

>> *partners in service delivery*

ANNUAL REPORT
2006/2007



AMATHOLE
DISTRICT MUNICIPALITY





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chapter 1

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Ald. Sakhumzi Somyo

executive mayor's forward

Sakhumzi Somyo (Alderman)

This past year will be remembered as one where strategic planning became one of the main priorities as we developed, consulted and crafted the Integrated Development Plan for the next five year period 2007 to 2012. This included IDP and Budget Roadshows to the communities in all our local municipalities during April and May 2007 to get their feedback and comments.

It did not end there, because the ADM held numerous consultative workshops between various sectors of the economy of the district and strategic workshops along the development corridors of the district, gathering information which ultimately led to the Growth and Development Summit held on 8–9 March 2007 at Mpekweni Beach Resort, attended by various sectors and representative structures of the district, and the subsequent crafting of the Amathole Regional Economic Development Strategy (AREDS). These strategic documents have been aligned with the objectives of the United Nations Millenium Goals as adopted by the National Spatial Development Perspective, and the Provincial Growth and Development Plan.

Our main objectives aligned to the abovementioned strategic documents are as follows:

- To reduce unemployment by half;
- Poverty Eradication;
- Investing in sustainable infrastructure development;
- Enhancing the economy of the district; and
- To reduce the impact of HIV and Aids

In order to meet our objective of reducing unemployment by half by 2014, we need to create some 160,000 new jobs and our GDP needs to increase to R13 billion. We shall need investment of some R40 billion in production capacity and probably a similar amount for infrastructure and human capital would be needed.

The main purpose of the Growth and Development Summit (GDS) was to develop a common vision and purpose within our district across all sectors of society so that we all play our part. A GDS agreement was signed by all the sector partners and will act as the benchmark for our performance going forward. The stakeholder participation at this summit was phenomenal and all sectors participated enthusiastically. The processes leading up to the summit, the summit itself and the agreement that was reached by all parties was so successful that this became a model for other district municipalities to follow. The vision of the parties to the GDS Agreement is to eradicate poverty and ensure holistic and sustainable human development through stimulation of the economy so that sustainable and quality jobs are retained and created; and to enhance the capacity of the municipalities and their partners to ensure improved and sustained service delivery.

The four key priority areas of the Amathole Regional Economic Development Strategy (AREDS), however, are based on the socio-economic profile of the district and are as follows:

- The growth and diversification of the urban economy;
- Development of the rural economy and strengthening the linkages between rural and urban economies;
- Service delivery and human capital development; and
- Improved governance and stakeholder coordination

The Amathole Regional Economic Development Strategy (AREDS or Khul'Amathole) was compiled by the ADM and the Amathole Economic Development Agency (AEDA) and is a 20 year economic vision for the district. The objectives of the AREDS are to increase the number of households earning an income and to increase the amount of income earned by households. It sets a target of 60% of households earning above minimum wage income by 2014 which is in line with the Millennium goals of halving unemployment.

To implement the AREDS, we have aligned our development in accordance with a corridor management approach in support of the development of localities and of sectors identified as having competitive advantages in Amathole. The four corridors are the N2 (between East London and Mbhashe); the N6 (Stutterheim and Cathcart areas); the R63 (King Williamstown/Hogsback and Bedford areas) and the R72 Hamburg/Peddie area). The new AEDA structure will now place a Project Manager responsible for each of the corridors and adopt small towns as anchors of these corridors. In this way, AEDA will not only consolidate its focus on increasing small town economies but will facilitate productive, consumptive and economic linkages within the corridor and between corridors, and their link with the regional hub of East London.

In order to diversify our economy, to eradicate poverty and ensure food security, the ADM's Agricultural Unit has instituted a number of programmes and has supported the revitalization of various irrigation schemes such as Keiskammahoek, Dube, lower Zencuka, Bongithole and Zibhityolo. This past year a new milking parlour at Keiskammahoek Dairy was built at a cost of R5 million. The ADM is also currently involved in the establishment of the Ludiza irrigation scheme. Together with our strategic partners, the Department of Agriculture, the ADM has provided maize production inputs to re-

source poor farmers in the Mbhashe and Mquma municipalities in the amount of R1,2 million. This involved 250 hectares of land that was planted to maize. Mielie fields were also fenced at Mamatha and Xholobe in the amount of R500,000.

The ADM was appointed as an implementing agent for the Breaking New Ground (BNG) pilot project valued at R252 million in the Elliotdale rural area last year. The project is called the Elliotdale Rural Sustainable Human Settlement Pilot Project. It is multi-faceted and includes projects for infrastructure, local economic development, agriculture and social needs. Good progress has been made in kick-starting this project. The ADM is implementing nine rural housing projects involving 3,620 top structures to the value of R73,4 million at a subsidy of R20,300 each. So far these projects are in excess of 75% completed. The public-private partnership with emerging contractors to ensure an economic impact on housing has been enhanced. The planning and surveying of 8,133 households across 10 villages in the rural and peri-urban areas has been completed. These include Mount Pleasant, Komga, Dongwe, Prudhoe, Teko Springs, Slatsha, Magrangzeni, Diphini, Ngxingxolo and Makhazi.

Progress has also been made in accessing of land parcels to the ADM for properties in Kwelerha, Kubusie, Ndlovini and Needscamp. The land restitution project at Cata has also registered progress such as the wattle and pine forests, irrigation of land, environmental assessment of the grazing land, community gardens, a community museum, the resurfacing of roads, and spring water studies have been completed with the assistance from the University of Fort Hare. Similarly the Dwesa-Cwebe land restitution project has also registered a lot of progress including electrification, planning and surveying, the upgrading of the Haven Hotel, resource centres have been built, commercial and community gardens have been established and CPA registration completed. Progress registered at the Betterment Restitution Project for 9 Keiskammahoek villages include the signing of a social contract agreement, the establishment of a Project Steering Committee with representatives from each of the 9 villages and the drafting of an integrated development plan.

The past year has proved to be very challenging for the ADM. Although the district became the Water

Services Authority in July 2003 for the whole district with the exception of Buffalo City Municipality, it decided upon the internal option to implement the water services provider function and took over this role from 1 July 2006, subsequent to the Section 78 Assessment. The municipality also centralized the financial services for water and sanitation from this date as well. The ADM has approximately 600 water systems which it administers and there were many challenges with water outages in various parts of the district, due in main to the aging infrastructure which needs replacement and/or refurbishment. The process was fraught with many challenges. We found that there was no level of uniformity in the costing methodology; therefore there was no uniformity of the tariffs. Water tariffs were plagued by low levels of recovery, driven by poor policy models, and low levels of economy of scale.

There were no accurate records of the establishment or running costs of water schemes and there were large scale overheads, inherited from the erstwhile water services authorities, not linked to schemes. Currently there are assets in excess of R3 billion requiring varying degrees of refurbishment. Repairs and maintenance were not effectively undertaken. There were no water audits with some scheme inefficiencies up to 50%. There were high levels of “unaccounted for water” and even the debt brought forward from erstwhile water services authorities show no levels of reliability. Whilst the municipality acquired a significant increase in assets, there were zero capital replacement reserves. The recognition of the international standards of accounting in assets and depreciation were not taken into consideration during tariff formulation. The establishment of funds to cater for bad debts were not cash backed and in fact the entire water and sanitation budget frameworks were not cash based.

In order to address some of these challenges the ADM will have to actively hunt for funding. We have since introduced scheme based costing for all the water and sanitation schemes created. The carrying of inefficiencies have been quantified, the costs thereof is carried by discretionary revenue and not the consumer. A full asset verification of all water services infrastructure has been undertaken and asset costs are now known and costed. The capital recoupment charge allows for the refurbishment of assets and water services is now completely ring fenced. We now have accurate costing of free basic services and of indigent support.

However on the upside, the ADM implemented 34 projects and provided RDP standard water services to an additional 61,361 people within the district, bringing the total to 75.15% of our target population of 975,086 people. Similarly, we have provided 91,526 people with RDP standard sanitation, bringing our total to 25.63% of our target population. We have estimated that, in addition to the capital programme for the next three years, we still need a further R1,1 billion if the municipality is to meet national government’s targets of water for all by 2008 and sanitation for all by 2010. The ADM has thus adopted a two-pronged approach when addressing the water services backlogs. The first one is to ensure RDP standards and the second, interim programme, is to ensure “safe water to all by 2008” and “safe sanitation to all by 2010”.

The ADM has six bucket eradication projects (10,572 buckets) within its area of jurisdiction and is well on target to wipe out this backlog by the end of December 2007.

However, the municipality has continued to demonstrate its capacity and ability in spending the full National MIG allocation of R142,742,414.46. This demonstrates our commitment to implement the projects and to meet national government’s targets.

The ADM remains committed to our communities. We renew our pledge to create a better life for all. However, partnerships are vital to improve service delivery and also to grow our economy and we encourage our communities therefore to get involved, and attend forum meetings where their voices can be heard and where they can influence the decision making process of Council.

I would like to take this opportunity to thank all Councillors and officials for their support during the past financial year and for their commitment and hard work in making this municipality the success story that it is.

Sincerely,



.....
SAKHUMZI SOMYO (ALDERMAN)
EXECUTIVE MAYOR



Xolela W. Msweli

municipal manager's message

Xolela W. Msweli

The Regional Services Council (RSC) Levies were abolished as of 30 June 2006. The Amathole District Municipality received a Levies Replacement Grant from National Treasury in the amount R128 million during the 2006/07 financial year to make up for it. This figure was based on the ADM's historical levies trend and next year will increase to R165 million.

The division of powers and functions between district and local municipalities in terms of Section 84 of the Local Government: Municipal Structures Act of 1998 provides that district municipalities should be responsible for potable water supply and domestic wastewater and sewage disposal systems, in other words to be the water services authority for their area of jurisdiction.

The ADM signed a transfer agreement with the Department Water Affairs and Forestry (DWAF) that effectively outlines the mechanism for the transfer of the water services from the erstwhile authority to the ADM. This agreement provides for the secondment of 171 personnel, a subsidy of R86,4 million over a six year period for the refurbishment and operations of one regional and 394 rudimentary schemes, as well as training for staff to be transferred. The ADM is currently finalizing the transfer of staff associated with this function.

The centralization of financial activities relating to water services was concluded on 1st July 2006. This effectively means that, for the first time, the ADM is able to fully assimilate the costs of water services, which will inform planning for the service and implementation of policy governing the sector within its jurisdiction. A total of 320 staff were transferred to the ADM through this process and the water services operation and maintenance division is currently being restructured to improve performance, accountability and to exploit opportunities for skills improvement.

The ADM is also the Municipal Health Services Authority and is responsible for ensuring that appropriate Municipal Health Services such as water quality monitoring, food control, communicable diseases and environmental pollution are effectively and equitably provided. A Section 78 assessment was concluded and the internal option was adopted by Council. The ADM is currently in the process of assimilating the staff from the Department of Health as well as the local municipalities. The process is now at an advanced stage and the ADM is also busy populating its organogram for municipal health as a measure to build the capacity and to augment the current human capital.

Last year Council approved the Bursary Scheme for staff members, and thus far, the ADM has received and approved 59 registrations. At a Provincial Local Government SETA Skills Colloquium held at Jefferys Bay at the end of November 2007, the ADM was awarded the LGSETA Award for "Best Performing Workplace" in the Eastern Cape Province for the development and implementation of workplace training. The award also included a cheque in the amount of R20,000 which will be ploughed back into the ADM's capacity building programme again.

Xolela W. Msweli

This past year also saw the graduation of 12 local economic development officer learnership candidates, 8 assessors and 1 ABET learner. On 20th February 2007, the ADM launched the Vuku'Phile Expanded Public Works Programme learnerships in Adelaide. Whilst 300 contenders from the district wrote the tests, 90 were selected for interviews and finally 10 candidates were chosen for the contractors learnership at NQF level 2, and 20 candidates were chosen for supervisor training at NQF level 4. Also in February 2007, some 79 peace officer trainees graduated.

Next year, the ADM will also be implementing the National Skills Funding programme of R11,4 million which was allocated to the ADM. This will include two learnerships in January 2008 for Automotive Repairs Learnership at NQF 2 for 30 candidates, and craft production learnerships for 23 candidates. A District Management Agency was appointed in November 2007 by the Office of the Premier and will handle the management of the learnerships. Other learnerships also in the pipeline include masonry learnerships for 139 unemployed candidates. The Local Government SETA Sector Skills Plan funding of R650,700 will also assist the ADM in introducing an entrepreneurship training for 30 disabled candidates in January 2008. Furthermore, the ADM will be introducing in the next year an IDP learnership programme at NQF 5 for 20 candidates which will be funded by the Department of Housing and Local Government. The ADM also has a bursaries scheme for rare skills amongst the unemployed. Thus far the ADM is assisting 4 students at various institutions with their studies in civil engineering and next year will extend this bursary scheme to Information Technology students as well.

During the year under review ADM developed and adopted its Regional Economic Development Strategy, shortly referred to as AREDS with the theme "Khul'Amathole". The main thrust of this strategy, therefore, is the stimulation of economic growth of the district which will be realized by rekindling economics of the designated corridors. Through the Amathole Economic Development Agency this strategy will be widely marketed during the 2007/2008 financial year.

The past year has been tough with many challenges especially in the provision of water services to the communities of the district, in dealing with aging infrastructure that needed refurbishment or replacement, in dealing with many water outages in various parts of the district, and so on. Our thanks go to our communities for their patience whilst the municipality dealt with the many problems that needed attention. Notwithstanding the above, and in closing, I would like to thank the Executive Mayor, the Speaker, Councillors and Officials for their support in making this yet another successful year for the ADM.

Sincerely,



XOLELA W. MSWELI
MUNICIPAL MANAGER

LED Learnership Programme



overview of the municipality

EXTENT OF AMATHOLE DISTRICT MUNICIPALITY

The Amathole District Municipality (ADM) is located in the mid-section of the Eastern Cape Province along the coastline of the Indian Ocean, encompassing the former homeland areas of the Ciskei and Transkei, as well as the former Cape Provincial Administration areas.

The ADM's demarcated area is made up of eight (8) local municipalities, namely:

- *Buffalo City Municipality (BCM)*, comprising the city of East London, the main town of King William's Town, the township of Mdantsane and surrounding urban centres (including the provincial capital, Bisho, and nearby industrial centre of Dimbaza), a number of coastal towns, and numerous peri-urban and rural settlements;
- *Amahlathi Municipality*, comprising the towns of Stutterheim, Cathcart, Keiskammahoek and Kei Road, and numerous peri-urban and rural settlements;
- *Nxuba Municipality*, comprising the towns of Bedford and Adelaide and surrounding rural areas;
- *Nkonkobe Municipality*, comprising the towns of Alice, Fort Beaufort and Middledrift, the smaller towns of Hogsback and Seymour, and numerous peri-urban and rural settlements;
- *Ngqushwa Municipality*, comprising the town of Peddie, the coastal town of Hamburg, and numerous peri-urban and rural settlements;
- *Great Kei Municipality*, comprising the town of Komga, the small coastal towns of Kei Mouth, Haga Haga, Morgan's Bay and Chintsa, and a number of rural settlements;
- *Mnquma Municipality*, comprising the main town of Butterworth, the small towns of Nqamakwe and Centane, and numerous peri-urban and rural settlements; and

map showing ADM area



- *Mbhashe Municipality*, comprising the towns of Dutywa, Elliotdale and Willowvale, and numerous peri-urban and rural settlements

SOCIO-ECONOMIC CHARACTERISTICS

The ADM stretches along the coastline of the south-eastern part of the Eastern Cape Province, taking in the former areas of Ciskei and Transkei, as well as former Cape Provincial Administration areas. Geographically, the district is mountainous in the northern and north-western parts, sloping towards the coast in the east and south-west.

The ADM contains 25.9% of the Eastern Cape's total population, estimated at approximately 1.7 million, with an average population density of 63.5 people per square kilometre. This varies widely across the various municipalities, ranging from 167 people per square kilometre in the urban centre of Buffalo City (home to 42.2% of the district's total population) to just six people per square kilometre in Nxuba (home to 1.5% of the district's total population).

The population of the district is predominantly African (92.5%), the majority of whom are found in the former Transkei and Ciskei areas, as well as around the urban and semi-urban centres of East London and King William's Town.

Education levels are generally low. Only 16% of the district's population have matriculated or have post-matric qualifications, with about one in 10 people having received no formal schooling at all.

An estimated 66% of the district's people live in poverty. Of these, the majority are found in Buffalo City (701 890), Mbhashe (253 380), and Mquma (287 772). The highest proportions of people living in poverty are found in Mbhashe (82%), Ngqushwa (79%), Mquma (75.3%) and Amahlathi (72.7%).

Unemployment is estimated at about 70% of the district's total population. Of these, the majority (19.9%) live in Buffalo City. Outside the urban centres, the Mbhashe, Mquma, Ngqushwa and Nkonkobe municipalities are among the hardest hit, also with 70% unemployment rates.

A large portion of the working population (29%) falls into the elementary unskilled category.

In terms of the economic profile of the district, the area combines elements of a sophisticated and globalised automotive industrial economy with an under-developed agricultural sector, where household production levels are reportedly declining and the majority of the population depends on state pension and welfare as primary sources of subsistence. Consequently, the district is characterised by huge discrepancies in wealth and skills.

SPECIAL PROGRAMMES

A Special Programmes Unit facilitates the integration and mainstreaming of the marginalised communities. As a sector plan, a Special Programmes Strategy sets the framework for the integration and mainstreaming of all the designated groups.

ECONOMIC OVERVIEW

The district is the second largest economy in the province. Agriculture provides 8,7% of formal employment and varies greatly within the district. Farming is predominantly for subsistence purposes rather than commercial. Manufacturing provides a relatively high 14,3% (but declining from 22% in 2000) of formal employment. The automotive, food processing and textile industries are the major manufacturing sectors, in that order.

East London is an established tourism destination. The district has a rich history and the heritage resources have socio-cultural, spiritual and non-spiritual, historical and political value and meaning.

SPATIAL AND LAND USE OVERVIEW

The spatial patterns of development (i.e. settlement patterns) vary throughout the district. The urban complexes of East London / King William's Town (falling within Buffalo City) dominate the district urban settlement pattern. Apart from this dominant urban centre, the district is characterised by a number of smaller towns (some of which function as sub-regional service centres), small coastal resort towns, so-called communal land areas where dispersed rural settlements are the dominant pattern, and areas where extensive commercial agricultural land holdings are the norm.

The Eastern Cape Provincial Spatial Development Plan aims to set normative guidelines for spatial development and related investments and will assist in the categorization of the hierarchy of towns and settlements prevailing in the district.

ENVIRONMENTAL OVERVIEW

The ADM has many sensitive and conservation-worthy areas within its region, including a subtropical thicket, coastal areas, wetlands and river systems. The district boasts several significant cultural and heritage sites, and is home to many rare and endangered animal species.

Many areas require remedial attention with regard to the eradication of alien vegetation and erosion control, as well as areas which require special management in terms of pollution and land use. This special and varied environment also presents many opportunities for the economic development of the area.

Environmental degradation in the form of soil erosion, overgrazing and habitat destruction are key issues affecting the quality of the land, while exploitation and lack of effective control are key issues with respect to marine resources within the tidal zone.

INFRASTRUCTURE OVERVIEW

Water Services

The ADM is a Water Service Authority (WSA). This function includes the local municipalities of Mbhashe, Mnquma, Great Kei, Amahlathi, Ngqushwa, Nkonkobe and Nxuba. Buffalo City Municipality is also a WSA and therefore does not form part of the ADM WSA area of jurisdiction.

