

LUKHANJI MUNICIPALITY



ANNUAL REPORT

2005 -2006

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CHAPTER 1
INTRODUCTION AND OVERVIEW

1.1 EXECUTIVE MAYOR'S FOREWORD



The year has been one of significant change, highlighted by the swearing in of a new, expanded 53 member Council on 15 March 2006. The new Council is a young and vital group, with 16 of the Councillors under the age of 40, which has indicated a determination to work together for Lukhanji. The Demarcation Board increased the number of wards from 24 to 27 which undoubtedly will lead to greater efficiencies and a more responsive local government. For the first time in the history of this Council, the issue of gender balance has been effectively addressed with 47% (25) of all Councillors being female. We are not far from reaching the 50/50 balance and I am convinced that this target will be reached sooner rather than later.

The announcement of the construction of a new Casino, which is just about to begin construction as I write, has clearly been the standout project of the 2005/06 year. The Casino has been designed to be an important job creation catalyst. This facility will provide the people of Lukhanji and the surrounding areas with a resource that will provide a range of community amenities so sadly lacking and also hopefully kick-start a revitalization of our area.

In Council's multi-year Budget (2005-06 / 2006/07 /2007/08) adopted for the period under review, was a first and an administrative milestone. It provided a firm basis for Council's continued commitment for compliance with the Municipal Finance Management Act. The Budget continued with the direction set during recent years of upgrading Lukhanji's infrastructure, such as roads, housing, stormwater, etc. while maintaining the level of Council services was continued. We are making a major investment in the future sustainability of Lukhanji by focussing on the basic infrastructure needs of both our urban and rural areas. As a result Council adopted a Capital Budget of R 83 272 905million for the period under review.

A focus on community involvement and connectedness through a number of actual Councillor/Community interactions was established. We consulted all communities on both the budget and the Integrated Development Plan before it was formally adopted by Council. It is a matter of concern, however, that in some instances, outreach programmes in certain areas failed to reach desired results. Ward Committees in particular, actively assisted by Proportionally Elected Councillors, will ensure that we attain a more vigorous involvement of all residents in the affairs of governing Lukhanji. The personal interactions I had with formalised civic bodies such as the Ministers Fraternal, various Business Chambers, Civic Organisations, Sector Departments, etc. convinced me that we are on the right path in our efforts to promote the concept of public participation.

To enable Council to carry out an appropriate level of capital works and service improvements, rate revenue had to be increased in 2005/06. It needs to be pointed out, however, that at a time of rising external cost pressures and reduced income and government grants, Lukhanji continues to be one of lowest rating Council's of equal size in the Eastern Cape. The challenge of keeping rates low while also meeting our community's service expectations and accommodating increased costs is a significant one. Despite this tension, I am of the opinion that Lukhanji performed satisfactorily during the period under review.

I would like to thank Councillor George Xoseni for his hard work and dedication as Executive Mayor for the first 8 months of the financial year for 2005/06 and for the Council that served under him in that period.

The expanded Council has added a mixture of experience and youthful enthusiasm which I am sure will serve the Lukhanji community with distinction in the years ahead.

M E DAPULA
EXECUTIVE MAYOR

1.2 OVERVIEW OF THE MUNICIPALITY

Lukhanji Municipality is a local category B municipality situated within the Chris Hani District Municipality in the Eastern Cape Province.

It has a population of 184 542 and is comprised of a mixture of urban, peri-urban and rural areas.

Lukhanji's municipal area is roughly 85km wide at its widest point but tapers the further North one goes. It extends slightly more than 80 km in a North - South direction.

The administrative seat of both the local and district municipality is Queenstown which was previously also the seat of the Queenstown TLC.

The N6 from East London to Bloemfontein more or less bisects the area in a N-W to S-E direction while provincial roads traverse the area in a West to East direction linking Tarkastad and Lady Frere. This is a major route linking KZN and the ex-Transkei to the Southern and Western Cape. A surfaced road also links Queenstown and the Whittlesea - Sada area (the only other real urban area). Apart from these roads and the surfaced roads in the urban areas the rest of the roads in the area are largely gravel roads in a poor to very poor condition.

The average altitude of the area is 1070m above sea level which results in extreme maximum and minimum temperature ranges between summer and winter. The summer temperature of 11°C (min) to 26°C (max) falls to 0°C (min) to 15°C (max) with periodic snowfalls in winter. An average rainfall of 550 mm per annum is recorded in the summer months.

DEMOGRAPHIC PROFILE (2001 Census data)

Population Group		
Black African	172203	93.31%
Coloured	6461	3.50%
Indian or Asian	342	0.19%
White	5536	3.00%
Total Population	184542	

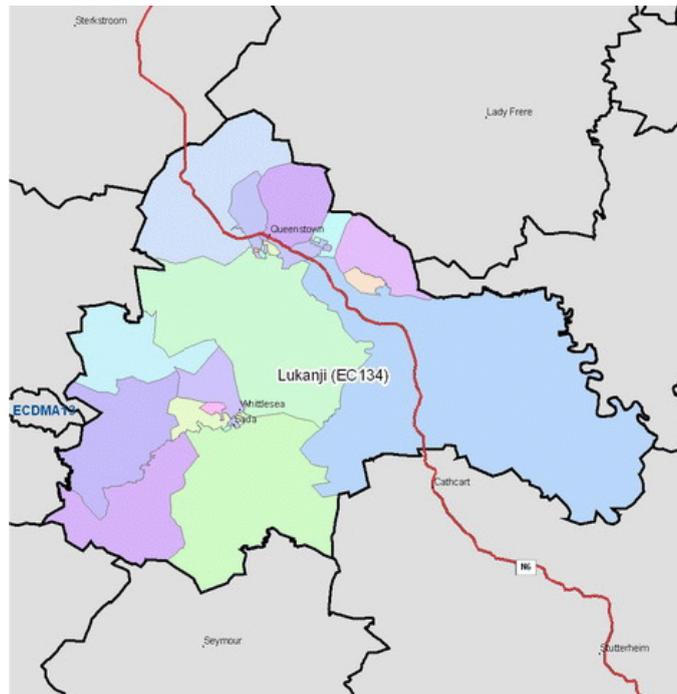
Age	
0 to 4 years	16728
5 to 14 years	44466
15 to 34 years	64666
35 to 64 years	46647
Over 65	12034

Labour Force	
Employed	24013
Unemployed	30419
Not Economically Active	57786
Total Labour Force	54432

Highest education levels attained by over 20 year olds	
No Schooling	18018
Some Primary	20186
Complete Primary	7689
Some Secondary	30033
Grade 12 / Standard 10	14744
Higher/Tertiary Education	8238



Chris Hani District Municipality in the Eastern Cape



Lukhanji Municipality in the Chris Hani District

CHAPTER 2
BACKGROUND ON SERVICES PROVIDED

2.1 TECHNICAL SERVICES

2.1.1 Water Services

Water is supplied from two sources: the Waterdown Dam operated by DWAF, which also supplies water to the Whittlesea / Sada area, and Bongolo Dam, owned by the Municipality. Total storage is about 42000 MI.

In some rural areas standpipe reticulation have been supplied, usually from a borehole source. Purified bulk water system have been supplied to the RA60.

Water and sanitation services are contracted out to Messrs Water and Sanitation Services of South Africa (WSSA). The company is responsible for all water and sanitation services excluding infrastructure provision as well as the operation and maintenance thereof. The service was contracted in 1992 and was limited to the old Queenstown municipal area and in 1995 it was extended to include the whole Queenstown TLC area. WSSA have to replace 2500m of waterpipes per annum in terms of the contract. The contractor receives a basic charge while the rest of its payment is volume based as per council meter readings.

All areas in Queenstown are 100% connected and metered with the exception of the informal areas with standpipes. Connections in Whittlesea and Sada are unmetered except for businesses, schools and government buildings. The Council is responsible for billing and credit control including the metering.

Chris Hani District Municipality is in terms of the allocation of Powers and Functions the Water Services Authority. The local municipality provides the service on behalf of the District Municipality pending the finalisation of Section 78 assessment still in progress. An Interim Water Services Contract has been endorsed by both municipalities. Due to some inadequacies an amended contract has been drafted and submitted to the District Municipality for endorsement. This remain an outstanding issue.

The unaccounted-for-water in the Greater Queenstown supply area averages approximately 20%. The preliminary results of an investigation carried out by WSSA indicate that this is due to commercial losses such as users not being on the financial database and meter reading problems and to technical losses caused by bursts and leaks.

Apart from significant leakage in the older parts of the network which consists of steel pipes whose condition has deteriorated, the majority of the network consists of relatively new uPVC and MPVC networks. This is due to the amount of new networks laid during the past 15 years plus the regular pipe replacement programme plus ad hoc pipe replacement paid out of own funds.

The water losses in Whittlesea can not be quantified due to none of the domestic users being metered. What is certain is that the average usage of nearly 25kl per household per month is far too high for a low income area.

The municipality has committed itself in ensuring that it provides free basic water to all indigent households. During the period under review, a total of 11 624 urban households benefitted at a cost of R3,9 million funded from the equitable share received. The District municipality provide free basic water in rural areas.

2.1.2 Sanitation

Queenstown, Mlungisi and Ezibileni all have waterborne sanitation. The informal areas have pit latrines. Which includes a number of VIPs. Whittlesea has 10% septic tanks and the rest are pit latrines. In Sada all households have buckets while all stands in Ekuphumleni are reticulated with waterborne sanitation.

Madakeni and Shiloh have pit latrines. The District Municipality earmarked a total of 466 buckets to be removed during the period under review. An amount of R3 million has been received from the Department of Housing, Local Government and Traditional Affairs for this purpose. Treatment capacity in Queenstown is 16Ml/d, adequate for the present inflow.

User-constructed pit latrines are in use throughout the rural areas.

2.1.3 Roads and stormwater

Queenstown - 95% of the roads are surfaced and in a poor to fair condition. The rest are gravel roads in a fair to poor condition

Mlungisi - 20% of the roads are surfaced and are in a fair condition. 55% is gravel and the quality ranges from fair to poor. The rest are graded roads and in poor condition due to recent rains.

Ezibeleni - 30% of the roads are surfaced and in fair condition. The rest are gravel and in a poor condition.

Whittlesea - All roads in the area are in a poor condition. Whittlesea has 25% surfaced roads, 50% gravel and 25% graded.

All the roads in Sada are gravelled roads except for 6 km of the main transport route.

95% of the roads in Ekuphumleni are gravel while Madakeni and Shiloh have graded roads.

2.1.4 Electricity

Eskom is the bulk supplier while the Council does the reticulation and maintenance in Queenstown. Eskom supplies and maintains electricity in Whittlesea and all rural areas.

50kWh free basic electricity is provided to all indigent households. The Municipality provide free basic electricity to 7 209 households at a cost of R2,4 million while Eskom provide free basic electricity to 7027 households.

The electricity losses have a far bigger monetary value than water losses and certainly hold the key to the success or failure of Lukhanji. Electricity is one of the main sources of income for the municipality. The electricity losses for the period under review amounted to 24,3%.

2.2 COMMUNITY SERVICES

2.2.1 Waste disposal

All urban areas are served by a door to door service with the exception of the informal settlements which have communal skips. No service is provided in rural areas.

During the period under review, a new landfill site became operational in Queenstown. The solid waste facility in Whittlesea is inadequate

27 000 households are served with 9 compactors. There is no spare capacity and breakdowns of refuse removal vehicles create problems.

2.2.2 Health Services

There are a total of 33 clinics in the municipal area. The provincial government is responsible for 28 of these clinics. The council manages five clinics which includes one AIDS clinic. The most serious problem is that these clinics run out of medicine from time to time due to underfunding of the services by the Provincial Department. This remain an unresolved problem. No other problems are experienced and the clinic service generally runs well.

2.2.3 Cemeteries

During the period under review, the establishment of a new cemetery in Queenstown has been completed and became in use on 1 July 2005. The new cemetery currently handles about 40 burials per week.

Pauper burials are done in Queenstown and Whittlesea.

2.2.4 Fire and Emergency Services

The district municipality is responsible for fire and emergency services. However, the Lukhanji fire service is currently the only fire and emergency service in the area especially on the N6 route. All emergency staff members are part time firemen.

2.2.5 Nature reserve

The Council is in the process of extending the Lawrence de Lange and Longhill Nature Reserves. Approval has been obtained from the Department of Environment and Tourism for the improvement this facility and the Bonkolo Dam. The intention is to involve a private sector entity to be in partnership with the municipality in the further development of the facility. The reserves are adjacent to Queenstown and are stocked with between 700 and 800 animals of 16 different species including white rhino. There are Bushmen paintings and fossil remains in the reserves. There is a lapa for public use and limited hunting is allowed. About every two to three years about 250 animals are caught and sold live at a game sale.

2.2.6 Commonage

The Council has a very large commonage. Portions are rented out. However, the biggest problem is security which has to be maintained at high costs to the Council.

2.2.7 Pound

The Council runs a municipal pound in Queenstown and Whittlesea. The pounds is mainly used by the police in stock theft cases. During the period under review, trucks provided by the Department of Transport at no cost to the municipality have been used in combating of stray animals on national roads. This programme attained substantial success and increased revenues of the pound.

2.3 ESTATES AND PLANNING

2.3.1 Buildings and estates

Apart from the Council offices the council owns other buildings used for none core activities. There are council flats that are rented out as well as an art gallery, two old age homes and a veterinary diagnostic clinic. In all these instances the Council either rent out the building or makes it available to the users while they remain responsible for the maintenance thereof.

2.3.2 Housing

The services that the Council provides in housing developments are based on standards prescribed by the Provincial Department of housing. It was adopted as policy by the Council. The levels of services are:

1. An in-house water connection
2. Water borne sanitation
3. A pre-paid electricity connection
4. Graded roads
5. House to house refuse collection.

These service levels are high and exceed basic services as contemplated in government policy. The following tables illustrates progress made with the delivery of housing during the period under review:

Name of Housing Project	No of Subsidies	Top Structures Erected as at 30/06/2005	Top Structures Erected from 01/07/2005 up to 30/06/2006	Total Structures Erected as at 30/06/2006
Ekuphumleni PHP Housing Project	950	737	75	812
Enkululekweni PHP Housing Project	541	479	60	539
Ezibeleni Phase II PHP Housing Project	1560	394	610	1004
Ilinge PHP Housing Project	1215	942	46	988
Imvani PHP Housing Project	160	76	68	144
Sabata Dalindyabo PHP Housing Project	240	237	3	240
Tambo Village PHP Housing Project	990	344	380	724
Botha's Hoek PHP Housing Project	93	0	13	13
Ensam PHP Housing Project	267	0	0	0
Mc Bride PHP Housing Project	678	0	99	99
Merino Walk PHP Housing Project	274	0	46	46
Poplar Grove PHP Housing Project	308	0	1	1
Who-Can-Tell PHP Housing Project	708	0	56	56

2.3.3 Planning

The planning function in the Council is currently being developed. During the period under review the Spatial Development Plan has been completed and made one of the Sector Plans of the Council's Integrated Development Plan. The plan has been approved by Council.

During the period under review Council approved a number of land sales. The following table reflect the total number of land sales:

LAND SALES	
CATEGORY	VALUE
Residential	R2,9 million
Commercial	R4.26 million

During the period under review, Council considered a number of zoning related applications and approved the following:

ZONING APPLICATIONS	
CATEGORY	TOTAL
Rezoning	20
Subdivisions	15
Encroachments	19

CHAPTER 3

HUMAN RESOURCE AND OTHER ORGANISATIONAL MANAGEMENT

3.1 POLITICAL STRUCTURE

The municipal area has 27 wards. There are 27 ward councillors and 26 proportionally elected Councillors with the ANC holding 47 seats, the DA 3, the UDM 2, and the PAC 1.

Lukhanji Municipality has an Executive Mayoral Committee system which is combined with a ward participatory system. Before the 1 March 2006 local government elections, the Executive Mayoral Committee consisted of the Executive Mayor plus 5 members that have been elected in terms of section 60 of the Municipal Structures Act. As from 1 March 2006, Executive Mayoral Committee comprised 7 members, including the Executive Mayor. The following members, together with the portfolios they represent, constitute the Executive Mayoral Committee:

- Councillor M E Dapula (Executive Mayor)
- Councillor M B Snyders (Speaker)
- Councillor G N Xoseni (Finance)
- Councillor M Nontsele (Community Services)
- Councillor T T Madubedube (Technical Services)
- Councillor A E Hulushe (Administration and Human Resources)
- Councillor M Gongqa (Estates and Planning)

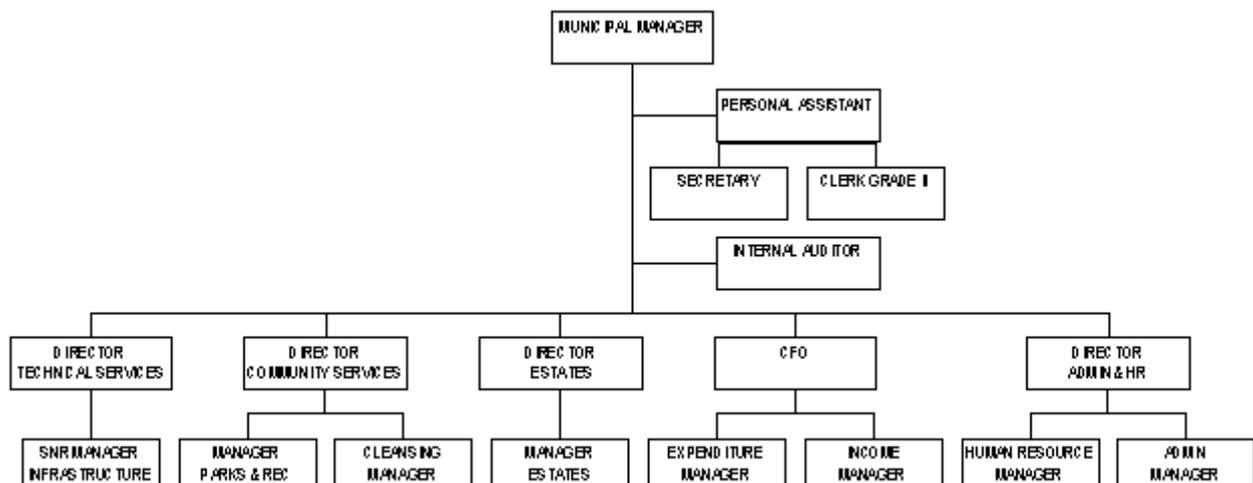
The main task of the Executive Mayoral Committee is to assist the Executive Mayor to take decisions in relation to all powers delegated to him by Council. The Executive Mayoral Committee meets once per month and takes all decisions on behalf of the Council except matters that may by law not be delegated by Council.

3.2 ADMINISTRATIVE STRUCTURE

The placement of staff into the organogram, as per an adopted amalgamation plan, was completed and job descriptions drafted in accordance with the T.A.S.K job description model prescribed by the Bargaining Council. The Bargaining Council established Task Job Evaluation Units to evaluate the job descriptions drafted by municipalities. During the period under review, all job descriptions have been evaluated and a report on the final outcomes of the process has been received.

During the period under review, Council successfully completed the performance agreements for all its staff appointed in terms of Section 57 of the Municipal Systems Act. These agreements were accepted by Council and endorsed by all "Section 57" employees. As a result of the lack of a performance measurement system, no monitoring or measurement of performance could be conducted. Consequently, Council appointed Messrs PWC to develop a measurement and monitoring system during the period under review. By the end of the financial year, measurable Key Performance Indicators have been developed for all Section 57 staff.

3.3 MACRO STRUCTURE



3.4 EMPLOYEE QUALIFICATION PROFILE: SKILL OR LEVELS OF QUALIFICATIONS ATTAINED BY STAFF

The Workplace Skills Plan for 2005/6 financial year has been adopted and the implementation report for 2004/5 has been submitted to LGWSETA as required by Skills Development Act

The table below illustrates the Skills Development Levies paid by Council during the financial year July 2005 to June 2006.

MONTH	AMOUNT
July 2005	34 953.60
August 2005	36 324.26
September 2005	37 820.05
October 2005	44 171.15
November 2005	38 076.65
December 2005	41 999.20
January 2006	38 876.41
February 2006	39 443.02
March 2006	38 875.89
April 2006	37 224.02
May 2006	35 228.50
June 2006	35 617.90
TOTAL	458 610.65

Grants totalling R339 278.54 were received from the Seta during the period under review.

Number of Beneficiaries trained during the period under review:

16 X Councillors	-	Basic Computer Literacy
3 X Divisional Heads	-	MPA
4 X Health Care Professionals	-	National Diploma: Public Administration
3 X Associate Professionals (Librarians)	-	Dispensing Course for Professional Nurses
	-	Librarians Course
9 X Clerks	-	National Diploma: Public Administration
	-	8 X National Certificate in Public Management
	-	1 X LED Learnership
4 x Housing administration Clerks	-	National Diploma: Public Administration
2 X IT Clerks	-	Information Technology Course
14 X Core Finance and Administration	-	Public Management
	-	Public Administration
	-	Learnerships: Municipal Finance and Administration
	-	Workplace Coaches
5 X Public Safety Workers	-	Traffic Course
26 X Elementary Occupations	-	Adult Basic Education and Training
1 X Apprentice	-	

Total beneficiaries = 86

3.5 TRENDS ON THE TOTAL PERSONNEL EXPENDITURE

The list below reflects the Human Resources actual expenditures during the past three financial years:

2003/2004	=	R59 859 770
2004/2005	=	R63 734 370
2.005/2006	=	R65 587 034

There has been a significant increase in the personnel expenditure in the past three financial years. This can be attributed to the rising cost of labour, new positions that have been created, the annual salary increases and the increased number of employees who qualify for housing subsidies and other allowances.

3.6 THE NUMBER AND NAME OF PENSION AND MEDICAL AID FUNDS

The National Collective Agreement on choice of Medical Aid Schemes have been fully implemented and systems put in place to administer them efficiently. The following are the accredited medical aid schemes used:

1. Bonitas
2. Munimed
3. L. A. Health
4. Global Health

Pension Funds are not negotiated at Bargaining Council level. The following are pension funds in use:

1. Cape Joint Retirement Fund
2. Cape Joint Pension Fund
3. South African Local Authorities Pension Fund
4. South African Municipal Workers Union Provident Fund
5. Municipal Employee's Pension Fund

3.7 EMPLOYMENT EQUITY RATIO

Occupational Categories	MALE				FEMALE				Total
	A	C	I	W	A	C	I	W	
Leg, Senior Off & Mgt	6	3	0	11	2	1	0	1	24
Professionals	3	0	0	2	1	0	0	0	6
Tech & Assoc Pro's	6	3	0	3	27	5	0	10	54
Clerks	53	10	0	4	28	12	0	11	118
Service & Sales work	36	7	0	1	2	0	0	1	47
Skilled Agric workers	1	0	0	0	0	0	0	1	2
Craft & Related trades	15	10	0	8	1	0	0	0	34
Plant & Machine	20	1	0	2	0	0	0	0	23
Elementary	183	2	0	0	74	1	0	0	260
Grand Total	323	36		31	135	19		24	568
PROMOTIONS									
Top Management	0	0	0	0	0	0	0	0	0
Senior Management	0	0	0	0	0	0	0	0	0
Professional, Mid Mgt	1	1	0	0	3	0	0	1	6
Jun Mgt, Supervis,	4	1	0	0	0	1	0	1	7
Semi-Skilled	0	0	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0	0
Grand Total	5	2			3	1		2	13

CHAPTER 4

AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION

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GENERAL INFORMATION

MEMBERS OF THE FULL TIME COUNCIL

After Election

Councillor M E Dapula (Mayor)
Councillor M B Snyders (Speaker)
Councillor G N Xoseni
Councillor M Nontsele
Councillor T T Madubedube
Councillor A E Hulushe
Councillor M Gongqa (Member-Not Full Time)

Before Election

Councillor G N Xoseni (Mayor)
Councillor M E Dapula (Speaker)
Councillor P J Cloete
Councillor Z A Beje
Councillor T T Madubedube
Councillor M Gongqa (Member-Not Full Time)

MEMBERS OF THE PART TIME COUNCIL

Councillor B M Adoons
Councillor Z A Beje
Councillor J N Birch
Councillor T Booi
Councillor N H Breakfast
Councillor Z A Deliwe
Councillor V V Dondolo
Councillor F N Duda
Councillor Z A Dywili
Councillor T Fikizolo
Councillor S L Gaju
Councillor M Z Gwantshu
Councillor T M Gxaba
Councillor J M Irlam
Councillor L E James
Councillor E K Jikele
Councillor K H Kedema
Councillor O Keva
Councillor N A Kopolo
Councillor J J Makasi
Councillor N M Malmali
Councillor M Mangqangwana
Councillor N L Maqungo
Councillor G S Mateta
Councillor N O Mfenyana
Councillor M Nomalizo
Councillor N P Mnyengeza
Councillor S C Mpemba
Councillor T V Mpolo
Councillor G N Mrwebi
Councillor S E Mvana
Councillor S S Ndamane
Councillor D X Ndidi
Councillor S N Ndlebe
Councillor Z Pambani
Councillor P M X Sibefu
Councillor L L Sikweyiya
Councillor N E Simayile
Councillor N Sixabayi
Councillor E F Smuts
Councillor F N Sopapaza
Councillor E N Tsotetsi

MEMBERS OF THE PART TIME COUNCIL

Councillor B M Adoons
Councillor K Apolis
Councillor Z A Deliwe
Councillor V V Dondolo
Councillor T Fikizolo
Councillor N Gatyeni
Councillor M E Hoko
Councillor A E Hulushe
Councillor A B Jakob
Councillor T M Jocki
Councillor K H Kedema
Councillor O Ketelo
Councillor O Keva
Councillor D M Lali
Councillor M S Lufodo
Councillor E F Luppnow
Councillor J H Madlongwana
Councillor Z H Makwayiba
Councillor X S Mandaba
Councillor M Mangqangwana
Councillor G S Mateta
Councillor M S Mayekiso
Councillor N O Mfenyana
Councillor S E A Mrwebi
Councillor Z Mtongana
Councillor Mzimkulu
Councillor N E Haiya
Councillor C J Niewoudt
Councillor S Nxele
Councillor M R Pambo
Councillor M Piliso
Councillor F W Sewe
Councillor L L Skweyiya
Councillor N E Simayile
Councillor N S Sindilima
Councillor N Sixabayi
Councillor G P Sizakele
Councillor E F Smuts
Councillor F S Sopapaza
Councillor N C Twalo
Councillor N S Yekani

GENERAL INFORMATION

After Election

Councillor L N Twaku
Councillor N C Twalo
Councillor N S Yekani
Councillor N C Twalo
Councillor N S Yekani

GRADING OF LOCAL AUTHORITY

Grade 8

AUDITORS

Auditor-General

BANKERS

ABSA Bank

REGISTERED OFFICE

70 Cathcart Road
QUEENSTOWN
5320

Private Bag X7111	Telephone	045-807 2773
QUEENSTOWN	Fax	045-807 2733
5320		

MUNICIPAL MANAGER

P BACELA

DIRECTOR OF FINANCE

I SCHOEMAN

TREASURER'S REPORT

1. INTRODUCTION

The operating budget were adjusted twice during the year to bring it in line with a cash based budget. The control over expenditure and the revised budget has resulted in that the expenditure for 2005/06 stayed within the budgeted figure for expenditure and that resulted in the year closing off with a operating surplus of R8 032 227. This surplus is based on the revenue billed against actual expenditure. The operating surplus as at 30 June 2006 has increased from R12 486 828 to R18 289 266.

2. OPERATING RESULTS

Details of the results per department, classification and object of expenditure are included in appendix D and E. The applicable statistics are shown in appendix F. The overall operating results for the year ended 30 June 2006 are as follows :

INCOME	Actual 2004/05 R	Actual 2005/06 R	Variance Actual 05/ Actual 06 %	Budget 2005/06	Variance Actual/ Budget 05/06 %
Opening surplus	52,238,499	12,486,828			
Operating income for the year	158,843,038	173,897,167	9.48%	165,360,785	5.16%
Closing deficit					
	211,081,537	186,383,995		165,360,785	
EXPENDITURE					
Opening deficit					
Operating expenditure	152,830,069	165,864,940	8.53%	164,832,040	0.63%
Sundry transfers	45,764,639	2,229,789			
Closing surplus	12,486,828	18,289,266		528,745	
	211,081,537	186,383,995		165,360,785	

2.1 RATE AND GENERAL SERVICES

	Actual 2004/05 R	Actual 2005/06 R	Variance Actual 05/ Actual 06 %	Budget 2005/06	Variance Actual/ Budget 05/06 %
Income	88,100,232	99,092,801	12.48%	95,184,935	4.11%
Expenditure	98,475,767	102,188,729	3.77%	101,597,890	0.58%
Surplus/Deficit	-10,375,535	-3,095,928	-70.16%	-6,412,955	-51.72%
Surplus (Deficit) as % of total income	-11.78%	-3.12%		-6.74%	

2.2 HOUSING SERVICE

	Actual 2004/05 R	Actual 2005/06 R	Variance Actual 05/ Actual 06 %	Budget 2005/06	Variance Actual/ Budget 05/06 %
Income	111,520	128,546	15.27%	110,400	16.44%
Expenditure	29,271	46,122	57.57%	37,490	23.02%
Surplus/Deficit	82,249	82,424	0.21%	72,910	13.05%
Surplus (Deficit) as % of total income	73.75%	64.12%		66.04%	

2.3 TRADING SERVICES

ELECTRICITY

	Actual 2004/05 R	Actual 2005/06 R	Variance Actual 05/ Actual 06 %	Budget 2005/06	Variance Actual/ Budget 05/06 %
Income	50,875,536	53,093,308	4.36%	49,865,550	6.47%
Expenditure	40,517,369	41,714,991	2.96%	41,217,120	1.21%
Surplus/Deficit	10,358,166	11,378,317	9.85%	8,648,430	31.57%
Surplus (Deficit) as % of total income	20.36%	21.43%		17.34%	

WATER

	Actual 2004/05 R	Actual 2005/06 R	Variance Actual 05/ Actual 06 %	Budget 2005/06	Variance Actual/ Budget 05/06 %
Income	19,755,750	21,582,512	9.25%	20,199,900	6.84%
Expenditure	13,807,662	21,915,098	58.72%	21,979,540	-0.29%
Surplus/Deficit	5,948,088	-332,586	-105.59%	-1,779,640	-81.31%
Surplus (Deficit) as % of total income	30.11%	-1.54%		-8.81%	

3. CAPITAL EXPENDITURE

	Actual 2005/06 R	Budget 2005/06 R	Actual 2004/05 R
Vehicles	4,856,735	4,882,560	
Buildings			
Roads/Stormwater Drainage			
Other Infrastructure	8,348,029	7,301,278	
Other	1,044,250	15,905,253	333,486
	14,249,014	28,089,091	333,486

Resources used to finance the fixed assets were as follows :

	Actual 2005/06 R	Budget 2005/06 R	Actual 2004/05 R
Consolidated Loans Fund			
Contributions from operating income	812,293	1,786,560	24,250
Other Funds	13,436,721	26,302,531	309,236
	14,249,014	28,089,091	333,486

A complete analysis of capital expenditure (budgeted and actual) per department, classification or service is included in appendix C. More details regarding external loans and internal advances used to finance fixed assets are shown in appendix B.

