

Chapter 4



Annual Report 2007/8

Sedibeng District Municipality





Chapter 4

4. Financial Statements for the Year ended 30 June 2008

4.1 Overview of Financial Statements

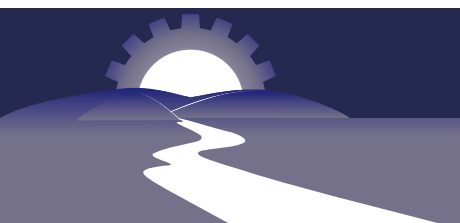
In order to be compliant and in accordance with the MFMA Section 126 (1) (a), our financial statements was prepared and submitted to the Auditor General within the two months after the end of the financial year. Council met the deadline and the financial statements were presented to the Auditor General on the 31 August 2008.

The Minister of Finance, as advertised in the Government Gazette 30013 of 29 June 2007, exempted municipalities to be fully compliant with certain sections of the GAMAP/GRAP implementation, of which Council has taken advantage of and ensured compliance.

Section 122 of the Act deals with the preparation of financial statements, and provides that every municipality and every municipal entity must, for each financial year, prepare annual financial statements which fairly present the state of affairs of the municipality or entity, its performance against its budget, its management of revenues, expenses, assets and its financial results, and its financial position as at the end of the financial year, and which to disclose the information required in terms of Sections 123, 124 and 125.

The financial statements are presented in terms of the GRAP/GAMAP requirements, which are in line with the current approach in the private sector. The financial statements have six components, namely:

- The statement of financial position, previously known as the balance sheet;
- The statement of financial performance, previously known as the income statement;
- The statement of changes in net assets, previously in part the appropriation account section of the income statement;
- The cash flow statement;
- The notes; and
- The appendices.





The overview of our Financial Statements are analyzed and categorized as follows:

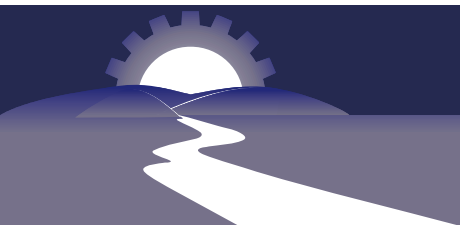
a) Summary of Financial Position Results

The overall financial position of the Sedibeng District Municipality increased by R52,1 million (29%) on Assets and Liabilities. This relates to the following highlights identified:

- Net Assets increased by R59,7 million (50%) as a result of the operating surplus from the statement of financial performance which had a direct impact on the accumulated surplus carried forward.
- Long term liabilities decreased by R328 606.00 (85%) as a result of the loan with ABSA Bank being redeemed in the previous financial year. The lease liability being capitalized.
- Current liabilities decreased by R7,26 million (12%) as a result of unspent conditional grants being utilized during the year specifically with the Top 20 Capital Projects where the projects is near completion.
- Non-current assets increased by R1,1 million (2%) as a result of additional fixed assets proceeds during the financial period.
- Current assets increased by R51 million (41%) as a result of:
 - Debtors increased due to the Department of Health and the Department of Transport not effecting payments due to Sedibeng within the prescribed time.
 - Deferred capital cost has increased as a result of capital projects due on behalf of the Locals but not yet completed.
 - VAT receivable has increased due to the payment from South African Revenue Service (SARS) claimed only received in August 2008.

b) Operational Review (Statement of financial performance)

- Revenue has increased with R44,3 million (19%) in comparison with the previous financial year as a result of an increase in grant subsidies utilized during the year while unspent money were optimally invested which had an impact on interest receivable.
- Expenditure has increased with R35.1 million (19%) which at the end still resulted in an operating surplus of R61,9 million for the year ended. The surplus can be attributed towards the improvement of financial discipline and internal control systems undertaken by the Municipality.





SEDIBENG DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2008

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 26, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 13 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

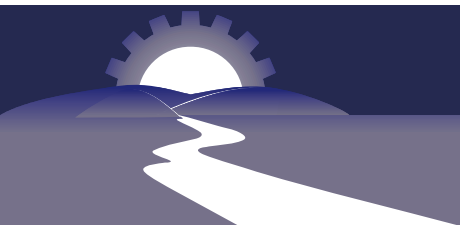
Ms. L SEFTEL
Municipal Manager
10 November 2008





SEDIBENG DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008

	Note	2008 R	2007 R
NET ASSETS AND LIABILITIES			
Net assets		178,265,607	118,534,901
Government grant reserve		20,589,053	21,841,128
Accumulated Surplus/(Deficit)	18	157,676,554	96,693,773
Non-current liabilities		59,754	388,360
Long-term liabilities	1	59,754	388,360
Current liabilities		52,716,264	59,980,457
Provisions	2	9,433,101	7,989,323
Creditors	2	22,798,238	17,411,464
Unspent conditional grants and receipts	3	20,153,769	34,287,656
VAT	4	0	0
Current portion of long-term liabilities	1	331,156	292,014
Total Net Assets and Liabilities		231,041,625	178,903,718
ASSETS			
Non-current assets		56,754,851	55,654,033
Property, plant and equipment	5	56,710,652	55,607,376
Long-term receivables	6	44,199	46,657
Current assets		174,286,774	123,249,685
Other debtors	7	29,569,932	16,908,793
Deferred capital cost	31	25,586,584	12,887,047
VAT	4	2,006,834	1,138,955
Current portion of long-term debtors	6	0	0
Call investment deposits	8	102,513,492	73,286,287
Bank balances and cash	9	14,609,932	19,028,603
Total Assets		231,041,625	178,903,718

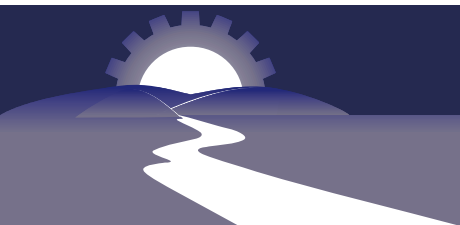




SEDIBENG DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

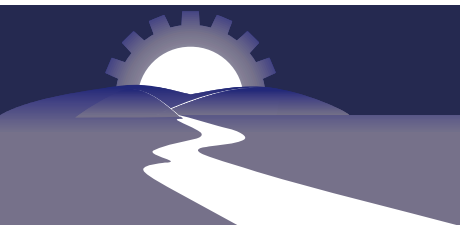
	Pre-GAMAP Old Reserves and Funds	Government Grant Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R
2007				
Balance at 1 July 2007		0	40,000,555	40,000,555
Balance at 1 July 2007	0	0	40,000,555	40,000,555
Surplus/(deficit) for the year			52,698,983	52,698,983
Creditors commitments restated (note 17)			3,994,235	3,994,235
Balance at 30 June 2007	0	0	96,693,773	96,693,773
Implementation of GAMAP		21,841,128		21,841,128
Restated balance	0	21,841,128	96,693,773	118,534,901
Surplus/(deficit) for the year			61,946,946	61,946,946
Transfer to CRR				0
Property, plant and equipment purchased				0
Capital grants used to purchase PPE		29,897		29,897
Adjustments (See note 188)			-964,165	-964,165
Asset disposals		-21,143		-21,143
Offsetting of depreciation		-1,260,829		-1,260,829
Balance at 30 JUNE 2008	0	20,589,053	157,676,554	178,265,607





CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 R	2007 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from/(utilised in) operations	20	18,129,570	71,023,727
Interest received		14,929,420	10,774,647
Interest paid		-68,335	-6,038,484
NET CASH FROM OPERATING ACTIVITIES		<u>32,990,655</u>	<u>75,759,890</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-7,892,657	-8,983,319
Proceeds on disposal of property, plant and equipment		0	0
(Increase)/decrease in non-current receivables		0	0
NET CASH FROM INVESTING ACTIVITIES		<u>-7,892,657</u>	<u>-8,983,319</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised/(repaid)		0	0
(Decrease)/ Increase in long-term loans		-328,606	-40,201,274
(Decrease)/ Increase in short-term loans		39,142	-3,482,141
NET CASH FROM FINANCING ACTIVITIES		<u>-289,464</u>	<u>-43,683,415</u>
NET DECREASE (INCREASE) IN CASH AND CASH EQUIVALENTS		<u>24,808,534</u>	<u>23,093,156</u>
Cash and cash equivalents at the beginning of the year		92,314,890	69,221,734
Cash and cash equivalents at the end of the year	21	117,123,424	92,314,890





1. SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognized Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

These standards are summarized as follows:

GRAP 1	Presentation of financial statements
GRAP 2	Cash flow statements
GRAP 3	Accounting policies, changes in accounting estimates and errors
GAMAP 4	Effects of changes in foreign exchange rates
GAMAP 7	Accounting for investments in associates
GAMAP 8	Financial reporting of interests in joint ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, plant and equipment
GAMAP 19	Provisions, contingent liabilities and contingent assets

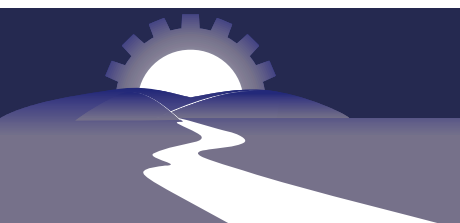
Accounting policies for material transactions, events or conditions not covered by the above GRAP and or GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of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

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

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

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

GAMAP, GRAP and GAAP standards are fundamentally different to the fund accounting policies adopted in previous financial years. Comparative amounts have been restated retrospectively to the extent possible. The effect of the change in accounting policy arising from the implementation of GAMAP, GRAP and GAAP is set out in Note 18 & 19





1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

1.3 GOING CONCERN ASSUMPTION

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

1.4 RESERVES

1.4.1 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit). The balance on Government Grant Reserve equals the carrying value of the items of properties, plant and equipment funded from government grants.

When an item of PPE financed from government grants is disposed, the balance in the GGR relating to such items is transferred to the accumulated surplus/(deficit).

1.4.2 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions. The balance on the Donations and Public Contributions Reserve equals the carrying value of the item of property, plant and equipment funded from donations and public contributions.

When items of property, plant and equipment financed from public contributions and donations, the balance relating to such item is transferred to the accumulated surplus/(deficit).

1.5 PROPERTY, PLANT AND EQUIPMENT

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

Land and buildings were recognized as items of property, plant and equipment.

Accounting Policy for the 2006/07 and 2007/08 financial year:

In terms of the exemptions granted by the Minister of Finance no review of useful life of items of PPE or the depreciation method applied to PPE was done as is required by GAMAP 17. No impairment testing was done for non-cash-generating assets as well as cash-generating assets due to the application of an exemption of IAS 36/AC 128 granted in Gazette 30013.

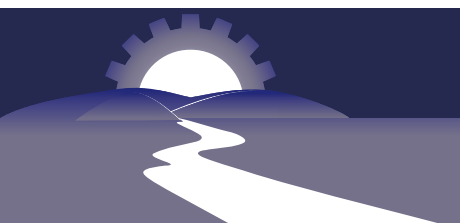
The municipality is exempt from IAS 40 (AC 135) as it has not recognized any property as investment property but as property, plant and equipment in terms of GAMAP 17. It only recognizes its property as investment property when it is certain that it meets the definition of investment property.

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

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

Other

Buildings	30
Motor vehicles	5
Office equipment/computers	3-7
Furniture and fittings	3-10





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

1.6 INVESTMENTS

Financial instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

Accounting policy for 2006/07 and 2007/08 financial year:

The municipality does not test for impairment of assets as it is exempted from IAS 36 (AC128) in entirety.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

1.7 ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

1.8 TRADE CREDITORS

Trade creditors are stated at their nominal value.

1.9 REVENUE RECOGNITION

9.1 Revenue from Exchange Transactions

Interest and rentals are recognized on a time proportion basis.

9.2 Revenue from non-exchange transactions

Revenue from Regional Services Levies, both those based on turnover as well as those based on remuneration, is recognised on receipt basis against the appropriation account.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognized when payment is received.

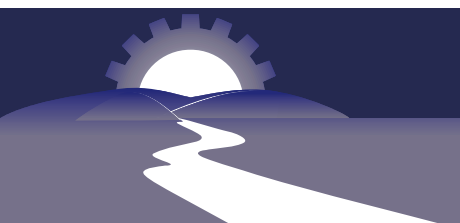
Donations are recognized on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognized when such items are brought into use.

Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognized when the recovery thereof is virtually certain.

1.10 CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognized as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognized.





1.11 PROVISIONS

Provisions are recognized when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate.

1.12 CASH AND CASH EQUIVALENTS

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

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, investments in financial instruments and net of bank overdraft.

1.13 UNAUTHORISED EXPENDITURE

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

1.14 IRREGULAR EXPENDITURE

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

1.15 FRUITLESS AND WASTEFUL EXPENDITURE

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

1.16 COMPARATIVE INFORMATION

1.16.1 Current year comparatives:

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

1.16.2 Prior year comparatives:

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

1.17 LEASES

Accounting policy for 2006/07 and 2007/08 financial year:

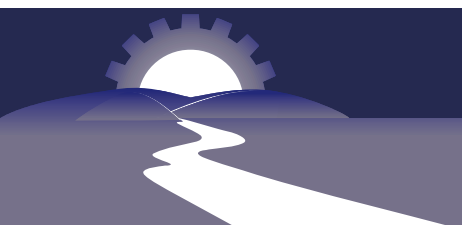
Exempted from recognizing operating lease payments on a straight-line basis if the amounts are recognized on the basis of the cash flows in the lease agreement (IAS 17 (AC 105))

1.18 RETIREMENT BENEFITS

The Municipality provides retirement benefits for its employees and councillors.

Contributions to defined contribution retirement plans are recognised as an expense when employees and councillors have rendered the employed service or served office entitling them to the contribution.

The municipality has been exempted in terms of the government gazette from recognising actuarial assets and liabilities.





1.19.EXEMPTIONS

1.19.1 Full Advantage

The municipality had taken full advantage of all the exemptions by the Minister of Finance in Government Gazette 30013 of 29 June 2007. These exemptions are for the 2006/07 and 2007/08 financial years.

1.19.2 Adjustment for full compliance

By complying fully with the standards that are now exempted and of which full advantage has been taken will result in changes in the following:

1.19.2.1 Statement of Financial Performance:

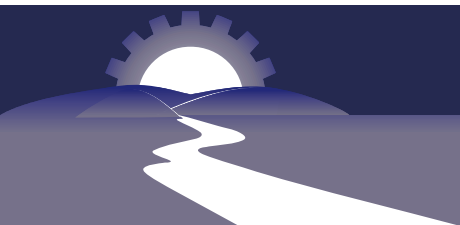
- Impairment loss/gain
- Changes in fair value of assets
- Adjustment expenditure for intangible assets

1.19.2.2 Statement of Financial Position:

- Property, plant and equipment adjusted for impairment
- Property, plant and equipment adjusted for intangible assets
- Recognizing of intangible assets

1.20 DEFERRED CAPITAL CHARGES

Deferred capital charges are capital assets done on behalf of the Local Municipalities. These projects are only handed over after full completion of the project and therefore all those uncompleted capital projects will be shown as deferred capital charges until date of transfer





APPENDIX B

SEDIBENG DISTRICT MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Land and Buildings										
Land and Buildings	28,768,112				28,768,112	3,888,409	973,694	0	4,862,103	23,906,009
Buildings	0				0	0	0	0	0	0
	28,768,112	0	0	0	28,768,112	3,888,409	973,694	0	4,862,103	23,906,009
Infrastructure										
Water	3,773,085				3,773,085	380,144	189,171		569,315	3,203,770
Runways	846,850				846,850	109,721	42,459		152,180	694,670
Fencing	7,813,275	21,518			7,834,793	1,871,949	1,433,377		3,305,326	4,529,467
	12,433,210	21,518	0	0	12,454,728	2,361,814	1,665,007	0	4,026,821	8,427,907
Community Assets										
Cemetries, Theatres and Community centres	11,402,532				11,402,532	678,910	381,126		1,060,036	10,342,496
	11,402,532	0	0	0	11,402,532	678,910	381,126	0	1,060,036	10,342,496
Heritage Assets										
Paintings	1,876	0	0	0	1,876	0	0	0	0	1,876
	1,876	0	0	0	1,876	0	0	0	0	1,876
Other Assets										
Furniture and office equipment	4,602,224	949,411		-39,511	5,512,124	2,980,878	365,925	-36,076	3,310,727	2,201,397
Plant and Equipment	5,630,447	157,910		-1,843	5,786,514	4,353,015	462,888	-1,843	4,814,060	972,454
Computer equipment and appliances	9,776,614	1,833,736		-507,571	11,102,779	4,970,310	2,033,923	-465,532	6,538,701	4,564,078
Vehicles and Trailers	4,188,243	4,930,082		-100,000	9,018,325	2,352,533	831,056	-100,000	3,083,589	5,934,736
Aircrafts	384,211				384,211	27,719	25,684		53,403	330,808
Watercraft	68,880				68,880	35,385	4,604		39,989	28,891
Medical Equipment	1,500				1,500	1,500			1,500	0
	24,652,119	7,871,139	0	-648,925	31,874,333	14,721,340	3,724,080	-603,451	17,841,969	14,032,364
Total	77,257,849	7,892,657	0	-648,925	84,501,581	21,650,473	6,743,907	-603,451	27,790,929	56,710,652





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

	2008 Actual (R)	2008 Budget (R)	2008 Variance (R)	2008 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
REVENUE					
Rental of facilities and equipment	7,556,373	5,770,150	1,786,223	31%	Income higher than anticipated due to increase in Fresh Produce Market sales
Interest earned - external investments	14,788,596	6,384,000	8,404,596	132%	Additional income due to interest increases and equitable share allocations received in advance.
Interest earned - outstanding debtors	140,824	70,000	70,824	101%	Credit collection on RSC levies increased which result in old declarations being made while interest has been calculated on those levies.
Licenses and permits	36,602,220	34,500,000	2,102,220	6%	
Income for agency services	3,652,677	3,358,702	293,975	9%	
Government grants and subsidies	219,292,589	212,262,997	7,029,592	3%	
Other income	1,249,024	1,457,000	-207,976	-14%	IT services rendered to Midvaal Local Municipality higher than anticipated as a result of salary claims based on actual expenditure
Total Revenue	283,282,303	263,802,849	19,479,454	7%	
EXPENDITURE					
Employee related costs	120,577,686	119,446,907	1,130,779	1%	
Remuneration of Councillors	6,875,035	6,427,335	447,700	7%	
Bad debts	352,563	450,000	-97,437	-22%	RSC levies possible recovery rate has decreased which implies that we made a provision for the write off in total.
Contribution to leave days	2,008,489	1,900,000	108,489	6%	
Depreciation	5,483,078	5,980,460	-497,382	-8%	
Repairs and maintenance	2,623,603	4,343,671	-1,720,068	-40%	Anticipated repair and maintenance programmes not completed as a result of a new Facility unit being created during restructuring process
Interest on external borrowings	68,335	54,495	13,840	25%	Increase in interest rates had an impact on interest payable
Contracted services	10,929,406	17,385,263	-6,455,857	-37%	Contracted services lower than anticipated as a result of identified programmes being performed inhouse and/or postponed
Local Municipal agency services	8,323,646	9,713,133	-1,389,487	-14%	Vacancies within Municipal health services created less expenditure to be paid to locals on claims submitted
Grants and subsidies paid	19,001,178	20,000,000	-998,822	-5%	Grants paid to Local Municipalities is lower than budgeted as a result of projects not yet finalized in this financial year
General expenses - other	45,092,338	65,918,894	-20,826,556	-32%	Under spending as a result of programmes not being finalized according to SDBIP which had an impact on the alignment of the budget
Loss on disposal of property, plant and equipment		0	0	0%	
Total Expenditure	221,335,357	251,620,158	-30,284,801	-12%	
NET SURPLUS/(DEFICIT) FOR THE YEAR	61,946,946	12,182,691	49,764,255	408%	





APPENDIX F
SEDIBENG DISTRICT MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies received

Name of Grants	Name of organ of state or municipal entity	Total Receipts for the Year	Total Expenditure for the Year	Delay \ withheld	Gazette amount Municipal year	Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Total	Total	Total	Total			
Equitable Share	DPLG	161,814,997	161,814,997	0	161,814,997	None	Not Applicable	None
Emergency Medical Services Grant	Dept of Health	27,836,234	27,836,234		27,748,000		Not Applicable	None
Youth Centre Grant	Provincial	480,000	480,000		600,000		Not Applicable	None
FM Grant	National Treasury	500,000	200,071	0	0	None	Yes	None
<i>MIG grant</i>	DPLG	0	1,328,277	0		None	Yes	None
DLG grant	DPLG	10,000,000	19,011,493	0	10,000,000	None	Yes	None
<i>MSP grant</i>	DPLG	0	0	0		None	Yes	None
Incentive Grant	DPLG	0	0	0	0	None	Yes	None
HIV & AIDS grant	Provincial	1,750,000	2,193,445	0	1,750,000	None	Yes	None
Sports, recreation, arts and culture	Provincial	0	144,962	0	0	None	Yes	None
Department of Housing	Provincial	428,647	254,510	0	0	None	Yes	None
Local Economic Development Grant	Dept of Health	300,000	87,719	0	0	None	Yes	None
Dwarf	DWARF	0	0	0	0	None	Yes	None
Health Subsidy	Dept of Health	0	2,367,660	0	0	None	Yes	None
IDP Grant	National Treasury	0	330,087	0	0	None	Yes	None
Municipal Systems Improvement Grant	DPLG	1,000,000	389,571	0	1,000,000	None	Yes	None
Roads Infrastructure	Dept. of Transport	0	1,134,418	2,416,346	0	None	Yes	None
Lotto Sport	Sundries	0	0	0	0	None	Yes	None
CCTV Project	Emfuleni LM	0	1,719,145					
		204,109,878	219,292,588	2,416,346	202,912,997			

Equitable Share, Emergency medical services grant and Youth centre grant shown as expended in order that total grant expenditure recognised as revenue balance with Note 10





AUDITOR-GENERAL

Ms L Seftel
Municipal Manager
Sedibeng District Municipality
P O Box 471
Vereeniging
1930

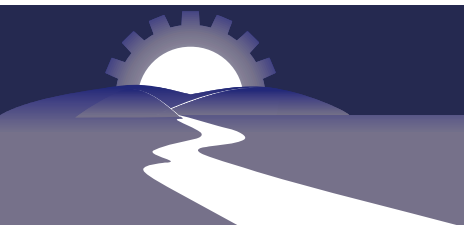
30 November 2008

Reference: TS 98 19611/2

Dear Ms Seftel

Report of the Auditor-General on the financial statements and performance information of Sedibeng District Municipality for the year ended 30 June 2008

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act, 2004 (Act No. 25 of 2004 read in conjunction with section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 121(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003)(MFMA).
2. In terms of section 121(3) and 127(2) of the MFMA, municipalities have to include the audit report in the municipality's annual report for tabling within seven months after the end of the financial year. **This report must also please be referred to the Municipal Standing Committee on Public Accounts**
3. Until tabled as required by section 127(2) the report is **not a public document** and should therefore be treated as **confidential**.
4. As your municipality will be responsible for publishing the attached audit report as part of the annual report, you are required to do the following:
 - Submit the final printer's proof of the annual report (which includes the audit report) to the relevant audit manager of the Auditor-General for verification of the audit-related references before it is printed or copied. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.
 - The signature at the end of the hard copy of the audit report should be scanned in when preparing to print the report. The signature Auditor-General in the handwriting of the auditor authorised to sign the audit report, as well as the place and date of signing and the logo should also appear at the end of the report, as in the hard copy that is provided to you. The official logo and the authorised signature will be made available to you in electronic format if required.
5. Ten (10) copies of the report must be submitted immediately after printing to the following address:





Auditor-General
Att: Parliamentary Manager
61 Central Street
Houghton

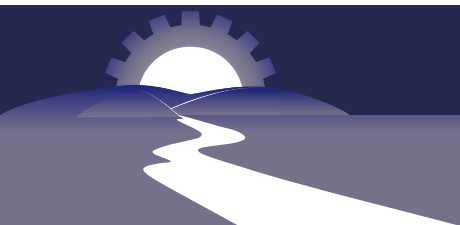
6. Please notify the Provincial Auditor-General (Business Executive) well in advance of the date on which the audit report, or the annual report containing this audit report, will be tabled.
7. Your cooperation to ensure that all these requirements are met would be much appreciated.
8. Kindly acknowledge receipt of this letter.

Yours sincerely

A handwritten signature in black ink, appearing to be 'V. Msibi', written over a horizontal line.

Vusi Msibi
Operations Leader: Gauteng

Enquiries: Ockie Ludick
Telephone: (011) 703-7638
Fax: (011) 703-7699
Email: ockiel@agsa.co.za





REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF SEDIBENG DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008

REPORT ON THE FINANCIAL STATEMENTS

Introduction

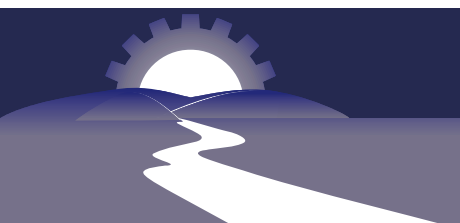
1. I have audited the accompanying financial statements of the Sedibeng District Municipality which comprise the statement of financial position as at 30 June 2008, statement of financial performance and cash flow statement for the year then ended, and a summary of significant accounting policies and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

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury as set out in note 1 to the financial statements and in the manner required by the Local Government: Municipal Finance Management Act, 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
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

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



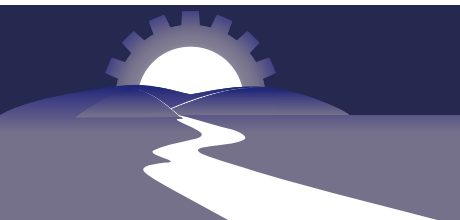


Matters of governance

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

Matter of governance	Yes	No
Audit committee		
• The municipality had an audit committee in operation throughout the financial year.	✓	
• The audit committee operates in accordance with approved written terms of reference.	✓	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.	✓	
Internal audit		
• The municipality had an internal audit function in operation throughout the financial year.	✓	
• The internal audit function operates in terms of an approved internal audit plan.	✓	
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.	✓	
Other matters of governance		
• The annual financial statements were submitted for audit as per the legislated deadlines (section 126 of the MFMA).	✓	
• The annual report was submitted to the auditor for consideration prior to the date of the auditor's report.		✓
• The financial statements submitted for audit were not subject to any material amendments resulting from the audit.		✓
• No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.	✓	
• The prior year's external audit recommendations have been substantially implemented.	✓	
Implementation of Standards of Generally Recognised Accounting Practice (GRAP)		
• The municipality submitted an implementation plan, detailing progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 30 October 2007.4	✓	
• The municipality substantially complied with the implementation plan it submitted to the National Treasury and the relevant provincial treasury before 30 October 2007, detailing its progress towards full compliance with GRAP.4	✓	
• The municipality submitted an implementation plan, detailing further progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 31 March 2008.	✓	

22





6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.

7. Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by Sedibeng District Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.

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

Basis of accounting

9. The municipality's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 to the financial statements.

Opinion

10. In my opinion, the financial statements present fairly, in all material respects, the financial position of Sedibeng District Municipality as at 30 June 2008 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 to the financial statements and in the manner required by the MFMA and DoRA.

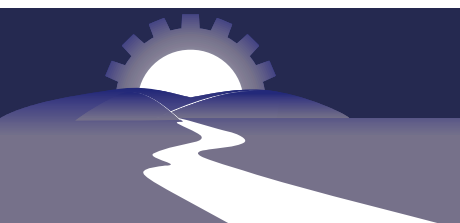
OTHER MATTERS

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

Non-compliance with applicable legislation

Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)

11. During the year under review the municipality did not have a fraud prevention plan and a risk implementation plan. This was in contravention of section 62(1)(c) of the Municipal Finance Management Act.
12. Irregular expenditure was incurred during the current and prior financial year. However, the reporting requirement in terms of section 32(4) of the Municipal Finance Management Act was not complied with.





Unaudited supplementary schedules

14. The supplementary information set out on pages 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.

OTHER REPORTING RESPONSIBILITIES

REPORTING ON PERFORMANCE INFORMATION

15. I have audited the performance information as set out on pages xx to xx.

Responsibility of the accounting officer

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

Responsibility of the Auditor-General

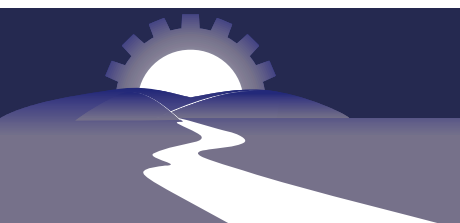
17. I conducted my engagement in accordance with section 13 of the PAA, read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA .
18. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate audit evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
19. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings (performance information)

Non-compliance with regulatory requirements

No reporting of performance information

20. The accounting officer did not submit the performance assessment report of the municipality to the National Treasury, and the Provincial Treasury as required in terms of MFMA section 72(1)(b).





Content of integrated development plan

21. While KPI's have been set for each of the seven IDP Key Priority Areas by the municipality, input indicators, output indicators and outcome indicators, in respect of each of the development priorities and objectives set out in the IDP have not been included as required in terms of the Municipal Planning and Performance Management Regulation, 2001, Regulation 9(1)(a).
22. The KPI's recorded in the IDP are not necessarily measurable and precise as required in terms of the Municipal Planning and Performance Management Regulation, 2001, Regulation 9(1) (b).

Existence and functioning of a performance audit committee

23. The performance audit committee did not review the Sedibeng District Municipality's performance management system and make recommendations in this regard to the council of the Sedibeng District Municipality.

Internal auditing of performance measurements

24. The internal audit processes and procedures did not include assessments of the functionality of the Sedibeng District Municipality's performance management system and whether the system complied with the requirements of the MSA.

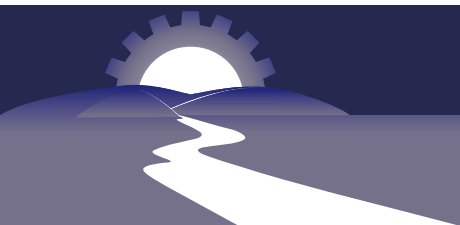
APPRECIATION

25. The assistance rendered by the staff of the Sedibeng District Municipality during the audit is sincerely appreciated.

Auditor-General

Johannesburg

30 November 2008





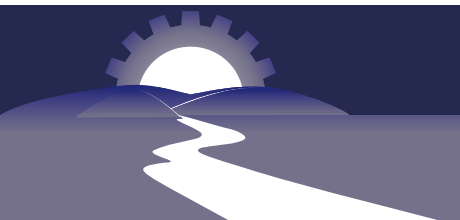
**ACTION PLAN FOR AUDITOR-GENERAL'S REPORT ON THE REGULARITY AUDIT AND
AUDIT OF PERFORMANCE INFORMATION**

PERFORMED AT SEDIBENG DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008

SUMMARY OF AUDIT FINDINGS AND ACTION PLANNED

AUDIT REPORT: OTHER MATTERS

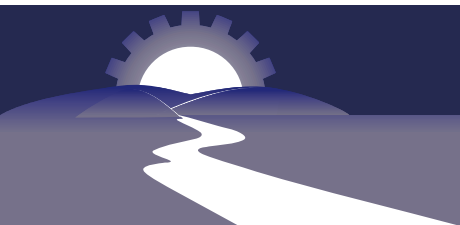
NO.	A G PAR NO.	FINDING	CLASSIFICATION	REPORTED IN PREVIOUS YEAR	CLUSTER AND DEPARTMENT	TARGET DATE
CONTROL ENVIRONMENT						
1	9	Fraud Considerations	Compliance	Yes	Municipal Manager's Office	30-Jun-09
2	29	No evaluation of Audit Committee by Council	Control	Yes	Municipal Manager's Office	30-Jun-09
3	10	No progress on risk implementation	Compliance	No	Municipal Manager's Office	30-Jun-09
4	4	Audit committee – No evaluation of audit committee by the council	Compliance	No	Municipal Manager's Office	30-Jun-09
EMPLOYEE COSTS						
5	30	No written policy on overtime	Control	No	Corporate Services - Human Resources	30-Jun-09
PERFORMANCE INFORMATION						
23	12	Key Indicators	Control	Yes	Planning & LED	30-Jun-09
24	13	Organogram for implementation of the IDP	Control	No	Corporate Services	30-Jun-09
25	14	Review of IDP by the performance audit committee	Control	No	Municipal Manager's Office	30-Jun-09





26	15	Assessment of the functionality of the PMS	Control	No	Municipal Manager's Office & Planning & LED	30-Jun-09
28	17	Community involvement and development, implementation and review of PMS	Control	Yes	Speakers Office	30-Jun-09
29	18	Output, & outcome indicators	Control	No	Planning & LED	30-Jun-09
30	19	KPI's: measurable, relevant & precise	Control	No	Planning & LED	30-Jun-09
31	20	General KPI's	Control	No	Planning & LED	30-Jun-09
32	21	Performance report of half yearly assessment to mayor, national treasury, and provincial treasuries	Control	No	Municipal Manager's Office & Planning & LED	30-Jun-09
33	22	Format and content of annual performance report	Control	No	Municipal Manager's Office & Planning & LED	30-Jun-09
34	23	Public disclosure of annual report and relevant procedures	Control	No	Municipal Manager's Office & Planning & LED	30-Jun-09
35	25	Completeness of processing of performance information	Control	No	Municipal Manager's Office & Planning & LED	30-Jun-09
36	26	Variances between planned and actual performance not explained in the annual performance report	Control	No	Municipal Manager's Office & Planning & LED	30-Jun-09
37	27	Roads infrastructure	Control	No	Transport, Infrastructure & Environment	30-Jun-09
38	28	Publishing of annual performance report in annual report	Control	No	Municipal Manager's Office	30-Jun-09

* All financial related matters of emphasis were complied with in accordance to the MFMA and appropriately substantiated to the Auditor- General.





4.5 Report of the Audit Committee for the year ended 30 June 2008

Due to the backlog of items to be dealt with by the Audit Committee, it can be reported that the Committee is currently in the process to complete its report for submission to the Executive Mayoral Committee and Council.

❖ Audit Committee Members and attendance:

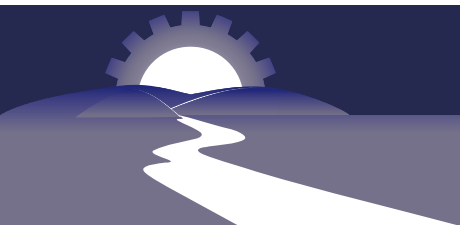
The Audit Committee however, consist of the members listed below and should meet at least 4 times per annum as per approved terms of reference, although additional special meetings may be called as the need arise:

Chairperson: MFX Mogodi
Member: M Moleleki
Member: Dr A Pittendrigh
Member: M P Phaswana
Member: M D Mazibuko

Other meetings with the Executive Mayor, Municipal Manager, Auditor-General and Internal Audit were held.

In conclusion the Audit Committee is committed in its responsibility to report on matters in compliance to its responsibilities arising from its terms of reference which includes relevant legislation but not limited to the reporting of the following aspects:

- Review and evaluation of the Annual Financial Statements
- Efficiency and effectiveness of internal control (Internal Audit function)
- Performance measurement of the municipality
- Risk Management
- Anti-Fraud and Corruption Matters which occurred in the municipality.





4.6 Disclosure concerning: Councillors and Executive Directors Remuneration for 2007/2008

	2008
REMUNERATION OF COUNCILLORS	R
Executive Mayor	541,572
Speaker	426,842
Councillors	5,320,378
Councillors' pension contribution	586,243
Total Councillors' Remuneration	6,875,035

30 JUNE 2008	Municipal Manager	All Executive Directors and Treasury (CFO)
	R	R
Annual Remuneration	891,984.72	488,851.92
Performance Bonuses	0	0
Car Allowance	-	102,000.00
Medical, pension fund and other allowances	44,599.20	124,358.04
Total	936,584	715,210

