suggestion boxes placed at Schoonnord, Phantantswane, Jane furse Library and Main Office	Not all satellite offices have the suggestion boxes Lack of complain management plan	To place suggestion box at all service point.
	ICT	Sign SLA with SITA to manage Website. Install & maintain intranet	SLA signed with SITA for Website maintenance. Key areas identified to utilize intranet	None SITA was unable to respond for assistance	To strengthen our relationship with SITA
		Develop IT Plan	Plan on ICT improvement developed and to be implemented during 2010/11 financial year	Inadequate budgeting	To implement ICT plan Budget in 2011/2011
		Procure and install IT equipment	ICT equipments procured and installed	None	To prioritize installation and procurement of ICT equipments

Corporate Services

PROGRAM	KPI	ANNUAL TARGET	PROGRESS/ SUC- CESSES	CHALLENGES/ CONSTRAINTS	FUTURE PLAN/ RE- MEDIAL ACTION
Launch new Ward committees and administer support and monitoring	To launch ward committees.	31 wards Committees launched.	None	To launch new ward committees when required.	Launch new Ward committees and administer support and monitoring
		Induction for Ward Committees.	Ward Committees were inducted on their roles & Function Legislative framework Monthly Stipend is provided to ward Committee	No reports from ward Committees	To develop public participation policy and ward Committees operational plan during 2010/2011
	Council Meeting	Four Ordinary Council meetings planned Twelve Ordinary EXCO meetings planned	Three Ordinary council meeting held. Six Special Council Meeting held Three Ordinary EXCO held Seven special executive committee meetings were held	Non compliance to standing orders Program of meeting not honoured.	Portfolio Committees to honor their program as adopted by Council

Corporate Services

PROGRAM	KPI	ANNUAL TARGET	PROGRESS/ SUC- CESSES	CHALLENGES/ CONSTRAINTS	FUTURE PLAN/ RE- MEDIAL ACTION
		Twelve (12) portfolio committee meetings planned for all Portfolios	Six (06) Finance Three (03) Corporate Three (03) Infrastructure Seven (07) Community One (01) Local Economic Development Three (03) Planning	Program of meeting not followed.	To observe standing orders

Corporate Services

PROGRAM	KPI	ANNUAL TARGET	PROGRESS/ CESSES	SUC-	CHALLENGES/ CONSTRAINTS	FUTURE PLAN/ RE-MEDIAL ACTION
Publications	Number of calendars developed.	5000 calendars developed.	1000 calendars have been published.		Insufficient funds to print more.	More funds to be made available to increase quantity. In the next financial year
	Number of Diaries distributed	300 Diaries Distributed.	Diaries distributed to Councillors and staff.		Diaries not distributed in time	Distributing diaries in time
	Number of Posters, Flyers, Brochures created.	To create and distribute posters, flyers and brochures	2000 flyers carrying emergency numbers and 300 flyers popularizing venues for IDP consultation. And 1000 budget speech booklets published		Insufficient resources to produce more	Procurement of guillotine to cut flyers and brochures

Corporate Services

PROGRAM	KPI	ANNUAL TARGET	PROGRESS/ SUC- CESSES	CHALLENGES/ CONSTRAINTS	FUTURE PLAN/ RE- MEDIAL ACTION
Website content Management	Regular updating of the website.	Four nNew – look web-site is alive. No regular updates for our website	Management are not signing off the content before updates	Establishment of the editorial team with powers to sign off the content. No regular update of Website	To manage website content
Mayoral Outreach	Number of Imbizos held.	To hold one Imbizo per quarter.	Two Imbizos were successfully held at Stockings and Tswaing Villages. 5 IDP consultation processes 10 back to school campaigns Sort turning ceremony for artificial pitch	Insufficient communication and commitment from the politicians	Implementation section 3 of the municipal turn around strategy 2010/2011

Corporate Services

PROGRAM	KPI	ANNUAL TARGET	PROGRESS/ SUC- CESSES	CHALLENGES/ CONSTRAINTS	FUTURE PLAN/ RE- MEDIAL ACTION
Mayoral Outreach programs.	Number of Messages Published.	Messages coordinated with national events.	1 Christmas message and 1 Easter message and 1 IDP messages published on Radio and newspapers.	None	Management to sign off the messages
	Number of Mayoral speeches made available.	To make available to public all Mayoral speeches.	Mayoral speeches were compiled for different occasion.	None	Subscribe to get national and provincial newspapers on daily basis.
	Number of Media Reports issued.	To issue media reports quarterly.	Media reports were written about the Mayor and some council resolutions.	There is no media scan and the newspapers are not supplied to the officials	Arrange for delivery of news publications for media scanning.