4. EXTERNAL LOANS, INVESTMENTS AND CASH

External loans outstanding on 30 June 2006 amounted to R6 750 242 as set out in appendix B. During the year interest were accrued on the loans and amounted to R61 187 and interest to the value of R772 047 were repaid. Capital to be started in the 2006/07 financial year.

Investments and cash on 30 June 2006 amounted to R35 328 350 (R25 763 047 in 2005).

The bank overdraft on 30 June 2006 amounted to R8 348 748 (R2 359 911 in 2005).

More information regarding loans and investments is disclosed in notes 4 and 7 and appendix B to the financial statements.

5. FUNDS AND RESERVES

The consolidated capital development and loans fund has increased with R1 604 075 to R32 822 900. Advances amounting to Rnil has been granted to borrowing accounts while R2 627 847 has been repaid. The total advances to borrowing accounts amounted to R17 385 799 on 30 June 2006.

More information regarding funds and reserves are disclosed in notes 1 to 3, 11 and appendix A to the financial statements.

EXPRESSION OF APPRECIATION

I am grateful to the Mayor, Councillor's, the Municipal Manager and Directors of Departments for their support during the past year. A special word of thanks to the staff of the Finance Directorate for their support and loyalty.

I SCHOEMAN
CHIEF FINANCIAL OFFICER
31 August 2006

ACCOUNTING POLICIES

1. BASIS OF PRESENTATION

1.1 These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Accounting Practice (1997) and Report on Published Annual Financial Statements (Second edition-January 1996).

1.2 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 the previous year, except if otherwise indicated.

1.3 The financial statements are prepared on the accrual basis :

- Income is accrued when collectable and measurable. Certain direct income is accrued when received, such as traffic fines and certain licences.
- Expenditure is accrued in the year it is incurred.

2. CONSOLIDATION

The balance sheet includes Rate and General services, Housing services, 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, refuse removal, electricity and water, which are treated as income and expenditure in the respective departments.

3. FIXED ASSETS

3.1 Fixed assets are stated :

- at historical cost, or
- at valuation (based on the 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.

3.2 Depreciation

Vehicles and machinery under the vehicle fleet are depreciated at 25% and equipment at 10% as determined by the Council's policy up to a nominal value. The balance shown against the heading "Loans Redeemed and other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation, however, certain structural differences do exist. By way of this "Provision" assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through :

- Appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make any further provision for depreciation.
- Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and Other Capital Receipts" account.

3.3 All net proceeds from the sale of fixed assets are credited to the Consolidated Loans Fund.

3.4 Capital assets are financed from different sources, including external loans, operating income, internal advances and leases. These loans, advances and leases are repaid within the estimated lives of the assets acquired from such loans, advances or leases. Interest is charged at the ruling interest rate applicable at the time the advance is made and is charged to the service concerned and leases at the time the lease was taken up.

4. STOCK

Stock is also reflected in the Balance Sheet at the lower of cost, determined on the weighted average basis, and net relisable value. Provision has also been made for stock obsolescence. Council took a decision to close the store and to issue all stock to departments that can be used and to sell the balance that can not be used. All stock has been charged out to the departments and reflects a zero balance in the statements.

5. FUNDS AND RESERVES

5.1 Capital Development Fund

The Capital Development Fund Ordinance No 20 of 1974 requires a minimum contribution of seven and a half percent of the product of assessment rates in respect of the financial year immediately preceding the financial year for which such contribution is required to be made.

5.4 RESERVES

Reserve Funds are utilised for purposes unknown and which may occur in the future. Contributions are made from the the operating account and in certain instances according to the policy of the Department of Housing e.g. Rental reserve. The following reserve is applicable to this section:

Housing Development Fund - Maintenance and repairs to existing properties still in the name of the municipality.

Nature Conservation : Nature Reserves - Funds receivable from Game sales for use in Reserve. The purpose of the fund is to purchase new game for the nature reserve as well as repairs and maintenance to the reserve.

5.5 PROVISIONS

Provisions are utilised for spesific purposes and contributions are made from the operating account.

5.6 TRUST FUNDS

Funds are paid to the Council for a specific purpose and consits of grants, subsidies and bequests from the public or higher authorities.

6. RETIREMENT BENEFITS

The employees of Queenstown TLC contribute to the Cape Joint Pension Fund/Retirement Fund, the South African Local Authorities Pension Fund, the Transkei Municipal Pension Fund and the Old Mutual Provident Fund. Councillors contribute to the Pension Fund for Municipal Councillors. Current contributions are charged against the operating account at the rate of a fixed percentage of the basic salary paid to employees and Councillors.

7. SURPLUSES AND DEFICITS

Any surpluses and deficits arising from the operation of the Electricity and Water services are transferred to the Rate and General services.

8. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

Administration charges are allocated to each department on a percentage basis, based on the actual expenditure from the previous year. Interdepartmental users are charged at actual cost and debited to each user department.

9. INVESTMENTS

Investments are shown at the lower of cost or market value if a permanent decline in the value occurs, and are invested per Council's Investment Policy.

10. INCOME RECOGNITION

10.1 Electricity and Water Billing

All electricity and water meters are read and invoiced on a monthly basis. If a reading cannot be obtained an estimated reading, based on the average consumption is made. Income is recognised on the date when invoicing is done.

10.2 Assessment Rates

Assessment Rates are levied at the same tariff for land and improvements. Rebates are granted according to Council's Policy. Income is recognised when the annual levies are done.

11. CONSOLIDATED LOANS FUND

The capital resources of the Consolidated Loans Fund consist both of external and internal loans. Advances are made to borrowing departments at an interest rate approved by the Premier. Loans are repaid over the useful life of the asset acquired.

BALANCE SHEET FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 R	2005 R
CAPITAL EMPLOYEED			
FUNDS AND RESERVES		35,212,980	33,430,642
Statuary Funds	1	32,822,900	31,218,825
Reserves	3	2,390,080	2,211,817
(ACCUMULATED DEFICIT)/RETAINED SURPLUS	17	18,289,266	12,486,828
		<u>53,502,246</u>	<u>45,917,470</u>
TRUST FUNDS	2	17,635,636	21,992,989
LONG-TERM LIABILITIES	4	6,119,195	6,689,055
CONSUMER DEPOSITS : SERVICES	5	6,256,021	5,906,454
		<u>83,513,097</u>	<u>80,505,968</u>
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	6	21,041,207	23,669,054
INVESTMENTS	7	599,978	580,707
LONG-TERM DEBTORS	8	0	88,279
		<u>21,641,185</u>	<u>24,338,040</u>
NET CURRENT ASSETS/LIABILITIES		61,871,912	56,167,928
CURRENT ASSETS		96,541,163	83,272,056
Stock	9	0	1,201,524
Debtors	10	61,140,302	56,065,311
Cash		573,775	541,266
Short-term portion of Investments	7	34,154,596	24,641,074
Short-term portion of Long-term debtors	8	672,490	822,881
CURRENT LIABILITIES		-34,669,251	-27,104,128
Provisions	11	4,581,282	4,741,516
Creditors	12	21,108,138	20,002,701
Short-term of Long-term liabilities	4	631,047	0
Bank overdraft		8,348,784	2,359,911
		<u>83,513,097</u>	<u>80,505,968</u>

.....
P BACELA
MUNICIPAL MANAGER

.....
CERTIFIED AS CORRECT
I SCHOEMAN
CHIEF FINANCIAL OFFICER

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

2005 Actual Income R	2005 Actual Expenditure R	2005 Surplus/ (Deficit) R		2006 Actual Income R	2006 Actual Expenditure R	2006 Surplus/ (Deficit) R	2006 Budget Surplus/ (Deficit) R
			RATE AND GENERAL				
88,100,232	98,475,767	-10,375,535	SERVICES	99,092,801	102,188,729	-3,095,928	-6,412,955
60,555,871	69,896,278	-9,340,407	Community Services	72,978,385	65,483,759	7,494,626	5,873,205
3,446,218	11,297,419	-7,851,201	Subsidised Services	1,169,847	12,321,447	-11,151,600	-11,894,590
24,098,143	17,282,070	6,816,073	Economic Services	24,944,570	24,383,524	561,046	-391,570
<u>111,520</u>	<u>29,271</u>	<u>82,249</u>	HOUSING SERVICES	<u>128,546</u>	<u>46,122</u>	<u>82,424</u>	<u>72,910</u>
<u>70,631,286</u>	<u>54,325,032</u>	<u>16,306,254</u>	TRADING SERVICES	<u>74,675,820</u>	<u>63,630,089</u>	<u>11,045,731</u>	<u>6,868,790</u>
<u>158,843,038</u>	<u>152,830,069</u>	<u>6,012,968</u>	TOTAL	<u>173,897,167</u>	<u>165,864,940</u>	<u>8,032,227</u>	<u>528,745</u>
			Appropriations for this year (Refer to note 17)			-2,229,789	
			Net surplus/(deficit) for the year			5,802,438	
			Accumulated surplus/ (deficit) beginning of the year			12,486,828	
			ACCUMULATED SURPLUS/ (DEFICIT) END OF YEAR			18,289,266	

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	2006 R	2005 R
CASH RETAINED FROM OPERATING ACTIVITIES :	-36,801,784	-19,367,364
Cash receipts from ratepayers, consumers, and users of services	158,764,711	175,415,139
Cash paid to employees and suppliers	-194,971,949	-193,772,947
From Operations	-36,207,238	-18,357,808
Investment Income	275,859	156,167
Interest paid	-870,405	-1,165,723
INVESTING ACTIVITIES	-47,758,557	-62,968,938
Purchase of property, plant and equipment	-47,982,527	-63,340,913
Proceeds from disposal of fixed assets	0	-322,130
Receipts from long term debtors	238,670	694,155
Increase in cash on hand	-14,700	-50
FINANCING ACTIVITIES	78,603,977	91,204,425
Net loans repaid	0	-131,566
Increase in consumer deposits	349,567	1,021,587
Cash contribution from public and state	78,254,410	90,314,404
NET CASH GENERATED	-5,956,365	8,868,123
Cash resources at beginning of year	-1,818,643	-10,686,766
Cash resources at 30 June 2005	<u>-7,775,008</u>	<u>-1,818,643</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006 R	2005 R
1. STATUTORY FUNDS		
Consolidated Loans Fund (Refer to Appendix A for more detail)	<u>32,822,900</u>	<u>31,218,825</u>
	<u>32,822,900</u>	<u>31,218,825</u>
2. TRUST FUNDS		
Grants, Subsidies and Bequests	17,623,444	21,982,410
Mayor's Christmas Fund	75	75
Storm Relief Fund	12,117	10,505
(Refer to Appendix A for more detail)	<u>17,635,636</u>	<u>21,992,989</u>
3. RESERVES		
Rental Reserve	2,334,670	2,155,231
Rapirs and Renewals	32,072	30,050
Other	23,337	26,536
(Refer to Appendix A for more detail)	<u>2,390,080</u>	<u>2,211,817</u>
4. LONG TERM LIABILITIES		
Local Registered Stock		
Annuity Loans	<u>6,750,242</u>	<u>6,689,055</u>
	6,750,242	6,689,055
7 Less : Current portion transferred to current liabilities	-631,047	0
Local Registered Stock		
Annuity Loans	<u>631,047</u>	
(Refer to Appendix B for more detail on long term liabilities)	<u>6,119,195</u>	<u>6,689,055</u>
LOCAL REGISTERED STOCK		
Stock was issued at rates between 10,85% and 13,70% per annum and is repayable over periods between five and twenty years. No local registered stock outstanding. Redeemed in full.		
ANNUITY LOANS		
No Annuity loans. All debt rescheduled with DBSA. Interest rate payable on loan at 12.00% over a period of 8 years.		
5. CONSUMER DEPOSITS		
Electricity and Water	<u>6,256,021</u>	<u>5,906,454</u>
Guarantees in lieu of electricity deposits were R20 320.		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

6. FIXED ASSETS	2006 R	2005 R
Fixed Assets at the beginning of the year	191,500,677	196,415,875
Capital Expenditure during the year	14,249,014	333,486
Less : Assets written off, transferred or disposed of during the year	-922,296	-5,248,684
TOTAL FIXED ASSETS	<u>204,827,395</u>	<u>191,500,677</u>
Less : Loans redeemed and other capital receipts	-183,786,189	-167,831,623
NET FIXED ASSETS	<u><u>21,041,207</u></u>	<u><u>23,669,054</u></u>

(Refer to Appendix C for more detail)

7. INVESTMENTS

Listed		
RSA Internal Registered Stock	18,500	18,500
	<u>18,500</u>	<u>18,500</u>

Unlisted		
Fixed deposits	581,478	562,207
Call deposits	34,154,596	24,641,074
	<u>34,736,074</u>	<u>25,203,281</u>
TOTAL INVESTMENTS	<u><u>34,754,574</u></u>	<u><u>25,221,781</u></u>

Market value of listed investments and managements
valuation of unlistewd investments

Listed	23,200	23,200
Unlisted	<u>31,536,157</u>	<u>31,536,157</u>

Average rate of return on investments	6.53%	7.06%
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Funds are invested according to Council's Investment Policy.

No investments were written off during the year.

8. LONG TERM DEBTORS

Loans to :		
Housing Loans	6,378	6,378
Sale of Land	656,082	756,915
Study Loans		423
Vehicle Loans	10,030	147,444
	<u>672,490</u>	<u>911,160</u>
Less : Current portion transferred to current assets	672,490	822,881
	<u><u>0</u></u>	<u><u>88,279</u></u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006	2005
	R	R
9. INVENTORY		
Stock represents consumable stores, raw materials and finished goods.	0	1,611,524
Less : Stock Obsolescence	0	-410,000
	<u>0</u>	<u>1,201,524</u>
10. DEBTORS		
Current Debtors	9,765,346	8,572,344
30 Days Outstanding	5,902,118	4,569,507
60 Days Outstanding	3,683,661	2,776,781
90 Days Outstanding	129,527,145	2,742,655
120 Days and more Outstanding		107,431,395
Plus : Payments in Advance	2,069,583	2,148,218
Plus : Unknown Payments	466,864	466,864
	<u>151,414,716</u>	<u>128,707,764</u>
Less : Provision for Bad Debt	-90,274,415	-72,642,453
	<u>61,140,302</u>	<u>56,065,311</u>
11. PROVISIONS		
Leave Gratuity	3,334,716	3,715,002
Valuation Expenses	1,246,566	1,026,514
	<u>4,581,282</u>	<u>4,741,516</u>
12. CREDITORS		
Trade Creditors	7,771,167	7,925,397
Other	13,336,970	12,077,305
Deposits : Other		
	<u>21,108,138</u>	<u>20,002,701</u>
13. ASSESSMENT RATES		
	2006	2005
	R	R
	Actual	Actual
	Income	Income
Residential	7,417,716	7,109,929
Commercial	1,174,237	1,105,662
Industrial	1,933,951	1,828,814
Business	1,687,776	1,585,340
Institutional	10,358	14,229
Agricultural	4,270	4,028
Educational	1,310,720	1,236,550
State	1,383,837	1,295,201
Transnet	116,520	109,926
Post and Telecommunications	69,135	65,223
Municipal	32,304	32,037

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006 R	2005 R
Grant-in-Aid	106,085	95,389
Sport Clubs	36,454	34,391
	<u>15,283,363</u>	<u>14,516,720</u>

Valuations on land and improvements are performed every four years and the last general valuation came into effect on 1 July 1998. The basic rate was 1,8202 per cent in the Rand on land and improvements. The following rebates were granted :

Residential	15%
Commercial	5%
Industrial	5%
Business	5%
Institutional	5%
Agricultural	15%
Educational	20%
State	20%
Grant-in-Aid	100%
Residential-R1300	23.75%

14. COUNCILLOR'S REMUNERATION

Mayor's allowance	342,504	220,576
Executive Councillors allowances	1,717,075	766,175
Councillor's allowances	3,126,134	2,236,416
Councillor's pension contribution	4,172,949	417,563
Councillor's medical aid contribution	137,680	102,943
	<u>9,496,340</u>	<u>3,743,673</u>

All coucillors remuneration is paid in accordance with the determination of the upper limits of salaries, allowances and benefits of different members of municipal councils. (Remuneration of Public Office Bearers Act, 1998)(Act no. 209 of 1998)

15. AUDITOR'S REMUNERATION

Audit Fees	<u>864,834</u>	<u>677,351</u>
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16. FINANCE TRANSACTIONS

Total external interest earned or paid :		
Interest Earned	<u>2,172,770</u>	<u>1,877,015</u>
Interest Paid	<u>870,405</u>	<u>1,165,723</u>
Capital charges debited to operating account :		
Interest :	3,348,882	3,787,833
: External		
: Internal	3,348,882	3,787,833
Redemption :	2,627,847	2,608,304
: External		
: Internal	2,627,847	2,608,304
	<u>5,976,729</u>	<u>6,396,136</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006 R	2005 R
17. APPROPRIATIONS		
Appropriation account :		
Accumulated surplus at the beginning of the year	12,486,827	52,238,499
Operating surplus for the year	8,032,227	6,012,968
- Rate and General services	8,032,227	6,012,968
- Dog Tax fund		
- Parking Areas Development Fund		
Appropriations for the year	<u>-2,229,789</u>	<u>-45,764,639</u>
	<u>18,289,266</u>	<u>12,486,828</u>
The accumulated surplus at the end of the year is made up as follows :		
- Rate and General services	18,289,266	12,486,828
- Dog Tax fund		
- Parking Areas Development Fund		
	<u>18,289,266</u>	<u>12,486,828</u>
Operating Account :		
Capital expenditure	1,464,994	27,432
Contributions to :		
Bad Debt	20,748,160	17,654,440
Leave Gratuity	1,160,000	500,000
Removal Expenses	20,000	20,000
Rental reserve	33,230	33,230
Stock Obsolescence	50,000	50,000
Valuation expenses	250,000	250,000
	<u>23,726,384</u>	<u>18,535,102</u>
18 OFFICIALS REMUNERATION		
Municipal Manager	466,646	414,395
Chief Financial Officer	439,968	394,818
Directors(Estates, Admin, Technical, Community Services & Infrastructure)	2,157,904	2,021,149
	<u>3,064,517</u>	<u>2,830,362</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006 R	2005 R
19. CASH GENERATED BY OPERATIONS		
Surplus for the year	8,032,227	6,012,968
Adjustments in respect of previous years		
operating expenses	2,229,789	45,764,639
Appropriations charged against income :	-6,561,981	-77,318,019
Contributions	22,228,160	18,474,440
Administration Charges (Non Cash)	-45,971,893	-99,539,043
Fixed Assets	12,784,021	2,848,837
Long Term Debtors	238,670	-694,155
Less : Brought to Account	1,060,513	210,475
Contribution Ex CCDLF	1,600,325	1,320,765
Provisions and Reserves	33,230	33,230
Fixed Assets	1,464,994	27,432
Capital Charges :	5,976,729	6,396,136
Interest Paid		
- to internal funds	3,348,882	3,787,833
- to external loans		
Redemption Paid		
- to internal funds	2,627,847	2,608,304
- to external loans		
<u>Grants and Subsidies (Operating Account)</u>	-36,052,651	-31,589,283
Non-operating income :	43,644,461	60,398,316
Funds	43,644,461	60,236,656
Reserves	0	161,660
Non-operating expenditure :	-48,386,012	-63,601,439
Expenditure charged against Accumulated Fund	0	48,000
Expenditure charged against Trust Funds	47,982,527	63,340,913
Expenditure charged against Reserves	23,199	30,895
Expenditure charged against Provisions	380,286	148,685
Expenditure charged against Consolidated Loans Fund	0	32,946
(Increase)/decrease in stock	1,201,524	-161,769
(Increase)/decrease in debtors	-4,836,321	43,828,712
(Increase)/decrease in creditors	-1,455,003	-8,088,069
	<u>-36,207,239</u>	<u>-18,357,808</u>
20. (INCREASE)/DECREASE IN WORKING CAPITAL		
(Increase)/decrease in stock	1,201,524	-161,769
(Increase)/decrease in debtors	-4,836,321	43,828,712
(Increase)/decrease in creditors	-1,455,003	-8,088,069
	<u>-5,089,801</u>	<u>35,578,875</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006 R	2005 R
21. (INCREASE)/DECREASE IN LONG-TERM LOANS (EXTERNAL)		
Loans Raised		
Loans Repaid	0	-131,566
	<u>0</u>	<u>-131,566</u>
22. (INCREASE)/DECREASE IN EXTERNAL CASH INVESTMENT		
Investment realised	43,707,066	59,230,835
Investment made	-53,239,859	-57,543,708
	<u>-9,532,793</u>	<u>1,687,128</u>
23. (INCREASE)/DECREASE IN CASH ON HAND		
Cash balance at the beginning of the year	-1,818,644	-10,686,767
Less : Cash balance at the end of the year	-7,775,008	-1,818,644
	<u>5,956,364</u>	<u>-8,868,123</u>
24. CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS		
Guarantees in respect of housing bonds to employees	201,503	201,503
WSSA Contract	20,906,986	19,916,537
Rural Hardware/Fenjel CC	1,800,000	1,800,000
Meliziswe International Property Group	1,000,000	886,630
Swift Construction	12,000	
MaxProf - VAT	1,600,000	
Mahiti - Damages	340,000	
Mkhetsu - Damages	24,000	
Motile - Damages	94,000	
	<u>25,978,490</u>	<u>20,118,041</u>
25. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure :		
- Approved and contracted for		
This expenditure will be financed from :		
-Internal sources		
-External sources		
26. CONSOLIDATED LOANS FUND		
External Loans	6,750,242	6,689,055
Internal Investments	32,822,900	31,218,825
Creditors	20,234	19,560
Bank	7,797,776	1,826,711
	<u>47,391,152</u>	<u>39,754,151</u>
Less :	30,005,353	19,740,505
External Investments	34,754,574	25,221,781
Debtors	7,000	7,000
Temporary Advances	-4,756,221	-5,488,276
(Refer to Appendix B for more detail)	<u>17,385,799</u>	<u>20,013,646</u>

APPENDIX A

STATUTORY FUNDS, RESERVES AND TRUST FUNDS FOR THE YEAR ENDED 30 JUNE 2006

	Balance at 2005-06-30	Contributions during the year	Interest on Investments	Other Income	Expenditure during the year	Capital Expenditure during the year	Written Off	Balance at 2006-06-30
	R	R	R	R	R	R		R
STATUTORY FUNDS								
Consolidated Loans Fund	-31,218,825	-1,600,325		-3,750				-32,822,900
	<u>-31,218,825</u>	<u>-1,600,325</u>		<u>-3,750</u>				<u>-32,822,900</u>
	<u><u>-31,218,825</u></u>	<u><u>-1,600,325</u></u>		<u><u>-3,750</u></u>				<u><u>-32,822,900</u></u>
TRUST FUNDS								
Grants, Subsidies and Bequests	-21,982,410		-1,441,090	-42,201,759	47,982,527	19,288		-17,623,444
Mayor's Christmas Fund	-75							-75
Storm Relief Fund	-10,505		-1,612					-12,117
	<u>-21,992,989</u>		<u>-1,442,702</u>	<u>-42,201,759</u>	<u>47,982,527</u>	<u>19,288</u>		<u>-17,635,636</u>
RESERVE FUNDS								
Rental Reserve	-2,155,231	-33,230	-146,209					-2,334,670
Repairs and Renewals	-30,050		-2,022					-32,072
Other Funds	-26,536	-20,000			23,199			-23,337
	<u>-2,211,817</u>	<u>-53,230</u>	<u>-148,231</u>		<u>23,199</u>			<u>-2,390,080</u>

APPENDIX B

EXTERNAL LOANS AND EXTERNAL ADVANCES FOR THE YEAR ENDED 30 JUNE 2006

	Balance at 2005-06-30 R	Received during the year R	Redeemed or written off during the year R	Balance at 2006-06-30 R
EXTERNAL LOANS				
LOCAL REGISTERED STOCK				
Is Redeemable		Loan No	Redeemable	
Annuity Loans	6,689,055	61,187		6,750,242
	<u>6,689,055</u>	<u>61,187</u>		<u>6,750,242</u>
	6,689,055	61,187		6,750,242

	Balance at 2005-06-30 R	Received during the year R	Redeemed or written off during the year R	Balance at 2006-06-30 R
INTERNAL ADVANCES TO BORROWING SERVICES				
Consolidated Loans Fund	20,013,646		2,627,847	17,385,799
	<u>20,013,646</u>		<u>2,627,847</u>	<u>17,385,799</u>

APPENDIX C

ANALYSIS OF FIXED ASSETS FOR THE YEAR ENDED 30 JUNE 2006

Expenditure 2005 R		Budget 2006 R	Balance at 2005-06-30 R	Expenditure 2006 R	Written off transferred redeemed or disposed of during the year R	Balance at 2006-06-30 R
317,862	RATE AND GENERAL SERVICES	19,741,062	65,018,783	6,947,737	893,264	71,073,256
174,870	Community Services	18,871,803	29,366,331	6,242,866	806,976	34,802,221
	Administration : Council General		6,010,340	7,250	2,480	6,015,110
	Administration : Estates		416		139	277
	Health Services		1,490,757	51,887	13,241	1,529,404
	Municipal Security		5,150		1,602	3,548
	Pound		30,401	92,418		122,818
	Vehicle Fleet	4,882,560	959,814	4,856,735	697,078	5,119,470
4,446	Public Works/Town Planning	9,990,660	6,469,812		8,855	6,460,957
	Infrastructural Development		2,999,455	6,260	626	3,005,089
	Services	1,189,134	5,243,305			5,243,305
	Municipal Manager		18,480	6,600	838	24,243
107,246	Administration and Human Resources		118,443		1,757	116,686
58,998	Financial Services	2,057,449	459,606	1,171,195	3,038	1,627,764
	Traffic Services		98,346	2,995	11,911	89,431
	Dog Kennels		366,000			366,000
	Parking Areas		0			0
4,180	Computers and Printers	752,000	306,148	47,526	65,413	288,262
	Hewu TRC		760,150			760,150
	Queenstown TRC		3,074,352			3,074,352
	Tylden TRC		144,655			144,655
	Whittlesea		810,701			810,701
103,142	Subsidised Services	133,111	10,954,251	630,648	23,993	11,560,906
	Aerodrome		200,000			200,000
103,142	Art Gallery		286,631	4,418		291,049
	Cemetries		77,113		12,774	64,339
	Civic Centre		3,839,580		2,914	3,836,666
	Fire Brigade		81,959		444	81,515
	Libraries		739,614	118,540	2,456	855,698
	Parks and Recreation	133,111	5,729,355	507,689	5,405	6,231,639
39,850	Economic Services	736,148	24,698,201	74,223	62,295	24,710,129
39,850	Cleansing Services	522,410	961,709	74,223	61,845	974,087
	Estates	68,465	14,045,118			14,045,118
	Nature Reserve	145,273	355,820		450	355,370
	Sewerage		9,335,555			9,335,555
0	Housing Services	0	2,236,403	0	0	2,236,403
	Sub-Economic Housing		1,859,018			1,859,018
	Self Help Schemes		377,385			377,385
15,624	Trading Services	8,348,029	124,245,491	7,301,278	29,032	131,517,736
15,624	Electricity	8,348,029	93,091,556	7,301,278	22,986	100,369,848
	Water		31,153,935		6,046	31,147,888
333,486	TOTAL FIXED ASSETS	28,089,091	191,500,677	14,249,014	922,296	204,827,395
	LESS : LOANS REDEEMED AND OTHER CAPITAL RECEIPTS		167,831,623	21,660,388	5,705,823	183,786,189
	Loans redeemed and advances paid		45,653,100	2,627,847	4,783,527	43,497,420
	Contribution ex operating income		100,216,630	5,595,820	196,868	105,615,581
	Lease Agreements		462,146	4,574,182	725,428	4,310,900
	Provision and Reserves		58,098			58,098
	Grants and Subsidies		21,441,649	8,862,540		30,304,189
	NET FIXED ASSETS		23,669,054	-7,411,374	-4,783,527	21,041,207

APPENDIX D

**ANALYSIS OF OPERATING INCOME AND EXPENDITURE
FOR THE YEAR ENDED 30 JUNE 2006**

Actual 2005 R		Actual 2006 R	Budget 2006 R
	INCOME		
31,589,283	Grants and Subsidies - Provincial Government	36,052,651	35,515,795
127,253,754	Operating Income	137,844,516	129,844,990
15,465,388	- Assessment Rates	15,283,361	15,150,720
44,486,157	- Sale of Electricity	49,425,202	45,285,500
19,197,981	- Sale of Water	21,248,731	19,941,000
48,104,228	- Other services and charges	51,887,221	49,467,770
<u>158,843,037</u>		<u>173,897,167</u>	<u>165,360,785</u>
	EXPENDITURE		
62,828,047	Salaries, wages and allowances	65,587,034	68,050,320
60,652,806	General Expenses	62,641,860	65,967,240
26,911,621	- Purchase of Electricity	28,533,048	28,335,000
	- Purchase of Water		
91,336	- Entertainment	128,054	154,700
33,649,849	- Other general Expenses	33,980,758	37,477,540
4,165,068	Repairs and Maintenance	4,982,530	6,114,360
6,388,570	Capital Charges	6,074,616	325,000
27,432	Contribution to fixed assets	1,464,994	1,786,560
18,557,670	Contributions	3,305,234	1,463,230
152,619,594	Gross expenditure	144,056,268	143,706,710
210,475	Less : Amounts charged out	21,808,673	21,125,330
152,830,069	Net Expenditure	165,864,941	164,832,040

APPENDIX E

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

##

Actual Income 2005 R	Actual Expenditure 2005 R	Actual Surplus/ (Deficit) 2005 R		Actual Income 2006 R	Actual Expenditure 2006 R	Actual Surplus/ (Deficit) 2006 R	Budget Surplus/ (Deficit) 2006 R
88,100,232	98,475,767	-10,375,535	RATE AND GENERAL SERVICES	99,092,801	102,188,729	-3,095,928	-6,412,955
60,555,871	69,896,278	-9,340,407	<u>Community Services</u>	72,978,385	65,483,759	7,494,626	5,873,205
24,102,422	4,503	24,097,919	Assessment Rates	46,638,192	4,457,849	42,180,343	41,620,800
13,167,402	26,226,889	-13,059,487	Council's General	3,279,042	11,692,691	-8,413,649	-5,268,870
57,202	3,423,924	-3,366,722	Administration : Estates	7,675	3,771,696	-3,764,021	-3,880,570
7,214,223	10,197,366	-2,983,143	Health Services	8,073,888	11,977,098	-3,903,210	-3,687,135
1,124,843	872,229	252,615	Pound	948,603	1,049,067	-100,463	-211,270
89,681	432,647	-342,966	Protection Services	90,690	2,596,649	-2,505,959	-3,078,580
1,159,049	11,093,143	-9,934,094	Public Works/Town Planning	1,506,416	11,342,751	-9,836,335	-8,987,500
95,350	2,924,252	-2,828,902	Security		2,706,345	-2,706,345	-2,812,210
	1,004,242	-1,004,242	Municipal Manager		1,333,846	-1,333,846	-1,597,200
	1,535,341	-1,535,341	Administration & HR	538,528	2,321,473	-1,782,945	-1,977,280
9,537,863	6,664,073	2,873,791	Financial Services	6,632,695	6,628,804	3,890	-3,556,050
4,007,836	5,517,670	-1,509,834	Traffic Services	5,262,657	5,605,490	-342,833	-690,930
3,446,218	11,297,419	-7,851,201	<u>Subsidised Services</u>	1,169,847	12,321,447	-11,151,600	-11,894,590
2,583	99,491	-96,909	Aerodrome	2,512	100,757	-98,245	-115,200
	61,437	-61,437	Art Gallery		46,588	-46,588	-88,300
747,642	662,322	85,320	Cemeteries	609,847	763,317	-153,469	-355,140
545,262	1,537,851	-992,589	Civic Centre	362,766	1,586,251	-1,223,486	-1,459,190
45,006	580,072	-535,067	Fire Brigade	9,458	765,207	-755,750	-742,850
109,360	1,967,368	-1,858,007	Libraries	55,638	2,014,395	-1,958,757	-2,054,040
1,996,365	6,388,877	-4,392,512	Parks and Recreation	129,626	7,044,931	-6,915,305	-7,079,870
24,098,143	17,282,070	6,816,073	<u>Economic Services</u>	24,944,570	24,383,524	561,046	-391,570
11,888,653	9,771,147	2,117,506	Cleansing Services	12,727,588	12,993,110	-265,522	-1,887,360
498,736	1,016,344	-517,609	Estates	480,795	1,043,488	-562,693	-37,860
297,849	419,023	-121,174	Nature Reserve	119,361	540,666	-421,305	-224,990
11,412,906	6,075,556	5,337,350	Sewerage	11,616,826	9,806,260	1,810,566	1,758,640
111,520	29,271	82,249	<u>Housing Services</u>	128,546	46,122	82,424	72,910
111,520	29,271	82,249	Economic Housing	128,546	46,122	82,424	72,910
70,631,286	54,325,032	16,306,254	<u>Trading Services</u>	74,675,820	63,630,089	11,045,731	6,868,790
50,875,536	40,517,369	10,358,166	Electricity	53,093,308	41,714,991	11,378,317	8,648,430
19,755,750	13,807,662	5,948,088	Water	21,582,512	21,915,098	-332,586	-1,779,640
158,843,038	152,830,069	6,012,968	TOTAL	173,897,167	165,864,940	8,032,227	528,745
		-45,764,639	Appropriations for this year (Refer to note 17)			-2,229,789	
		-39,751,671	Net surplus/(deficit) for the year			5,802,438	
		52,238,499	Accumulated surplus/(deficit) beginning of the year			12,486,828	
		12,486,828	ACCUMULATED SURPLUS/(DEFICIT) END OF YEAR			18,289,266	

APPENDIX F

STATISTICAL INFORMATION

a) GENERAL STATISTICS	2005/06	2004/05
Population	300,000	300,000
Total Registered Voters	178,845	178,845
Area km	4,191	4,191
Total Valuation :		
- Rateable	123,130,638	123,130,638
- Non Rateable	76,116,608	76,116,608
- Residential	751,025,388	751,025,388
- Commercial	67,776,310	67,776,310
Number of Sites :		
- Residential	17,664	17,664
- Commercial	162	162
Assessment Rates : Levies		
- Basic (per Rand)	1.8202	1.7172
- Rebate : Residential	15,00%	15,00%
- Other Rebate : Pensioners	23,75%	23,75%
Number of Employees of the Local Authority	625	632
b) ELECTRICITY STATISTICS		
Units bought	172,628,455	164,704,228
Cost per unit bought	0.1653	0.1620
Units sold	130,713,361	128,292,566
Units lost in distribution	41,915,094	36,411,662
Units lost in distribution as a %	24.28	22.11
Cost per unit sold	1.7484	0.1835
Income per unit sold	0.3781	0.3468
c) WATER STATISTICS		
Units bought		
Cost per unit bought		
Units sold		
Units lost in distribution		
Units lost in distribution as a %		
Cost per unit sold		
Income per unit sold		

REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL ON THE FINANCIAL STATEMENTS OF THE LUKHANJI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2006

1. AUDIT ASSIGNMENT

The annual financial statements as set out on pages 14 to 35 for the year ended 30 June 2006, have been audited in terms of section 188(1) (b) of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 126(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003). (MFMA) These annual financial statements are the responsibility of the accounting officer. My responsibility is to express an opinion on these annual financial statements, based on the audit.

2. SCOPE

The audit was conducted in accordance with the International Standards on Auditing, read with General Notice 1512 of 2006, issued in Government Gazette no 29326 of 27 October 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the annual financial statements are free of material misstatement.

An audit includes:

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

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

3 BASIS OF ACCOUNTING

The Municipality's policy is to prepare the financial statements on the basis of accounting as described in accounting policy note 1 to the financial statements

4. QUALIFICATION

4.1 Revenue and receivables – Provision for bad debts

Due to inadequate accounting frameworks and policies to structure and govern its financial management responsibilities as required by the MFMA, the following was identified:

The debtor's balance of R151 414 716 as disclosed on page 25 of the annual financial statements, is stated before provisions. Of this amount 86% (R 129 527 145) pertains to amounts outstanding exceeding 90 days. The municipality has no formal Bad Debt Policy and outstanding debts due to non-payment are no longer written off. Furthermore debts are no longer handed over to attorneys and the debt collection agency had been dispensed of. Accordingly the provision for bad debts of R 90 274 415 is considered to be inadequate to cover the possible level of irrecoverable debts.

4.2 Fixed Assets

The Balance Sheet for the year ended 30 June 2006, reflects an amount of R21 041 207 for Fixed Assets. However, land owned by the municipality is not included in the fixed asset register. The land is currently valued at nil by the municipality and is not disclosed in the financial statements.

The fixed asset register is not complete as it does not contain all of the required information pertaining to the assets. In addition, no physical verification of fixed assets has been performed by the municipality during the period under review due to the fact that fixed assets are not allocated unique identification numbers. Accordingly no assurance could be obtained pertaining to the completeness, accuracy and validity of the fixed assets.

4.3 Inventory

Note 9 of the Annual Financial Statements pertaining to inventory, reflects the balance as nil (R1 611 524: 2004/2005). Journal entries relating to inventory amounting to R1 178 019 could not be validated by supporting documentation. The municipality has indicated that inventory was disbursed to the various departments, however no indication of the completeness of stock on hand could be ascertained.

The above indicates management's inability to put in place controls to help identify and implement the appropriate accounting frameworks and policies to structure and govern its financial management responsibilities.

4.4 Long term debtors – Interest and repayments of debt

In order to ensure good financial management, the municipality management is required to properly analyse financial risk at account balance level and implement appropriate controls to minimise these risks. The following material instances were noted, where the absence of good internal controls led to management's inability to manage revenue and debtors, leading to material misstatements of the financial position of the municipality.

Long term debtors as disclosed in note 8 of the Annual Financial Statements totalling an amount of R672 490 transferred to current assets, included debtors to the value of R 644 892 for which there has been no movement from the prior year. However, as no provision was made for any irrecoverable amount it would appear that the balance is overstated by the said amount.

Furthermore, it was noted that the agreements entered into between the municipality and the debtors stipulated that repayments must be made and interest would be levied on outstanding amounts. However interest has not been levied on such accounts and accordingly interest receivable is understated.

4.5 Financial – Consumer deposits

Consumer Deposits of R6 256 021 as disclosed on page 23, note 5, of the Annual Financial Statements did not agree to the Consumer Deposit Ledger as at 30 June 2006. No reconciliations between the deposit register (sub-ledger) and the deposit control account are performed to ensure that the balance of these two ledgers agree at all times.

Consequently, the balance per the deposit register exceeded the balance per the general ledger by R230 032.

4.6 Financial – Bank reconciliation

During the performance of the audit work, it was noted that several deposits listed as "Outstanding" to the value of R2 022 853 in the June 2006 bank reconciliation could not be traced to subsequent bank statements. The validity of these deposits could therefore not be confirmed hence the cash balances on page 20 of the annual financial statements could be understated.

Outstanding deposits amounting to R586 182 from the 2004/ 2005 financial year are still reflected on the 2005/ 2006 bank reconciliation. This implies that the cash balance per the financial statements at 30 June 2006 on page 20 may not be fairly stated.

Outstanding deposits amounting to R509 484 from the 2004/2005 financial year could not be traced to Bank statements during the 2005/2006 financial year, nor did it reflect as an "Outstanding deposit" at 30 June 2006.

This implies that the cash balance per the financial statements at 30 June 2006 on page 20 may not be fairly stated.

Outstanding cheques amounting to R3 851 093 (R5 248 926: 2004/2005), older than six months, are not written off and this indicates that the cash balance per the financial statements at 30 June 2006 on page 20 may not be fairly stated.

All of the above indicate management's inability to put in place good financial management disciplines which require management to prepare reconciliations on key accounts, follow-up and clear reconciling items on a monthly basis.

4.7 Information systems – System change-over

During the financial year under review, in November 2005, the Lukhanji Municipality changed their Computer Information Systems from SAMRAS DB4 to E Venus.

In the performance of the audit, a review was performed of the reconciliation prepared to reconcile the balances on the SAMRAS DB4 system to the E Venus system at the 30th November 2005. The reconciliation did note discrepancies which were made up of the differences between the two systems balances at the 30th November 2005 and also listed the journal entry passed on the E Venus system to align the two system balances in response to those differences. These differences comprised of transactions and journal entries passed on one system but not the other and expense commitments erroneously transferred to the E Venus system as actual expenditure.

Scrutiny of the reconciliation's balances and differences against various forms of supporting documentation revealed exceptions which cast doubt as to the accuracy of the reconciliation worksheet. These exceptions fell into three broad categories:

In the audit of the reconciliation the following discrepancies were noted:

- a) Journals were processed to votes different from that which had been reflected per the reconciliation worksheet. Although debits and credits match, a classification error of expense type arises. The financial impact of these errors amounts to R4,608,464.86 as determined by the adding of both debits and credits.
- b) Journals were consolidated and processed instead of being processed individually to the respective votes. Although debits and credits match, a classification error of votes

arises. The financial impact of these errors amounts to R83,057.38 as determined by the adding of both debits and credits.

- c) Additionally billing integration journals identified from the "Transven" download obtained from the client were not reflected in the reconciliation worksheet prepared by the client. Although the debits and credits match, the effect is that the debit value and credit value is understated in the reconciliation. The financial impact of these errors amounts to R664,500.64 as determined by the adding of both debits and credits.

Furthermore, as all supporting documentation provided was system generated, originating from either the E Venus or SAMRAS system, except for the salary journal, the differences could not be vouched to accounting or source documents; therefore the validity of the differences in the reconciliation is doubtful.

Due to the lack of appropriate reconciliation procedures, documentation and specific items identified above, no assurance can be ascertained as to the completeness, validity or accuracy of the opening balances as a result of the system change.

4.8 Lack of supporting documentation

Further to the qualifications and limitations identified above, during the performance of the audit normal procedures performed included a process of formally requesting information for audit purposes. On numerous occasions such requests were repeated and information was often not submitted timeously resulting in significant delays and scope limitations. Accordingly, some information could not be extracted or made available timeously in order to validate for audit purposes, including;

4.8.1 Revenue and receivables

- Transaction listing for each category of revenue
- Supporting documentation to validate the existence debtors amounting to R6 057 319.18

4.8.2 Purchases and payables

- The transaction listing from the SAMRAS system for each category of expenses.

4.8.3 Employee costs

- Numerous personnel files
- A complete list of all new appointments for the year
- Monthly payroll reconciliations for the financial year under review
- A list of any penalties and interest incurred with regard to the late payment of PAYE, for the period 1 July 2005 to 30 June 2006
- Copy of the annual tax reconciliations performed for the year ended 30 June 2006
- An exception report from the time sheets, identifying all employees who worked on a Sunday for the period 1 July 2005 to 30 June 2006
- An exception report from the salary system showing all employees who have worked overtime for the period 1 July 2005 to 30 June 2006
- Monthly schedules of all overtime worked for the period 1 July 2005 to 30 June 2006
- Requested attendance registers

4.8.4 Inventory and asset management

- Lease agreements or supporting documentation relating to leases
- A listing of written down / obsolete stock at year end
- The last 5 goods received vouchers issued in the 2005/2006 financial year.

4.9 Purchase and Payables – Incorrect allocation of expenses

The following differences were noted between the General ledger and the Annual financial statements for the year ending 30 June 2006.

- Other General expenses amounting to R33 980 758 in the annual financial statement, page 33, as compared to R33 372 993 per the general ledger thus resulting in a difference of R607 765.
- Entertainment expenses amounting to R128 054 in the annual financial statement, page 33, as compared to R0 per the general ledger thus resulting in a difference of R128 054.
- Repairs and maintenance amounting to R4 982 530 in the annual financial statement, page 33, as compared to R4 389 290 per the general ledger thus resulting in a difference of R593 240.

Although it was indicated that these differences relate to mis-allocation, no assurance could be obtained to confirm the validity or accuracy of these amounts.

The above indicate management's inability to put in place good financial management disciplines which require management to prepare reconciliations on key accounts and follow-up clear reconciling items on a monthly basis.

No alternative procedures could be effected due to a scope limitation.

5 DISCLAIMER

Due to the significance of the matters discussed in paragraph 4, I do not express an opinion on the annual financial statements of the Lukhanji Municipality for the financial year ended 30 June 2006

6. EMPHASIS OF MATTER

Attention is drawn to the following matters.

6.1 Disclosure and other matters - Reticulation

Good financial management discipline requires of management to prepare reconciliations on key accounts and follow-up items on a monthly basis. The reticulation calculation as disclosed in the Financial Statements per Appendix D on page 22 (Electricity purchases R28 533 048) and per the General Ledger exceeded the amount per the reticulation calculation schedule (R27 766 394) by R766 654.

Furthermore, the amount of units bought as per the annual financial statements exceeded the amount of units per the reticulation schedule by 12 854 units as per page 24 Appendix F (172 628 455 units).

6.2 Property Valuation

In terms of sections 8(1) and (2) of the Property Valuation Ordinance 148 of 1993, a local authority shall from time to time cause a general valuation to be performed on all property. The general valuation must be performed at least every four years. The MEC may extend the period on request for one year.

The last general valuation was performed in 1997; therefore the Council is in contravention with the above mentioned legislation.

It was noted that a general valuation was performed by an external service provider. However, a report on an investigation of the valuation, issued by the Department of Housing, Local Government and Traditional Affairs, indicates that no reliance can be placed on the accuracy of the valuation and as such was rendered not applicable for rates purposes.

Furthermore, no interim valuations were performed during the year under review thus property valuations were not updated for divisions, additions and damage to properties.

6.3 Audit Committee and Internal Audit

The municipality did not have a functioning audit committee in place during the 2005/06 financial year due to the fact that amongst other things there was no audit committee charter in place. The audit committee charter sets out the responsibilities of the audit committee members as well as their functions and duties.

The audit committee only met twice during the year, the last of which was in November 2005.

Per inspection of the minutes of audit committee meetings, it appears as though significant developments in financial reporting were not monitored and discussed, i.e. the system change which took place during the year.

The majority of the audit committee members were in the employ of the municipality.

It was also noted that internal audit has not been afforded sufficient independence and authority to enable it to meet its required obligations in terms of the internal audit charter and approved internal audit plan. This is evidenced by the fact that the internal audit personnel are performing certain supervisory functions which should be done by line-management.

6.4 Risk Management

Management has not performed any formal risk assessment at the Lukhanji municipality. Consequently, no risk management policy has been devised and implemented.

6.5 Disclosure

Inventory is not split by major category in the notes to the financial statements in accordance with the accounting framework. The write-down of obsolete/damaged inventory has not been disclosed in the annual financial statements.

6.6 Value for money

Documentation relating to various projects, such as tenders, contracts, plans and other related documents were not available for review during the performance of the audit for review in terms of value for money.

6.7 Revenue and receivables – Incorrect transfer of balances

Good financial management discipline requires of management to prepare reconciliations on key accounts and follow-up and clear reconciling items on a monthly basis. The closing balance of the property valuations per the rateable properties reconciliation for the 2004/2005 financial year exceeded the total opening balance per the 2005/2006 reconciliation by R5 981 111.

7. LATE FINALISATION OF THE AUDIT REPORT

In terms of section 126(3)(b) of the MFMA I am required to submit my report to the accounting officer within three months of the receipt of the financial statements. In the interest of improving accountability and due the process implemented by me to ensure consistency in the manner in which material audit findings are reported, I have delayed the finalisation of my report to the date reflected on the audit report

8. APPRECIATION

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



S M Ngqwala
for Auditor-General

EAST LONDON

19 December 2006



REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL ON PERFORMANCE MEASUREMENT AT LUKHANJI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2006

1. ASSIGNMENT

The compilation, presentation and publishing of performance measurements and the implementation, management and internal control of supporting systems, are the responsibility of the accounting officer.

My responsibility is to provide an assessment of the controls implemented by the accounting officer to develop and manage the municipality's performance management system as required by section 45(b) of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000).

My role is not to assess or comment on the municipality's actual performance, but rather to assess the processes followed during the implementation of the performance management system.

2. NATURE AND SCOPE

A high-level overview was performed which indicated that performance measurement and supporting systems have not progressed to the point where they can be audited. Therefore no audit was performed and the procedures performed were limited to high-level overview interviews.

3. FINDINGS

I report my findings and matters which came to my attention during the high-level interviews below:

Although management has reviewed their Integrated Development Plan during the financial year under review management have implemented no controls to manage the municipality's performance management system. Consequently, we are unable to evaluate the municipality's performance management system as none of the following key activities to promote the implementation of a performance management system, have taken place:

- Development and implementation of Key Performance Indicators
- Settings targets for the developed Key Performance Indicators
- Internal monitoring and control
- Performance measurement and reporting

4. CONCLUSION

Because the above procedures do not constitute either an audit or a review made in accordance with Statements of South African Auditing Standards, I do not express any assurance on any performance measurement as at 30 June 2006.

An audit of the financial statements in accordance with statements of South African Auditing Standards was concluded and a report to this effect was included in the annual report.

5. APPRECIATION

The assistance rendered by the staff of Lukhanji Municipality during the assignment is sincerely appreciated.



SM NGQWALA
for Auditor-General

PO Box 13252
Vincent
EAST LONDON
5217

19 December 2007



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

CHAPTER 5

FUNCTIONAL AREA SERVICE DELIVERY REPORTING

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**LUKHANJI MUNICIPALITY
GENERAL INFORMATION**

Reporting Level	Detail	Total
Overview:	The Lukhanji Municipality with its seat in Queenstown includes the former Queenstown TLC, Whittlesea TLC and 66 villages from former surrounding TRC's. The Council consists of 53 Councillors with an Executive Mayor and 6 full time Councillors. On 3 June 2005, the Lukhanji Council approved an operating budget of R165 360 785 million for the 2005/2006 fiscal year and a capital budget of R83 271 905. In compliance with Section 117 of the Municipal Finance Management Act, The Council removed all Councillors that served on the Tender Committee whereafter a Bid Specification, Bid Evaluation and Bid Adjudication committees was established consisting only of municipal officials. In terms of Council's new Supply Chain Management policy. The Council IDP was reviewed and aligned with the 2005/2006 budget.	
Information:	Geography:	
1	Geographical area in square kilometres	4231 KM2 Lukhanji IDP
	Demography:	
2	Total population	184 542 Census 2001
3	Indigent Population Households living below minimum living level of R1500 per month.	34626
4	Total number of voters	87707
5	Aged breakdown:	
	- 65 years and over	12034
	- between 40 and 64 years	46647
	- between 15 and 39 years	64666
	-14 years and younger	61194
		Census 2001
6	Household income:	
	- over R3,499 per month	2186
	- between R2,500 and R3,499 per month	4074
	- between R1,100 and R2,499 per month	4878
	- under R1,100 per month	173405
		Census 2001
7	Employment	
	Employed	24013
	Unemployed	30419
	Not Economically Active	57786
	Total Labour Force	54432

Function:

Function:	Executive and Council
Sub Function:	N/A

Reporting Level	Detail	Total
Overview:	The Executive and Council serves as a link between the community, administration, other spheres of government, and the staff of the Municipality. The Municipal Manager, through the office of the Speaker is responsible for the co-ordination of the Municipality's work force in assisting with this process.	
Description of the Activity:	<p>The function of executive and council within the municipality is administered as follows and includes:</p> <p>The municipality is administered through a committee structure that includes 27 Ward Committees, 5 Standing Committees viz. Finance, Administration % Human Resources, Community Services, Technical Services and Estates and Land Planning Services.</p> <p>The functions undertaken include infrastructure, community services, development planning, and finance, but do not include education, health services, and welfare which reside within the jurisdiction of the provincial government.</p> <p>The municipality has a mandate to improve the quality of life for all residents.</p> <p>The strategic objectives of this function are to:</p> <p>Develop a co-ordinated and integrated approach to planning and budgeting so that resources are applied to this objective in an effective and efficient manner.</p> <p>The key issues for 2005/06:</p> <p>The adoption of an integrated development plan linked to a 5 year budget within the adopted timeframe.</p> <p>Development and implementation of a Performance Measurement System</p>	
Analysis of the Function:	<p>1 Councillor detail:</p> <p>Total number of Councillors 53</p> <p>Number of Councillors on Executive Committee 7</p> <p>2 Ward detail:</p> <p>Total number of Wards 27</p> <p>Number of Ward Meetings 104</p> <p>3 Number and type of Council and Committee meetings:</p> <p>Council meetings 7</p> <p>Mayoral Committee meetings 28</p> <p>Finance Committee meetings 6</p> <p>Community Committee meetings 2</p> <p>Technical Committee meetings 7</p> <p>Estates Committee meetings 6</p> <p>Administration & Human Resources Committee meetings 3</p>	

FINANCE

THE FUNCTIONS OF FINANCE WITHIN THE MUNICIPALITY

- a) Provide financial management advice and support to the Municipal Manager and all directorates by ensuring that all financial information required to manage the finances of each directorate is made available through expenditure reports twice per month.
- b) Provide for the development, adoption and implementation of the municipal budget by ensuring:
 - that an annual budget schedule is tabled and approved by Council before the end of August;
 - that the draft budget is prepared, reviewed and tabled to Council by 31 March each year;
 - that all budget related policies are reviewed each year and proposed amendments be tabled in March each year;
 - that the final budget is prepared and tabled to Council by 31 May each year.
- c) Provide for the management and security of municipal liquidity and investments by ensuring that all receipts are banked daily to assure maximum liquidity.
- d) Provide for the timely billing and collection of municipal debtors by ensuring:
 - that all customers are billed monthly;
 - that the billing to customers is correct;
 - that the credit control and the debt collection policy of the municipality is implemented.
- e) Provide for the timely and correct payment of employees and related expenditures by ensuring:
 - that all employees get paid on the date as determined by Council Policy;
 - that all salary related deductions get paid over to third parties timeously.
- f) Provide for the timely and correct management and payment of vendors and creditors for the municipality by ensuring:
 - that all creditors of the municipality are paid within 30 days as required by the MFMA;
 - that all expenditure within the municipality are authorised and budgeted for.
- g) Provide for the timely and correct reporting of information relating to the municipal finances and budget by ensuring:
 - that all monthly reports (DoRA, MFMA reports) are completed and submitted by the 10th working day of the month;
 - that all quarterly reports, as required by legislation, are compiled and submitted by the predetermined date;

 - that the mid-year financial report is completed and submitted to Council on or before 25 January (MFMA 72);
 - that the Annual Financial Statements are prepared and submitted to the office of the Auditor-General on or before 31 August.

10. List of Top Five Creditors - 2005/2006

	30 Days	60 Days	90 Days	120 Days	150 Days
Auditor-General	R0.00	R0.00	R0.00	R0.00	R0.00
Eskom	R0.00	R0.00	R0.00	R0.00	R0.00
Vodacom	R0.00	R0.00	R0.00	R0.00	R0.00
Telkom	R0.00	R0.00	R0.00	R0.00	R0.00
SALGA	R0.00	R0.00	R0.00	R0.00	R0.00
Total	R0.00	R0.00	R0.00	R0.00	R0.00

(Please note that there are no outstanding balances for this period).

Function:	Finance and Administration
Sub Function:	Human Resources

Reporting Level	Detail	Total
Overview:	The department has the responsibility of implementing and co-ordinating the human resource function of the municipality in a manner that is consistent with current legislation, existing collective agreements and Council policies	
Description of the Activity:	<p>The department is administered by the Human Resources Manager who is directly responsible to the Director of Administration and Human Resources for the recruitment, selection, and induction of employees. The department has an ongoing monitoring role in taking all reasonable steps to ensure that employees comply with the provisions of human resource policies.</p> <p>The strategic objectives of the Department are: Develop and adopt appropriate systems and procedures to ensure fair, efficient, effective and transparent personnel administration, in accordance with existing legislation. Monitor the payment of remuneration in accordance with conditions of employment. Institute relevant training and development opportunities for employees. Introduce occupational health and work place safety standards.</p> <p>The key issues for 200/05 have been: The finalisation of job descriptions for all employees in accordance with the TASK job evaluation system The timely development and submission of a Skills Development Plan Development and timely submission of Skills Implementation Plan The development and implementation of an Employment Equity Report To keep employment within the limits of departmental budgets.</p>	
Analysis of the Function:	<p>1 Number and cost to employer of all municipal staff employed:</p> <ul style="list-style-type: none"> - Professional (Managerial/Specialist) 84 - Field (Supervisory/Foremen) 47 - Office (Clerical/Administrative) 118 - Non-professional (blue collar, outside workforce) 319 - Temporary Staff - Contract Staff <p>Note: total number to be calculated on full-time equivalent (FTE) basis, providing detail of race and gender according to the breakdown described above. Total cost to include total salary package</p>	

Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current
Job Descriptions	All job descriptions completed and issued to staff. All job descriptions evaluated by Job Evaluations Committee. Final Outcomes report awaited.	Completed December 2005
Employment Equity Plan	Employment Equity Plan developed, completed and submitted	3 October 2005
Skills Plan	Skills Development Plan completed and submitted	29 September 2005
	Skills Implementation report developed and submitted	29 September 2005

Function:	Health
Sub Function:	Clinics

Reporting Level	Detail	Total
Overview:	Includes all activities associated with the provision of health	
Description of the Activity: Provide a comprehensive PHC service and promote community participation As per Clinic catchment area and community based care To promote and render quality service To improve the following service HIV/AIDS programme TB and Immunization	<p>The function for the provision of community health clinics within the municipality is administered as follows and includes: <List administration of each function here: this should detail what is offered, and how it is offered to the community. List here any agency relationships and roles of provincial and national government></p> <p>These services extend to include <function/area> , but do not take account of <function/area> which resides within the jurisdiction of <national/provincial/other private sector> government. The municipality has a mandate to: <List here></p> <p>The strategic objectives of this function are to: <List here></p> <p>The key issues for 200X/0Y are: <List here></p>	
Analysis of the Function: 1. Attend to minor ailments 2. Review chronic treatment issue and treat according to protocol 3. Community based care and immunization outreach 4. Health Education ect	<p><Provide statistical information on (as a minimum):></p> <p>Number and cost to employer of all health personnel:</p> <ul style="list-style-type: none"> - Professional (Doctors/Specialists) - Professional (Nurses/Aides) - Para-professional (Clinic staff qualified) - Non-professional (Clinic staff unqualified) - Temporary - Contract <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package</p>	<p><total></p> <p><total></p> <p><total></p> <p><total></p> <p><total></p>
-53,244 Five clinics	Number, cost of public, private clinics servicing population: - Public Clinics (owned by municipality) - Private Clinics (owned by private, fees based)	<p><total></p> <p><total></p>
Do VCT and initiate treatment and refer as according to protocol	Total annual patient head count for service provided by the municipality: - 65 years and over 0-5 years - 21,576 5 years and older -114,738 - 14 years and under Note: if no age range available, place to other	<p><total></p> <p><total></p> <p><total></p> <p><total></p>

4	Estimated backlog in number of and costs to build clinics: <list details> Note: total number should appear in IDP, and cost in future budgeted capital works programme	<total>
5	Type and number of grants and subsidies received: <list each grant or subsidy separately> Note: total value of specific health clinic grants actually received during year to be recorded over the five quarters - Apr to Jun last year, Jul to Sep, Oct to Dec, Jan to Mar, Apr to Jun this year.	<total>
6	Total operating cost of health (clinic) function:	

Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current
	<p>1.TB suspect rate. Patient are investigated for Tb so as to ensure that treatment is initiated in time and tracing of defaulters and contacts is done, as this is the contributory factor to poor control of PTB. The norm for TB suspect rate as an indicator is 1-2 %.Clinics are at Gardens -1%,Lizo Ngcana 0.6%,New Rest Clinic 1,2%,Parkvale Clinic 0,8,Philani Clinic 0.9%.Health care workers have been deligated to do home visits for TB tracing.</p> <p>2.Prevention of mother to child transmission.Our clinics have improved with the testing rate,ranging from 60% to 100%</p> <p>3.Fully immunized children under 1 year. The immunization outreach programme was disrupted by others eg Phelophepha train,LSA programmes,quality assurance,presentations and the polio campaign resulting to the poor response. The National target is 90%.Our clinics have tried ,though more work needs to be done,Gardens clinic is far above the target line of 55%,Lizo Ngcana also at 60% and Parkvale is at 40% just below the target line.NewRest and Philani Clinics are underperforming NRC 33%,Philani 22%</p> <p>4.Voluntary Counselling and Testing.There is a great improvement as all clinics are at 100% testing rate,and through health educationand not booking patients,this has improved the services,also the fact that the staff is trained</p> <p>5.New TB Cure Rate.The National target is 88%.The five clinis are at 64,2% meaning therefore we need to enforce health education and encourage the Dots supporters,monitor and improve the defaulters rate.</p>	

Function:	Community and Social Services
Sub Function:	All inclusive

Reporting Level	Detail	Total	
Overview:	Includes all activities associated with the provision of community and social services		
Description of the Activity:	<p>The function of provision of various community and social services within the municipality is administered as follows and includes:</p> <p>These services extend to include <function/area> , but do not take account of <function/area> which resides within the jurisdiction of <national/provincial/other private sector> government. The municipality has a mandate to:</p> <p>The strategic objectives of this function are to:</p> <p>The key issues for 2005/06 are:</p>		
Analysis of the Function:	<p>1 Nature and extent of facilities provided:</p> <ul style="list-style-type: none"> - Library services - Museums and art galleries - Other community halls/facilities - Cemeteries and crematoriums - Child care (including creches etc) - Aged care (including aged homes, home help) - Schools - Sporting facilities (specify) - Parks <p>Note: the facilities figure should agree with the assets register</p> <p>2 Number and cost to employer of all personnel associated with each community services function:</p> <ul style="list-style-type: none"> - Library services - Museums and art galleries - Other community halls/facilities - Cemeteries and crematoriums - Child care - Aged care - Schools - Sporting facilities - Parks <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package</p>	<p><i>no of facilities:</i></p> <p>5</p> <p>2</p> <p>6</p> <p>5</p> <p>9</p>	<p><i>no of users:</i></p> <p>28377</p> <p>186000</p> <p>186000</p> <p>2140520</p> <p>861000</p> <p>873440</p> <p>5196880</p>

Function:	Housing
Sub Function:	N/A

Reporting Level	Detail	Total	
Overview:	Includes all activities associated with provision of housing		
Description of the Activity:	The function of provision of housing within the municipality is administered as follows and includes:		
	Planning and application of new housing projects (Ward Councillors, together with the Ward Committees are actively involved to supply waiting lists indicating the need in each area and is consulted by professionals on every aspect involved with the planning process before the actual application is forwarded to the DHLG).		
	Subsidy Administration (Once a Housing Project has been approved, the layout plan including the erf numbers and sizes is obtained from the relevant Surveyor, a database for the project is compiled and the Subsidy Administration commences (The Ward Councillors, together with their Ward Committees, are involved to supply the Municipality with the names of the beneficiaries identified from their waiting lists and subsidy applications are prepared and signed with the relevant beneficiaries. These applications are forwarded to the DHLG in Bisho and feedback by means of approved and rejection lists are provided to the relevant Ward Councillors and their Ward Committees on a regular basis. Once approvals have been obtained, it is forwarded to the Infrastructure Development Unit who handles all aspects regarding the construction of the units, as well as the installation of infrastructure. Officials from this unit will be responsible for the appointment of consultants, where necessary, the appointment of contractors for the installation of infrastructure, as well as the		
	Registration of Title Deeds (Once a housing project has been approved, a Conveyancer is appointed to handle the registration of individual title deeds. Once approvals of beneficiaries have been obtained and the Township Register has been opened by the Conveyancer, the necessary signed documentation is supplied to the Conveyancer to proceed with the registration of individual title deeds.		
	Updating of beneficiary information on financial system (Once approvals of beneficiaries have been completed, the information of all approved beneficiaries are supplied to the Finance Directorate for the beneficiaries to be included in the financial system of the Municipality. Once the top structures have been completed and is ready for occupation, each individual is required to visit the municipality to pay the necessary deposit for services and is also assisted in completed the necessary documentation for the application of services.		
	Administration of existing housing (not new projects), includes the following : (A) When owners of properties pass away, the municipality assist the family in having the deceased estate sorted out and also see to the necessary changes to the relevant account. (B) When members of the community have any query related to housing, they are assisted by officials e.g. what channels to follow when they want to buy a property from another party; queries with regards to ownership of a property; queries with regards to the registration of a transfer of a property; queries with regards to marriage conditions, etc. (C) Compilation and signing of the necessary documentation with regards to the registration of title deeds under the discount benefit scheme. Although the conveyancers involved with this process has appointed field workers to assist with the calling of the relevant members of the community, all documentation to be signed are compiled by the municipal officials who thereafter ensure that it is signed properly before supplying it to the conveyancers.		

	(D) Upkeep of a proper filing system. Individual housing files for each property previously owned by the government or the municipality, as well as properties which form part of housing projects are kept up to date. This assists with the answering of queries received from the public, the DHLG, Conveyancers, etc.		
	(E) Administration of municipal owned flats and houses rented to members of the public. This includes the keeping of waiting lists, rental agreements, queries and complaints from tenants, as well as maintenance.		
	(F) Administration of municipal owned retirement facility where units are rented to old age pensioners. This includes the keeping of waiting lists, rental agreements, queries and complaints from tenants, as well as maintenance.		
	Identification, preparation and alienation of land for the purpose of higher income developments, either by individuals or developers. This process is performed in line with the policy adopted by council. These services extend to include all areas within the jurisdiction of the Lukhanji Municipality, but some of these services have not yet been fully implemented in all the rural areas due the lack of staff, lack of finances for groundwork still to be completed, delay in the transfer of land to the municipality, etc. and the full implementation of these services will be phased in over a period of time. The latter will also depend on the availability of the relevant resources.		
	The strategic objectives of this function are to:		
	1 To do proper forward planning with regards to housing development, also in the process obtaining input from all relevant roll players which will form the basis of applications for future housing projects.		
	2 Proper administration of approved Housing Projects.		
	3 Assist the community with transfer of properties within the approved subsidy process.		
	4 Successful liaisons with all relevant departments.		
	5 Proper administration of all existing housing to ensure proper service delivery to the community.		
	The key issues for 2005/06 are:		
	1 Proper forward planning to base future housing applications on.		
	2 To attempt to finalise subsidy administration on all existing approved Housing projects.		
	3 To attempt to finalise the registration of individual title deeds in as many areas as possible.		
	4 To keep up proper liaisons with all relevant departments.		
	5 To ensure proper service delivery to the community by ensuring proper administration of existing housing.		
Analysis of the Function:			
	1 Number and cost of all personnel associated with provision of municipal housing: Professionals : Town Planner X 1 - Field : Housing Inspector X 1 Office : Director X 1 Housing Administrator X 2 Lands Administrator X 1 Snr. Clerk Lands X 1 Admin. Officers X 3 Housing Clerks X 4 Jnr. Admin Officer X 1 - Non-Professional : Messenger/Driver X 2 <i>Technical Services :</i> Field : Building Inspector X 2 Contract : Project Co-Ordinator X 4 Senior Manager X 1 Admin. Manager X 1		

	2 Number and total value of housing projects planned and current:		
	Current : 12		
	Planned :2		
	3 Total type, number and value of housing provided:		
	Ekuphumleni PHP Housing Project	75	1779000
	Enkululekweni PHP Housing Project	60	1423200
	Ezibeleni Phase II PHP Housing Project	610	14469200
	Ilinge PHP Housing Project	46	1091120
	Imvani PHP Housing Project	68	1612960
	Sabata Dalindyabo PHP Housing Project	3	71160
	Tambo Village PHP Housing Project	380	9013600
	Botha's Hoek PHP Housing Project		1940910
	Ensam PHP Housing Project		5420100
	Mc Bride PHP Housing Project		16174250
	Merino Walk PHP Housing Project		7917000
	Poplar Grove PHP Housing Project		6658400
	Who-Can-Tell PHP Housing Project		15874600
	4 Total number and value of rent received from municipal owned rental units		
	Sunshine Village	47 Units	
	Fairview Flats	4 Units	
	Uitsig Flats	4 Units	
	Municipal Houses	5 Units	
	5 Estimated backlog in number of (and costs to build) housing:		
	Sabata Dalindyabo Credit Linked Housing Project	210 Units	2300000
Reporting Level	Detail		Total
	6 Type and number of grants and subsidies received:		
	(A) Ekuphumleni PHP Housing Project Est. Gr. :		
	Apr-June 2005		R 122 997-42
	Jul-Sep 2005		R 0-00
	Oct-Dec 2005		R 0-00
	Jan-Mar 2006		R 0-00
	Apr-Jun 2006		R 0-00
	(B) Ekuphumleni PHP Housing Project Top Str. :		
	Apr-June 2005		R 222 589-40
	Jul-Sep 2005		R 0-00
	Oct-Dec 2005		R 0-00
	Jan-Mar 2006		R 393 976-00
	Apr-Jun 2006		R 0-00
	(C) Ezibeleni Phase II PHP Housing Project Est. Gr. :		
	Apr-June 2005		R 135 352-00
	Jul-Sep 2005		R 0-00
	Oct-Dec 2005		R 0-00
	Jan-Mar 2006		R 0-00
	Apr-Jun 2006		R 0-00
	(D) Ezibeleni Phase II PHP Housing Project Top Str. :		
	Apr-June 2005		R 4 557 284-64
	Jul-Sep 2005		R 0-00
	Oct-Dec 2005		R 0-00
	Jan-Mar 2006		R 1 668 183-00
	Apr-Jun 2006		R 0-00
	(E) Ilinge PHP Housing Project Est. Gr. :		
	Apr-June 2005		R 127 575-00
	Jul-Sep 2005		R 0-00
	Oct-Dec 2005		R 0-00
	Jan-Mar 2006		R 0-00
	Apr-Jun 2006		R 0-00

(F) Ilinge PHP Housing Project		
Top Str. :		
Apr-June 2005		R 0-00
Jul-Sep 2005		R 0-00
Oct-Dec 2005		R 0-00
Jan-Mar 2006		R 478 828-00
Apr-Jun 2006		R 0-00
(G) Imvani PHP Housing Project Top Str. :		
Apr-Jun 2005		R 0-00
Jul-Sep 2005		R 34 766-00
Oct-Dec 2005		R 0-00
Jan-Mar 2006		R 148 388-00
Apr-Jun 2006		R 0-00
(H) Tambo Village PHP Housing Project Est. Gr. :		
Apr-June 2005		R 109 328-00
Jul-Sep 2005		R 0-00
Oct-Dec 2005		R 0-00
Jan-Mar 2006		R 0-00
Apr-Jun 2006		R 0-00
(I) Tambo Village PHP Housing Project Top Structures :		
Apr-June 2005		R 3 578 360-00
Jul-Sep 2005		R 768 680-00
Oct-Dec 2005		R 0-00
Jan-Mar 2006		R 775 653-00
Apr-Jun 2006		R 0-00

Function:	Public Safety
Sub Function:	Traffic

Reporting Level	Detail	Total	
Overview:	Includes police force and traffic (and parking) control		
Description of the Activity:	<p>The policing and traffic control functions of the municipality are administered as follows:</p> <ul style="list-style-type: none"> Traffic Control Law Enforcement Registration and licencing of motorvehicles Traffic control administration(adjudication and processing of offences) Learners and driving licence testing Vehicle testing station watchman Traffic engineering(road markings and signage) <p>These services extend to include functional areas but do not include areas which resides within the jurisdiction of the Provincial government</p> <p>The Municipality has a mandate to do the registration and licencing of motor vehicles,the testing of of motor vehicles for roadworthiness,the testing of and the issuing of learner and drivers licences in terms of Act 93/1996 and regulate parking and traffic within the jurisdiction of the Lukhanji Municipality</p> <p>The strategic objectives of this function are to provide a safe traffic environment for both the motoring traffic and pedestrian traffic</p>		1413952.18
Analysis of the Function:	<p>1 Number and cost to employer of all personnel associated with policing and traffic control:</p> <ul style="list-style-type: none"> - Professional (Senior Management) 4 750514 - Field (Detectives/Supervisors) 5 544385 - Office (Clerical/Administration) 5 742539 - Non-professional (visible police officers on the street) 26 1983241 - Volunteer 41 1922294 - Temporary - Contract 4 20918 Total 85 5963891 		R (000s)
	<p>2 Total number of call-outs attended:</p> <ul style="list-style-type: none"> - Emergency call-outs 900 - Standard call-outs 9329 <p>Note: provide total number registered, based on call classification at municipality</p>	10229	
	<p>3 Average response time to call-outs:</p> <ul style="list-style-type: none"> - Emergency call-outs 5 - Standard call-outs 15 <p>Note: provide average by dividing total response time by number of call-outs</p>	10	
	<p>4 Total number of targeted violations eg: traffic offences:</p> <ul style="list-style-type: none"> Parking offences 1261 speeding 309 Red Robots 105 Stop signs 1108 Unroadworthy vehicles 77 Driving Licences 819 Other Offences 1313 TOTAL 4992 1639400.00 		
	<p>5 Total number and type of emergencies leading to a loss of life or disaster:</p> <p><list details, including the number and type of emergencies recorded></p>	0	0
	<p>6 Type and number of grants and subsidies received:</p> <p><list each grant or subsidy separately></p> <p>Note: total value of specific public safety grants actually received during year to be recorded over the five quarters - Apr to Jun last year, Jul to Sep, Oct to Dec, Jan to Mar, Apr to Jun this year.</p>	0	0
	<p>7 Total operating cost of police and traffic function</p>	0	8937851

Function:	Waste Management
Sub Function:	Solid Waste

Reporting Level	Detail	Total	
Overview:			12962617
Description of the Activity:	refuse removal, solid waste disposal and landfill, street cleaning and recycling, cleaning of open spaces The refuse collection functions of the Municipality are administered as follows and include: Refuse Removal Refuse Disposal Street cleaning Cleaning open spaces Weekly refuse removals at households and business daily or weekly as required Street cleaning daily Open spaces cleaning daily The strategic objectives of this function are to:	8277587 435295 3471618 778117	
Analysis of the Function:	Ensure a clean environment for the community The key issues for 2005/06 To build a transfer station in Whittlesea 1 Number and cost to employer of all personnel associated with refuse removal: - Professional (Engineers/Consultants) - Field (Supervisors/Foremen) - Office (Clerical/Administration) - Non-professional (blue collar, outside workforce) - Temporary - Contract Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package	1 4 1 98 0 29	400 000 7326357
	2 Number of households receiving regular refuse removal services, and frequency and cost of service: - Removed by municipality at least once a week - Removed by municipality less often - Communal refuse dump used - Own refuse dump - No rubbish disposal Note: if other intervals of services are available, please provide details	28 000 6 400 2 10 000 5700	
	3 Total and projected tonnage of all refuse disposed: - Domestic/Commercial - Garden Note: provide total tonnage for current and future years activity	37000 940 37940	39 837
	4 Total number, capacity and life expectancy of refuse disposal sites: - Domestic/Commercial (number) - Domestic Commercial(Whittlesea) Garden(number)	1 1 0	20 years 2 years

Reporting Level	Detail	Total	
5	Anticipated expansion of refuse removal service: - Domestic/Commercial - Garden Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality	4300	800 000
6	Free Basic Service Provision: - Quantity (number of households affected) - Quantum (value to each household)		

Function:	Waste Water Management
Sub Function:	Sewerage etc

Reporting Level	Detail	Total	Cost																																																									
Overview:	water & sanitation services are contracted out to WSSA. They are responsible for all water & sanitation services, excluding infrastructure, provision as well as the operation and maintenance thereof.																																																											
Description of the Activity:	<p>The sewerage functions of the municipality are administered as follows and include: annual contract with WSSA. Queenstown, Mlungisi and Ezibeleni all have waterborne sanitation. 10% of Whittlesea has septic tanks in ext. 2, in Sada all households have buckets while the rest of Whittlesea are connected to waterborne sewage. All stands in Ekuphumleni are reticulated with waterborne sanitation. Madakeni and Shiloh have pit latrines. The informal areas have pit latrines, which includes a number of VIPs.</p> <p><i>Maintenance of all reticulation falls under WSSA as per contract. This includes sewer blockages, rehabilitation of pipes and manholes, pipe replacement etc. Whittlesea has a team emptying buckets on a daily basis, a sewer tanker clearing septic tanks as and when required, including villages.</i></p> <p>These services extend to include <function/area> , but do not take account of <function/area> which resides within the jurisdiction of <national/provincial/other private sector> government. The municipality has a mandate to:</p> <p>The strategic objectives of this function are to: <i>To meet maximum flow demand, to provide waterborne sewers to all households, to eradicate all buckets & to maintain reticulation in proper working condition.</i></p> <p>The key issues for 200X/0Y are: <List here></p>																																																											
Analysis of the Function:	<p>1 Number and cost to employer of all personnel associated with sewerage functions: Including WSSA contract</p> <table border="0"> <tr> <td>- Professional (Engineers/Consultants)</td> <td>1</td> <td>R92 827</td> </tr> <tr> <td>- Field (Supervisors/Foremen)</td> <td>5</td> <td>R237 787</td> </tr> <tr> <td>- Office (Clerical/Administration)</td> <td>2</td> <td>R87 662</td> </tr> <tr> <td>- Non-professional (blue collar, outside workforce)</td> <td>14</td> <td>R764 785</td> </tr> <tr> <td>- Temporary</td> <td>0</td> <td>0</td> </tr> <tr> <td>- Contract</td> <td>0</td> <td>0</td> </tr> </table> <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package</p> <p>2 Number of households with sewerage services, and type and cost of service:</p> <table border="0"> <tr> <td>- Flush toilet (connected to sewerage system)</td> <td>24 195</td> <td></td> </tr> <tr> <td>- Flush toilet (with septic tank)</td> <td>1 724</td> <td></td> </tr> <tr> <td>- Chemical toilet</td> <td>4 170</td> <td></td> </tr> <tr> <td>- Pit latrine with ventilation</td> <td>8 115</td> <td></td> </tr> <tr> <td>- Pit latrine without ventilation</td> <td>0</td> <td></td> </tr> <tr> <td>- Bucket latrine</td> <td>1 266</td> <td></td> </tr> <tr> <td>- No toilet provision</td> <td></td> <td></td> </tr> </table> <p>Note: if other types of services are available, please provide details</p> <p>3 Anticipated expansion of sewerage:</p> <table border="0"> <tr> <td>- Flush/chemical toilet</td> <td>109</td> <td></td> </tr> </table> <p>- Pit latrine</p> <table border="0"> <tr> <td></td> <td>0</td> <td></td> </tr> </table> <p>- Bucket latrine</p> <table border="0"> <tr> <td></td> <td>0</td> <td></td> </tr> </table> <p>- No toilet provision</p> <table border="0"> <tr> <td></td> <td>0</td> <td></td> </tr> </table> <p>Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality</p> <p>4 Free Basic Service Provision:</p> <table border="0"> <tr> <td>- Quantity (number of households affected)</td> <td>9281</td> <td></td> </tr> <tr> <td>- Quantum (value to each household)</td> <td>R 15.72</td> <td></td> </tr> </table>	- Professional (Engineers/Consultants)	1	R92 827	- Field (Supervisors/Foremen)	5	R237 787	- Office (Clerical/Administration)	2	R87 662	- Non-professional (blue collar, outside workforce)	14	R764 785	- Temporary	0	0	- Contract	0	0	- Flush toilet (connected to sewerage system)	24 195		- Flush toilet (with septic tank)	1 724		- Chemical toilet	4 170		- Pit latrine with ventilation	8 115		- Pit latrine without ventilation	0		- Bucket latrine	1 266		- No toilet provision			- Flush/chemical toilet	109			0			0			0		- Quantity (number of households affected)	9281		- Quantum (value to each household)	R 15.72			
- Professional (Engineers/Consultants)	1	R92 827																																																										
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Function:	Road Transport
Sub Function:	Roads

Reporting Level	Detail	Total	Cost
Overview:	Construction and maintenance of roads within the municipality's jurisdiction		
Description of the Activity:	The road maintenance and construction responsibilities of the municipality are administered as follows and include: <i>Implementation of small civil projects</i> Clear blocked drains <i>Clean gutters</i> Patch potholes <i>Replace damaged or worn out kerbs</i> Open catchpits <i>Do light and heavy blading of gravel roads</i> <i>Resealing of tar roads</i> <i>Regravelling of gravel roads</i>		
Analysis of the Function:	<p>1 Number and cost to employer of all personnel associated with road maintenance and construction:</p> <ul style="list-style-type: none"> - Professional (Engineers/Consultants) 2 440 - Field (Supervisors/Foremen) 9 888.8168 - Office (Clerical/Administration) 2 43.37 - Non-professional (blue collar, outside workforce) 48 2353.29256 - Temporary 0 0 - Contract 9 142.08 <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package</p> <p>2 Total number, kilometres and total value of road projects planned and current:</p> <ul style="list-style-type: none"> - New bitumenised (number) 4Km R 3,000 - Existing re-tarred (number) 5Km R 1,800.00 - New gravel (number) 0 0 - Existing re-sheeted (number) 10 R 5,000 <p>3 Total kilometres and maintenance cost associated with existing roads provided</p> <ul style="list-style-type: none"> - Tar 50 900 - Gravel 60 320 <p>4 Average frequency and cost of re-tarring, re-sealing of roads</p> <ul style="list-style-type: none"> - Tar 5km 700 - Gravel 0 0 <p>5 Estimated backlog in number of roads, showing kilometres and capital cost</p> <ul style="list-style-type: none"> - Tar 85 R 38,250 - Gravel 800 R 200,000 		

Reporting Level	Detail	Total	Cost
	Note: total number should appear in IDP, and cost in future budgeted road construction programme		
6	Type and number of grants and subsidies received: <i>MIG</i>		R 6,042
	Note: total value of specific road grants actually received during year to be recorded over the five quarters - Apr to Jun this year, Jul to Sep, Oct to Dec, Jan to Mar, Apr to Jun this year.		

Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current	Target
	1.Light and heavy blading	50km	80km
	2.Regraveling gravel roads	7km	15km
	3.Patch potholes	50km	50km
	4.Retarring and resealing tar roads	5km	15km
	5.Unblock drains	5km	8km
	6.Clean gutters	10km	15km
	Looking at KPA 1,2 and 4 you will notice that there variances, these variances are caused by lack of maintenance funding, state of our machines and lack of skills. We are in the process of acquiring new machines.		
	The same goes with KPA 5 and 6. The variances are caused by lack of human resources. We have identified the personnel that we need and put the associated costs into our 2007/2008, 2008/2009 and 2009/2010 budget.		

2005/2006

Function:	Water
Sub Function:	Water Distribution

Reporting Level	Detail	Total	Cost
Overview:	Water is supplied by two sources: the Waterdown dam, which also supplies water to Whittlesea/Sada area & the Bonkolo dam, owned by Lukhanji municipality. Total storage is about 42 000ML. Bulk storage for the Queenstown area is 46ML, which at present is becoming inadequate due to new developments in the area. Raw water treatment, operation and maintenance thereof forms part of the annual contract with WSSA		
Description of the Activity:	<p>The water purchase and distribution functions of the municipality are administered as follows and include:</p> <p><i>All areas are connected to the network and metered with the exception of the rural areas. The informal areas are provided with communal standpipes. Whittlesea areas are unmetered except for businesses and government buildings. All ingident households are supplied with restrictor-flow meters to provide 10KI / month FBS. The rural areas all receive free diesel / electricity to compensate for the 10KI FBS. All maintenance to pumps & motors are done by the service provider. WSSA are contracted out to do maintenance and the operation of all water services, excluding infrastructure. Metering is done on a daily basis.</i></p> <p>These services extend to include <function/area> , but do not take account of <function/area> which sits within the jurisdiction of <national/provincial/other private sector> government. The municipality has a mandate to:</p> <p><List here></p> <p>The strategic objectives of this function are to:</p> <p><i>To provide potable water to all households and to meet the maximum demand. To maintain & operate the network at all times.</i></p> <p>The key issues for 200X/0Y are:</p>		
	<p>1 Number and cost to employer of all personnel associated with the water distribution function: (Including annual WSSA contract)</p> <ul style="list-style-type: none"> - WSSA annual contract - Professional (Engineers/Consultants) - Field (Supervisors/Foremen) - Office (Clerical/Administration) - Non-professional (blue collar, outside workforce) - Temporary - Contract <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package.</p>	<p>20</p> <p>?</p> <p>1</p> <p>8</p> <p>2</p> <p>9</p> <p>0</p> <p>0</p>	<p>1 115699</p> <p>92 827</p> <p>494 531</p> <p>87 710</p> <p>440 630</p> <p>0</p> <p>0</p>
	2 Percentage of total water usage per month		
	<p>3 Total volume and cost of bulk water purchases in kilolitres and rand, by category of consumer</p> <ul style="list-style-type: none"> - Category 1 <insert here> - Category 2 <insert here> - Category 3 <insert here> - Category 4 <insert here> 		

	Total volume and receipts for bulk water sales in kilolitres and rand, by category of consumer: - Category 1 <insert here> (total number of households) - Category 2 <insert here> (total number of households) - Category 3 <insert here> (total number of households) - Category 4 <insert here> (total number of households)		
	5 Total year-to-date water losses in kilolitres and rand <detail total>		
Reporting Level	Detail	Total	Cost
	6 Number of households with water service, and type and cost of service: - Piped water inside dwelling - Piped water inside yard - Piped water on community stand: distance < 200m from dwelling - Piped water on community stand: distance > 200m from dwelling - Borehole - Spring - Rain-water tank	13957 11 920 8511 7 095 1954 231 130	
	7 Number and cost of new connections:	31	R57 716
	8 Number and cost of disconnections and reconnections:	0	0
	9 Number and total value of water projects planned and current: - Current (financial year after year reported on) - Planned (future years)		
	10 Anticipated expansion of water service: - Piped water inside dwelling - Piped water inside yard - Piped water on community stand: distance < 200m from dwelling - Piped water on community stand: distance > 200m from dwelling - Borehole - Spring - Rain-water tank		
	11 Estimated backlog in number (and cost to provide) water connection: - Piped water inside dwelling - Piped water inside yard - Piped water on community stand: distance < 200m from dwelling - Piped water on community stand: distance > 200m from dwelling - Borehole - Spring - Rain-water tank		
	12 Free Basic Service Provision: - Quantity (number of households affected) - Quantum (value to each household)	25 787 R495 368	

Function:	Electricity
Sub Function:	Electricity Distribution

Reporting Level	Detail	Total	Cost
Overview:	Includes the bulk purchase and distribution of electricity		
Description of the Activity:	<p>The electricity purchase and distribution functions of the municipality are administered as follows and include:</p> <p><i>Provide for maintenance of the electrical distribution network in Lukhanji Municipality.</i></p> <p>Provide for Community Lighting.</p> <p>Provide for a safe workplace environment.</p> <p>Administer the registration of all new electrical installations and charges to existing installations.</p> <p>The municipality has a mandate to: Provide electricity to its customers within the Queenstown, Ezibileni and Mlungisi Township areas.</p> <p>The strategic objectives of this function are to:</p> <p>To provide a sustainable, efficient and reliable quality of supply to the customers of the Lukhanji Municipality.</p> <p>The key issues for 2006/2007 are:</p> <p><i>To carry out load flow studies within the various areas to ensure that we meet all the requirements of the Electricity Act. To clamp down on electricity theft within the domestic customer sector. Upgrade certain parts of the 11Kv and 400V network to improve the quality of supply to all our customers.</i></p>		
Analysis of the Function:	<p>1 Number and cost to employer of all personnel associated with the electricity distribution function:</p> <ul style="list-style-type: none"> - Professional (Engineers/Consultants) 1 437 - Field (Supervisors/Foremen) 3 532 - Office (Clerical/Administration) 1 126 - Non-professional (blue collar, outside workforce) 37 2624 - Temporary 6 64 - Contract 3 165 <p>51 3948</p> <p>2 Total quantity and cost of bulk electricity purchases in kilowatt hours and rand, by category of consumer</p> <ul style="list-style-type: none"> - Residential - Commercial - Industrial - Mining - Agriculture - Other <p>162470144 R31169</p> <p>3 Total quantity and receipts for bulk electricity sales in kilowatt hours and rand, by category of consumer:</p> <ul style="list-style-type: none"> - Household 54253769 7870 - Commercial 22947249 2646 - Industrial 46196424 3754 - Mining 0 0 - Agriculture 1679217 731 - Other <p>125076659 R 48501</p> <p>4 Total year-to-date electricity losses in kilowatt hours and rand <detail total></p> <p>37393485 9348</p> <p>5 Number of households with electricity access, and type and cost of service:</p> <p>22072 R (000s)</p>		

Reporting Level	Detail	Total	Cost
	- Electrified areas - Municipal - Eskom - Alternate energy source - Gas - Paraffin - Solar - Wood - Non electrified Note: if other types of services are available, please provide details	23261 31510	
6	Number and cost of new connections: <detail total>	2186	5844
7	Number and cost of disconnections and reconnections <detail total>		
8	Number and total value of electrification projects planned and current: - Current (financial year after year reported on) - Planned (future years) Note: provide total project and project value as per initial or revised budget	810 3073	1620 9219
9	Anticipated expansion of electricity service: We anticipate that a further 7000 RDP houses will be erected that would require an electrical supply. However Eskom will be responsible for all the cost of the infrastructure and maintainance of the network. The normal growth in the urban areas will be the responsibility of the Municipality. Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality	1000	1800
10	Estimated backlog in number (and cost to provide) electrical connections: <detail total> Note: total number should appear in IDP, and cost in future budgeted capital housing programmes		
11	Free Basic Service Provision: - Quantity (number of households affected) - Quantum (value to each household) Note: Provide details of how many households receive the FBS provision, and the average value it means per household. Describe in detail the level of Free Basic Services provided.	7751 50kWH	
12	Type and number of grants and subsidies received: <i>National Electrification Programme</i> Note: total value of specific electricity grants actually received during year to be recorded over the five quarters - Apr to Jun last year, Jul to Sep, Oct to Dec, Jan to Mar, Apr to Jun this year.		6800
13	Total operating cost of electricity distribution function		R3845

Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current	Target
1) Extentions to existing networks to cater for "Infills" and "New Connections" .2) Maintain, refufurbish and repair existing network and switchgear.	1) All applications successfully supplied with an electrical supply. 2) We have managed to maintain and repair the network as far as our budget allowed, refurbishment however, has not received any attention, as a result of our financial situation. We have made allowance in the budget to spent R5mil. last year but as a result of no funding it had to be moved to next year.	1) 1834	100%
3)To provide a basic electrical service to all customers living within the Lukhanji Municipality.	3)Currently approximately 96% of all existing households within the Lukhanji Municipalty are supplied with a basic electrical supply. All other households are in the process of being electrified or are situated within the Eskom area of licence and can not be electrified as yet due to the non availability of electrical infrastructure. Eskom's planning indicates that these customers should be electrified within the next 5 years.	96%	98%