The ADM WSA population is estimated at 962,370 people based on data from Statistics South Africa. Affordability levels are low with an estimated 68,5% of households in 2004 classified as living in poverty, against 52,6% in 1996. (*Source: Global Insight 2005*). The ADM is currently registering indigent consumers and the database will guide in the determination of free basic water services to be rolled out in the 2007/08 financial year.

Electricity Supply

Provision of sufficient electricity supplies is vital for the general development and prosperity of the district. The ADM does not generate or distribute any electricity itself but has an interest to ensure that the provision of electricity is closely aligned to the developmental needs of the area as a whole.

Roads

The ADM is currently responsible for approximately 83km of roads in the Ngqushwa Municipality area.

A well established and properly maintained road network is vital to the economy of the region as a whole. The ADM therefore endeavours to promote good cooperation between national, provincial and local authorities.

Solid Waste

The ADM's reviewed Integrated Waste Management Plan (IWMP) identifies key priority areas of intervention as the following:

- Upgrading and permitting of local sites that will remain operational until regional facilities become available;
- Improved operation at many of the local sites;
- Proper closure of those sites made redundant by the availability of regional or new sites;
- Waste Minimisation

In response to the key priority areas, the IWMP identifies coherent strategies as follows:

- Licensing the sites in terms of the environmental law together with the implementation of the required engineering and operating practices;
- Preparation and implementation of operations management plans for the various services as well as operational plan as set out in the minimum requirements for waste disposal to ensure waste is disposed of in an environmentally and socially acceptable manner;
- To plan and implement coordinated and properly structured recycling, composting and education/awareness programmes at both the local and district level;
- Implementation of the outcomes of the investigation of appropriate treatment technology for municipal waste

Transport

The ADM's reviewed Integrated Transport Plan (ITP) reflects low levels of access in both rural and urban

areas to acceptable, road-based public transport services. This is related primarily to the poor condition of roads, as well as the fragmented manner in which public transport services between urban and rural areas are provided.

The ITP recognises that more than 60% of residents in the district do not have access to public transport services and/or facilities within a 2km walking distance from their households. It is mainly the rural poor who are negatively affected by the need for a better and more regular public transport service.

LAND AND HOUSING

The primary objective of the ADM's Land and Housing Unit is to ensure access to land through the Land Reform Programme (LRP), as per the National Land Policy. This unit also seeks to ensure provision of adequate and sustainable housing, in line with the provision of both national and provincial policy and legislative prescripts, as well as ensuring organised methods of settlement planning and surveys through acceptable development planning and survey legislative prescripts.

The ADM has a Land Reform and Settlement Plan (LRSP) with specific reference to the key issues of land reform and settlement development in the district.

Land reform issues within the district encompass a complex array of challenges located within the sphere of land access, land tenure and land administration. The LRP, particularly the LRSP, is crucial in unlocking such challenges.

BUILDING REGULATIONS

The ADM is currently responsible for managing the building activities for Mhashe and Nkonkobe Municipalities.

Building regulations are currently only enforced in the established urban areas and on institutional sites in rural areas due to the complexity of the rural set up, both in the form of tenure and general level of service.

SOCIAL NEEDS OVERVIEW

Primary Health Care

The district profile is characterised by a young population. The impact of HIV and Aids is currently unknown as it is not a notifiable disease. The mortality information is not available.

The ADM currently provides Primary Health Care services on an agency basis for the Provincial Department of Health through an annual renewable Service Level Agreement (SLA). The district is divided into five Local Service Areas. Access to health services meets the minimum norms set by the World Health Organisation of 1 clinic per 10,000 population.

The objective of Primary Healthcare Services is to provide all households with access to adequate health services through fixed and mobile clinics, to strengthen community-based care and support programmes for people infected and / or affected by HIV and Voluntary Counselling and Testing [VCT], and to increase access to VCT.

Devolution Process

- Regarding the transfer of staff, Nxuba, Nkonkobe and Amahlathi staff have been transferred;
- The transfer of Eastern Cape Department of Health (ECDoH) staff is scheduled to take place in December/January 2008;
- A draft transfer agreement from the ECDoH is in circulation for comments;
- For BCM, a Draft SLA is in place;
- An ADM Draft Placement Policy has been presented to stakeholders;
- Awareness of VCT has been created and the number of VCT sites has been increased to ensure accessibility of antiretroviral treatment

Community Safety Services

The objective of Community Safety Services is to facilitate stakeholder coordination and cooperation. Community Safety Services concentrates on supporting initiatives that serve to reduce social crime behaviour. Challenges include the absence of dedicated personnel in local municipalities to coordinate Community Safety Services and Community Safety Forums. The release of crime statistics for the last two years is now starting to indicate trends in crime. The social crime trends

will be a good indicator on which to base social crime prevention efforts.

Municipal Health Services

The ADM is the Municipal Health Services Authority and is responsible for ensuring that appropriate Municipal Health Services such as water quality monitoring, food control, communicable diseases and environmental pollution are effectively and equitably provided.

A Section 78 assessment has been concluded and the internal option was adopted by Council.

Disaster Management

Disasters frequently experienced are predominantly weather-related, such as droughts, floods and severe seasonal storms.

The focus of disaster management is to coordinate all efforts to reduce the loss of life and property to disasters and thus the old adage "prevention is better than cure" is reflected in the preventative nature of the programmes implemented by Disaster Management. Integration of disaster risk principles into all aspects of service delivery is key. Community capacity building initiatives and awareness programmes

about avoiding risk are a priority. The completion of the District Disaster Risk Assessment requires focussed plans to be developed to meet the third Key Performance Area of the National Framework, that of planning informed by a risk assessment.

Fire Services

The ADM is responsible for fire services in four (4) local municipalities, namely Great Kei, Mbhashe, Mquma and Ngqushwa. In addition to this, the ADM assists Amahlathi, Nxuba and Nkonkobe with specialised services, training and maintaining standards.

The developmental approach of capacity building of the relatively new fire services is aimed at achieving the national standards for fire services. Volunteers are appointed to compliment the fire services staff and are trained to the same level. This has proven to be a successful skills and employment programme as in excess of 70% of all vacant posts in the fire services have been filled with volunteers. The volunteers who work shifts are paid stipends. The establishment of satellite stations to decentralise the services and thus take the service closer to the communities and reduce the response times to outlying areas is continuing.



GDS (9 & 10 Nov 2007).
Board outlining Health Issues as discussed at meeting

executive summary

VISION

A leading, dynamic, innovative, pioneering and focused district municipality dedicated to servicing the needs of our communities and their social and economic development in a sustainable manner.

MISSION

The Amathole District Municipality (ADM) is dedicated to contributing to the betterment of our constituent communities' lives through a participatory development process to ensure they have access to socio-economic opportunities. We are dedicated to enhancing our communities' lives through partnership building, co-operation with relevant stakeholders and in building the capacity of our local municipalities.

VALUES

In implementing the above, the ADM subscribes to the following values:

- The ADM is a loyal servant of the citizens of the district and the people of South Africa, with a bias towards the poorest of the poor;
- We are committed to clean, responsible and cooperative governance;
- Our responsibility is to provide quality transformational leadership, a disciplined work ethic and promote a culture for motivated, accountable and committed teamwork;
- Our skills will, at all times, be used for the benefit of the people and for the reconstruction and development of our country in the spirit of Batho Pele;
- Our working environment is governed by the principles of representivity, equality, mutual respect and human development;
- We recognise that people contribute to the success of the ADM and striving towards an environment which is nurturing and encouraging of individual growth;
- We have the courage to change and are willing to learn and share with other municipalities; and
- As part of the African continent, we are dedicated to long-term integrated regional security and cooperation, and to the spirit of the African Renaissance

GUIDING PRINCIPLES

In carrying out its functions, the ADM is committed to:

- Coordination with other spheres of government;
- Entering into meaningful partnership with other sectors;
- Maximising participation of the community;
- Political transformation, in an inclusive manner fostering internal co-operation;
- Recognising the social needs of rural communities;
- Sustainable socio-economic, environmental and political development;
- Integrated planning; and
- Providing a better quality of life for all

OVERSIGHT FUNCTION

Audit Committee

The ADM has a functional and capacitated Audit Committee that is an independent oversight advisory body of Council.

The Audit Committee members during the 2006/07 financial year included:

- M. Sibam (Chairperson);
- R. Hill;
- P. Vazi;
- T. Mnqeta and
- Z. Ndlovu (resigned 9 October 2006)

Audit Committees are legislatively required to meet on a minimum of four (4) occasions in a financial year. The ADM Audit Committee held meetings on the following dates:

- 24 July 2006;
- 20 October 2006;
- 24 November 2006;
- 05 January 2007; and
- 01 June 2007

Performance Audit Committee

The ADM has a functional and capacitated Performance Audit Committee, which is an independent advisory body of Council, specifically advising on matters relating to performance management.

The Performance Audit Committee included the following members during the 2006/07 financial year:

- J. Goldberg (Chairperson);
- L. Smith;
- C. Ramoo;
- M. Sibam and
- Z. Ndhlovu (resigned 9 October 2006)

Performance Audit Committees are legislatively required to meet on a minimum of two (2) occasions in a financial year. The ADM Performance Audit Committee held meetings on the following dates:

- 04 September 2006;
- 18 September 2006;
- 09 October 2006;
- 15 February 2007; and
- 12 April 2007





chapter 2

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background on services provided by the municipality

The Integrated Development Plan (IDP) for 2006/2007, adopted by the Amathole District Municipality (ADM), set clear objectives and strategies for attaining the overall mandate of the institution. These objectives and strategies were translated into clear deliverables and informed the district and departmental scorecards, as part of the organisational Performance Management System (PMS), adopted by the ADM for the year under review.

Due to the finalisation of powers and functions of municipalities, the organisational strategy, as per the IDP and related PMS, had to be reviewed to ensure legislative compliance, as well as positioning the ADM for dealing with assigned powers and functions for the 2005/2006 financial year, and beyond.

In terms of the Municipal Systems Act 32 of 2000 (as amended) and accompanying regulations, the ADM reviewed the abovementioned IDP during the year under review. Key themes for the review included institutional arrangements, updated project lists and IDP–budget linkages.

Severe infrastructural backlogs have been inherited and constitute a major service delivery challenge within the ADM area. These include, but are not limited to:

Water

As at July 2006, approximately 68.86% of people living within the district had access to an RDP level of service (25 litres per person per day, within a maximum of 200m walking distance). The backlog had been reduced to 24.85% by June 2007.

Sanitation

As at July 2006, approximately 16, 24% of people living within the district had access to an RDP level of service (waterborne sewerage or ventilated improved pit latrine). This figure increased to 25, 63% by June 2007.

Significant financial and technical challenges exist in eradicating the service delivery backlogs. A comprehensive overview of the services provided by the ADM, the specific Key Performance Indicators in relation to the service delivery objectives and actual performance against targets set are reported in Chapter 5.

As part of the IDP review process, the following sector plans were reviewed / developed and implemented during the year under review:

- Water Services Development Plan;
- Integrated Waste Management Plan;
- Land Reform and Settlement Plan;
- Housing Strategy;
- Integrated Environmental Plan;
- Local Economic Development Plan;
- Integrated Agricultural Plan;
- Integrated Transport Plan;
- Disaster Management Plan;
- Community Safety Plan;
- Communicable Diseases Programme;
- District Spatial Development Framework;
- Disaster Management Framework;
- Communicable Diseases Strategy

CLUSTER ACHIEVEMENTS

The ADM's achievements for the past financial year are reported through the four (4) operational clusters as follows:

1. SOCIAL NEEDS CLUSTER

The key focus areas for the Social Needs Cluster include primary health care, municipal health services, disaster management, fire services and community safety services.

Primary Health Services

The ADM renders Primary Health Care (PHC) function on an agency basis for the Provincial Department of Health at eight (8) fixed clinics and 17 mobile clinics throughout the district. A number of Health Awareness days were held across the district as per the national health calendar. Provincialisation of PHC services has not been effected yet.

The ADM implemented the following PHC-related projects over the past year:

- Home-based care kits distributed to the five (5) local services areas in the district [R325 000];
- Awareness campaigns on tuberculosis, HIV and Aids and other sexually transmitted infections [R100 000];
- A garden competition at Kei Road promoting nutrition awareness;
- Sustaining the District HIV and Aids Council [R100 000];
- District HIV and Aids newsletter informing communities about the status of HIV and Aids related programmes within the district [R100 000];
- Sustaining the District Health Council as a government structure [R50 000];
- Strengthening of community HIV and Aids initiatives [R300 000];
- Enhancing Traditional Health Practitioners [THP's] capacity on HIV and Aids and health issues [R119 000]

Municipal Health Services

Water Quality Monitoring Programme

During the period of 2006/07, a total number of 1136 water samples were taken from 72 water sampling points, of which 988 complied with SANS 241: 2006.

This represents 86% compliance for the year. The 14% non-compliance did not pose a health risk to consumers as these failures do not contain faecal micro organisms.

During the period of 2006/07 there were no water-borne disease outbreaks.

Chemical Safety

Awareness campaigns and information dissemination on organophosphate poisoning has been on-going, targeting Mquma and Buffalo City Municipality [BCM]. The focus was on street vendors who buy, decant and re-sell the poison in small bottles.

The main stakeholders in the campaign were:

- Hospitals;
- Eastern Cape Department of Health;
- Department of Agriculture;
- Local Municipalities;
- South African Police Services

Health Surveillance of Premises

Evaluation of public places such as hospitals, correctional centres (prisons), and boarding schools were conducted. Health and hygiene in these areas is an important aspect as there is an influx of individuals in one place. The assessment

includes the following:

- Hygiene in the food preparation area;
- Shared resources eg ablution facilities, linen etc

There has been a noticeable increase in the number of complaints from the coastal area and Great Kei municipal area. The majority of complaints were about ageing septic tanks and wastewater drainage.

Food Control Programme

The objective of the programme is to protect public from risks which may arise due to the consumption of contaminated food.

The compilation of a database of food handling premises throughout ADM has been completed. Inspections of 150 food handling premises were conducted to ensure that food outlets and food handling premises comply with food, cosmetics and disinfectants Act No. 54 of 1972.

Milk Quality Monitoring

A programme has been developed for vendors, informal street corner food markets and shops.

Amasi vendors are found in most towns' street corners and rural areas in the ADM area. This type of food is normally called sour milk, traditional sour milk; fermented milk or amasi. It is one of the reasonably affordable types of food that people use to feed their families on a small budget. It is also said to be of great significance for its therapeutic value, for alleviating lactose intolerance and is also of social value. Amasi has a high nutritional value and is a source of calcium which is needed by the body for proper development of bones and teeth. It is sometimes included in the preschools menu as a means of combating malnutrition and improving children's nutritional status.

Vendors, informal street corner food markets and shops in towns within local Municipalities of Amathole found to be selling milk/maas were all visited in order to establish their source of supply and informal health and hygiene sessions were held at the same time targeting:

- Amasi consumers;
- Amasi vendors;
- Amasi vendors suppliers (farmers)

The focus of health and hygiene was on:

- Transportation;
- Supply to vendors;
- Amasi (sour milk) containers;
- Decanting;
- Storage of amasi;
- Labelling of containers

The purpose of the programme was to:

- Ensure that safe milk/maas is supplied
- Preventing Zoonosis (diseases transferred from animal to man)

Raw Milk Quality Monitoring

Regulations relating to milk and dairy products promulgated under Foodstuffs, Cosmetics and Disinfectants Act, No. 54 of 1972 stipulate that; no person shall use or sell raw milk which contain pathogenic organisms, extraneous matter or other substances which may render the milk unfit for human consumption. (See Table below).

Disposal of the Dead

Pauper Burials

A total number of 15 pauper burials were coordinated by ADM during 2006/2007.

Exhumations

One exhumation and re-interment at Amahlathi,

Table of Quarterly Results of Raw Milk Monitoring for 2006–2007

Month	Number of Samples Taken	Number of Samples Complying	Non Compliance	Percentage of Compliance
Sept 06	58	40	18	
Dec 06	43	40	03	
March 07	49	41	08	
June 07	53	35	18	
Total	203	156	47	77%

two at Nkonkobe, one at Ngqushwa were co-ordinated by ADM during 2006/07.

Inspection of Funeral Parlours has been on-going throughout 2006/07.

Waste Management

All ADM Local Municipality's disposal sites were visited to check on compliance in terms of operation and management of the sites. The majority of the sites were found to be below Department of Water Affairs and Forestry standards because of the following:

- Lack of capacity;
- No personnel dedicated to waste management;
- Organisational disorientation in some local municipalities, in some municipalities solid waste is the responsibility of Engineering Services and in others it is under Community Services;
- Lack of skilled personnel in waste management
- Waste management not taken as a priority;
- Lack of enthusiasm to initiate recycling projects such as composting;
- Incomplete infrastructure resulting in poor management of the leachate

Annual Events

National Water Week was celebrated from 19 – 24 March 2007. The purpose of the campaign was to create general awareness around issues pertaining to water. The theme for this year was “water is life – protect the scarce resource”. National sanitation week took place from 26 – 30 March 2007. ADM saw the launch of the ADM sanitation resource centre in Makhaza village in Mooiplaas.

Devolution of Municipal Health Services

A Memorandum of Understanding with the Department of Health for the secondment of provincial staff was concluded in January 2007.

Service Level Agreements were concluded with Buffalo City, Amahlathi, Nkonkobe and Nxuba Local Municipalities.

An ADM Draft Placement Policy was presented to stakeholders in October 2006.

Community Safety Services

Community Safety Forums face challenges as most local municipalities do not have the human resources to dedicate time to the function. Plans to address the revival of these forums are included in the

2007–2008 projects. The community safety efforts of the Newtown community in Nkonkobe have been recognised by the business sector in Fort Beaufort and, with the addition of equipment to supplement what the ADM supplied, they are making strides in crime prevention through community involvement. The European Union in conjunction with the Department of Safety and Liaison held workshops sensitizing the local municipalities and SAPS station commanders regarding the establishment of community safety forums and development of community safety strategies. The ADM coordinated local municipality participation and also made valuable inputs into the workshops.

The Mayor's Cup event which addresses diversionary activities for the youth was held in Amahlathi in February 2007. A community awareness programme on social crime was held in Bell, Ngqushwa. Various government departments as well as NGO's were invited to address the community on various issues which included:

- Legal rights when faced with domestic violence;
- Reporting crimes;
- Youth succumbing to peer-pressure;
- An HIV and Aids sufferer shared her experiences and challenges;
- The Department of Home Affairs attended with their mobile office to apply for identification documents;
- The support groups that exist for victims of crimes against the elderly, disabled and abused.

The cooperation of all the stakeholders and the community attendance made this a very successful campaign.

Disaster Management

Training and Community Awareness to the value of R730 000 included:

- Disaster Management for educators;
- Disaster Management overview for councillors;
- Basic Traumatology emergency services staff;
- Awareness campaigns at schools throughout the district;
- Basic veld and forest fire fighting course for community volunteers.

The target of assisting communities affected by incidents within three months was largely achieved. The exception was the August 2006 floods which were declared a disaster by National Government and funding to assist the communities was channelled

to the ADM via the Municipal Infrastructure Grant [MIG]. This project is continuing into 2007/08.

Fire Services

The ADM is responsible for fire fighting services in Mphashe, Mquma, Great Kei and Ngqushwa Municipalities. In the past year 2 additional fire fighters were employed to complement the existing four (4) station commanders, 10 platoon commanders and 10 fire fighters. An additional 4 Rescue & Hazardous materials vehicles to deal with specialised incidents as well as 4 staff vehicles for rapid response of senior officers to fires were procured by the ADM under priority project funding.

Infrastructure

The Komga Disaster Management Centre was renovated to accommodate the fire services. The Dutywa Disaster Management Centre that was under construction has had additional garages added to it to accommodate the fire services in Mphashe. Premises are being hired in Mquma to accommodate the fire services as the growth of the services outgrew the shared premises at the Mquma Municipality. Two satellite stations were funded. Elliotdale has been completed and Centane is under construction.

Provincial Funding

Provincial grant funding for fire services to the value of R1.5 million was utilised for the payment of stipends, procurement of equipment and protective clothing as well as for the repairs and maintenance of the fire services vehicles in the entire district.

2. INFRASTRUCTURE CLUSTER

In terms of Infrastructure Cluster, the priority areas include water and sanitation, land and housing, community facilities, public transport, solid waste and building control.

Water and Sanitation

In the past year, the ADM completed 34 projects and provided RDP standard water services to an additional 61,361 people within the district, bringing the total to 75.15% of our target population. Similarly, 91,526 people have been provided with RDP standard sanitation, bringing our total to 25.63% of our target population.

The ADM has signed a transfer agreement with the Department of Water Affairs and Forestry (DWAF) that effectively outlines the mechanism for the transfer of the water services from the erstwhile authority to the ADM. This agreement provides for the secondment of 169 personnel, a subsidy of R86,451 million over a six year period for the refurbishment and operations of one regional and 394 rudimentary schemes, as well as training for staff to be transferred.

Solid Waste

The Eastern Regional Waste Disposal Site in Butterworth is now nearing completion. It is targeted to provide employment and capacity building opportunities through the Expanded Public Works Programme. Operations are expected to start in February 2008. The project includes a recycling centre to pilot sustainable recycling of municipal waste. The first composting site is nearing completion in Stutterheim to also present an integrated approach in managing garden waste. This shows our commitment to integrated and sustainable waste minimization in our district.

Focus has shifted towards the promotion of minimization approaches as such applications for funding on the following Social Responsibility Projects (SRP's) are being considered by the Department of Environmental Affairs and Tourism:

- Closure and Rehabilitation of Centane Landfill site and Establishment of Transfer Station;
- Closure and Rehabilitation of Dutywa Landfill site and establishment of transfer station;
- Closure and rehabilitation of Ngqamakwe landfill site and establishment of transfer station;
- Closure and rehabilitation of Willowvale landfill site and establishment of transfer station;
- Closure and rehabilitation of Butterworth/Landfill site

Community Facilities

The ADM has funded and implemented the following community facility projects in the past financial year in support of settlements and social development:

- Joji Community Hall (R348,195);
- Blackwood Community Hall (R351,960);
- Mabheleni Community Hall (R383,910);
- Hillcrest Community Hall (R350,000);
- Platform Community Hall (R589,768);
- Bonvana Village Creche (R400,000);
- Xhora Community Art Centre (R830,000);
- Elliotdale Indoor Sport Centre (R2,5 million over two years);

- Prudhoe Sportsfield (R650,000);
- Macleantown Sportsfield (R650,000);
- Ducats Community Hall (R500,000)

The ADM is also committed to ensuring that all these facilities are sensitive of special categories of persons in the communities, including the disabled, the aged and the young. In partnership with the local municipalities, the ADM will ensure that these facilities are kept in a usable state so that they continue to provide the service they are intended for.

Land and Housing

The ADM's Housing Strategy was adopted by Council on 10 June 2005. It is a strategic tool aimed at ensuring that the ADM and its eight (8) local municipalities perform their housing function efficiently and effectively.

The ADM is implementing nine (9) rural housing projects involving 3,620 top structures to the value of R73,4 million at a subsidy of R20,300 each. So far these projects are in excess of 75% completion. The public-private partnership with emerging contractors to ensure an economic impact on housing has been enhanced.

A total of 8,133 households across 10 villages in rural and per-urban areas benefited in the planning and surveying of their areas. These included Mount Pleasant, Komga, Dongwe, Prudhoe, Teko Springs, Slatsha, Magrangzeni, Diphini, Ngxingxolo and Makhazi.

The ADM is the implementing agent of the land restitution areas of Cata, Dwesa-Cwebe and Macleantown. Project implementation is progressing well with the support from the communities in these areas and the Land Claims Commission.

The ADM is also the administrator of the Betterment Restitution Project at nine (9) villages in Keiskammahoek, including Lower and Upper Gxulu, Mthwaku, Gwiligwili, Lower and Upper Mnyameni, Ndlovini, Ngobozana and Upper Ngqumeya. Funding of R47 million has been received and community meetings have been held to initiate the project.

3. LOCAL ECONOMIC DEVELOPMENT AND ENVIRONMENT CLUSTER

The key focus areas for the Economic Development Cluster include agriculture, tourism, heri-

tage, manufacturing, urban renewal, environment and forestry.

Small Medium & Micro-Enterprise and Co-operatives Development

In order to provide support to emerging business ADM has partnered with the Small Enterprise Development Agency in setting up a Branch Office in order to service the whole District with Business Development Services. An Memorandum of Understanding has been signed with SEDA and ADM contributed about 18% of the running costs for the Branch.

Support has as well been provided to about 16 Co-operatives with a total membership of about 700 people, the majority being youth and women.

The focus has been on building the capacity of the co-operatives through training and mentoring on financial management and facilitating access to markets. Information and awareness days were organised and potential buyers were invited.

Specific support has been provided to emerging entrepreneurs within the film and video industry. Our support included organising the emerging film makers, providing training in order to improve their skills in film making. During the period under review support was provided to some film makers to attend Isithengi Festival in order to market their films and network with potential buyers of their films. ADM further marketed itself in the festival as a film destination.

With respect to the tourism related industry ADM supported a number of SMMEs in skills development and the marketing of their products. The following support was provided to emerging tourism product owners (tour operators):

- Development of brochures for their businesses;
- Assisted with the attendance and exhibition at the Tourism Indaba

The district continued to promote and market itself as a tourism destination. It used different platforms to market itself, such platforms included exhibiting in trade and consumer shows throughout the country. The following is a list of such shows:

- Cape Town Mall Exhibition;
- Durban Mall Exhibition;
- Christmas in July;
- Grahamstown Arts Festival;
- Tourism Indaba

During the year under review the district produced different marketing tools which included production of a DVD and brochures for distribution to potential tourists and operators. It further promoted itself through placing adverts in relevant publication such as e.g. Sawubona Magazine, the Equinox get-away, Amathole coffee table booklet, Rootz Africa Magazines, newspapers, etc.

As a strategy to increase the volume of tourists visiting the district as well as to increase their spending and promote the district, a number of events were hosted in partnership with different stakeholders.

The events which were held included the following:

- Bedford Garden Festival;
- Craft Mania;
- Mayor's Challenge;
- Hogsback Xmas in July

Agriculture

Amongst other things delivered by the unit during the 06/07 financial year are the following:

- Fenced 9 Kilometres of the boundary fences around the mealie fields at kwa-Mamatha near Dimbaza and Xholobe in Tsomo to a value of R489 000;
- Distributed maize production inputs (fertilizer & seed) to resource poor farmers in the areas of Keiskammahoek, Mquma, and Mbashe to a value of R366 000;
- Distributed drip irrigation units to community gardens in Nkonkobe, Ngqushwa, Mbashe and Mquma to the value of R133 000. These irrigation units were mainly for food security purposes;
- Amathole District Municipality has also donated 50 goat rams, built five sale-pens cattle handling facilities for some communal areas of Mquma, Nkonkobe, Ngqushwa and Amahlathi to the value of R500 000;
- Initiated a bee-keeping project as a livelihood strategy at Ngqushwa to the value of R233 000;
- Capacity building to beneficiaries formed an integral part of these initiatives

Heritage

A number of heritage projects have been developed with the aim of enhancing the Amathole Heritage Initiative and safeguarding the available heritage resources whilst simultaneously contributing to local economic development. Couple heritage sites are being upgraded as part of the ADM's Heritage

Sites Improvement Project and includes improving of one (1) km access roads, erection of signage, installation of interpretation boards and actual site rehabilitation.

The District Heritage Resources Inventory Development Project was introduced with the intention to develop a comprehensive database of the available heritage resources in the district by enhancing the existing database. To date, 150 'new' sites have been integrated into the District Heritage Resources Inventory. This programme forms part of the comprehensive heritage resources management for present and future generations.

The first phase of the Early Modern African Intellectual Heritage Trail Project which aims at unearthing various layers of our history and heritage resources available in the district was executed under the ambit of our Heritage Route Development and Signage Project and delivered a travelling pictorial exhibition and a booklet. This project was implemented in partnership with the National Heritage Council. During September 2006, it was displayed at different municipalities within the district.

As part of dealing with the historiography of the early modern African intellectuals discourse and African intellectual heritage within the broader South African context through the afore-mentioned project, in November 2006, the Dr. W.B.M. Rubusana Memorial Lecture was held at the University of Fort Hare, East London. Prof. W. Kuse who was the guest speaker delivered a thought provoking paper.

Heritage and Tourism Month is celebrated annually in September with 24th marking the National Heritage Day and 27th marking the International Tourism Day.

The highlights of the 2006 Heritage Month were as follows:

- A Heritage and Tourism Workshop was held in Butterworth, Mquma Municipality;
- Mayor's Challenge – Hiking of Amathole Mountain Trail;
- Housing of Early Modern African Intellectual Heritage Exhibition at Vincent Mall in East London;
- Dr W.B.M. Rubusana's Wreath Laying Ceremony that was organised in partnership with Gomo Traditional Council, Imbumba Yama Cirha and the Department of Sport, Recreation, Arts and Culture – Museums and Heritage (Amathole Region)

Lastly, the month was closed by the reburial of the mortal remains that were unearthed in 1993 during development that took place next to Edward Street Cemetery in King William's Town. These human remains were unearthed from the unmarked mass grave which is linked to the victims of Cattle Killing. A day before the reburial, a cleansing ceremony was conducted. On the day of the reburial of these mortal remains, an interpretation board and a memorial dedicated to the victims of the aforementioned catastrophic event who were buried in a mass grave were unveiled. This reburial did not merely mark the end of Heritage Month, but most importantly, ended a chapter of these mortal remains that were unearthed and kept at Amathole Museum since their discovery in 1993.

Since 2005, the Heritage Unit has embarked on heritage resources management awareness programmes for the district in an attempt to capacitate local municipalities and encourage community members to play their role in safeguarding the available heritage resources in their areas and explore community-based heritage projects as a means to economic development. In January 2006, Heritage Resources Management Capacity Building Workshops were held in Fort Beaufort for Nkonkobe and Nxuba Municipalities. Some of these workshops were undertaken in partnership with the Department of Sport, Recreation, Arts and Culture – Museums and Heritage (Amathole Region) while others like the Teachers Challenge Heritage Awareness Programme was solely undertaken by the ADM Heritage Unit.

The Teachers Challenge Heritage Awareness Programme consisted of visiting heritage sites and a capacity building workshop with the aim of exposing the teachers to Amathole Heritage Initiative, cultural tourism and heritage resources management so that they can pass the knowledge on to their learners. This multi-fold programme provided an opportunity for teachers to come to terms with the history of the district, heritage resources management and cultural tourism matters in a post-apartheid discourse.

A number of heritage projects are in the development phase, including the Armed Struggle Heritage Project, the Hamburg Heritage Initiative, and the Gcaleka Cultural Centre.

Urban Renewal

The Butterworth Urban Renewal Programme was initiated in November 2003. It is the result of a partnership between the Amathole District Municipality, Mquma Local Municipality and the Eastern Cape Development Corporation. The main focus of the programme is the economic revival and urban renewal of Butterworth. The main prospect for the economic revival lies on the identification of the area's inherent competitive advantages and the creation of an attractive, functioning and safe operating environment for business.

Progress to date

As at the beginning of the 2006/2007 financial year the Urban Renewal Programme was allocated R3,400,000.00 and to date the programme has a balance of R3,000,000.00. The amount spent does not reflect progress or any visible achievements due to various challenges, which are institutional and external.

This was the result of Mquma Local Municipality's long history of instability and community differences at project level. Significant progress has since been made in setting up systems within the local municipality and the district. The Project Steering Committee is functional and sits at regular intervals.

The portfolio head for local economic development at the district and local level are steering the social challenges and progress is being realised.

Project status

A draft Urban Renewal Strategy is in place and a process is underway to finalise the strategy. An amount of R2,600,000.00 has been spent in the past year resurfacing the roads within the central business district and the townships. An amount of R400,000.00 has been spent for the construction of the municipal executive offices to ensure a resourced and accessible office to the members of the public.

The Urban Renewal Unit is working closely with all departments and the Amathole Economic Development Agency. The regional solid waste site in Butterworth is at construction stage and has a total budget of R28,000,000.00. A process is in place to appoint a service provider for final designs for the Butterworth transport interchange facility and the total project cost is R14,800,00.

International Partnership

The Amathole District Municipality and Mquma Local Municipality have entered into a partnership agreement with the City of Glasgow. The areas of co-operation are the Butterworth Urban Renewal Programme, the establishment of the Amathole District Municipality Local Economic Development Agency and the initiation of the Amathole Film Industry.

The Commonwealth Local Government has under the Commonwealth Local Government Good Practice Scheme made available a grant funding of 50,000 Pounds Sterling (R600,000.00) for a period of 2 years. The funds are to be utilized to cover the planning costs to be incurred by both the Glasgow City Council and the Amathole District Municipality within the three areas of co operation.

Priority No	Topics	Activity Description	Delegates	Responsible Party	Timeframe
1	<ul style="list-style-type: none"> Financial Packaging Business Planning Refresher on Project Management Role and function of an LED agency - styles of operation (direct service provision/enabler) 	Training for 6 days for 13 people in South Africa	<ul style="list-style-type: none"> BURP Project Manager Rep from LED Agency Strategic Manager from ADM and Mquma LED Managers from ADM and 7 local municipalities 	<ul style="list-style-type: none"> Glasgow to send a trainer Local facilitator on project management 	Nov 2005
2	<ul style="list-style-type: none"> SMMEs Women's Enterprise Programmes Engagement of young people Co-operatives Access to credit Enterprise development Centre Joblessness Reinforcement of training as in Priority 1 	Training in Glasgow 2- 3 weeks	<ul style="list-style-type: none"> LED officials from ADM, Mquma Rep from LED Agency BURP Project Manager ECDC Enterprise Development Centre (Preferably 5 people) led by ADM Executive Mayor 	<ul style="list-style-type: none"> Delegates to go to Glasgow 	May - June 2006
3	<ul style="list-style-type: none"> Marketing & Communication Developing good public image and buy in of local stakeholders 	Mentoring in Glasgow for 12 days	<ul style="list-style-type: none"> ADM Communications Manager ADM Tourism Manager Mquma Communications Officer 	<ul style="list-style-type: none"> Glasgow City Council LED Agency Scottish Enterprise Glasgow Tourist Board 	Aug - Sept 2006
4	Reuse of existing empty buildings and factories	Four day indaba in South Africa to debate this issue	To be advised - Delegates from Glasgow and SA - experts in property and investment	Glasgow City Council and ADM	End Nov 2005
5	Environmental Improvement	2 week visit in Glasgow - looking at the role of environment improvement by stimulating investment and improving confidence	<ul style="list-style-type: none"> BURP Project Manager ADM Environmental Manager Mquma Representative 	Glasgow	Sept 2006

The areas of co-operation are as follows:
The above programme has been completed and a technical agreement is being developed for the implementation of projects. To date the Executive Mayor Alderman Somyo of Amathole District Municipality is to sign a memorandum of understanding with the City of Glasgow for the second phase of the partnership.

Environment and Forestry

The Butterworth Urban Renewal Programme has been a success despite its challenges. The senior management of both Mquma Municipality and the ADM have established forums with set dates wherein administrative support and assistance is provided by the district to Mquma Municipality. This initiative does not only focus on urban renewal, but is intended to eliminate constraints that frustrate the progress on service delivery within the Mquma Municipality.

The development of the town square is proceeding to the second phase and consists of the construction of the Town Square Complex. Construction commenced in July 2006 (R2,1 million) and the proposed structure will house, inter alia, the existing Mquma Art Centre and the Tourism Information Centre.

Internal project funding has been allocated for the implementation of the Butterworth Urban Renewal Strategy in the next financial year (R800,000).

The Imingcangathelo Development Trust in Nkonkobe Municipality has been assisted with the necessary equipment to cultivate pelargonium on 160 hectares of land. Forty short term jobs have been created and a market for selling the produce has been identified.

The Gwali Fountain of Life Development Trust was provided with a tractor, two (2) trailers and other equipment for the Gwali communities to manage their wattle jungle.

A number of alien vegetation removal projects have been implemented in the Keiskammahoek-Cata area and this community has been organized into a co-operative called Injunga. A portion of the budget for the Cata Land Restitution Fund was utilised on afforestation of new areas and the management of the wattle jungle, as well as on educating about the

importance of the environment. A similar education project is being undertaken in Mbhashe Municipality through an Alien Invasives Removal project that is being implemented in 10 locations. The primary aim of these programmes is to impart skills and capacity and ensure sustainable livelihoods.

The ADM's 'Let's Keep the Amathole Clean' campaign has been extended to include more rural localities and urban centres.

4. INSTITUTIONAL AND FINANCE CLUSTER

The key focus areas in the Institutional and Finance Cluster include institutional issues such as administration, procurement and human resources, budget and treasury, internal auditing, municipal support programmes, communications and community participation, information and communication technology, municipal international relations, intergovernmental relations, and special programmes that promote the interests of the disabled, youth and gender.

Communications

The ADM has actively promoted community participation in the decision making process of Council. This has been implemented in a number of different ways, including undertaking an IDP and budget roadshow to communities at all local municipalities; the Council Open Day, the Imbizos in October 2005 and April 2006, as well as hosting information days at various centres within the district. In addition, a number of different forums are held on a regular basis where representatives of community structures have a direct role to play in policy decisions.

The South African Local Government Association's National Communications Conference in Tshwane earlier in 2006 presented a five (5) year programme for local government communications, which will see the strengthening of communications with ward committees and building their capacity at the grassroots level.

Municipal International Relations

The 2005/06 financial year marked the consolidation of twinning programmes with two (2) sister municipalities abroad. At the beginning of the

year, implementation plans for the partnerships were developed with the sister municipalities of Kampala Central Division and the City of Glasgow respectively.

Special Programmes

The ADM entered into a partnership with Price Waterhouse Coopers to train a number of young disabled students in Marimba band techniques and leadership skills. More than a third of local development projects benefited the youth. The ADM also supported the launch of SAWID structures in the region. A policy framework to guide the institution on issues of children and the elderly is in the process of being finalised.

Supply Chain Management

The ADM developed a Supply Chain Management (SCM) Policy which was adopted on 19 August 2005 and implemented on 1 October 2005. The policy empowers the ADM to assist in redressing the skewed distribution of wealth and assists black economic empowerment by providing a helpdesk. It sets targets for the institution and heads of departments. The SCM unit provides advice to tenderers and conducts regular workshops with all relevant stakeholders.

Municipal Support

District and local municipalities are independent and autonomous categories of local government, each assigned distinctive powers and functions. District municipalities are legislatively required to assist and build the capacity of local municipalities

within their demarcated area so that they perform their functions and exercise their powers.

The ADM established the Municipal Support Unit (MSU) in response to Section 83(3)(c) of the Municipal Structures Act 117 of 1998 (as amended) to provide dedicated support to local municipalities in the areas of finance, human resources, administration, technical services, development planning and performance management matters.

Besides the MSU, all departments within ADM have targets for supporting local municipalities reflected in their respective performance scorecards and are measured accordingly. The MSU utilizes human capital resources and expertise available within the ADM in their support to local municipalities.

There are departments and / or functions, however, which are not represented within the MSU. These are exceptional in that they realize specific powers and functions assigned to the ADM for implementation within local municipality demarcated areas.

The goal of the MSU is to transform local municipalities within the district to such an extent that they will in future be self-sufficient, responsive, developmental in nature and, above all, financially sustainable.

The following provides an overview of the support provided to local municipalities and the performance highlights of the MSU:

ACTIVITY	PURPOSE	AFFECTED LMs
Establish financial archiving & storage facilities	Improve record keeping / Promote a conducive working environment / Influence audit reports	Nkonkobe
Develop an ideal BTO structure / Align municipal-specific structures / Assess delegation	Legislative compliance / Awareness / Support 'medium' & 'low capacity' LMs / Identify gaps	Amahlathi / Great Kei / Mbhashe / Ngqushwa / Nkonkobe / Nxuba
Update books & records / Prepare financial statements	Address backlogs / Initiate Auditor-General activities / Compliment the 'uniform FMS implementation' project	Great Kei / Nkonkobe / Nxuba
Implement a uniform financial management system within the district	Enhance district support / Initiate financial record keeping & reporting / Economies of scale / Sustainability	Amahlathi / Great Kei / Mbhashe / Ngqushwa / Nkonkobe / Nxuba

Facilitate LM Finance Portfolio Councillor working sessions	Awareness / Capacity building / Communication / Coordination	All
Develop / review LM IDPs & performance management systems	Legislative compliance / Strategic planning / Monitor & evaluate IDP implementation	All
Coordinate the development of a Spatial Development Framework	Promote spatial planning / Manage spatial & land use systems	All
Align NSDP, PGDP, & IDP at a district level	Align national, provincial & district municipality planning activities	Amathole District Municipality
Facilitate the development of sector plans	Integrate sector dimensions & cross cutting issues (i.e. HIV & Aids mainstreaming into planning activities)	All
Preside over LM disciplinary tribunals	Facilitate a stable employer & employee relationship / Address matters of work ethics	Amahlathi / Mbhashe / Nkonkobe
Undertake teambuilding, diversity & change management working sessions	Facilitate political & administrative harmony / Define roles & responsibilities	Mbhashe
Develop & roll out HR & labour relations booklets	Awareness / Implement new Conditions of Service & concluded Collective Agreements	All, except Buffalo City
Initiate an Employee Assistance Programme within the workplace	Awareness / Facilitate training programmes for identified personnel	Amahlathi / Mbhashe / Mnquma / Nxuba / Nkonkobe
Undertake assessor training at NQF level 5	Capacitate skills development facilitators & HR practitioners	All, except Buffalo City
Quantify the district roads network	Information gathering / Preparation for the development of a Road Management System	All, except Buffalo City
Formulate Project Management Units	Expedite MIG funding expenditure / Facilitate project implementation	All, except Buffalo City
Provide a Licensing & Testing centre	Improve service delivery	Mnquma
License Solid Waste Disposal sites	Legislative awareness / Ensure that disposal sites meet the minimum DWAF requirements	All
Distribute free basic electricity coupons	Awareness / Provide eligible communities access to free basic electricity	All
Training of treatment works operators	Improve service delivery / Capacitate water treatment plant operators	All, except Buffalo City
Facilitate a consulting engineers' working session	Awareness / Encourage registration & affiliation with relevant professional bodies	All
Coordinate the district SAICE / DPLG programme	Capacitate student engineers	All
Facilitate SCM policy development & working sessions	Awareness / Legislative compliance / Capacitation / Expedite procurement processes	All, except Buffalo City
Facilitate the development of Standing Rules	Regulate Council meetings & activities	All, except Buffalo City





chapter 3

In this Chapter

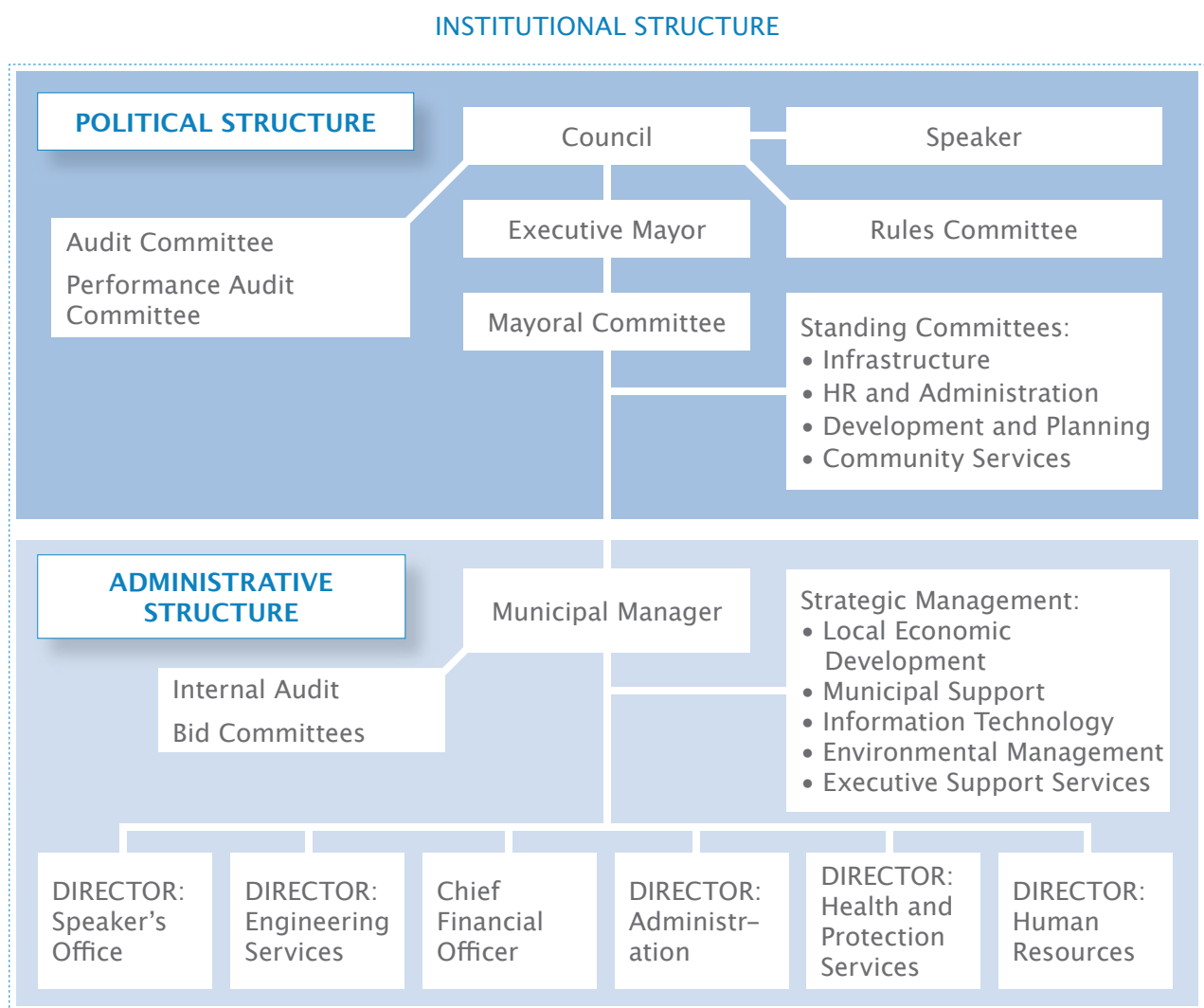
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human resource and other organisational management

INSTITUTIONAL STRUCTURE

The institutional structure of the ADM is divided into two (2) sections, namely political and administrative structures. The administrative structure is accountable to the political structure.

The ADM's institutional structure is illustrated as follows:



POLITICAL STRUCTURE

The centre of the ADM's political structure is Council, which operates through a number of committees. Listed below are the committees that assist Council in carrying out its political responsibilities and mandates:

- Rules Committee;
- Audit Committee;
- Standing Committees;
 - Infrastructure;
 - HR and Administration;
 - Community Services;
 - Development and Planning

The above committees are established in terms of Sections 79 and 80 of the Local Government Municipal Structures Act 117 of 1998 (as amended).

ADMINISTRATIVE STRUCTURE

The centre of the ADM's administrative structure is the Municipal Manager, who administers the institution with departments and various units reporting directly to him.

The organisational and establishment plan for the ADM and the various departments is as follows:

The ADM top structure is summarised as follows:

Name:

Amathole District Municipality

Purpose:

To develop and implement an Integrated Development Plan for the Amathole District Municipality

Functions:

- Management of the municipality;
- Rendering administrative services to the municipality;
- Rendering financial services to the municipality;
- Rendering human resources services to the municipality;
- Rendering health and protection services;
- Rendering engineering services; and
- Rendering support to the Executive Mayor's Office

There are eight (8) departments established to perform the functions, namely:

- Municipal Manager's Office;
- Health and Protection Services;
- Administration;
- Engineering Services;
- Budget and Treasury Office;
- Executive Support Services
- Human Resources;
- Speaker's Office.



ORGANOGRAM AS AT 30 JUNE 2007

A BREAK DOWN OF POSTS PER DEPARTMENT AND DIVISIONS

Department	No of Posts per Division	Total	Filled
Office of the Mayor	Executive Support Services	17	14
Municipal Manager's Office	Municipal Manager	1	1
	Office Administrator: Municipal Manager	1	1
	Receptionist	1	1
	Strategic Manager	1	1
	Office Administrator: Strategic Manager	1	1
	Division: Local Economic Development	5	5
	Division: Information Systems	7	7
	Division: Municipal Support	12	12
	Division: Internal Audit	8	8
	Division: Environmental Management	4	3
	TOTAL	41	40
Office of the Speaker	Director	4	3
	TOTAL	4	3
Administration	Director	1	1
	Secretary: Director	1	1
	Deputy Director	1	1
	Division: Supply Chain Management	12	12
	Division: Council Support & Auxiliary Services	39	39
	Division: Land & Housing	13	13
	TOTAL	67	67
Budget & Treasury Office	Chief Financial Officer	1	1
	Secretary: Chief Financial Officer	1	1
	Deputy Director	1	1
	Systems Analyst	1	1
	Division: Expenditure	10	10
	Division: Budget & General	9	9
	Division: Income	33	33
	TOTAL	56	56
Human Resources	Director	1	1
	Secretary: Director	1	1
	Deputy Director	1	1
	Division: PA & IR	7	7
	Division: Recruitment & Organisational Development	4	3
	Division: HRD & Occupational Risk Management	8	8
	TOTAL	21	21
Engineering Services	Director	1	1
	Secretary: Director	1	1
	Administration Support Management	1	1
	Receptionist	1	1
	Division: PMU	17	17
	Division: Planning & Construction	7	7
	Division: Operations & Maintenance	100	61
	Division: Building Management & Services Planning	22	17
	TOTAL	150	108
Health & Protection Services	Director	1	1
	Secretary: Director	1	1
	Deputy Director	1	1
	Division: Nursing Services	87	78
	Division: Environmental Health [Subject of devolution of powers therefore no structure has been implemented]		
	Division: Protection Services	32	32
	TOTAL	122	122
GRAND TOTAL		478	431

ORGANISATIONAL CAPACITY BUILDING, OCCUPATIONAL HEALTH AND SAFETY AND EMPLOYEE ASSISTANCE

The strategic objectives of this function are tabulated as follows:

Training and Development

- To equip the ADM councillors and officials with the necessary skills, knowledge and attitude for effective and efficient service delivery;
- To organise Adult Basic Education and Training for employees who want to improve their educational status;
- To organise opportunities for student trainees to do practical work in the Municipality when that becomes the requirement for a qualification;
- To provide assistance / advice to the Local Municipalities on capacity building;
- To develop, implement and report on the ADM's Workplace Skills Plan;
- To develop and review all training and development-related policies;
- To ensure compliance with all legislation related to training and development

ADM Annual Training Programme (2006/07) as approved by Council

The ADM is constantly making a concerted effort to ensure the implementation of sufficient skills development initiatives in order to fulfil the responsi-

bility with which it has been entrusted. For the period under review, an annual training programme was compiled which was informed by the identified training needs of Councillors and Officials. Such training needs had to be aligned with the business objectives of Council (i.e. the Integrated Development Plan), and the Sector Skills Plan of the local government sector. The annual training programme formed the basis of the Workplace Skills Plan (WSP) for the Council, which was submitted to the Local Government Sector Education and Training Authority (LGSETA).

Although some of the training for Councillors is facilitated through the South African Local Government Association (SALGA) Eastern Cape, the Municipality has a share of responsibility that obliges it to budget a sizeable amount of funds in order to co-ordinate various training interventions in respect of Councillors where skills gaps have been identified that are not catered for by the former.

Training Interventions in the 2006/07 Financial Year

A total of 47 courses were conducted for both Councillors and Officials. Funding was proportioned in such a manner that at least 25% was spent on training in each quarter. The synopsis below seeks to highlight the training interventions that were done during the 2006/07 Financial Year, indicating the total number of courses and the number of Councillors and Officials who attended such courses.

No.	Training Courses	No. of Councillors	No. of Officials
1.	Plumbing		7
2.	Local Economic Development	1	1
3.	The Art of Facilitation		1
4.	Report Writing		12
5.	Change Management		30
6.	Fire Fighting		10
7.	Recruitment and Selection Workshop		2
8.	Venus		10
9.	E-mail and Internet		2
10.	Basic Access		5
11.	Basic Excel		4
12.	Basic PowerPoint		2

13	Basic Word		2
14	Intermediate Excel		10
15	Intermediate Power Point		8
16	Introduction to Computers	9	-
17	Intermediate Word		8
18	Change Management		4
19	Advanced Word		6
20	Events Management		4
21	Policy Formulation and Implementation		1
22	OHSAS 18001		36
23	Task Job Evaluation		27
24	Job Evaluation		2
25	National Skills Summit		2
26	Codes and Tariffs		10
27	Basic Debtor		10
28	Basic Stands		9
29	Basic and Added Services		10
30	Conducting an Audit from the Cradle to the Grave		2
31	Human Resources Management	4	8
32	Vehicle Rescue and Extrication		22
33	Management Skills		10
34	Conflict Management		43
35	Customer Care		13
36	Communication and Interpersonal Skills		16
37	Public Safety		39
38	Occupational Health and Safety Act		8
39	Extrication Course		7
40	Radio Procedures		7
41	ABET Motivational Talk		55
42	Contract Management		4
43	Hand Held Meter Reading		4
44	Batho Pele Change Management	5	30
45	Supply Chain Management	45	-
46	Project Management	38	-
47	Public Participation	65	-
TOTAL		167	503

It should be noted that some Councillors and Officials attended more than one course; hence the total number of Councillors and Officials who received training exceeds the actual number of people in the establishment.

Of the R1,2 million allocated for training, 100% expenditure was realised by June 2006.

Total employee qualification profile											
	HIGHEST LEVEL QUALIFICATIONS HELD BY EMPLOYEES SHOWN IN NQF / NQF EQUIVALENT LEVELS									TOTAL	
	Below level 1	1	2	3	4	5	6	7	8	M	F
TOTALS	55	47	45	29	120	180	215	120	35	248	598

EXPERIENTIAL TRAINING PROGRAMME

The ADM has been following an Experiential Training Programme since 2002, as part of its social responsibility focus. The purpose of this Programme is to:

- Expose learners to real life situations, enable them to understand the theoretical knowledge and develop appropriate skills for future involvement;
- Bridge the gap between theory and practice and give learners the opportunity to develop insights into the real world;
- Develop and prepare a pool from which to draw well guided and grounded recruits who understand the intricacies of local government service.

A total of twelve (12) learners from various Technikons in the Eastern Cape were given the opportunity to gain practical experience during the period under review by being placed in various ADM Departments, including Human Resources, Administration, Engineering and the Municipal Manager's Office. The duration of this Programme, coordinated by the Human Resources Department, is six (6) months.

INTERNSHIP PROGRAMME

Two female candidates are currently in the final year of a 3 year Internship Programme and are currently placed with the Budget & Treasury Office.

LEARNERSHIP PROGRAMME

The ADM, in conjunction with the Local Government SETA, embarked on the implementation of three Learnership Programmes, namely, Wastewater Process Operations (NQF Level 2), Water Purification Process Operator (NQF level 2) and Municipal Finance and Administration Learnership (NQF 4).

Two Water Learnership Programmes:

The duration of the two programmes that commenced in January 2007, is 12 months. Of the 50 candidates enrolled for the two Water Learnerships Programmes, 32 were unemployed and 18 were employed candidates. Two unemployed candidates have since been absorbed by the ADM. Furthermore, two employed candidates have also been withdrawn from the programme due to operational challenges.

The ADM is responsible for the coordination and administration of the learnership programmes, and also plays the role of employer to all unemployed learners. The ADM allocated an amount of R800 000 to implement the two programmes.

Municipal Finance and Administration Learnership Programme:

This programme commenced in November 2006 and was designed to run for a duration of 12 months. Out of the 25 candidates that enrolled for the programmes, 15 were unemployed and 10 were employed. The ADM allocated R400 000 to implement this learnership programme.

ADULT BASIC EDUCATION AND TRAINING (ABET)

Commencement of the ABET Programme was delayed due to contract changes by the Local Government SETA. The programme was implemented through a service provider, Siyaphambili Adult Education Services, in March – October 2006. Sixteen (16) officials participated.

Despite regular motivational talks to prevent drop-outs, only 11 learners continued with the programme through to October 2006, which marked the end of the academic year. All the 11 participants who completed the programme were found competent on NQF level 2.

BURSARY SCHEME FOR STUDENTS IN RARE SKILLS

Further to its social responsibility programme, the ADM is engaged in awarding bursaries to students who pursue studies in rare fields like engineering, finance, information technology, etc.

During the period under review three (3) students were awarded bursaries to study civil engineering. One female candidate graduated in civil engineering with the Walter Sisulu University in May 2007.

EMPLOYEE STUDY ASSISTANCE SCHEME

A study assistance scheme was introduced and approved by Council in October 2006. Officials are entitled to apply for financial study assistance through the scheme. A total number of 59 candidates were assisted through this scheme and have enrolled for various programmes with numerous institutions of learning. The levels of educational programmes enrolled for, range from the Further Education and Training (FET) band to the Higher Education and Training (HET) band. There are 34 females and 25 males, while Historically Disadvantaged Individuals (HDIs) are 56 of the total 59 beneficiaries.

OCCUPATIONAL HEALTH AND SAFETY

- To implement the requirements of the Occupational Health and Safety Act and the Compensation for Injuries and Diseases Act;
- To develop and review all occupational and safety-related policies;
- To provide assistance / advice to local municipalities on workplace health and safety issues

EMPLOYEE ASSISTANCE

To ensure the health and safety of employees by providing the following services:

- Counselling to employees who need assistance.
- