

LUKHANJI MUNICIPALITY



ANNUAL REPORT 2006/07

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Chapter One

INTRODUCTION AND OVERVIEW

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FOREWORD BY THE EXECUTIVE MAYOR

The 2006/2007 Annual Report for the Lukhanji Municipality sets out the performance highlights and financial management for the 2006/2007 financial year.

The report is an account of the Municipality's achievements in the year under review, and as with any rigorous reporting instrument it does not hesitate in pointing out where the Municipality has fallen short.

The report is published in terms of the Municipal Finance Management Act, which requires municipalities to report regularly on all aspects of performance and expenditure. It also forms part of a cycle of ongoing planning, monitoring and evaluation that begins with the formulation and annual review of the Integrated Development Plan – the five-year plan for the Municipality, which ideally reflects the shared views of all parties represented in Council.

The year was one of renewal; most significantly a renewed commitment to the priorities identified through dialogue with the community. A major undertaking in establishing and meeting those priorities was the development of the Integrated Development Plan which

outlines our goals and our strategies for reaching them. As a living document, the plan will be regularly updated to ensure citizen voices continue to be heard in planning the direction of Lukhanji's future.

Readers of the Annual Report will be able to reflect on progress in meeting the vision and objectives of the IDP, and see where we have delivered and where the challenges still lie. I have no doubt that this will be a useful document for councillors, staff and stakeholders as we strive to continuously improve our services to the people of Lukhanji.

Gradually, we are realizing our vision of building a united, prosperous and productive community. In 2008 we will continue to be guided by the priorities mandated by our residents. Our successes will be defined by, and reflected in, our citizens' quality of life.

I would like to take this opportunity to thank all members of Council and staff for their hard work and commitment to public service. I look forward to another successful year in 2008.

M E DAPULA
EXECUTIVE MAYOR

STATEMENT BY THE MUNICIPAL MANAGER

This report is published in terms of the Municipal Finance Management Act (MFMA), Act 56 of 2003 and the local government legislation that has brought about considerable changes to local government over the last 10 years. The MFMA sets very high standards when it comes to accounting on the use of public funds.

As is the case with many other municipalities, the Lukhanji Municipality strives to achieve service excellence in all areas of its work. This report will give readers a substantial insight into the workings of the Municipality.

Many important issues are highlighted in this annual report, which remain challenges for the administration in the period ahead.

This 2006/07 Annual Report includes a depth of information that was not available in last year's report and I therefore have no doubt that in the years ahead we will continue to improve and deepen our standards of reporting, and ultimately and more importantly, the quality of services that we render.

A solid institutional platform has been built on which to enhance service delivery priorities. We have improved the level of public participation in Municipal Governance and continue to strive to improve our customer service delivery standards.

I am aware of the gaps in performance and performance management and will therefore, continue to develop and implement a culture of urgency and ensure that the Municipality responds to the needs of citizens in an equitable, fair, just, sustainable and financially viable way

I would like to express my sincere appreciation and gratitude to the following;

- the community or our clients for their loyal support and understanding during the year under review.
- the staff for their unequivocal support and commitment during the past year; and
- the Councillors for their political guidance and leadership.

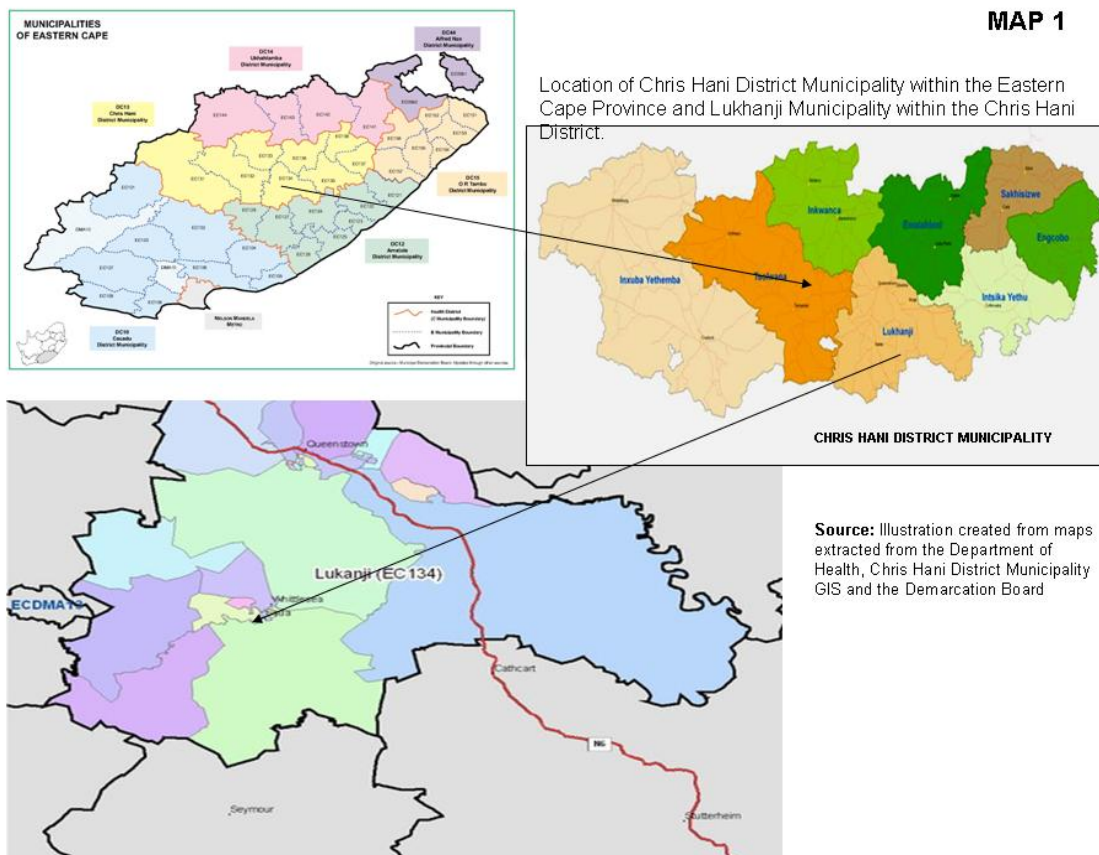
**P BACELA
MUNICIPAL MANAGER**

CHAPTER 1 – Introduction and Overview

OVERVIEW OF THE MUNICIPALITY

Locality

Lukhanji is a category B municipality situated within the Chris Hani District of the Eastern Cape Province. It is made up of the combination of the greater Queenstown and surrounding farms and villages, Ilinge, Hewu / Whittlesea and Ntabethemba. Lukhanji is landlocked by the municipalities of Tsolwana and Inkwanca to the west and Emalahleni and Intsika Yethu to the north and Amahlathi to the east.



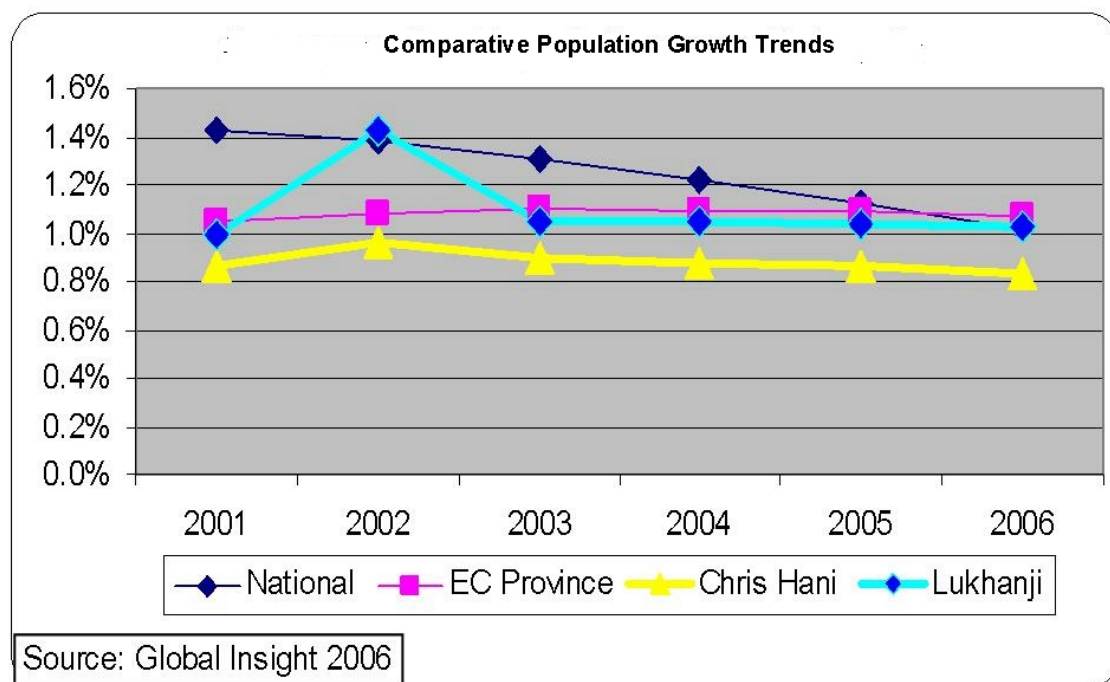
The above figure shows the locality of Lukhanji Municipality within the within the Eastern Cape Province and Chris Hani District municipal context.

Lukhanji occupies a strategic geographic position within the Chris Hani District municipality and covers approximately 4231 km² in extent. It comprises of 27 wards.

CHAPTER 1 – Introduction and Overview

Population

Research done by various agencies including Global Insight (2006) and the Bureau of Market Research (2006) agree that the population of Lukhanji has grown by an average of one percent per annum between 2001 and 2006. Given this modest growth the population of Lukhanji is now estimated at 193 917 people. The majority (91%) of the population is Black.



Economic Growth

Lukhanji is a strategic and important economic sub-region in the Chris Hani District. It has the highest concentration of urban settlements, industrial activity, commerce, transport infrastructure services; regional service centres (offices of government and NGOs), social development services (tertiary schools, specialist health facilities, and other amenities).

Lukhanji has recorded some positive growth between the years 2001 and 2006. Lukhanji accounts for over 37% of the district GDP (Global Insight, 2006).

CHAPTER 1 – Introduction and Overview

Employment

Unemployment is a major development challenge in Lukhanji. According to research done by Global Insight, unemployment in Lukhanji has improved slightly between 2001 and 2006 by a 1.3% decline. This figure is better than that of the district (0.8%) and the country (0.5%) while slightly lower than that of the EC province at 1.4% over the same period.

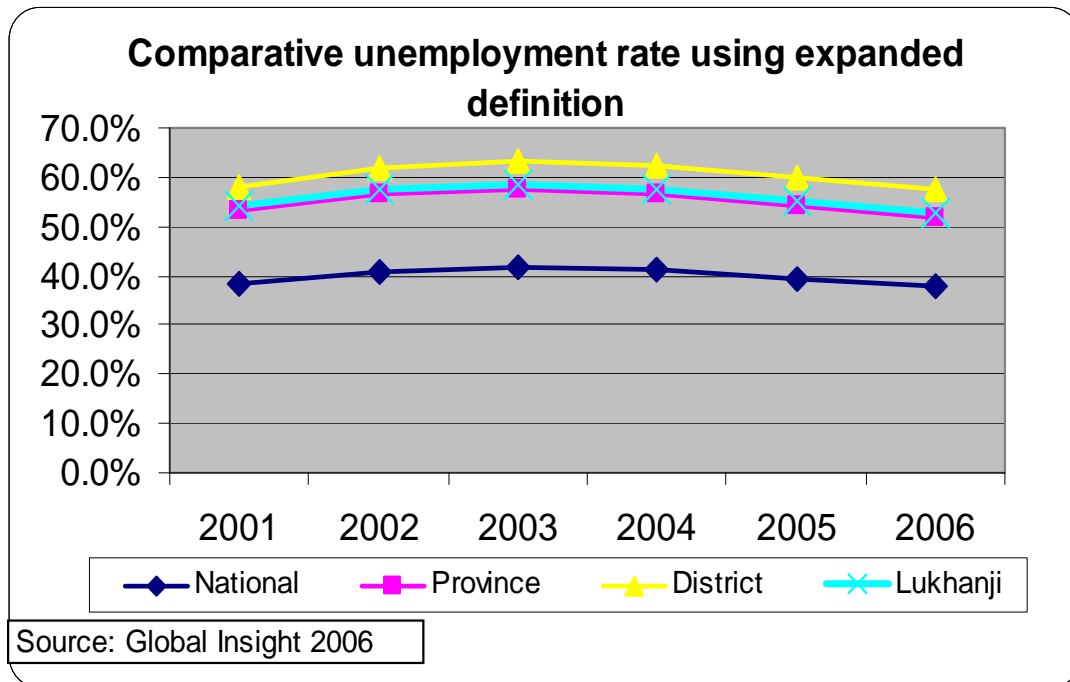


Figure 2: Unemployment rate

GOVERNANCE

The Council is the legislative body, which is empowered to take decisions inter alia concerning by-laws, the IDP and the budget.