Corporate Services

	Communicators Forums	04 reports to be submitted to local, district, and provincial forum. 06 Local government communication forum	04 reports submitted to District and Local government communicators forum held	None Poor attendance	To improve communication unit. To ensure compliance with the program
Special Programs	HIV AIDS Council Established	To launch HIV-AIDS Council.	HIV/AIDS council launched Induction workshop held HIV/AIDS policy available	None.	To develop the strategic plan for the council

Corporate Services

<p>Youth program developed and implemented.</p>	<p>To hold events in relation with national government communication strategy/ calendar.</p>	<p>Mother-Children Dialogue on HIV/Aids, Teenage pregnancy. 16 days of activism against children & women abuse event in collaboration with Sekhukhune Educare Project and Image were held. Strategic planning held at swadini, take a learner to work, youth development policy in place, Youth Council held an AGM</p>	<p>None.</p>	<p>On going</p>
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Corporate Services

PROGRAM	KPI	ANNUAL TARGET	PROGRESS/ SUC- CESSES	CHAL- LENGES/ CON- STRAINTS	FUTURE PLAN/ REMEDIAL AC- TION
Women's month program devel- oped& im- plemented .	To develop program	To have activi- ties during Women month	Workshop in support of the south African Council of Women for the blind held Held Miss Mak- huduthamag a, Women development policy in place	None	Develop women's month program & imple- ment it

Finance Services

PLANNED INTERVENTIONS	Targets 2009/2010	Progress made	Variance	Challenges	Strategic intervention
MFMA Institutional Compliance					
Budget and Treasury Office	Have all posts filled	Only two posts vacant (i.e. Acc Budget & Acc Clerk)		HR delay the process of appointment	Accountant Budget to be appointed soon. Accounts Clerk in the next financial year.
Audit Committee	Have the committee established and functional	Interviews were conducted		No Audit Committee for the current financial year. Non – Compliance in terms of Section 166 of MFMA for financial year	To appoint Audit Committee before the submission of the AFS due on the 31 st August 2010(Tuesday) Address the query to be raised by Auditor General for 2009/2010 Financial Year
PLANNED INTERVENTIONS	Targets 2009/2010	Progress made	Variance	Challenges	Strategic intervention
Internal Audit Unit	Have unit established and functional	No progress has been made in the Internal Audit Unit		Internal Auditor Resigned. Exit interview not conducted Non-Compliance in terms of Section 165 of MFMA	To appoint. Ensure Internal Audit Unit is independent as its main function is to ensure that Management and Council meet the objectives of the Municipality address the query to be raised by Auditor

Finance Services

PLANNED INTERVENTIONS	Targets 2009/2010	Progress made	Variance	Challenges	Strategic intervention
Fraud Prevention and Anti Corruption mechanism and	To have the Policy in place	In progress		None	To finalise it during the second quarter of 2010/2011
Supply Chain Management policy	Have the policy in place and adopted by council	Policy reviewed and awaiting council approval		Approval by councillors.	To commence using it on the 1st August 2010.
Supply chain management committees in place	To have the committee	Evaluation and adjudication committee in place		No specification we rely on external service providers	To ensure that specification committee is in place internally

Finance Services

Supply Chain Management Services Asset Management	To render the service in accordance with the approved IDP/Budget 2009/2010 Safeguard the assets of the Municipality Stock Counting	Thirteen (13) Projects were awarded. (See attached National Treasury report) Fixed Asset Register is Compiled in accordance with GRAP The Stock Counting was performed on the 28,29& 30 of June 2010 in accordance with GRAP 12		No project Implementation Plan for projects funded by Equitable Share and Own Funding Projects advertised without authorisation Project Management Unit not utilised effectively Infrastructure Assets is incomplete Lack of commitment by Service Provider(Deloitte and Touche) Movement of assets not recorded accordingly The vehicle (Mercedes Bens) could not be opened and verified due to the dead battery.	Finalise Project Implementation Plan for all Projects with the assistance of Director Project Management Unit (PMU) on the 4th August 2010 To implement the Accounting Standard Board(ASB) Directive Four(04) Each Official should be responsible for his/her office furniture. To recharge or start the vehicle weekly because it costs the Municipality whilst not in use.
Repairs and maintenance provision in place	To have the provision made	Provision made on the annual ap-			
Asset register in place and updated	To have updated asset register	Partially updated. Deloitte appointed to assist.		Lack of skill, knowledge and relevant experience by supply chain staff	To consider staff placement as soon as possible Store man to be appointed in 2010/2011

Finance Services

PLANNED INTERVENTIONS	Targets 2009/2010	Progress made	Variance	Challenges	Strategic intervention
Conversion of financial systems to GRAP\GAMAP	To prepare Annual Financial Statements in accordance with GRAP.	In progress of working towards GRAP compliant . The Consultant is appointed to assist with the conversion		Lack of support and Financial skills by MUN-SOFT Staff. Inadequate resources of Mun-soft. The ledger codes are not in terms of standard chart of accounts	To have a new Financial System that will assist the Municipality to have a clean report.
Implementation of valuation roll	Full Implementation of MPRA	Partially Implemented		By-laws not Gazetted. Departments not paying at all. The Valuers not performing as agreed in terms of the contract	Engage our Debt collectors and Valuers to perform their duties as per agreement.

Finance Services

PLANNED INTERVENTIONS	Targets 2009/2010	Progress made	Variance	Challenges	Strategic intervention
Debt reduction policy	To have the policy in place and adopted by the council.	Debt collection and credit control policy developed and adopted by council.		Debtors not understanding the Property Rates Act	To educate the Community
Percentage reduction outstanding debtors		No reduction		Clients not paying	Implementation of the credit control & Debt collection policy. Engage our debt collector.
Cash flow management	Perform all Bank reconciliations Clear all reconciling items from previous financial year	Completed Completed Council Resolution No.12 of 2010 were obtained		ABSA awaiting for Council Resolution To ensure reconciliation are monthly performed and cleared Many bank accounts.	Cashiers to understand their roles. Safeguard the assets of the Municipality. Reduce the bank accounts to four accounts namely, Primary(Main)bank account, Projects account, Investment account and Salaries bank account. Draw cash management policy and procedures.
Expenditure Management	Creditors reconciliation performed. Salaries reconciliation Third parties reconciliation	Completed Completed Completed		Invoices not received in time	To engage stakeholders responsible To ensure Suppliers are paid on or before 30 days

Finance Services

PLANNED INTER-VENTIONS	Targets 2009/2010	Progress made	Variance	Challenges	Strategic inter-vention
Municipal Conditional Grants					
MIG amount allocated	R 27,924,000.00	R 27, 924, 000	NIL	None	
MSIG	R735,000.00	R721,480.00	R13,520.00	None	Revert back the unspent Grant to National Treasury
FMG	R1500,000.00	R1,457,949.00	R42,051.00		Revert back the unspent Grant to National Treasury before or end of October 2010 as classified Creditors on our financial records

Finance Services

Implementation of the Audit plan 2008/09	Have the plan developed and implemented	98% of the queries are addressed. Record management policy developed Some Staff attended workshop on filing		Improper filling of records. Lack of commitment by staff. Follow ups were made but no positive results were achieved Senior Officials and Councillors turn to ignore audit reports. Procurement procedures not followed by some of the Officials That create unnecessary queries and prolong Audit In some instances it can lead to dismissal	All Officials to understand their roles and familiarise themselves with Rules, Regulations and Statutory Acts and Oversight roles by Councillors.
Nature of Audit opinion received 2008/09	To have Un-qualified report	Disclaimer		Lack of commitment. Key positions vacant (CFO, Deputy CFO)	Now filled

Finance Services

PROGRAM	KPI	ANNUAL TARGETS	PROGRESS/SUCCESSES	CHALLENGES/CONSTRAINTS	FUTURE PLAN/ REMEDIAL ACTION
Access to Housing	Municipal Building maintenance plan in place	Building maintenance as per plan.	Municipal building maintained as required.	None	Keep on maintaining municipal building.
	Extension of the Existing municipal offices	Improved and increased office space	The consultant appointed and the design has been submitted for extension of existing municipal offices.	Lack of funds	To have a flat office structure at Motlatle building.
Town and Spatial Planning	No. of sites acquired from Mak-huduthamaga Traditional Authorities for Township Establishment	Jane Furse Township Establishment	Precinct plan prepared for the proposed development Land valuers appointed by DLGH and reports are complete	Unresolved land claims on the subject farm (Verzelegen) and the pending compensation model	Consult the community regarding the valuation report and the pending compensation model

Finance Services

PROGRAM	KPI	ANNUAL TARGET	PROGRESS/ SUCCESSES	CHALLENGES/ CONSTRAINTS	FUTURE PLAN/ REMEDIAL ACTION
Spatial Planning and Land Use Management	No. of sites acquired from Mak-huduthamaga Traditional Authorities for Township Establishment	Acquired site fully developed	<p>Compensation model for beneficiaries/land rights holder(s) to be proposed</p> <p>GSDM advertised tender for Project Management Team to determine technical aspects of the project</p> <p>Jane Furse declared by DRDLR as a focal point for Comprehensive Rural Development Programme (CRDP)</p> <p>GSDM together with MKM proposed implementation plan for the CRDP- in line with the precinct plan and GSDM made a presentation to (Department of Rural Development and Land Reform)DRDLR</p> <p>(Regional Land Claims Commission)RLCC, GSDM & DRDLR agreed to resolve land claims to unblock development</p>	Invasion of the land earmarked for the development	Continuously engage all stakeholders (Departments & tribal authorities) regarding the progress and way forward

Finance Services

PROGRAM	KPI	ANNUAL TARGET	PROGRESS/ SUCCESSES	CHALLENGES/ CONSTRAINTS	FUTURE PLAN/ REMEDIAL ACTION
	No of sites acquired for office expansion	All identified sites acquired.	Motlatle's property evaluated at R300 000.	Property price doubled the evaluation price (600 000).	R400 000 was budgeted for the project on 2010/11 financial year.
	Rezoning and development	Formal planning of all sites targeted for development	PTO granted: 65 (residential) , 30 business 3 farming, 5 telecom mast. Approval in principle: 21 business 14 farming Returns: 14 residents 15 business and 13 farming	No system to capture land use applications Inconsistency from DLGH officials Incomplete applications	Introducing a system to manage and record land use applications. Requesting DLGH to consider business applications. Applicants requested to include their Cell no on their motivation in order to call them when there is something needed.
	LUMS in place and implemented	LUMS awareness seminar	LUMS conference held on 30 th September 2009.	Traditional leaders not implementing conference resolution	Officials and councilors to visit all traditional leaders concerned

Finance Services

PROGRAM	KPI	ANNUAL TARGET	PROGRESS/CESSSES	SUC-	CHALLENGES/CONSTRAINTS	FUTURE PLAN/ RE-MEDIAL ACTION
Building and Supporting LED	Development of the Tourism Strategy	Tourism Strategy in place, adopted and implemented	Tourism Strategy developed and waiting for the adoption by the Council		none	Tourism Strategy to be adopted by the Council
	A number of SMME supported	No of SMME supported.	The following projects has been supported:- Maano a basadi-Khulenyane – Difahlane sorghum project		SMME are not self sustainable	Development of funding policy to help on selection and monitoring for self sustainable
	SMME	Database of SMME developed.	Database developed.		No profile of SMMEs	To profile all SMMEs
	LED Projects Audit	Audit of all poverty alleviation projects funded by parastatals.	Collected database of all poverty alleviation projects funded by parastatals. i.e. MTN & National Lottery		Some parastatals are not willing to provide database	To continue with bilateral for integration of supporting poverty alleviation projects.
	Hawkers stalls	Number of stalls constructed.	Tender has been advertised for the construction of 10 stalls at Apel Cross.		Waiting for the appointment of contractor	Municipality to appoint the contractor as soon as possible

Finance Services

PROGRAM	KPI	ANNUAL TARGET	PROGRESS/ SUC- CESSES	CHALLENGES/ CONSTRAINTS	FUTURE PLAN/ RE- MEDIAL ACTION
Building and Supporting LED	Hawkers by-law	Hawkers by-laws facilitated and in place	Hawkers by-laws submitted to service provider for gazetting	Gazetting process is taking a long time.	Support legal unit to activate the process.
	Investment and marketing strategy implementation.	Branding , Marketing and promotion of local economic product.	All our marketing and investment strategy on the municipal web-site. Supported LED projects to export their product. i.e. Difahlane sorghum project exporting in Botswana.	Export products are of lower quantity	To expand production of Difahlane sorghum project.
	Land Scaping	Branding of entrance municipal investment and marketing.	Erected new municipal brand at Apel Cross entry.	Budget not enough to cover other entries.	To ensure enough budget to cover new branding at five of Municipal entrances
	Tourism Guide	Annual production of 20 000 Tourism Guide	500 tourism brochures printed	None	None
	Tourism exhibition	Tourism exhibition centre erected in Jane Furse	Layout and design of the centre completed	Budget not enough to erect the structure	Re-budget for the erection of exhibition centre