6th Floor, HSRC Building
134 Pretorius Street
Pretoria
P.O.Box 2094
Pretoria, 0001.
Tel: (012) 338 6700
Fax: (012) 338 6747/6762
Website: www.salga.net
National Conference Website: www.salga2004.co.za

SALGA
South African Local Government Association

National
CONFERENCE
26 - 30 September 2004

Treasurer's Report

Index

SALGA
South African Local Government Association

TREASURER'S COMMENTS

It is no exaggeration that enormous strides have been made since the National General Council (NGC) held in November 2002. The report of that NGC raised two main concerns relating to the administration of funds within SALGA and these concerns were:

- Unapproved Policies
- Ineffective Internal Control Systems

With the view to remedying the situation of unapproved policies, The National Management Committee (NMC) immediately delegated the Finance Working Group (FWG) to review SALGA policies and formulate recommendations in pursuance of this mandate. The FWG subsequently reviewed all quarterly financial reports and aligned SALGA's system with the provisions of the Public Finance Management Act (PFMA) 1 of 1999 as amended by Act 29 of 1999. The FWG developed draft policies and presented them to the NMC for approval.

SALGA as a listed public entity is required by the PFMA to comply with the Act's provision on Internal Control Systems. The promulgation of this piece of legislation serves to promote accountability and transparency.

Salga undertook efforts to enhance the internal control system by introducing the following:

- Internal Audit Function
- Streamlining the Audit Committee to carry out its functions in line with the PFMA

The achievements and functions of the committee shall be dealt with later on in this report.

Challenges of the PFMA

The implementation of the PFMA poses a number of far-reaching challenges for SALGA:

- The Executive Authority is defined as the Minister of Provincial and Local Government. By implication the National Executive Committee (NEC) is no longer the Executive Authority as it was the case in terms of SALGA's constitution.
- Furthermore , accountability in terms of Financial reporting shall lie with the Executive Authority, that is, the Minister of provincial and local government and no longer to the National Conference which, constitutionally speaking, is SALGA's highest decision making body.
- The financial year end will have to be changed to 31 March. This will no doubt pose enormous difficulties in aligning SALGA's role to its members in terms the latter's role in budgeting and cash flow administration.

Needless to mention, the above mentioned challenges will have to be addressed by the newly elected leadership of SALGA. In doing so doing, the leadership will of necessity, have to engage the National Treasury and the Minister of Provincial and Local Government with the view to resolving the issues of reporting lines.

There has been an improvement in the financial position of SALGA since a consensus was reached to restructure and unify the levy collection structure. In line with the NEC decision to centralise the collection of levies, there has been a 68% increase overall in our revenue base which includes the donor funds since 2002. From the financial year ending 30 June 2004, it is evident that Salga is totally no longer dependent on the equitable share.

- 52% of the income was derived from the municipal Levies
- 28% from the equitable share
- 13% from other income

Challenges of Central Collection of levies which are Payable by Municipalities

We acknowledge that our members have committed themselves to paying their levies despite the inherent problems in the current formula used which is costly to some municipalities. We also acknowledge with appreciation the cost that certain municipalities carry in promoting the work of Salga.

The incoming leadership is faced with the challenge of revisiting the formula used since it is now in its third year running, by taking into account some of the challenges we faced in the past three years in the collection of levies. A means of quantifying some of the expenses incurred by municipalities as part of their contribution to levies payment, for example workshop payments, must also be looked into.

Audits of Provincial Associations by the Office of the Auditor General

The Provincial Associations must also comply with the PFMA and be audited by the office of the Auditor General as stipulated in the PFMA.

Conclusion

SALGA maintains financial and operational systems of internal control. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management's authority, that the assets are adequately safeguarded against material loss or unauthorised acquisition, use, or disposal and that transaction are properly authorised and recorded.

The Office of the Auditor General reports findings and recommendations to management of SALGA. Corrective action is taken to address controls and the deficiencies and improve the systems as identified. The Audit Committee provides oversight to the financial reporting process and Internal Controls.

In conforming to the internal financial policies and procedures, as well as legislative requirements, this report seeks to:

- Address the achievements and functions of both the Internal Audit and Audit Committee;
- Comment on matters raised by the Office of the Auditor General and steps implemented to address same;
- The financial performance of SALGA, including the audited financial statements from financial year 2002 to 2004; and
- The municipal levies that are to be collected and amounts payable for the 2004/5 financial year.

In view of the aforegoing, especially with the good progress that SALGA has made thus far, I am pleased indeed to present this report to the National Conference.

J Mokoena
TREASURER

INTERNAL AUDIT FUNCTION

To ensure compliance with the PFMA, the SALGA Internal Audit department was established in January 2004 and the Internal Audit Charter was subsequently presented to the Audit Committee for approval on the 18 March 2004.

According to the Institute of Internal Auditors, Internal Auditing can be defined as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

The **purpose** of an Internal Audit function is the provision of an advice and support service to SALGA, especially its line management, by evaluating the governing-, management- and functional processes against the requirements of effectiveness and efficiency and the consequent reporting thereof.

The **scope of work** of Internal Auditing is to determine whether the association's network of risk management, control, and governance processes, as designed and represented by management, are adequate and functioning effectively, economically and efficiently.

The key performance areas of the internal audit function can be divided into the following three categories:

Governance: The evaluation of the process through which:
- Goals and values are established and communicated.
- The accomplishment of goals is monitored.
- Accountability is ensured and corporate values are preserved.

Risk Management:
Internal Audit must assist the management in identifying, evaluating and assessing significant organisational risks and provides assurance as to the effectiveness of related internal controls.

Furthermore Internal Audit evaluates the risk management processes of SALGA for efficiency and effectiveness.

Controls:
The evaluation of the appropriateness, effectiveness and efficiency of controls, which management relies on to manage the risks down to acceptable levels, and the development of recommendations for enhancement or improvement.

Work undertaken by the Internal Audit Function

Risk Assessment
Section 51.76 and Treasury regulations 27of the PFMA state that:
- The Accounting Authority must ensure the facilitation of risk assessment to identify risks
- The Accounting Authority must ensure that a formal strategy is in place to manage these risks

This enables management of SALGA:
- To manage while being accountable for the use of resources made available to them
- To implement sound financial systems and processes; and
- To effectively manage Revenue, Expenditure, Assets & Liabilities

In order to produce a risk assessment that addresses all the risks, SALGA conducted risk assessment in two of its provincial associations to ensure that a comprehensive view is taken of risk management, and that risk analysis incorporates all the risk. Good progress is being made and we anticipate that the macro risk assessment of SALGA to be finalised towards the end of September 2004.

Due Diligence Audits
Due Diligence Audits have been conducted by Internal Audit in Provincial Associations to attain reasonable assurance regarding:
- The safeguarding and control of the assets of SALGA;
- The economical and efficient management of the resources of SALGA and the effective performance of the functions of SALGA; and
- Proper design and functioning of control procedures of SALGA.

The audits were conducted in the following provincial associations:
SALGA Mpumalanga
SALGA Nothwest
SALGA Limpopo
SALGA Eastern Cape
SALGA Northern Cape; and
SALGA Free State

Audit Approach and objectives
The audit comprised a complete system and operational review, as well as a transaction audit for the period July 2003 to June 2004. The audit approach, based on COSO, is risk driven and focuses on the following four control objectives:
- Effectiveness and efficiency of operations
- Reliability of financial and management reporting
- Compliance with the applicable laws and regulations; and
- Adequacy of procedures to safeguard assets

Audit evidence was obtained using procedures performed on a test basis and accordingly, the findings reported do not necessarily disclose all deficiencies, which may exist. In this regard it is emphasised that it is the responsibility of management to implement and maintain a system of internal control, which ensures attainment of the principal control objectives set out above.

A complete operations audit was performed. All activities, processes and systems were evaluated and potential high-risk areas were identified and will be included in the risk assessment report. Based on the specific audit tests we are of the opinion that enough evidence and information was obtained to express our audit conclusion.

There were deficiencies in the internal control systems which were identified. The findings and recommendations of these audits were made available to management and the leadership of Provincial Associations. What has been witnessed subsequently is that there is tremendous change for the better and we are pleased that our recommendations are being implemented.

SALGA NATIONAL
Management of SALGA requested Internal Audit Function to conduct audit in the following areas:
- Leave
- Recruitment
- Procurement
- Assets

There were some special investigations were conducted during the period to provide management with an objective assurance as to whether due procedures and policies were followed.

AUDIT OBJECTIVES
The objectives of the audits conducted were to:
- Evaluate the adequacy/design of controls to provide reasonable assurance that management objectives will be achieved.
- Test the effectiveness and efficiency of those controls.

- Test compliance with laws, regulations and acts.

Audit evidence was obtained using procedures performed on a test basis and accordingly, the findings reported do not necessarily disclose all of the deficiencies, which may exist. In this regard it is emphasised that it is the responsibility of management to implement and maintain a system of internal control.

The weaknesses in the systems and procedures were identified and details of our findings were communicated to management. The Internal Audit is satisfied that management have taken action with a view to enhancing the operational internal control.

AUDIT COMMITTEE

The Audit Committee of SALGA was established in October 2002 under the chairmanship of Mr K Chetty. The Audit Committee's responsibilities in terms of Treasury Regulation 27 entrusts the audit committee to be responsible for, among other things, the following:

- Review and discuss with the Audit General and Accounting Authority the audited annual financial statement to be included in the annual report
- Review the Auditor General's management letter and management response
- Review significant adjustments resulting from the audit
- Review the effectiveness of the internal controls and to consider the most appropriate system for the effective operation of its business.
- Review effectiveness of the internal audit
- Review risk areas of the operations to be covered in the scope of internal and external audits
- Review the adequacy, reliability and accuracy of the financial information provided to management and other users of such information; and
- Review compliance with legal and regulatory provisions

Work undertaken by the Internal Audit Function

The Audit committee has complied with its responsibilities arising from section 51(1) (a) of the Public Finance Management Act and Treasury regulation 27.1.10. The Audit Committee also discharged its responsibilities as contained in the formal terms of reference as its Audit committee Charter.

The financial statement for the year ending 2003 and 2004 were evaluated and the Audit Committee has;

- Reviewed and discussed with the Audit General and Accounting Authority the audited annual financial statement to be included in the annual report
- Reviewed the Auditor General 's management letter and management response; and
- Reviewed the significant adjustments resulting from the audit
- Reviewed the effectiveness of the internal Controls and considers the system appropriate for the effective operation of its business.

The Audit committee concurs and accepts the conclusion of the Auditor General on the financial statements.

COMMENTS ON ISSUES RAISED IN THE AUDIT REPORT BY THE OFFICE OF THE AUDITOR GENERAL

Financial year ending 30 June 2001/2
SALGA obtained an unqualified audit opinion with emphasis of matter drawn to the following:
- Finance and Human Resources policies not approved.

After taking cognisance of the Auditor General's concerns, the following steps were taken to address same:

The National Management Committee (NMC) of SALGA delegated the Finance Working Group (FWG) to deal with SALGA's finances including the policies applicable thereto. The Policies were presented to the FWG which were thereafter approved NMC.

Financial year ending 30 June 2002/3
SALGA received an unqualified audit report with emphasis of matter. SALGA was listed as a public entity on the 1st of July 2002. This was the first year of audit in terms of the Public Finance Management Act (PFMA). The office of the Auditor General raised under emphasis of matter the following with regard to non-compliance with the provisions of PFMA:
- No Internal Audit Function
- Risk Assessment not conducted
- No quarterly reporting to the Executive Authority
- No cash flow projections; and
- No Materiality framework

Taking cognisance of the Auditor General's concerns, the following steps were taken to address same:

No Internal Audit Function
The Internal Audit Function of SALGA was established in January 2004 and the SALGA Audit Committee approved the Internal Audit Charter on The 18th March 2004.

Risk Assessment not conducted
In order to produce an assessment that addresses all the risks, SALGA conducted risk assessment's in two of its provincial associations to ensure that a comprehensive view is taken of risk management, and that risk analysis incorporates all the risk. The results of the analysis will be incorporated in the risk assessment for SALGA. The macro risk assessment of SALGA will be finalised towards the end of September 2004.

No quarterly reporting to the Executive Authority
Before SALGA was listed as a public entity its executive authority was the SALGA National Executive Committee according to its constitution. In terms of PFMA the new executive authority is the Minister of Provincial and Local Government. All the quarterly reporting was presented to the National Executive Committee of SALGA. These reports will be forwarded to the Department of Local Provincial and Local Government in due course.

No cash flow projections
Monthly accounts are prepared and presented to the SALGA Executive Management Team. Quarterly accounts are presented to the SALGA National Executive Committee.

No Materiality framework
The materiality framework is being developed in consultation with the office of the Auditor General.

Financial year ending 30 June 2003/4
Waiting for outcomes of 2003/4 audit report

AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION FOR THE YEAR ENDED 30 JUNE 2003

1. AUDIT ASSIGNMENT

The financial statements as set out on pages … to … , for the year ended 30 June 2003 have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting authority. My responsibility is to express an opinion on these financial statements, based on the audit.

2. NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters.

I believe that the audit provides a reasonable basis for my opinion.

3. AUDIT OPINION

In my opinion, the financial statements fairly present, in all material respects, the financial position of the South African Local Government Association (SALGA) at 30 June 2003 and the results of its operations and cash flows for the year then ended, in accordance with generally accepted accounting practice and in the manner required by the Public Finance Management Act, 1999 (Act No 1 of 1999) (PFMA).

4. EMPHASIS OF MATTER

Without qualifying the audit opinion expressed above, attention is drawn to the following matters:

4.1 Financial Management

For the year under review, there were certain instances of non-compliance with the PFMA, particularly in the following areas:

4.1.1 Non-compliance with laws and regulations

- No Internal Audit function
- Risk assessment not conducted
- No quarterly reporting to the Minister of Provincial and Local Government
- No cash flow projections
- No materiality framework developed

4.1.2 Late submission of annual financial statements

The SALGA submitted financial statements on instead of 31 August 2003 to the Auditor-General for auditing purposes. In terms of section 55(1)(c) of the PFMA, the accounting authority must submit financial statements within two months after the end of the financial year to the Auditor-General for auditing.

5. APPRECIATION

The assistance rendered by the staff of the South African Local Government Association during the audit is sincerely appreciated.

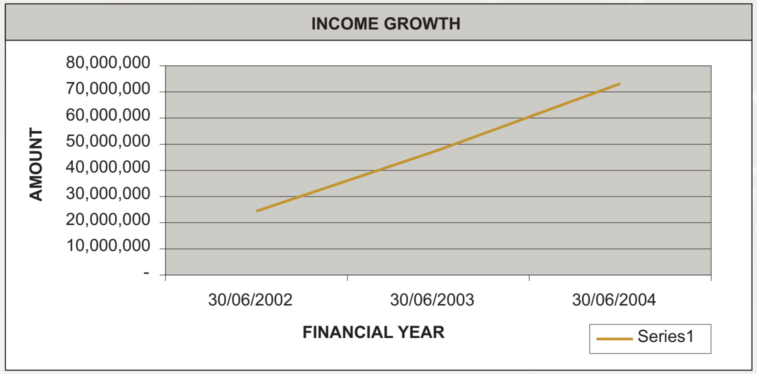
S Singh
for Auditor-General
Pretoria
28 November 2003

FINANCIAL PERFORMANCE

REVENUE

Revenue increased with 51% from the financial year 2002/3 and increase with 35% in the financial year ending 2003/4. This represents the overall increase of our revenue with 68% since financial year 2002/3. The association is no longer dependent on the equitable share as main income stream. There has been a tremendous growth on levy collection, which represents 51% for year ending 30th June 2004

The chart below graphically depicts SALGA's Key income sources of income for 2002 to 2004.

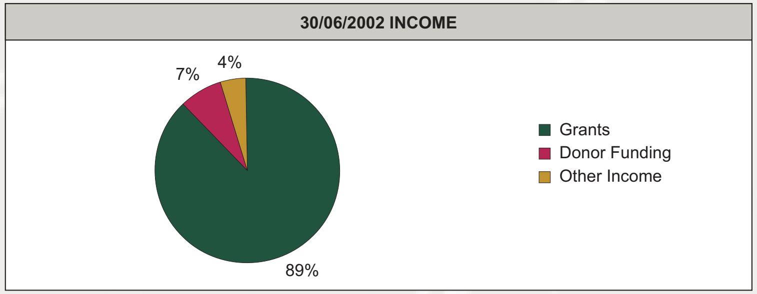


The table below depicts SALGA's Key income sources of income for 2002 to 2004.

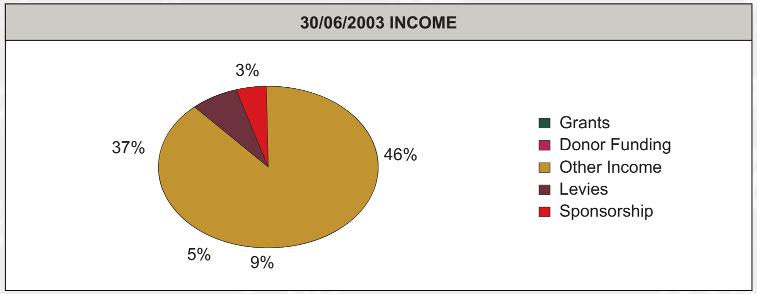
SOURCES OF REVENUE FOR 3 YEARS (2001 – 2004)			
	30/06/2002	**30/06/2003**	**30/06/2004**
GRANTS	21,500,000	22,000,000	20,250,000
DONOR FUNDING	1,801,298	4,077,662	8,915,675
OTHER INCOME	1,078,867	2,328,803	5,137,937
LEVIES	-	17,779,346	38,237,332
SPONSORSHIP	-	1,561,215	595,000
	24,380,165	**47,747,026**	**73,135,944**

Graphical Representation of the Sources of Revenue for the 3 years

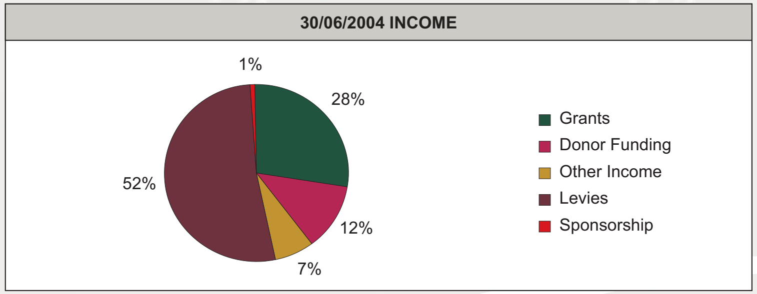
Financial Year ending 30 June 2002



Financial Year ending 30 June 2003



Financial Year ending 30 June 2004



EXPENDITURE

The table below depicts SALGA's Key expenditure for 2002 to 2004.

	30/06/2002	30/06/2003	30/06/2004	Notes
Salaries and Allowances	6,256,015	16,907,915	18,119,226	1
General Activities	9,830,534	17,242,239	5,901,742	2
Repairs and Maintenance	125,837	198,177	214,571	
Capital Activities	59,787	751,143	800,717	3
Key Priorities	-	-	17,038,228	4
NORAD Activities	-	2,736,577	4,403,594	5
Masibambane Activities	-	2,240,459	4,481,882	6
Councillor Development Programs	-	-	3,304,690	7
Provincial Office Costs	406,424	3,252,988	16,646,372	8
	16,678,597	**43,329,498**	**70,911,022**	9

Notes

1. As a result of the restructuring process that started in the later part of 2002 and continued to the early part of 2004 there was a steady rise in the cost for salaries and allowances as a number of high-level posts were created and filled.

2. The costs included here are for general administrative overheads such as Office Rental, Telephones and Cell phones, postage and courier services, printing and stationery and travelling engagement of consultants. For the financial year 2003-04 costs associated for key priorities were accounted for separately and thus a reduction in costs for General Activities. Note 4 below will elaborate further on the costs for key priorities.

3. The costs incurred for Capital projects follows very closely the trend in salaries and allowances and can be attributed to the same reason provided above, i.e. The restructuring process required investments in Capital Expenditure to provide the infrastructure for the additional staff recruited.

4. As mentioned in 2 above, the year 2003-04 saw the introduction of accounting for costs on a project basis. Some of the key priorities or projects undertaken during the year were:

- The establishment of CCRA
- Restructuring of the Pension Fund
- A tax consultancy service for Councillors
- The establishment of a Budget Office and convening Budget week meetings in all Provinces
- The employment of consultants to undertake due diligence audits at the Provincial Offices
- The engagement of consultants to devise a business plan for the Municipal Services Interventions Unit
- The launch of KSP, District Learning Networks and Peer Reviews
- The development of an Occupational Health and Safety Policy
- The finalisation of the Property Rates Bill and the Municipal Finance Management Act.

5. The costs shown here are for projects sponsored by NORAD. Since the financial year 2002-03 these costs are reported as part of the financial activities of SALGA.

6. This is another sponsored project for water and sanitation related projects, which commenced in the latter part of 2002 and are reported as part of the financial activities of SALGA.

7. The councillor development project commenced in 2003 and is subsidised by the Local Government and Water SETA (LGWSETA).

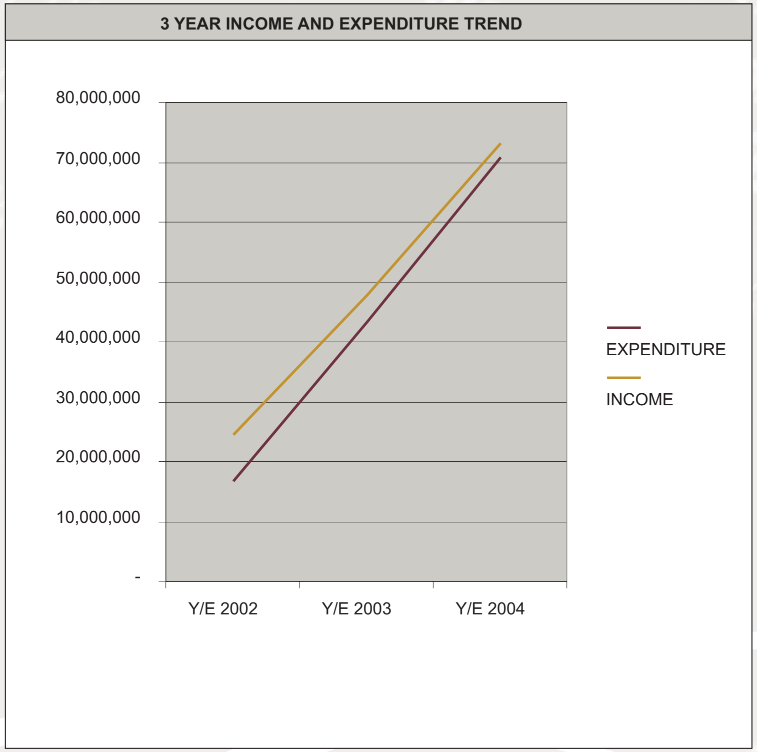
8. The costs for the Provincial Association Offices include salaries, travelling, telephones and cash grants given to the provincial offices.

9. The total costs for the three years will differ from the total expenditure reported in the financial statements because non-cash expenditure such as depreciation on fixed assets and provisions for bad debts have been excluded as shown on the reconciliation shown below.

	30/06/2002	30/06/2003	30/06/2004
Total Expenditure reported			
Add: Depreciation	**16,678,597**	**43,329,498**	**70,911,022**
Add: Provision for Bad Debts	1,325,596	257,170	266,047
	1,297,998		616,400
Less: Capital expenditure	19,302,191	43,586,668	71,793,469
	59,787	751,143	800,717
	19,242,404	42,835,525	70,992,752

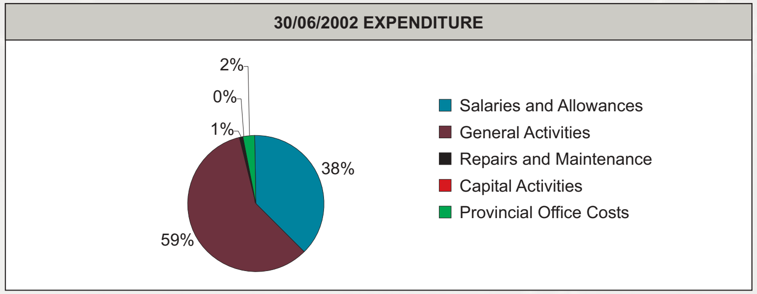
The expenses increased with 56% in the financial year ending 2002/3 and 40% in the financial year ending 2003/4.

The chart below graphically depicts SALGA's Key income and expenditure for 2002 to 2004

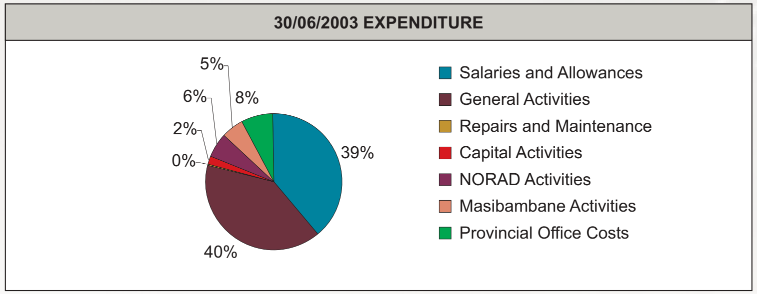


Graphical Representation of the expenditure for the 3 years

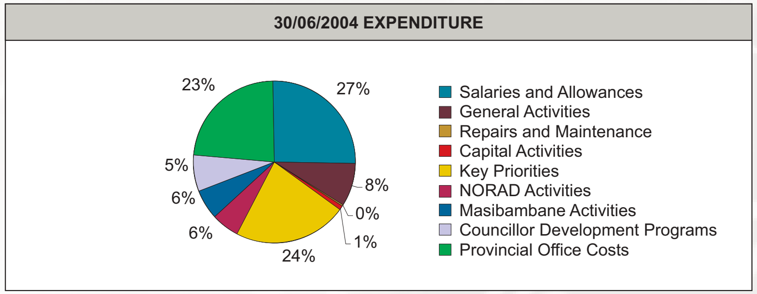
Financial Year ending 30 June 2002



Financial Year ending 30 June 2003



Financial Year ending 30 June 2004



ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2003

SALGA

South African Local Government Association

SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION (SALGA)

(Established in terms of a Constitution as an Association Not for Gain)

Administrative Office : 6th Floor
HSRC Building
134 Pretorius Street
Pretoria

Bankers : ABSA Bank
230 Van der Walt Street
Pretoria

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APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements as set out on pages 00 -00 have been approved by the delegated official.

Thabo Mokwena
Chief Executive Officer

BALANCE SHEET
at 30 June 2003

	Note	2003 R	2002 R
ASSETS			
NON CURRENT ASSETS			
Property, Plant and Equipment	2	961,770	467,796
CURRENT ASSETS		11,582,264	9,373,666
Receivables and Payments	3	3,050,509	1,876,927
Cash and Cash Equivalents		8,531,755	7,496,739
TOTAL ASSETS		**12,544,034**	**9,841,462**
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES		1,183,162	(3,728,338)
Establishment Levies	4	1,065,500	1,065,500
Accumulated Profit (Loss)		117,662	(4,793,838)
NON CURRENT LIABILITIES			
Long Term Liabilities	5	-	-
CURRENT LIABILITIES		11,360,872	13,569,802
Accounts Payables and Accruals	6	3,499,953	6,027,156
Provisions	10	512,545	318,028
Current Portion of long term liabilities	5	-	5,052
Deferred Income	12	7,348,374	7,219,566
TOTAL EQUITY AND LIABILITIES		**12,544,034**	**9,841,462**

INCOME STATEMENT
for the year ended 30 June 2003

	Note	2003 R	2002 R
GROSS REVENUE		42,119,024	16,086,150
GRANT (DONOR FUND)		4,077,662	1,344,827
OTHER INCOME		1,211,647	1,560,137
		47,408,333	**18,991,114**
OPERATING EXPENSES		42,835,039	19,233,379
OPERATING PROFIT (LOSS)		4,573,294	(242,265)
FINANCE INCOME	8	338,206	256,689
NET PROFIT (LOSS)		**4,911,500**	**14,424**

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2003

	Note	Establishment Levy R	Accum Surplus(Deficit) R	Total R
Balance at 30 June 2001		1,065,500	(4,808,262)	(3,742,762)
Balance as previously report			5,514,424	
Correction of fundamental error	4		(5,500,000)	
Net Profit for year ended 30 June 2002		-	14,424	14,424
Balance at 30 June 2002		1,065,500	(4,793,838)	(3,728,338)
Net Profit for year ended 30 June 2003		-	4,911,500	4,911,500
Balance at 30 June 2003		1,065,500	117,662	1,183,162

CASH FLOW STATEMENT WITH NOTE THEREON

for the year ended 30 June 2003

	Note	2004 R	2003 R
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Receipts		46,234,751	25,125,132
Cash Payments		(44,781,743)	(17,012,690)
Cash generated by operations	1	1,453,005	8,112,442
Interest received		338,693	265,714
Interest paid		(487)	(9,025)
		1,791,211	8,369,131
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from disposal of fixed assets		-	-
Acquisition of fixed assets		(751,143)	(59,786)
		1,040,068	8,309,345
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase/(decrease) in long term liabilities		-	(5,052)
Increase/(decrease) in current portion of long term liabilities		(5,052)	(22,951)
Increase/(decrease) in cash resources		1,035,016	8,281,342
Cash resources at beginning of year		7,496,739	(784,603)
Cash resources at end of year		**8,531,755**	**7,496,739**
NOTE TO THE CASH FLOW STATEMENT			
1. Cash generated by operations:			
Net profit/(loss) before interest		4,573,294	6,977,304
Adjustments for :			
Depreciation		257,170	426,439
Imprairment Loss		-	899,157
Increase in accounts payable		(2,203,878)	(449,733)
Decrease/(increase) in accounts receivable		(1,173,582)	259,275
Cash generated by operations		1,453,005	8,112,442

NOTES TO THE FINANCIAL STATEMENTS
at 30 June 2003

1. ACCOUNTING POLICIES

The financial statements are prepared on the historical cost basis and incorporate the following principal accounting policies which are consistent with those of the previous year. These financial statements are prepared in accordance with the statement of generally accepted accounting practice.

1.1 REVENUE

Income, whether received by way government grants received, contributions from members or otherwise, is brought to account in the period to which it relate.

Income received in advance of the period to which it relates is reflected as deferred income.

1.2 PROPERTY, PLANT AND EQUIPMENT

Property Plant and Equipment are included at revalue amount. Cost includes all costs directly attributable to bring the asset to working condition for their intended use.

Depreciation is charged to income on a reducing balance basis so as to write off the value of the assets over the remaining expected useful lives. The annual rates used for this purpose are as follows:

Motor Vehicles	20% p.a.
Computer equipment	33.33% p.a.
Office equipment	25% p.a.
Furniture & Fittings	10% p.a.

1.3 LEASED ASSETS

FINANCE LEASES

Where assets are acquired under finance lease agreements that transfer to the Association substantially all the risks and rewards of ownership, their cash cost equivalent is capitalised. The capital element of the leasing commitment is disclosed under long term liabilities. Lease rentals are apportioned between capital and interest elements, using the effective interest rate method.

OPERATING LEASES

Lease payments under an operating lease are recognised as an expenses in the Income Statement as incurred over the lease term.

1.4 PROVISIONS

Provisions are recognised when the association has a present legal or constructive obligation as a result of the past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Doubtful debts is provided for at management discretion.

1.5 FINANCIAL INSTRUMENTS

Measurement

Financial instrument are initially measured at cost. Subsequently to initial recognition these instruments as set below

Receivables

Receivables are stated at realisable value

Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise balances with bankers.

2. PROPERTY, PLANT AND EQUIPMENT

2003	Computers	Furniture & Fitting	Office Equipment	Motor Vehicles	Totals
C/A beginning of the period	119,490	303,706	20,034	24,566	467,796
Cost	2,189,475	679,305	889,005	50,361	3,808,146
Impairment	407,012	181,622	310,525	-	899,159
Accumulated Depreciation	1,662,974	193,977	558,446	25,795	2,441,192
Additions	317,675	316,192	117,276	-	751,143
Depreciation	163,711	49,994	38,550	4,913	257,168
C/A end of period	273,453	569,904	98,760	19,653	961,770
Cost	2,507,150	995,497	1,006,281	50,361	4,559,289
Accumulated Depreciation	2,233,697	425,593	907,521	30,708	3,597,519
TOTAL NET BOOK VALUE	961,770				

2002	Computers	Furniture & Fitting	Office Equipment	Motor Vehicles	Totals
C/A beginning of the period	752,145	472,824	440,746	30,686	1,696,401
Cost	2,189,475	619,519	889,005	50,361	3,748,360
Impairment	1,437,330	146,695	448,259	19,675	2,051,959
Accumulated Depreciation		59,786			59,786
Additions	(407,011)	(181,622)	(310,525)	-	(899,158)
Depreciation	(225,644)	(47,282)	(110,187)	(6,119)	(389,232)
C/A end of period	119,490	303,706	20,034	24,567	467,797
Cost	345,134	350,988	130,221	30,686	857,029
Accumulated Depreciation	(225,644)	(47,282)	(110,187)	(6,119)	(389,232)
TOTAL NET BOOK VALUE	467,797				

	2004 R	2003 R
3. ACCOUNTS RECEIVABLE		
Included in accounts receivable are amounts due in respect of:		
AMOUNTS DUE BY PROVINCES	**189,884**	**1,419,004**
SALGA Limpopo		30,000
SALGA North West		-
SALGA Northern Cape		794,638
SALGA Free State	189,884	-
SALGA Eastern Cape		594,366
Provision for Bad Debts	-	(1,419,004)
MUNICIPAL LEVIES	**1,395,567**	-

	2004 R	2003 R
OTHER DEBTORS	**1,465,058**	**1,876,927**
Other Debtors	31,442	84,593
Deposit for rental of premises	105,787	111,487
Prepaid expenses	-	10,220
Debtors - VOICE	-	12,600
Debtors - LOGAM	-	3,218
Debtors - GALA	-	4,550
Debtors - VNG	456,579	798,309
Debtors - VNG-IDP	80,993	154,985
Debtors - Solidarity	131,905	156,882
SALGBC	312,265	375,128
UNDP	(0)	56,253
DWAF	78,378	78,378
MASIBAMBANE	85,141	-
Eskom- Distribution	20,000	-
SARS VAT	122,567	
Eskom- Public Affairs	40,000	
Sundry debtors	-	30,324
	3,050,509	**1,876,927**

4. ESTABLISHMENT LEVIES		
Gauteng Local Government Association	174,000	174,000
Kwazulu Natal Local Government Association	168,000	168,000
Free State Local Government Association	114,000	114,000
Local Government Association of Mpumalanga	114,000	114,000
North West Local Government Association	120,500	120,500
Northern Cape Local Government Association	93,000	93,000
Northern Province Local Government Association	132,000	132,000
Eastern Cape Local Government Association	150,000	150,000
	1,065,500	**1,065,500**

5. LONG TERM LIABILITIES

Liabilities under capitalised finance lease agreements bearing interest rates ranging from 19.16% to 20.42% in 2001 p.a. (2002 - 15.01% to 18,42% p.a.), repayable in aggregate monthly instalments of R2 582.88, inclusive of interest, over periods of 14 months.

Liabilities are secured by items of fixed assets	-	5,052
Total liability	-	-
Less: Deferred finance charges	-	5,052
Less: Current portion included in current liabilities	-	5,052
	-	-