The Speaker

The Speaker is the Chairperson of Council and is elected in terms of section 36 of the Municipal Structures Act 117 of 1998. The Speaker ensures that councillors comply with the Code of Conduct and in this regard the Speaker acts as the Chairperson of the section 79 Rules Committee.

CHAPTER 1 – Introduction and Overview

Specific roles and responsibilities are also assigned to the Speaker by section 37 of the Municipal Structures Act including:

- Presiding and maintaining order at the meetings of Council;
- Performing the duties and exercising the powers delegated to the Speaker in terms of section 59 of the Local Government: Municipal Systems Act, No. 32 of 2000;
- Ensuring that Council meets at least quarterly; and
- Ensuring that Council meetings are conducted in accordance with the rules and orders of the Council.

The Speaker's responsibility has been further extended to include a political oversight role in respect of monitoring and reporting on the performance of ward participatory mechanisms and managing community participation through these mechanisms.

The Executive Mayor and the Mayoral Committee

The Executive Mayor has an overarching strategic and political responsibility and is at the centre of the municipality's system of government since executive powers are vested in the Executive Mayor to effectively manage the municipality. The Executive Mayor is elected by Council in terms of section 55 of the Structures Act, and together with the Mayoral Committee, functions as the executive leadership of the Council. In terms of section 60 of the Municipal Structures Act, members of the Mayoral Committee are appointed by the Executive Mayor to assist in executing the executive powers, and are assigned specific portfolios and delegated responsibilities to ensure effective governance of the Municipality.

In terms of section 56 of the Structures Act the Executive Mayor has, amongst others, the following functions and powers and has the duty to report to Council on all decisions taken by him:

- Must identify the needs of the Municipality;
- Reviews and evaluates those needs in order of priority;
- Recommends to the municipal Council strategies, programmes and services to address priority needs through the Integrated Development Plan and the estimates of revenue and expenditure, taking into account any applicable national and provincial development plans;

CHAPTER 1 – Introduction and Overview

- Recommends or determines the best way, including partnership and other approaches, to deliver those strategies, programmes and services to the maximum benefit of the community;
- Reviews the performance of the municipality in order to improve the economy, efficiency and effectiveness of the municipality; the efficiency of credit control and revenue and debt collection services and the implementation of the municipality's by-laws;
- Oversees the provision of services to communities in a sustainable manner; and
- Receives reports from the committees of Council and forwards these reports together with a recommendation to the Council when the matter cannot be disposed of by the Executive Mayor in terms of delegated authority; and
- Performs duties and exercises powers as delegated by the Council in terms of section 59 of the Municipal Systems Act.

Powers and functions designated by the Municipal Council must be exercised by the Executive Mayor together with the other members of the Mayoral Committee. Notwithstanding this, the final decision is that of the Executive Mayor after duly considering the recommendations of the Mayoral Committee.

Committees of Council

The Council of the Lukhanji Municipality is supported by a Committee System. The Executive Mayor nominates the Chairpersons to these committees and determines the functions of each committee. The Council currently has 5 Section 79 (Portfolio) Committees comprising members of all political parties in the Council. These Portfolio Committees are:

- Community Services
- Technical Services
- Estates and Planning
- Administration and Human Resources
- Finance

CHAPTER 1 – Introduction and Overview

The Mayoral Committee is the principal committee of the municipality. It receives reports and recommendations from the other committees.

The Portfolio Committees meet at least once a month and formulate recommendations based on their portfolios to the Mayoral Committee. The Mayoral Committee meets once per week and, in terms of the Delegation of Powers, the Mayoral Committee concludes matters delegated to it by Council and submit recommendations to Council on other matters. The system promotes thorough discussion on all matters and ensures that decision making in the municipality is streamlined and effective. Furthermore, this model ensures effective participation and input by stakeholders thus enhancing democracy, promotes consensus on developmental and strategic issues, creates transparency and accountability

COUNCILLOR ATTENDANCE AT PORTFOLIO COMMITTEE AND COUNCIL MEETINGS DURING 2006/07

Portfolio Committee	Meetings Scheduled	Meetings Held	% Attendance
Community Services	10	6	81%
Technical Services	10	7	83%
Estates and Planning	10	10	81%
Administration & HR	10	5	76%
Finance	10	11	79%

Council Meetings			
Meetings	Present	Absent	% Attendance
1	44	9	83%
2	49	4	92%
3	51	2	96%
4	47	6	89%
5	50	2	96%
6	40	13	75%
7	32	21	60%

CHAPTER 1 – Introduction and Overview

EXECUTIVE SUMMARY

The strategic priorities for the Lukhanji Municipality are set out in the Integrated Development Plan (IDP), which is reviewed on an annual basis and substantially revised every five years as prescribed by legislation. The IDP is the core document against which the Municipality's performance is supposed to be measured.

The 2006/07 IDP established the following vision for the Municipality:

- Deliver quality, affordable, equitable and sustainable essential services and infrastructure to all citizens of Lukhanji to allow them to live with dignity, with freedom from preventable disease and with liberty to pursue their own happiness and well-being within a sound financial framework.
- Maintain, develop and implement essential services through the optimization of resources at its disposal.
- Create and promote socio economic upliftment, poverty alleviation, stability and growth based on integrated development in the spirit of Batho Pele (Putting People first)

Thereby building a united, prosperous, productive community within a financially stable Municipality based on participating, developmental local government focussed on community needs so that it provides a better life for all.

Core strategic themes

The IDP centers on the following strategic themes:

1 Institutional Development

Goal:- Provides efficient, effective and inclusive services

Strategies:

- a) Formulate clear municipal policies, which address the issues of financial planning, institutional capacity and communication with society.
- b) Establish an open partnership approach to development within the Municipal area.

CHAPTER 1 – Introduction and Overview

- c) Address the capacity gaps within Lukhanji and formulate a strategy to deal with these.
- d) Formulate and Implement Performance Management System (PMS)

2 **Social Development**

Goal:- Provide adequate and appropriate services and infrastructure that will improve the quality of life of all residents of Lukhanji.

Strategies

- a) Facilitate the development and maintenance of social facilities:
 - Schools, Clinics, community halls, creches, disabled care centres, rehabilitation facilities and police stations
- b) Create partnerships with external role-players, such as NGO's
- c) Liaise with all Government departments

3 **Spatial Development**

Goal: Achieve a more efficient and equitable environment

Strategies

Create a Land Reform & Settlement Plan as a sectoral plan to the IDP.

- a) Implement a land reform programme to ensure equitable access to appropriate forms of tenure.
- b) Formulate policies for the use of commonage by small-scale farmers.
- c) Manage informal settlements.
- d) Identify zones of opportunity within which to concentrate higher order development.
- e) Facilitate the consolidation of the urban fabric wherever possible.
- f) Facilitate environmentally sustainable land management practices.

CHAPTER 1 – Introduction and Overview

4 **Economic Development**

Goal: Maximise the local economic potential of Lukhanji

Strategies:

- a) Design and implement an effective local economic development strategy and marketing plan for the Municipality
- b) Develop mechanisms through which to encourage the creation of alliances with external agents.
- c) Focus on the development of significant economic opportunities - e.g. Tourism and Agriculture.
- d) Encourage the development of micro-industries.

5 **Environmental Development**

Goal: Ensure the sustainable use of natural resources whilst offering an attractive environment for investors, tourists and local community

Strategies:

- a) Prioritise areas of focus for environmental management - particularly zones of agricultural opportunity in areas of intense degradation as well as environmentally sensitive areas.
- b) Institute aesthetic and functional buffers around quarries, borrow pits and solid waste disposal sites.
- c) Ensure proper veld management on Municipal commonage
- d) Declare areas such as Lawrence de Lange Nature Reserve and Longhill Game Reserve to be conservation areas
- e) Facilitate the implementation of policies, which will ensure the sustainable use of resources.

CHAPTER 1 – Introduction and Overview

6 **Infrastructural Development**

Objective: Develop and maintain an adequate and sustainable level of services.

Strategies:

- a) Access funding for the upgrading of emergency services equipment
- b) Upgrade and maintain the road network.
- c) Facilitate access to:
 - Water,
 - Sanitation,
 - Electricity,
 - Healthcare

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Chapter Two

PERFORMANCE HIGHLIGHTS

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CHAPTER 2 – Performance Highlights

TECHNICAL SERVICES

1 Water Services

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 form part of the annual contract with WSSA. A moratorium has been placed on high density developments to minimise the problem.

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 indigent households are supplied with restrictor-flow meters to provide 10Kl / month Free Basic Services. The rural areas all receive free diesel / electricity to compensate for the 10Kl FBS. All maintenance to pumps & motors are done by the service provider. WSSA is contracted out to do maintenance and the operation of all water services, excluding infrastructure. Metering is done on a daily basis.

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.

CHAPTER 2 – Performance Highlights

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.

44 048 Households have access to water and falls within the following categories:

▪ Piped water inside dwelling	=	13 957	
▪ Piped water inside yard	=	11 920	
▪ Piped water on community stand: distance < 200m from dwelling	=	8 761	
▪ Piped water on community stand: distance > 200m from dwelling	=	7 095	
▪ Borehole	=	1 954	
▪ Spring	=	231	
▪ Rain-water tank	=	130	

In terms of the allocation of Powers and Functions the Chris Hani District Municipality is 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 leakages 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.

CHAPTER 2 – Performance Highlights

The water losses in Whittlesea can not be quantified due to the fact that none of the domestic users is 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 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 and is adequate for the present inflow.

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

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.

CHAPTER 2 – Performance Highlights

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.

4 Electricity

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

The municipality provide and maintain the 66 and 11KV electrical network, 400V network, to provide connections to industrial, commercial and household customers. It is also licensed to sell electricity to these customers.

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 7 027 households.

The total quantity and receipts for bulk electricity sales in kilowatt hours and rand, by category of consumer for the period under review was as follows:

▪ Household	=	50 281 396	at	R18 362 000
▪ Commercial	=	11 990 688	at	R12 977 000
▪ Industrial	=	67 023 438	at	R16 727 000
▪ Agriculture	=	1 417 840	at	R 435 000

CHAPTER 2 – Performance Highlights

The electricity losses have a far bigger monetary value than water losses. The electricity losses for the period under review amounted to 35 688 767 at an amount of R7 137 000.

COMMUNITY SERVICES

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 households received regular refuse removal services as follows:

- Removed by Community Services once a week
 - 34 400 during the period under review as opposed to 28 00 during previous financial year.
- Removed by Community Services less often (mostly informal settlements)
 - 2 000 as opposed to 6 400 previously
- No rubbish disposal
 - 1990 as opposed to 5 700 previously

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 remained an unresolved problem during the period under review.

No other problems are experienced and the clinic service generally runs well.

CHAPTER 2 – Performance Highlights

A total number of 192 338 patients have been attended to by the five municipal clinics during the period 1 July 2006 to 30 June 2007. Of these, the following performance can be reported:

- 2.1 Pap Smears - Compared to 0 pap smears having been conducted during the previous financial year, and following in-service training and demonstrations, resulted in 765 pap smears having been conducted during the period under review.
- 2.2 Fully Immunized Under 1 Year - The National Health target is 90%. The immunization campaign of children under the age of 1 year old improved by 13,4% and reached 68,4% during the period under review. The strategy being implemented during the next financial year is to target crèches in order to reach a higher population in this age category.
- 2.3 Voluntary Counselling And Testing Rate - Emphases on awareness and support systems has slightly improved the testing rate. Lukhanji Municipality currently stand at 99% and still fall short of the expected national norm of 100%
- 2.4 Prevention of Mother to Child Transmission (PMTCT) - As a result of staff training during the year, this performance area improved and reached 99% but still falls short of the national norm of 100%
- 2.5 TB Suspect Rate - The norm is 1- 2%. A slight improvement in achieving the norm has been obtained during the period under review. The following targets have been achieved at the Clinics administered by the Municipality:

- Gardens Clinic = 0,5%
- Lizo Ngcana = 0,6%
- New Rest Clinic = 2,5%
- Parkvale = 1,6%
- Philani = 0,6%.

CHAPTER 2 – Performance Highlights

3 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.

During the period under review the Traffic Section attended to 13 481 call-outs at an average response time being 10 minutes. Emergency call-outs registered an average of 5 minutes while standard call-outs registered a response time of an average of 10 minutes.

The total number of targeted violations during the period under review amounts to 4 991 at a total cost of R1 639 400 and are summarised below:

Parking offences	=	1 368
Speeding	=	292
Red Robot	=	82
Stop sign	=	1 305
Unroadworthy vehicles	=	131
Driving licences	=	632
Other offences	=	1 181

ESTATES AND PLANNING

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.

CHAPTER 2 – Performance Highlights

1 Housing

Approximately 3.2% of existing housing in Lukhani are informal. These are largely concentrated in areas of Ilinge, Hewu, Mlungusi and Ezibeleni. Formal housing units completed to date is 10 124 against approved units of 14 542.

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 illustrate progress made with the delivery of housing during the period under review:

Area	No of Units	Value
Ekuphumleni PHP Housing Project	35	R830 200
Enkululekweni PHP Housing Project	2	R47 440
Ezibeleni Phase II PHP Housing Project	33	R782 760
Ilinge PHP Housing Project	101	R2 395 720
Tambo Village PHP Housing Project	104	R2 466 880
Botha's Hoek PHP Housing Project	93	R3 370 346
Ensam PHP Housing Project	234	R7 799 888
Mc Bride PHP Housing Project	516	R21 389 395
Merino Walk PHP Housing Project	238	R7 941 673

CHAPTER 2 – Performance Highlights

Poplar Grove PHP Housing Project	211	R8 047 767
Who-Can-Tell PHP Housing Project	659	R22 313 569

2 Planning

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	TOTAL
Residential	504
Places of Worship	10
Commercial	5
Industrial	1

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

ZONING APPLICATIONS	
CATEGORY	TOTAL
Rezoning	20
Subdivisions	21
Consent Uses	10

At the same time and during the same period 353 building plans have been approved with 290 of these being residential and 63 commercial. The total value of the buildings amount to R114 635 688.

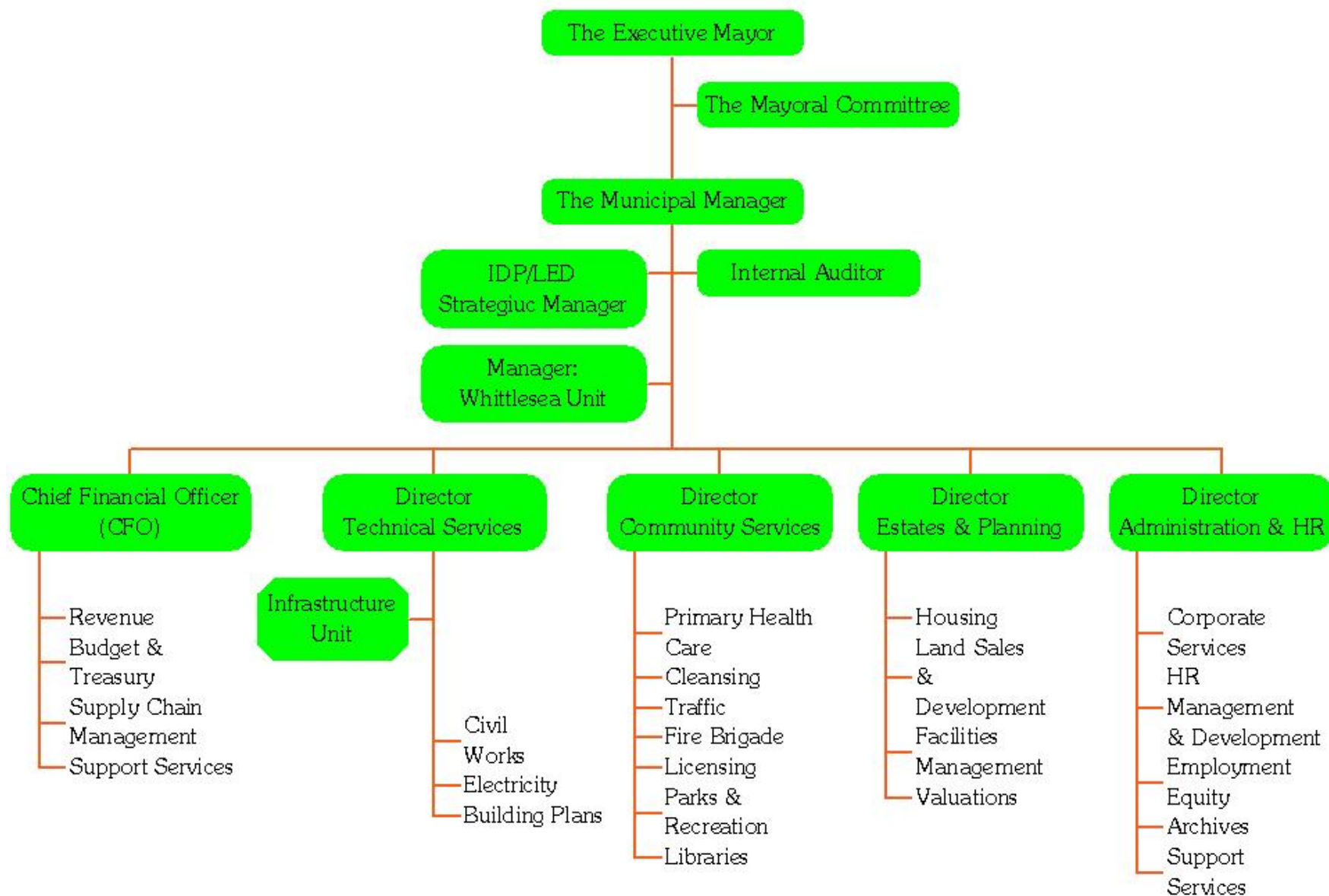
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ORGANISATIONAL STRUCTURE



CHAPTER 3 – Human Resource and Other Organisational Management

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. The Executive Mayoral Committee comprised 6 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 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.

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.

During the period under review, all job descriptions have been evaluated and a report on the final outcomes of the process has been received.

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

CHAPTER 3 – Human Resource and Other Organisational Management

review. By the end of the financial year, measurable Key Performance Indicators have been developed for all Section 57 staff.

Performance Plans for all Second and Third Level of Management have also been completed.

STAFFING INFORMATION

Expenditure on personnel, including Councillors, in the periods 2005/06 and 2006/07 is set out below:

	Total Actual Expenditure	Total Actual Staff Expenditure	Ratio
	(R'000)	(R'000)	%
2005/06	R73 042	R65 587	45.64
2006/07	R156 472	R73 042	46.68

1. Trends In Personnel Expenditure (Including Councillors)

	2006/07	2005/06
Salaries and Wages	R44 950 899	R40 427 121
Social Contributions - UIF, Pensions & Medical Aid	R13 172 697	R12 116 004
Travel, Accommodation, Subsistence and other allowances	R8 375 146	R7 945 252
Housing benefits & Allowances	R782 518	R772 946
Overtime Payments	R2 761 417	R2 435 870
Contract Workers	R3 735 217	R3 191 959
TOTAL	R73 777 894	R66 889 152

2. Pension funds

The following pension and or retirement funds are in operation in the Lukhanji Municipality:

CHAPTER 3 – Human Resource and Other Organisational Management

- Cape Joint Funds (Retirement and Pension)
- South African Local Authority Fund
- SAMWU Provident Fund
- Municipal Employees' Pension Fund
- Local Government Pension Fund

3. Medical aid schemes

Staff can make use of the following medical aid funds:

- Munimed
- Bonitas
- Hosmed

4. Human Capital

- Workplace Skills Plan 2006/07 submitted within the legal timeframe with a \pm 90% implementation rate;
- Targets reached in terms of internal and external bursaries, placement of interns as well as learnerships;
- Claims have been submitted in terms of grant funding. An amount of R130 000 has been received for the 2007/08 financial year.
- The table below reflect the number of bursaries issued per Directorate during the period under review

Directorate	No of Beneficiaries	Total Expenditure
Municipal Manager	2	R 6 951.00
Mayor	1	R 3 000.00
Community Services	7	R 36 199.00
Technical Services	5	R 36 124.00
Finance	7	R 38 880.00
TOTAL	22	R 121 154.00

CHAPTER 3 – Human Resource and Other Organisational Management

EMPLOYMENT EQUITY

In 2006/07 the Human Resources Section concentrated on the application of affirmative action measures in terms of section 15 of the Employment Equity Act.

The table below is a summary of appointments made on post levels 1-3 (management) during 2006/07 per Directorate and per Employment Equity Act (EEA) Categories:

<i>EE Category</i>	<i>Municipal Manager</i>	<i>Admin & HR</i>	<i>Community Services</i>	<i>Technical Services</i>	<i>Finance</i>	<i>Estates</i>
Black Male	0	0	0	1	1	0
Black Female	1	0	1	0	2	2
Coloured Male	0	0	0	0	0	0
Coloured Female	0	0	0	0	1	0
White Female	0	0	0	0	0	0

The diagram below indicates the targets reached in terms of the Council's Employment Equity Plan.

<i>Directorate</i>	<i>African</i>	<i>Coloured</i>	<i>Indian</i>	<i>White</i>	<i>TOTAL</i>	<i>Female</i>	<i>Male</i>
Municipal Manager	3	0	0	0	3	2	1
Admin & HR	2	0	0	1	3	1	2
Community Services	6	2	0	1	9	8	1
Technical Services	1	0	0	0	1	0	1
Finance	3	1	0	2	6	3	3
Estates	2	0	0	1	3	3	0
TOTAL	17	3	0	5	25	17	8
% Achieved	68%	12%	0%	20%	100%	68%	32%

CHAPTER 3 – Human Resource and Other Organisational Management

DISCLOSURES

1. Remuneration of Councillors

The following table reflect the expenditure on Councillors' remuneration for the 2006/07 financial year.

	2007/08	2006/07
Mayor's allowance	R394 992	R342 504
Speaker & Mayoral Committee Members' Allowances	R1 671 832	R1 717 075
Councillor's allowances	R5 784 323	R3 126 134
Councillor's pension contribution	R755 818	R4 172 949
Councillor's medical aid contribution	R192 796	R137 680
TOTAL	R8 799 761	R9 496 340

2. In-kind benefits

All Councillors 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)

The Executive Mayor, Speaker, Chief Whip and all Mayoral Committee members except the Portfolio Holder for Estates and Planning are employed full-time. Each is provided with an office and secretarial/administrative support at the cost of the Council.

The Executive Mayor has access to a Council-owned vehicle for ceremonial and official functions in terms of Council's policy on the Payment of Expenses and Provision of Facilities to Councillors.

Some Ward Councillors are provided with work stations or ward offices for which stationary are provided from time to time.

CHAPTER 3 – Human Resource and Other Organisational Management

3. Remuneration of Senior Officials

	2007/08	2006/07
Municipal Manager	R549 673	R466 646
Chief Financial Officer	R501 611	R439 968
Directors(Estates, Admin, Technical, Community Services & Infrastructure Unit)	R2 075 426	R2 157 904
TOTAL	R3 126 711	R3 064 517

4. In-kind benefits

All Section 57 appointees obtain benefit from Council's Cellphone policy in terms of which a 5% discount on the monthly account is being received from the service provider in accordance with its corporate client service. Unlike Councillors, who receives the same benefit, Section 57 employees are required to submit a list of all private telephone calls made every month, such costs being deducted from the monthly salaries of each.

4

Chapter Four

AUDITED STATEMENTS & RELATED FINANCIAL INFORMATION

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GENERAL INFORMATION

MEMBERS OF THE FULL TIME COUNCIL

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)

MEMBERS OF THE PART TIME COUNCIL

Councillor B M Adoons
Councillor Z A Beje
Councillor J N Birch
Councillor A V Bokuva
Councillor T Boo
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 Malmani
Councillor M Mangqangwana
Councillor N L Maqungo
Councillor G S Mateta
Councillor P X Mbasana
Councillor N O Mfenyana
Councillor N Mfundisi
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
Councillor L N Twaku
Councillor N C Twalo

GRADING OF LOCAL AUTHORITY

Grade 8 : Category B

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 control over expenditure and the revised budget has resulted in that the expenditure for 2006/07 stayed within the budgeted figure for expenditure and that resulted in the year closing off with a operating surplus of R6 117 975. This surplus is based on the revenue billed against actual expenditure. The operating surplus as at 30 June 2006 has decreased from R18 289 266 to R14 512 904 due to the portion of the surplus regarding Water and Sanitation services from 1 July 2004 to 30 June 2007 being transferred to a agency account for Chris Hani District Municipality.

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 2007 are as follows :

INCOME	Actual 2005/06 R	Actual 2006/07 R	Variance Actual 06/ Actual 07 %	Budget 2006/07	Variance Actual/ Budget 06/07 %
Opening surplus	12,486,828	18,289,266			
Operating income for the year	173,897,167	154,681,274	-11.05%	148,717,456	4.01%
Closing deficit					
	186,383,995	172,970,541		148,717,456	
EXPENDITURE					
Opening deficit					
Operating expenditure	165,864,940	148,563,299	-10.43%	152,212,605	-2.40%
Sundry transfers	2,229,789	9,894,338			
Closing surplus	18,289,266	14,512,904		-3,495,149	
	186,383,995	172,970,541		148,717,456	

2.1 RATE AND GENERAL SERVICES

	Actual 2005/06 R	Actual 2006/07 R	Variance Actual 06/ Actual 07 %	Budget 2006/07	Variance Actual/ Budget 06/07 %
Income	99,092,801	97,438,036	-1.67%	92,101,438	5.79%
Expenditure	102,188,729	102,377,262	0.18%	108,212,564	-5.39%
Surplus/Deficit	-3,095,928	-4,939,226	59.54%	-16,111,126	-69.34%
Surplus (Deficit) as % of total income	-3.12%	-5.07%		-17.49%	

Sanitation service is not included in the 2006/07 statistics as the account was transferred to a agency account for Chris Hani District municipality as they became the water authority from 1 July 2004.

2.2 HOUSING SERVICE

	Actual 2005/06 R	Actual 2006/07 R	Variance Actual 06/ Actual 07 %	Budget 2006/07	Variance Actual/ Budget 06/07 %
Income	128,546	137,900	7.28%	120,120	14.80%
Expenditure	46,122	41,662	-9.67%	43,910	-5.12%
Surplus/Deficit	82,424	96,238	16.76%	76,210	26.28%
Surplus (Deficit) as % of total income	64.12%	69.79%		63.44%	

2.3 TRADING SERVICES

ELECTRICITY

	Actual 2005/06 R	Actual 2006/07 R	Variance Actual 06/ Actual 07 %	Budget 2006/07	Variance Actual/ Budget 06/07 %
Income	53,093,308	57,105,338	7.56%	56,495,898	1.08%
Expenditure	41,714,991	46,144,375	10.62%	43,956,131	4.98%
Surplus/Deficit	11,378,317	10,960,962	-3.67%	12,539,767	-12.59%
Surplus (Deficit) as % of total income	21.43%	19.19%		22.20%	

WATER

	Actual 2005/06 R	Actual 2006/07 R	Variance Actual 06/ Actual 07 %	Budget 2006/07	Variance Actual/ Budget 06/07 %
Income	21,582,512	0	-100.00%		
Expenditure	21,915,098	0	-100.00%		
Surplus/Deficit	-332,586	0	-100.00%	0	
Surplus (Deficit) as % of total income	-1.54%				

Water service was transferred to a agency account for Chris Hani District municipality as they became the water authority from 1 July 2004.

3. CAPITAL EXPENDITURE

	Actual 2006/07 R	Budget 2006/07 R	Actual 2005/06 R
Vehicles	5,733,225	5,415,525	
Buildings			
Roads/Stormwater Drainage			
Other Infrastructure	2,505,577	2,505,577	
Other	561,007	17,043,844	333,486
	8,799,809	24,964,946	333,486

Resources used to finance the fixed assets were as follows :

	Actual 2006/07 R	Budget 2006/07 R	Actual 2005/06 R
Consolidated Loans Fund			
Leases	5,415,525	5,415,525	
Contributions from operating income	803,758	876,197	24,250
Other Funds	2,580,526	18,673,224	309,236
	8,799,809	24,964,946	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 2007 amounted to R14 555 334 as set out in appendix B. Leases disclosed as financing source directly against assets in 2005/06 were transferred to loans and reflects on the balance at 30 June 2007.

Investments and cash on 30 June 2007 amounted to R37 835 788 (R35 328 350 in 2006).

The bank balance amounted to R6 597 383 on 30 June 2007 compared to an overdraft of R8 348 748 in 2006.

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 242 364 to R34 065 264. Advances amounting to Rnil has been granted to borrowing accounts while R7 964 849 has been repaid. The total advances to borrowing accounts amounted to R9 420 951 on 30 June 2007.

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 Budget and Treasury Directorate for their support and loyalty.

I SCHOEMAN
CHIEF FINANCIAL OFFICER
31 August 2007

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 reliable 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 specific purposes and contributions are made from the operating account.

5.6 TRUST FUNDS

Funds are paid to the Council for a specific purpose and consists 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.

12. LEASES ASSETS

Fixed assets held under finance leases are capitalised. Such assets are effectively amortised over the term of the agreements. Lease finance charges are allocated to accounting periods over the duration of the leases, by the effective interest rate method, which reflects the extent and cost of lease finance utilized in each accounting period.

All other leases are treated as operating leases and the relevant rentals are charged to the operating account in systematic manner related to the period of use of the assets concerned

LUKHANJI MUNICIPALITY
BALANCE SHEET FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 R	2006 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES		36,504,481	35,212,980
Statutory Funds	1	34,065,264	32,822,900
Reserves	3	2,439,217	2,390,080
(ACCUMULATED DEFICIT)/RETAINED SURPLUS	17	14,512,904	18,289,266
		51,017,385	53,502,246
TRUST FUNDS	2	20,016,921	17,635,636
LONG-TERM LIABILITIES	4	13,848,084	6,119,195
CONSUMER DEPOSITS : SERVICES	5	6,750,517	6,256,021
		91,632,908	83,513,097
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	6	25,156,877	21,041,207
INVESTMENTS	7	626,453	599,978
LONG-TERM DEBTORS	8	0	0
		25,783,329	21,641,185
NET CURRENT ASSETS/LIABILITIES		65,849,578	61,871,912
CURRENT ASSETS		101,299,944	96,541,163
Stock	9	0	0
Debtors	10	63,850,543	61,140,302
Cash		610,465	573,775
Bank		6,597,383	
Call and short-term Investments	7	30,001,488	34,154,596
Short-term portion of Long-term debtors	8	240,066	672,490
CURRENT LIABILITIES		-35,450,366	-34,669,251
Provisions	11	4,560,115	4,581,282
Creditors	12	30,183,001	21,108,138
Short-term of Long-term liabilities	4	707,250	631,047
Bank overdraft			8,348,784
		91,632,908	83,513,097
<p>..... P BACELA MUNICIPAL MANAGER</p>		<p>..... CERTIFIED AS CORRECT I SCHOEMAN CHIEF FINANCIAL OFFICER</p>	

LUKHANJI MUNICIPALITY
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

2006 Actual Income R	2006 Actual Expenditure R	2006 Surplus/ (Deficit) R		2007 Actual Income R	2007 Actual Expenditure R	2007 Surplus/ (Deficit) R	2007 Budget Surplus/ (Deficit) R
			RATE AND GENERAL				
99,092,801	102,188,729	-3,095,928	SERVICES	97,438,036	102,377,262	-4,939,226	-16,111,126
72,978,385	65,483,759	7,494,626	Community Services	81,714,952	76,448,864	5,266,088	-4,456,499
1,169,847	12,321,447	-11,151,600	Subsidised Services	1,200,197	10,905,195	-9,704,998	-10,374,390
24,944,570	24,383,524	561,046	Economic Services	14,522,887	15,023,203	-500,316	-1,280,237
<u>128,546</u>	<u>46,122</u>	<u>82,424</u>	HOUSING SERVICES	<u>137,900</u>	<u>41,662</u>	<u>96,238</u>	<u>76,210</u>
<u>74,675,820</u>	<u>63,630,089</u>	<u>11,045,731</u>	TRADING SERVICES	<u>57,105,338</u>	<u>46,144,375</u>	<u>10,960,962</u>	<u>12,539,767</u>
<u>173,897,167</u>	<u>165,864,940</u>	<u>8,032,227</u>	TOTAL	<u>154,681,274</u>	<u>148,563,299</u>	<u>6,117,975</u>	<u>-3,495,149</u>
			Appropriations for this year (Refer to note 17)			<u>-9,894,338</u>	
			Net surplus/(deficit) for the year			<u>-3,776,362</u>	
			Accumulated surplus/ (deficit) beginning of the year			<u>18,289,266</u>	
			ACCUMULATED SURPLUS/ (DEFICIT) END OF YEAR			<u>14,512,904</u>	

LUKHANJI MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
CASH RETAINED FROM OPERATING ACTIVITIES :	-34,457,972	-36,801,784
Cash receipts from ratepayers, consumers, and users of services	151,526,460	158,764,711
Cash paid to employees and suppliers	-185,658,598	-194,971,949
From Operations	-34,132,138	-36,207,238
Investment Income	-0	275,859
Interest paid	-325,834	-870,405
 INVESTING ACTIVITIES	 -87,972	 -47,758,557
Purchase of property, plant and equipment	-8,799,809	-47,982,527
Proceeds from disposal of fixed assets	4,152,777	0
Receipts from long term debtors	432,425	238,670
Increase in cash on hand	4,126,635	-14,700
 FINANCING ACTIVITIES	 49,528,800	 78,603,977
Net loans repaid	3,494,192	0
Increase in consumer deposits	494,496	349,567
Cash contribution from public and state	45,540,112	78,254,410
 NET CASH GENERATED	 14,982,856	 -5,956,365
Cash resources at beginning of year	-7,775,009	-1,818,643
Cash resources at 30 June 2007	7,207,847	-7,775,008
	-14,982,856	5,956,365

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
1. STATUTORY FUNDS		
Consolidated Loans Fund (Refer to Appendix A for more detail)	34,065,264	32,822,900
	34,065,264	32,822,900
2. TRUST FUNDS		
Grants, Subsidies and Bequests	20,003,406	17,623,444
Mayor's Christmas Fund	0	75
Storm Relief Fund (Refer to Appendix A for more detail)	13,514	12,117
	20,016,921	17,635,636
3. RESERVES		
Rental Reserve	2,367,900	2,334,670
Removal Expenses Reserve	39,245	23,337
Repairs and Renewals (Refer to Appendix A for more detail)	32,072	32,072
	2,439,217	2,390,080
4. LONG TERM LIABILITIES		
Capital leases	8,578,469	
Annuity Loans	5,976,866	6,750,242
	14,555,334	6,750,242
Less : Current portion transferred to current liabilities	-707,250	-631,047
Capital leases	707,250	631,047
Annuity Loans (Refer to Appendix B for more detail on long term liabilities)	13,848,084	6,119,195
CAPITAL LEASES		
Capital leases with an average interest rate of ± 11% were entered into with West Bank to finance vehicles over a 5 year period.		
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	6,750,517	6,256,021
Guarantees in lieu of electricity deposits were R20 320.		
6. FIXED ASSETS		
Fixed Assets at the beginning of the year	204,827,395	191,500,677
Capital Expenditure during the year	8,799,809	14,249,014
Adjustments to balance statements to Genetal Ledger	6,032,580	
Less : Assets written off, transferred or disposed of during the year	-40,412,027	-922,296
TOTAL FIXED ASSETS	179,247,757	204,827,395
Less : Loans redeemed and other capital receipts	-154,090,881	-183,786,189
NET FIXED ASSETS (Refer to Appendix C for more detail)	25,156,877	21,041,207

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
7. INVESTMENTS		
<i>Listed</i>		
RSA Internal Registered Stock	18,500	18,500
	18,500	18,500
<i>Unlisted</i>		
Fixed deposits	607,953	581,478
Call deposits	30,001,487	34,154,596
	30,609,439	34,736,074
TOTAL INVESTMENTS	30,627,939	34,754,574

Market value of listed investments and managements
valuation of unlisted investments

Listed	23,200	23,200
Unlisted	30,627,939	31,536,157

Average rate of return on investments 7.99% 6.53%

Funds are invested according to Council's Investment Policy.

No investments were written off during the year.

8. LONG TERM DEBTORS

<i>Loans to :</i>		
Housing Loans		6,378
Sale of Land	230,036	656,082
Study Loans		-
Vehicle Loans	10,030	10,030
	240,066	672,490
Less : Current portion transferred to current assets	(240,066)	(672,490)
	-	-

9. INVENTORY

Stock represents consumable stores, raw materials and
finished goods.

Less : Stock Obsolescene	0	0
	0	0
	0	0

10. DEBTORS

Consumer debtors	107,447,724	148,876,527
Less provision for doubtful debts	-69,240,935	-90,274,415
	38,206,789	58,602,112
Sundry debtors	22,709,542	2,470,022
Deposits	61,168	61,168
Recoverable costs	7,000	7,000
Agency account Chris Hani	2,866,045	
	63,850,543	61,140,302

Age analysis

Current Debtors	28,841,886	9,765,346
30 Days Outstanding	3,864,467	5,902,118
60 Days Outstanding	2,945,344	3,683,661
90 Days Outstanding	77,582,231	129,527,145
120 Days and more Outstanding		0
Plus : Agency account Chris Hani	2,866,045	
Plus : Vat accounts	15,487,665	
Plus : Suspence accounts	1,503,839	
Plus : Payments in Advance		2,069,583
Plus : Unknown Payments		466,864
	133,091,478	151,414,716
Less : Provision for Bad Debt	-69,240,935	-90,274,415
	63,850,543	61,140,302

Debtors to the value of R154 523.14, regarded as bad debt were written off during the year.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
<i>Agency account Chris Hani</i>		
<i>Assets:</i>		
Water and Sanitation assets	40,412,027	
Less: Loans redeemed and other capital receipts	-40,412,027	
	0	
<i>Accumulated surplus</i>		
Surplus and Losses on the operational accounts for Water and Sanitation from 01/07/2004 to 30/06/2007	-12,209,559	
<i>Debt management:</i>		
Outstanding Water and Sanitation debtors at 30 June 2007	63,429,022	
Provision for Doubtful Debts on Water and Sanitation transferred	-48,353,418	
	15,075,604	
Balance 30 June 2007	2,866,045	

On 1 July 2004 the Chris Hani District Municipality took over the service delivery of water and sanitation as part of their Water authority functions and the Lukhanji Municipality went on with the administration thereof as an agency service.

11. PROVISIONS

Leave Gratuity	3,062,849	3,334,716
Valuation Expenses	1,497,266	1,246,566
	4,560,115	4,581,282

The leave gratuity provision does not fund the full amount payable for leave due as at 30 June 2007. The difference will be funded in the 2007/2008 budget. This is due to the municipality using its best estimate of leave days due to staff at year end.

12. CREDITORS

Trade Creditors	6,268,762	7,771,167
Payments in Advance	2,640,999	
Unspent Government Grants	0	
Deposits	46	
VAT	16,160,866	
Leave creditors	0	
Other	5,112,328	13,336,970
	30,183,001	21,108,138

13. ASSESSMENT RATES

	2007 R Actual Income	2006 R Actual Income
Residential	7,781,258	7,417,716
Commercial	1,232,950	1,174,237
Industrial	2,030,649	1,933,951
Business	1,784,689	1,687,776
Institutional	15,836	10,358
Agricultural	4,012	4,270
Educational	1,376,256	1,310,720
State	1,447,871	1,383,837
Transnet	320,065	116,520
Post and Telecommunications	72,592	69,135
Municipal	33,919	32,304
Grant-in-Aid	153,357	106,085
Sport Clubs	36,363	36,454
	16,289,818	15,283,362

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 1,91121 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%

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
14. COUNCILLOR'S REMUNERATION		
Mayor's allowance	394,992	342,504
Executive Councillors allowances	1,671,832	1,717,075
Councillor's allowances	5,784,323	3,126,134
Councillor's pension contribution	755,818	4,172,949
Councillor's medical aid contribution	192,796	137,680
	<u>8,799,761</u>	<u>9,496,340</u>

All councillors 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>1,225,396</u>	<u>864,834</u>
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16. FINANCE TRANSACTIONS

Total external interest earned or paid :		
Interest Earned	<u>3,460,135</u>	<u>2,172,770</u>
Interest Paid	<u>745,912</u>	<u>870,405</u>

Capital charges debited to operating account :

Interest :	2,240,327	3,348,882
: External	325,834	
: Internal	<u>1,914,493</u>	<u>3,348,882</u>

Redemption :	2,924,238	2,627,847
: External	1,162,692	
: Internal	<u>1,761,546</u>	<u>2,627,847</u>

	<u>5,164,565</u>	<u>5,976,729</u>
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17. APPROPRIATIONS

Appropriation account :		
Accumulated surplus at the beginning of the year	18,289,266	12,486,828
Operating surplus for the year	6,117,975	8,032,227
- Rate and General services	<u>6,117,975</u>	<u>8,032,227</u>
- Dog Tax fund		
- Parking Areas Development Fund		
Appropriations for the year	<u>-9,894,338</u>	<u>-2,229,789</u>
	<u>14,512,904</u>	<u>18,289,266</u>

The accumulated surplus at the end of the year is made up as follows :

- Rate and General services	14,512,904	18,289,266
- Dog Tax fund		
- Parking Areas Development Fund		
	<u>14,512,904</u>	<u>18,289,266</u>

Operating Account :

Capital expenditure	456,433	1,464,994
Contributions to :		
Bad Debt	16,195,782	20,748,160
Leave Gratuity	720,000	1,160,000
Removal Expenses	20,000	20,000
Rental reserve	33,230	33,230
Stock Obsolescence		50,000
Valuation expenses	250,000	250,000
	<u>17,675,445</u>	<u>23,726,384</u>

18 OFFICIALS REMUNERATION

Municipal Manager	549,673	466,646
Chief Financial Officer	501,611	439,968
Directors(Estates, Admin, Technical, Community Services & Infrastructure)	2,075,426	2,157,904
	<u>3,126,711</u>	<u>3,064,517</u>

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
19. CASH GENERATED BY OPERATIONS		
Surplus for the year	6,117,975	8,032,227
Adjustments in respect of previous years		0
operating expenses	-1,180,573	2,229,789
Appropriations charged against income :	25,501,582	-6,561,981
Contributions	27,623,868	22,228,160
Administration Charges (Non Cash)	1,302,393	-45,971,893
Proceeds on sale of assets	-4,152,777	12,784,021
Long Term Debtors		238,670
Less : Brought to Account		1,060,513
Contribution Ex CCDLF	0	1,600,325
Provisions and Reserves		33,230
Fixed Assets	728,098	1,464,994
Capital Charges :	11,346,877	5,976,729
Interest Paid		
- to internal funds	1,914,493	3,348,882
- to external loans	325,834	
Redemption Paid		
- to internal funds	7,958,593	2,627,847
- to external loans	1,147,957	
Operating account	41,785,861	9,676,764
<u>Grants and Subsidies (Operating Account)</u>		-36,052,651
Non-operating income :	3,420,603	43,644,461
Funds	1,422,365	43,644,461
Trust	1,998,238	
Reserves	0	
Non-operating expenditure :	-44,860,175	-48,386,012
Expenditure charged against Accumulated Fund		
Expenditure charged against Trust Funds	44,003,952	47,982,527
Expenditure charged against Reserves	4,093	23,199
Expenditure charged against Provisions		380,286
Expenditure charged against Consolidated Loans Fund	852,130	
Non operating transactions	-41,439,571	-4,741,551
(Increase)/decrease in stock	0	1,201,524
(Increase)/decrease in debtors	-42,239,738	-4,836,321
(Increase)/decrease in creditors	3,304,728	-1,455,003
Working capital transactions	-38,935,011	-36,207,239
	-38,588,721	-31,272,026
20. (INCREASE)/DECREASE IN WORKING CAPITAL		
(Increase)/decrease in stock	0	1,201,524
(Increase)/decrease in debtors	-42,239,738	-4,836,321
(Increase)/decrease in creditors	3,304,728	-1,455,003
	-38,935,011	-5,089,801

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
21. (INCREASE)/DECREASE IN LONG-TERM LOANS (EXTERNAL)		
Loans Raised	5,415,525	
Adjustment	4,310,901	
Loans Repaid	-1,921,334	
	7,805,092	0
22. (INCREASE)/DECREASE IN EXTERNAL CASH INVESTMENT		
Investment realised	38,594,283	43,707,066
Investment made	-42,720,918	-53,239,859
	-4,126,636	-9,532,793
23. (INCREASE)/DECREASE IN CASH ON HAND		
Cash balance at the beginning of the year	-7,775,009	-1,818,644
Less : Cash balance at the end of the year	7,207,848	-7,775,008
	-14,982,857	5,956,364
24. CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS		
Guarantees in respect of housing bonds to employees	201,690	201,503
WSSA Contract		20,906,986
Rural Hardware/Fenjel CC		1,800,000
Meliziswe International Property Group	1,000,000	1,000,000
Swift Construction		12,000
MaxProf - VAT	1,600,000	1,600,000
Mahiti - Damages		340,000
Mkhetsu - Damages	24,000	24,000
Motile - Damages	94,000	94,000
D Osborne		
	2,919,690	25,978,490
<p>Figures for D Osborne not available yet.</p>		
25. CAPITAL COMMITMENTS		
<p>Commitments in respect of capital expenditure :</p> <p>- Approved and contracted for</p>		
<p>This expenditure will be financed from :</p> <p>-Internal sources</p> <p>-External sources</p>		
26. CONSOLIDATED LOANS FUND		
External Loans	5,976,866	6,750,242
Internal Investments	34,065,264	32,822,900
Creditors		20,234
Bank	-7,181,457	7,797,776
	32,860,673	47,391,152
Less :	28,092,033	30,005,353
External Investments	30,627,939	34,754,574
Debtors	7,000	7,000
Temporary Advances	-2,542,906	-4,756,221
(Refer to Appendix B for more detail)	9,420,951	17,385,799
27. FRUITLESS and WASTEFULL EXPENDITURE		
Payment made to Civil & General for Excavator that burnt out	555,750	
<p>The municipality had to insure the equipment, but failed to do so therefor when the equipment burnt out we had to pay the replacement cost. Relevant staff member has left the service of the municipality that did not attend to the insurance.</p>		
28. Unauthorised expenditure		
An amount of R90 989 has been overspent in the Electricity operating budget.	90,989	
<p>This is largely due to the final Eskom account not being available at year end and an estimation is made.</p>		

APPENDIX A

**LUKHANJI MUNICIPALITY
STATUTORY FUNDS, RESERVES AND TRUST FUNDS FOR THE YEAR ENDED 30 JUNE 2007**

	Balance at 2006-06-30	Contributions during the year	Interest on Investments	Other Income	Expenditure during the year	Capital Expenditure during the year	Written Off	Balance at 2007-06-30
	R	R	R	R	R	R		R
STATUTORY FUNDS								
Consolidated Loans Fund	-32,822,900			-1,668,429	426,065			-34,065,264
	-32,822,900	0	0	-1,668,429	426,065	0	0	-34,065,264
TRUST FUNDS								
Grants, Subsidies and Bequests	-17,623,444	425,958	-1,996,841	-44,485,698	44,345,030	2,315,033	-2,983,446	-20,003,406
Mayor's Christmas Fund	-75				75			0
Storm Relief Fund	-12,117		-1,398					-13,514
	-17,635,636	425,958	-1,998,238	-44,485,698	44,345,105	2,315,033	-2,983,446	-20,016,921
RESERVE FUNDS								
Rental Reserve	-2,334,670	-33,230	0	0	-2,367,900	0	0	-2,367,900
Removal Expenses Reserve	-23,337	-20,000	0	0	-43,337	4,093	0	-39,245
Repairs and Renewals	-32,072	0	0	0	-32,072	0	0	-32,072
	-2,390,080	-53,230	0	0	-2,443,310	4,093	0	-2,439,217

APPENDIX B

**LUKHANJI MUNICIPALITY
EXTERNAL LOANS AND EXTERNAL ADVANCES FOR THE YEAR ENDED 30 JUNE 2007**

		Balance at 2006-06-30 R	Received during the year R	Redeemed or written off during the year R	Balance at 2007-06-30 R
EXTERNAL LOANS	Loan No Redeemable				
Capital Leases			9,726,426	1,147,957	8,578,469
Annuity Loans		6,750,242		773,377	5,976,866
		<u>6,750,242</u>	<u>9,726,426</u>	<u>1,921,334</u>	<u>14,555,334</u>

		Balance at 2006-06-30 R	Received during the year R	Redeemed or written off during the year R	Balance at 2007-06-30 R
INTERNAL ADVANCES TO BORROWING SERVICES					
Consolidated Loans Fund		17,385,799		7,964,849	9,420,951
		<u>17,385,799</u>		<u>7,964,849</u>	<u>9,420,951</u>

Note: Capital Leases were disclosed as Loans Redeemed and other Capital Receipts in 2005/06

APPENDIX C

LUKHANJI MUNICIPALITY
ANALYSIS OF FIXED ASSETS FOR THE YEAR ENDED 30 JUNE 2007

Expenditure 2006 R		Budget 2007 R	Balance at 2006-06-30 R	Expenditure 2007 R	Written off transferred redeemed or disposed of during the year R	Balance at 2007-06-30 R
6,947,736	RATE AND GENERAL SERVICES	20,433,676	71,073,256	6,294,232	2,718,245	74,649,244
6,242,866	<u>Community Services</u>	19,134,215	34,802,221	6,229,625	-8,387,778	49,419,624
7,250	Administration : Council General		6,015,110	66,100		6,081,210
	Administration : Estates	20,000	277	20,010		20,288
51,887	Health Services	15,600	1,529,404	12,015	-274,168	1,815,586
	Municipal Security		3,548			3,548
92,418	Pound		122,818			122,818
4,856,735	Vehicle Fleet	5,415,525	5,119,470	5,733,225	280,168	10,572,527
	Public Works/Town Planning	11,159,601	6,460,957	12,349		6,473,305
	Workshop	2,400		2,350		2,350
6,260	Infrastructural Development		3,005,089	4,252		3,009,341
	Services	2,048,105	5,243,305			5,243,305
6,600	Municipal Manager		24,243	6,513		30,756
	Administration and Human Resources		116,686	15,275		131,961
1,171,195	Financial Services	470,584	1,627,764	323,529	-288,261	2,239,554
2,995	Traffic Services	2,400	89,431	34,007		123,437
	Dog Kennels		366,000			366,000
	Bongola Dam		0		-53,080	53,080
47,526	Computers and Printers		288,262			288,262
	Hewu TRC		760,150			760,150
	Queenstown TRC		3,074,352		-8,052,437	11,126,789
	Tylden TRC		144,655			144,655
	Whittlesea		810,701			810,701
630,647	<u>Subsidised Services</u>	676,781	11,560,906	47,857	0	11,608,763
	Aerodrome		200,000			200,000
4,418	Art Gallery		291,049	6,050		297,099
	Cemtries	100,000	64,339			64,339
	Civic Centre		3,836,666			3,836,666
	Fire Brigade	5,000	81,515	2,451		83,966
118,540	Libraries	10,000	855,698			855,698
507,689	Parks and Recreation	561,781	6,231,639	39,356		6,270,995
74,223	<u>Economic Services</u>	622,680	24,710,129	16,750	11,106,023	13,620,856
74,223	Cleansing Services	462,600	974,087	16,750		990,837
	Estates		14,045,118		1,770,468	12,274,650
	Nature Reserve	160,080	355,370			355,370
	Sewerage		9,335,555		9,335,555	0
0	<u>Housing Services</u>	0	2,236,403	0	465,935	1,770,468
	Sub-Economic Housing		1,859,018		88,550	1,770,469
	Self Help Schemes		377,385		377,385	-0
7,301,278	<u>Trading Services</u>	4,531,270	131,517,736	2,505,577	31,195,267	102,828,046
7,301,278	Electricity	4,531,270	100,369,848	2,505,577	47,379	102,828,046
	Water		31,147,888		31,147,888	0
<u>14,249,014</u>	<u>TOTAL FIXED ASSETS</u>	<u>24,964,946</u>	<u>204,827,395</u>	<u>8,799,809</u>	<u>34,379,447</u>	<u>179,247,758</u>
	LESS : LOANS REDEEMED AND OTHER CAPITAL RECEIPTS		183,786,189	5,198,970	34,894,278	154,090,881
	Loans redeemed and advances paid		43,497,420	2,542,784	1,668,521	44,371,684
	Contribution ex operating income		105,615,581		28,914,858	76,700,724
	Lease Agreements		4,310,900		4,310,900	0
	Provision and Reserves		58,098			58,098
	Grants and Subsidies		30,304,189	2,656,186		32,960,375
	<u>NET FIXED ASSETS</u>		<u>21,041,207</u>	<u>3,600,839</u>	<u>-514,832</u>	<u>25,156,877</u>

APPENDIX D

**LUKHANJI MUNICIPALITY
ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2007**

Actual 2006 R		Actual 2007 R	Budget 2007 R
	INCOME		
36,052,651	Grants and Subsidies - Provincial & Government	46,608,663	48,849,024
137,844,516	Operating Income	108,072,611	99,868,432
15,283,361	- Assessment Rates	16,289,818	16,059,763
49,425,202	- Sale of Electricity	52,225,618	51,780,131
21,248,731	- Sale of Water		
51,887,221	- Other services and charges	39,557,175	32,028,538
<u>173,897,167</u>		<u>154,681,274</u>	<u>148,717,456</u>
	EXPENDITURE		
65,587,034	Salaries, wages and allowances	71,951,953	74,514,517
62,641,860	General Expenses	49,564,388	52,616,359
28,533,048	- Purchase of Electricity	31,912,347	31,951,200
	- Purchase of Water		
128,054	- Entertainment	101,153	109,800
33,980,758	- Other general Expenses	17,550,888	20,555,359
4,982,530	Repairs and Maintenance	3,624,555	4,866,320
6,074,616	Capital Charges	5,164,565	1,525,000
1,464,994	Contribution to fixed assets	456,433	876,197
3,305,234	Contributions	17,854,898	17,858,142
144,056,268	Gross expenditure	148,616,792	152,256,535
21,808,673	Less : Amounts charged out	-53,493	-43,930
165,864,941	Net Expenditure	148,563,299	152,212,605

Note:

The 2005/06 financial year includes Water and Sanitation Income & Expenditure.

APPENDIX E

**LUKHANJI MUNICIPALITY
DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007**

Actual Income 2006 R	Actual Expenditure 2006 R	Actual Surplus/ (Deficit) 2006 R		Actual Income 2007 R	Actual Expenditure 2007 R	Actual Surplus/ (Deficit) 2007 R	Budget Surplus/ (Deficit) 2007 R
99,092,801	102,188,729	-3,095,928	RATE AND GENERAL SERVICES	97,438,036	102,377,262	-4,939,226	-16,111,126
72,978,385	65,483,759	7,494,626	<u>Community Services</u>	81,714,952	76,448,864	5,266,088	-4,456,499
46,638,192	4,457,849	42,180,343	Assessment Rates	27,011,455	4,879,911	22,131,545	22,115,292
3,279,042	11,692,691	-8,413,649	Council's General	33,442,072	12,978,632	20,463,440	16,384,310
			Community Services: Admin	28,655	1,904,525	-1,875,870	-1,847,778
			Disaster Management		17,015	-17,015	-21,250
7,675	3,771,696	-3,764,021	Administration : Estates	51,322	3,650,651	-3,599,330	-3,742,697
8,073,888	11,977,098	-3,903,210	Health Services	4,399,407	6,850,567	-2,451,160	-1,901,567
948,603	1,049,067	-100,463	Pound	1,714,031	1,078,753	635,278	439,312
90,690	2,596,649	-2,505,959	Protection Services	95,596	475,822	-380,226	-362,539
1,506,416	11,342,751	-9,836,335	Public Works/Town Planning	373,310	15,588,117	-15,214,807	-16,363,752
	2,706,345	-2,706,345	Security		3,225,803	-3,225,803	-3,066,275
	1,333,846	-1,333,846	Municipal Manager		2,338,182	-2,338,182	-2,559,895
538,528	2,321,473	-1,782,945	Administration & HR		3,364,064	-3,364,064	-3,711,917
			Water: Bongolo Dam	30	11,521	-11,491	-21,180
6,632,695	6,628,804	3,890	Financial Services	8,592,421	14,119,318	-5,526,898	-9,846,688
5,262,657	5,605,490	-342,833	Traffic Services	6,006,655	5,965,985	40,670	50,125
1,169,847	12,321,447	-11,151,600	<u>Subsidised Services</u>	1,200,197	10,905,195	-9,704,998	-10,374,390
2,512	100,757	-98,245	Aerodrome	2,622	107,966	-105,344	-115,477
	46,588	-46,588	Art Gallery		78,296	-78,296	-81,137
609,847	763,317	-153,469	Cemetaries	662,422	742,808	-80,386	-256,450
362,766	1,586,251	-1,223,486	Civic Centre	308,437	1,630,305	-1,321,868	-1,465,089
9,458	765,207	-755,750	Fire Brigade	24,883	393,336	-368,453	-310,381
55,638	2,014,395	-1,958,757	Libraries	58,156	2,067,792	-2,009,636	-2,121,568
129,626	7,044,931	-6,915,305	Parks and Recreation	143,678	5,884,693	-5,741,016	-6,024,288
24,944,570	24,383,524	561,046	<u>Economic Services</u>	14,522,887	15,023,203	-500,316	-1,280,237
12,727,588	12,993,110	-265,522	Cleansing Services	13,717,284	13,667,879	49,406	-1,108,939
480,795	1,043,488	-562,693	Estates	476,342	953,099	-476,757	41,860
119,361	540,666	-421,305	Nature Reserve	329,261	402,225	-72,965	-213,158
11,616,826	9,806,260	1,810,566.16	Sewerage			0	
128,546	46,122	82,424	<u>Housing Services</u>	137,900	41,662	96,238	76,210
128,546	46,122	82,424	Economic Housing	137,900	41,662	96,238	76,210
74,675,820	63,630,089	11,045,731	<u>Trading Services</u>	57,105,338	46,144,375	10,960,962	12,539,767
53,093,308	41,714,991	11,378,317	Electricity	57,105,338	46,144,375	10,960,962	12,539,767
21,582,512	21,915,098	(332,586.39)	Water			0	
173,897,167	165,864,940	8,032,227	TOTAL	154,681,274	148,563,299	6,117,975	-3,495,149
		(2,229,789)	Appropriations for this year (Refer to note 17)			-9,894,338	
		5,802,438	Net surplus/(deficit) for the year			-3,776,362	
		12,486,828	Accumulated surplus/(deficit) beginning of the year			18,289,266	
		18,289,266	ACCUMULATED SURPLUS/(DEFICIT) END OF YEAR			14,512,904	

◆ The deficit is due to the fact that water and sanitation was transferred to the agency account.

APPENDIX F

LUKHANJI MUNICIPALITY STATISTICAL INFORMATION

a) GENERAL STATISTICS	2006/07	2005/06
Population	300,000	300,000
Total Registered Voters	180,000	178,845
Area km	4,191	4,191
Total Valuation :		
- Rateable	1,242,982,097	1,123,130,638
- Non Rateable	76,257,808	76,116,608
- Residential	750,351,346	751,025,388
- Commercial	67,906,810	67,776,310
Number of Sites :		
- Residential	17,664	17,664
- Commercial	162	162
Assessment Rates : Levies		
- Basic (per Rand)	1.9112	1.8202
- Rebate : Residential	15,00%	15,00%
- Other Rebate : Pensioners	23,75%	23,75%
Number of Employees of the Local Authority	623	625
b) ELECTRICITY STATISTICS		
Units bought	172,443,022	172,628,455
Cost per unit bought	0.1851	0.1653
Units sold	122,970,036	130,713,361
Units lost in distribution	49,472,986	41,915,094
Units lost in distribution as a %	28.69	24.28
Cost per unit sold	0.2595	0.2183
Income per unit sold	0.4037	0.3781

APPENDIX G

**LUKHANJI MUNICIPALITY
SECTION 123 & 125 DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT, NO 56 OF 2003**

1. PROVINCIAL GOVERNMENT	RECEIVED	TOTAL PER	TOTAL PER
HOUSING FUNDS	2007-06-30	SERVICE	DEPARTMENT
Botha's Hoek Establishment Grant	-19,881.00		
Botha's Hoek Top Structure	-435,238.00		
Ekuphumleni Top Structure	-2,000,000.00		
Ekuphumleni Transfer Fees	-36,450.00		
Ensam Top Structure	-1,224,677.45		
Ezibeleni Phase 2 Top Structure	-4,000,000.00		
Ilinge registration fee	-41,000.00		
Ilinge Top Structure	-2,000,000.00		
Imvani Top Structure	-52,149.00		
McBride Establishment Grant	-238,660.00		
McBride Top Structure	-4,536,553.50		
Merino Walk Design Fees	-71,140.51		
Merino Walk Establishment Grant	-78,180.00		
Merino Walk Top Structure	-4,329,649.33		
Poplar Grove Establishment Grant	-92,642.00		
Poplar Grove Top Structure	-3,660,597.85		
Tambo Village Top Structure	-4,724,607.00		
Who-Can-Tell Top Structure	-4,271,900.00	-31,813,325.64	
OTHER ALLOCATIONS - PROVINCIAL			
Free Basic Servicesump	-60,000.00		
LGW Seta - Training	-362,075.74		
MSP Funds	-500,000.00		
Unknown Allocation	-190,000.00	-1,112,075.74	-32,925,401.38
NATIONAL GOVERNMENT			
Municipal Infrastructre Grant	-6,620,048.28		
Department of Mineral & Energy	-1,500,000.00		
Municipal Systems Improvement Program	-1,000,000.00		
Financial Management Grant	-750,000.00	-9,870,048.28	-9,870,048.28
DEVELOPMENT BANK OF SOUTH AFRICA			
DBSA : Hand Held Terminals	-237,921.30		
DBSA : Vehicle Tracking System	-203,073.00	-440,994.30	-440,994.30
CHRIS HANI DISTRICT MUNICIPALITY			
Sinthemba Organization	-125,000.00		
Nomzamo Project Linked Housing	-101,100.00		
Integrated Development Plan	-100,000.00	-326,100.00	-326,100.00
	-43,562,543.96	-43,562,543.96	-43,562,543.96
All funds received were utilized in terms of the necessary conditions that were attached to the allocations.			
2. No funds in terms of the Division of revenue Act were delayed or withheld during the 2006/2007 financial year.			
3. OUTSTANDING DEBTOR ACCOUNTS COUNCILLORS AND STAFF MEMBERS IN EXCESS OF 90 DAYS			
ZN GWANTSHU	2539.49		
NA KOPOLO	6388.71		
4. The Municipality does not have any entities under their control.			
5. TOTAL AMOUNTS PAID IN RESPECT OF FOLLOWING FOR THE 2006/2007 FINANCIAL YEAR			
PAYE, UIF		6,916,905.72	
PENSION FUNDS		11,226,447.09	
MEDICAL AIDS		7,847,891.33	
SDL & INDUSTRIAL COUNCIL LEVIES		572,098.62	
All contributions were paid as at year end and nothing was outstanding.			

LUKHANJI MUNICIPALITY
SECTION 123 & 125 DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT, NO 56 OF 2003

6. BANK ACCOUNTS NAMES	TYPE OF ACCOUNT	2006-06-30	2007-06-30	2007-06-30
Absa Bank	INVESTMENT	9,845.00	9,845.00	
Absa Bank	INVESTMENT	22,000.00	22,000.00	
Absa Bank	INVESTMENT	10,100.00	10,100.00	
Absa Bank	INVESTMENT	16,000.00	16,000.00	
Absa Bank	INVESTMENT	5,684.24	5,870.50	
Absa Bank	INVESTMENT	15,000.00	15,000.00	
Absa Bank	INVESTMENT	10,935.29	10,935.29	
Absa Bank	INVESTMENT	8,266.36	8,266.36	
Absa Bank	INVESTMENT	14,177.00	14,177.00	
Absa Bank	INVESTMENT	14,500.00	14,500.00	
Absa Bank	INVESTMENT	7,000.00	7,000.00	
Absa Bank	INVESTMENT	7,000.00	7,000.00	
Absa Bank	INVESTMENT	18,500.00	18,500.00	
Absa Bank	INVESTMENT	17,500.00	17,500.00	
Absa Bank	INVESTMENT	25,000.00	25,000.00	201,694.15
Standard Bank	INVESTMENT	12,276.21	12,600.95	
Standard Bank	INVESTMENT	20,972.60	19,889.60	
Standard Bank	INVESTMENT	76,753.92	96,643.52	
Standard Bank	INVESTMENT	303,221.08	325,576.91	454,710.98
Absa Bank	INVESTMENT	30,842.18	32,572.38	
Absa Bank	INVESTMENT	35,122.81	36,947.85	69,520.23
Absa Bank	INVESTMENT	521,684.73	555,507.78	555,507.78
Absa Bank	INVESTMENT	80,406.54	88,555.21	
Absa Bank	INVESTMENT	6,459.30	6,886.86	
Absa Bank	INVESTMENT	3,943.60	4,183.25	99,625.32
Absa Bank	CHEQUE	2,803,725.78	11,340,121.14	
Absa Bank	CHEQUE	6,119.84	2,388,052.96	13,728,174.10
Absa Bank	MONEY MARKET FUND	34,012,262.81	29,850,435.70	29,850,435.70
		38,115,299.29	44,959,668.26	44,959,668.26

LUKHANJI MUNICIPALITY
SECTION 123 & 125 DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT, NO 56 OF 2003

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Absa Bank	INVESTMENT	14,177.00	14,177.00	
Absa Bank	INVESTMENT	14,500.00	14,500.00	
Absa Bank	INVESTMENT	7,000.00	7,000.00	
Absa Bank	INVESTMENT	7,000.00	7,000.00	
Absa Bank	INVESTMENT	18,500.00	18,500.00	
Absa Bank	INVESTMENT	17,500.00	17,500.00	
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		38,115,299.29	44,959,668.26	44,959,668.26

**REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL
LEGISLATURE ON THE FINANCIAL STATEMENTS AND PERFORMANCE
INFORMATION OF THE LUKHANJI MUNICIPALITY FOR THE YEAR ENDED 30
JUNE 2007**

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Lukhanji Municipality which comprise the balance sheet as at 30 June 2007, income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes and the accounting officer's report, as set out on pages 27 to 51.

Responsibility of the accounting officer for the financial statements

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

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.

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

Basis of accounting

8. The municipality's policy is to prepare financial statements on an entity-specific basis of accounting, as set out in accounting policy note 1.

Basis for qualified opinion

Fixed assets

9. Assets to the value of R91.3 million could not be physically verified due to lack of appropriate information in the fixed asset register. In addition, land and infrastructure assets owned by the municipality have not been disclosed in appendix C to the financial statements. The municipality did not write off assets identified by the municipality as non-operational or stolen in the amount of R 2.3 million.

As disclosed in appendix C to the financial statements, total fixed assets amounting to R179.2 million agrees to the fixed asset register. However, vote differences were found between amounts disclosed in appendix C and general ledger balances. The net effect of these differences was nil.

As a result of the above-mentioned matters, I could not conclude on the existence and completeness of fixed assets in the amount of R179.2 million per note 6 to the Financial Statements.

Cognisance is taken of the fact that the Lukhanji Municipality was still in the process of compiling a complete fixed asset register.

Debtors

Provision for bad debts

10. An amount of R69.2 million has been disclosed in note 10 to the financial statements as the provision for doubtful debts. Based on an analysis of receipts received subsequent to year end as well as a lack of follow-up of long outstanding amounts by management, and in view of the fact that 58% of debtors disclosed are older than 90 days, this amount is understated. As a result thereof, the provision of R69.2 million was inadequate to cover the possible level of irrecoverable debts at year-end.

Value-added taxation (VAT)

11. Included in debtors, per note 10 to the financial statements, was an amount of R15.5 million which related to VAT receivable at year-end. However, it was determined that this account was understated by R578 191 due to VAT being set off in error.

Provisions

Leave

12. Numerous inconsistencies were identified in the calculation of the leave gratuity provision, including differences between attendance registers and leave registers, no regular review of leave registers, an inadequate leave system and clock cards being used which does not refer to specific dates. It was not possible to verify the accuracy and completeness of leave days used in the calculation. Therefore the accuracy and completeness of the leave gratuity provision of R 3 million disclosed in note 11 of the notes to the financial statements could not be verified.

Landfill site

13. The municipality did not have a restoration plan for its landfill site and as such is in breach of Section 28 of the National Environment Management Act, 1998 (Act No. 107 of 1998). No liability in respect of the obligation for restoring/rehabilitating these landfill sites had been raised. The understatement of the liability could not be determined in the absence of management's assessment in this regard.

Qualified opinion

14. In my opinion, except for the effects of the matters described in the Basis for qualified opinion paragraphs, the financial statements of the Lukhanji Municipality as at 30 June 2007 and its financial performance and cash flows for the year then ended have been prepared, in all material respects, in accordance with the basis of accounting as set out in accounting policy note 1 and in the manner required by the MFMA.

EMPHASIS OF MATTERS

15. I draw attention to the following matter(s):

Per note 27 of the annual financial statements an amount of R 555 750 had been disclosed as fruitless and wasteful expenditure. An amount of R 555 750 was paid for replacement of a hired vehicle which was destroyed while the municipality was in possession of the vehicle. This could have been avoided had reasonable care been exercised.

Per note 28 of the annual financial statements an amount of R 90 989 had been disclosed as unauthorised expenditure. This disclosure related to overspending of the Electricity - Technical Services vote account.

OTHER MATTERS

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

Material non-compliance with applicable legislation

Property Valuation Ordinance 148 of 1993

16. 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 every four years. The last general valuation was performed in 1997. Council is therefore in contravention of the above mentioned legislation.

It was noted that a general valuation was performed by an external service provider during the 2005/06 financial year. However, a report issued by the Department of Housing, Local Government and Traditional Affairs indicated that no reliance could be placed on the accuracy of the valuation and as such it was rendered not applicable for rates purposes.

An interim valuation was performed during the year under review. However this valuation only came into effect on 1 July 2007.

Matters of Governance

Internal audit and audit committee

17. Management appointed an audit committee during the 2006-07 financial year, however, the audit committee was not considered to have fully discharged its duties in terms of the section 166 of the MFMA.

Furthermore it was noted that internal audit has not been afforded sufficient independence to enable it to meet its obligations in terms of the internal audit charter. This is evidenced by the fact that the internal auditor is performing certain supervisory functions which should be addressed by management.

Risk assessment

18. At year end, no risk management policy or fraud prevention plan had been implemented. Management began the process of performing a formal risk and fraud assessment at the Lukhanji Municipality.

Material corrections to the financial statements

19. The financial statements, approved by the accounting officer and submitted for audit on 31 August 2007, have been significantly revised in respect of the following misstatements identified during the audit.

- A previously undisclosed amount of R 154 523 was correctly disclosed as bad debts written off.
- Accruals raised to the value of R789 853 in the trade creditors' balance in note 12 of the notes to the financial statements were reversed, as they did not represent specific current commitments of the municipality.
- A previously undisclosed amount of R555 750 was correctly disclosed as fruitless and wasteful in note 27 to the financial statements.
- The leave gratuity of R3 million disclosed in note 11 to the financial statements was reclassified as a provision.
- Contributions received were split between other income and expenditure during the year per appendix A to the financial statements and council's general actual income and actual surplus/(deficit) per appendix E to the Financial Statements.
- R22.9 million representing a contingent liability in note 24 to the financial statements was removed.
- Disclosures required by sections 125(2)(d)(i), 123(1), 125(1)(c) and 125(2)(a) were made.
- A previously undisclosed amount of R90 989 was correctly disclosed as unauthorised expenditure in note 28.

Internal Control

20. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes of the matters indicated, as they relate to the five components of internal control. In some instances deficiencies exist in more than one internal control component.

Reporting item	Control environment	Assessment of risks	Control activities	Information and communication	Monitoring
Basis for qualification opinion					
Fixed assets			✓		
Debtors			✓		
Provisions		✓	✓		✓
Other matters					
Material non-compliance with applicable legislation			✓		
Matters of governance			✓		✓
Material corrections to the financial statements			✓		

OTHER REPORTING RESPONSIBILITIES

Reporting on performance information

21. I was engaged to audit the performance information.

Responsibility of the accounting officer

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

Responsibility of the Auditor-General

23. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 646 of 2007*, issued in *Government Gazette no. 646 of 25 May 2007* and section 45 of the MSA.

24. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate audit evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

25. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings

Non-compliance with regulatory requirements

26. I was not able to complete an evaluation of the quality of the reported performance information since the information was not received.

Content of Integrated development plan

27. The financial plan in the municipality's revised integrated development plan shows no link between budgeted income and expenditure and the development priorities and objectives as per the integrated development plan. Furthermore the IDP does not show how budgeted income and expenditure would be used to achieve the municipality's development priorities.
28. The integrated development plan of the Lukhanji Municipality did not include the key performance indicators and performance targets determined in terms of its performance management system as required by section 26(i) of the MSA.
29. The key performance indicators set by the Lukhanji Municipality did not include general key performance indicators.
30. The municipality had not implemented a performance management system which complied with the requirements of the MSA.
31. Section 53 of the MFMA requires that the Mayor ensures that performance agreements for the municipal manager and senior managers be made public 14 days after their approval. These must also be submitted to the MEC for Local Government. No evidence could be obtained that this took place.

APPRECIATION

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

Auditor - General

EAST LONDON

30 November 2007



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

CHAPTER 4 – Financial Statements And Related Financial Information

Quarterly Allocations Received and Associated Expenditures

Grant Allocation 2006/07	Cash Carried Forward	Revised Annual Budgeted Amount (R000)	1 st Qrt	1 st Qrt	2nd Qrt	2nd Qrt	3rd Qrt	3rd Qrt	4th Qrt	4th Qrt	2006/07 Total Received	2006/07 Total Expended
			Allocation Received (R000)	Expended (R000)	Allocation Received (R000)	Expended (R000)	Allocation Received (R000)	Expended (R000)	Allocation Received (R000)	Expended (R000)		
National Allocations:												
Municipal System Improvement Grant	888	1,000	521	139	26	0	537	1	32	452	1,116	592
Financial Management Grant	681	750	764	385	20	92	21	43	13	877	818	1,397
CMTF Grant	129	350	2	0	3	0	563	1	15	42	583	43
Municipal Infrastructure Grant (MIG)	2,602	9,048	986	3,645	520	1,725	3,319	1,515	4,680	1,076	9,505	7,961
National Electrification Program	2,692	1,500	43	715	36	662	1,546	-468	57	1,667	1,682	2,576
Provincial Allocations:												
SETA Training Grant	490	250	9	0	98	39	68	358	49	67	224	464
General Valuation Grant	1,045	0	19	0	21	0	23	0	25	0	88	0
Local Government Support Grant (old MSP)	972	500	518	90	28	0	29	94	30	-50	605	134
Spatial Planning	1,344	15	24	326	21	26	22	0	17	303	84	655
Housing Grants	8,142	36,352	17,205	8,045	3,425	9,066	4,589	5,098	8,570	9,181	33,789	31,390
Roads & Transport Grant	192	920	911	194	14	279	14	-17	15	20	954	476
Miscellaneous	3,006	59	55	114	118	180	147	1,200	35	455	355	1,949
Other Allocations:												
Old Allocations from Chris Hani District	488	20	9	4	10	0	2	483	1	-274	22	213
TOTAL	22,671	50,764	21,066	13,657	4,340	12,069	10,880	8,308	13,539	13,816	49,825	47,850

5

Chapter Five

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 - between 40 and 64 years - between 15 and 39 years - 14 years and younger	12034 46647 64666 61194 Census 2001
	6 Household income: - over R3,499 per month - between R2,500 and R3,499 per month - between R1,100 and R2,499 per month - under R1,100 per month	2186 4074 4878 173405 Census 2001
	7 Employment Employed Unemployed Not Economically Active Total Labour Force	24013 30419 57786 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</p> <p>Number of Councillors on Executive Committee</p> <p>2 Ward detail:</p> <p>Total number of Wards</p> <p>Number of Ward Meetings</p> <p>3 Number and type of Council and Committee meetings:</p> <p>Council meetings</p> <p>Mayoral Committee meetings</p> <p>Finance Committee meetings</p> <p>Community Committee meetings</p> <p>Technical Committee meetings</p> <p>Estates Committee meetings</p> <p>Administration & Human Resources Committee meetings</p>	<p>53</p> <p>6</p> <p>27</p> <p>109</p> <p>7</p> <p>27</p> <p>11</p> <p>6</p> <p>7</p> <p>10</p> <p>5</p>

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 startegic 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. The key issues for 2006/07 have been: The finalisation of job descriptions for all employees in accordance with the TASK job eevaluation system The timeous development and submission of a Skills Development Plan Development and timeous 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) 73 - Field (Supervisory/Foremen) 47 - Office (Clerical/Administrative) 97 - Non-professional (blue collar, outside workforce) 317 - 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 received	Completed November 2006
Employment Equity Plan	Employment Equity Plan developed, completed and submitted	31 October 2006
Skills Plan	Skills Development Plan completed and submitted	June 2006
	Skills Implementation report developed and submitted	June 2006

Function:	Health
Sub Function:	Clinics GARDENS, LIZO NGCANA, NEW REST, PARKVALE AND PHILANI

Reporting Level	Detail	Total	
Overview:	Includes all activities associated with the provision of health		
Description of the Activity:	The function for the provision of community health clinics within the municipality is administered as follows and includes: <i>Provision of PHC Services, Health Education and Community involvement. As per catchment area, plus info on patients from outside areas. To prevent and promote health care services. To improve and promote awareness on HIV.AIDS/TB/Immunization etc.</i>		
Analysis of the Function:	1. Attend to minor ailments. 2. Promote awareness on health issues. 3. Review chronic treatments 4. Community based care. 5. Immunization Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package		4 168 530
	2 Number, cost of public, private clinics servicing population: - Public Clinics (owned by municipality)		R (000s) 65 554 X 5 clinics
	3 Total annual patient head count for service provided by the municipality - 65 years and over - between 40 and 64 years - between 15 and 39 years - 5 years and older - 0 - < 5 years - 14 years and under PHC package including VCT ARV is as referred by Frontier Hospital Note: if no age range available, place to other		168 730 23 608

Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current	Target
<List at least five key performance areas relative to the above function as articulated in the budget here>	1. PAP SMEARS - We were not performing meaning we were at nil, inservice training and demonstration improved the skills, emphasizing the policy 1 pap smear per nurse per day, meaning the norm is 22 per clinic. 765 were done compared to nil.		
	2. FULLY IMMUNIZED UNDER 1 YEAR The National Health target is 90%, we improved by 13,4% meaning we reached 68,4% to 55%. Our strategy is not to miss opportunities and also visit the creches.		
	3. VOLUNTARY COUNSELLING AND TESTING RATE Emphases on awareness and support system has slightly improved the testing rate, we are at 99% though expected to be at 100%		
	4. PMTCT This KPA has improved because of the staff training. The testing rate remains at 99% although expected to be 100%		
	5. TB SUSPECT RATE This KPA is slowly improving, the norm is 1- 2% The clinics are as follows : Gardens Clinic at 0,5%, Liza Ngcana 0,6%, New Rest Clinic 2,5%, Parkvale 1,6% and Philani 0,6%. To improve the suspect rate we will do mop ups targeting each catchment area with the assistance of the care givers, defaulters tracing and contact tracing also done		

Function:	Public Safety
Sub Function:	Police (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 and include:</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>		
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) 4 931 277 - Field (Detectives/Supervisors) 5 769 997 - Office (Clerical/Administration) 5 614 509 - Non-professional (visible police officers on the street) 12 1 438 795 Non professional 41 3 266 468 - Temporary <total> <cost> - Contract <total> <cost> <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package. Office includes desk bound police and traffic officers, non-professional includes aides</p> <p>2 Total number of call-outs attended: 13 481</p> <ul style="list-style-type: none"> - Emergency call-outs 1023 - Standard call-outs 12458 <p>Note: provide total number registered, based on call classification at municipality</p> <p>3 Average response time to call-outs: 10</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> <p>4 Total number of targeted violations eg: traffic offences:</p> <ul style="list-style-type: none"> Parking offences 1368 Speeding 292 Red Robot 82 Stop sign 1305 Unroadworthy vehicles 131 Driving licences 632 Other offences 1181 		R (000s)

	<list details, including the number and type of offences recorded>	4991	1 639 400
5	Total number and type of emergencies leading to loss of life <list details, including the number and type of emergencies recorded>	0 <total>	
6	Type and number of grants and subsidies received: <list each grant or subsidy separately>	0	R (000s) <value>
	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.		
7	Total operating cost of police and traffic function		9 768 031

Reporting Level	Detail	Total	
5	Anticipated expansion of refuse removal service: - Domestic/Commercial - Garden		R (000s) 800000

Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current	Target
<List at least five key performance areas relative to the above function as articulated in the budget here>	<i>Refuse disposal site Phase 2 started</i> <i>Night shift with refuse removal started (In trial period - works well</i> <i>Iron refuse bins to be phased out in CBD.. To be replaced by plastic and smaller bins, to e lenghten.</i> <i>Lifespan of trucksa and hydrolic system</i>		

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>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>		
Analysis of the Function:	<p><Provide statistical information on (as a minimum):></p> <p>1 Number and cost to employer of all personnel associated with sewerage functions: Including WSSA contract</p> <ul style="list-style-type: none"> - 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 <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> <ul style="list-style-type: none"> - 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 <p>Note: if other types of services are available, please provide details</p> <p>3 Anticipated expansion of sewerage:</p> <ul style="list-style-type: none"> - Flush/chemical toilet 109 - Pit latrine 0 - Bucket latrine 0 - No toilet provision 0 		

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:	The water purchase and distribution functions of the municipality are administered as follows and include: <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 indigent 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>		
	<Provide statistical information on (as a minimum):>		
1	Number and cost to employer of all personnel associated with the water distribution function: (Including annual WSSA contract)	20	R1 052 546
	- WSSA annual contract	?	R750 000
	- Professional (Engineers/Consultants)	1	R87 573
	- Field (Supervisors/Foremen)	8	R466 539
	- Office (Clerical/Administration)	2	R82 745
	- Non-professional (blue collar, outside workforce)	9	R415 689
	- Temporary	0	0
	- Contract	0	0
	Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package.		
2	Number of households with water service, and type and cost of service		
	- Piped water inside dwelling	13957	
	- Piped water inside yard	11 920	
	- Piped water on community stand: distance < 200m from dwelling	8511	
	- Piped water on community stand: distance > 200m from dwelling	7 095	
	- Borehole	1954	
	- Spring	231	
	- Rain-water tank	130	
	Note: if other types of services are available, please provide details		
3	Number and cost of new connections: <detail total>	31	R57 716
4	Free Basic Service Provision:		
	- Quantity (number of households affected)	25 787	
	- Quantum (value to each household)	R495 368	

Function : Housing			
Sub Function : N.A.			
Reporting Level	Detail	Total	
Overview	Includes all activities associated with provision of housing		
Description of the activity			
<p>The function of provision of housing within the municipality is administered as follows and includes :</p> <ol style="list-style-type: none"> 1. 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). 2. 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 appointment of contractors for the construction of the top structures, the procurement of all building materials and the payment of contractors and suppliers. In all of the afore-mentioned processes the beneficiaries are actively involved through the Joint Management Committee of the project where they are represented by their Ward Councillors and elected members. All of the afore-mentioned processes should be in line with the procurement policy of the Council.)

- 3. 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.**

- | | |
|--|--|
| <p>4. 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.</p> <p>5. Administration of existing housing (not new projects), includes the following :</p> <p>(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.</p> <p>(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.</p> | |
|--|--|

(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.

- 6. 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 municipality has a mandate to :

- | | |
|--|--|
| <ol style="list-style-type: none">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 2007/2008 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 attempt to finalise construction on as many of the “older” PHP Housing Projects as possible by obtaining additional funding for the completion of these projects which have become “blocked” due to financial constraints.**
5. **To keep up proper liaisons with all relevant departments.**
6. **To ensure proper service delivery to the community by ensuring proper administration of existing housing.**

1. Number and cost of all personnel associated with provision of municipal housing :

Estates Directorate :

- Professionals : Town Planner X 1 **

- Field : Housing Inspector X 1

- Office : Director X 1 **

Housing Administrator X 2

Snr. Clerk Lands X 1 **

Admin. Officers X 3 **

Housing Clerks X 4

Jnr. Admin Officer X 1

- Non-Professional :

Messenger/Driver X 2 **

Technical Services :

- Field : Building Inspector X 2 **

- Contract : Project Co-Ordinator X 4 **

Senior Manager X 1 **

Admin. Manager X 1 **

NB!!! Above officials marked with ** only spend a % of their time dealing with housing issues.

Analysis of the Function :	
2. Number and total value of housing projects planned and current :	
- Current : 12	
- Planned : 7	
3. Total type, number and value of housing provided during financial year :	
- Ekuphumleni PHP Housing Project - 133 Units	R 3 154 760-00
- Ezibeleni Phase II PHP Housing Project - 96 Units	R 2 277 120-00
- Ilinge PHP Housing Project - 179 Units	R 4 245 880-00
- Tambo Village PHP Housing Project - 93 Units	R 2 205 960-00
- Botha's Hoek PHP Housing Project - 63 Units	R 3 370 346-00
- Ensam PHP Housing Project - 234 Units	R 7 799 888-00
- Mc Bride PHP Housing Project - 516 Units	R 21 389 395-00
- Merino Walk PHP Housing Project - 238 Units	R 7 941 673-00
- Poplar Grove PHP Housing Project - 211 Units	R 8 047 767-00
- Who-Can-Tell PHP Housing Project - 659 Units	R 22 313 569-00
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	R 547670-28

<p>5. Estimated backlog in number of (and costs to build) housing :</p> <p>Sabata Dalindyebo - 210 Units</p> <p>Nomzamo - 337 Units</p> <p>Brakkloof - 400 Units</p> <p>Xuma - 110 Units</p> <p>Zola - 360 Units</p> <p>Toitsekraal - 360 Units</p> <p>New Rathwick Ph I - 500 Units</p> <p>Ilinge Wooden / Zink - 300 Units</p> <p>SADA Wooden / Zink - 300 Units</p>	<p>R 8 186 640-00</p> <p>R 18 526 912-00</p> <p>R 21 990 400-00</p> <p>R 6 047 360-00</p> <p>R 20 890 880-00</p> <p>R 19 791 360-00</p> <p>R 27 488 000-00</p> <p>R 16 492 800-00</p> <p>R 16 492 800-00</p>
<p>6. Type and number of grants and subsidies received :</p> <p>(A) Ekuphumleni PHP Housing Project Top Str.</p> <p>(B) Ezibeleni Phase II PHP Housing Project Est. Gr.</p> <p>(C) Ezibeleni Phase II PHP Housing Project Top Str.</p> <p>(D) Ilinge PHP Housing Project Top Str.</p> <p>(E) Tambo Village PHP Housing Project Top Structures</p>	<p>R 537 808-00</p> <p>R 166 440-00</p> <p>R 3 200 000-00</p> <p>R 2 324 533-95</p> <p>R 3 750 933-97</p>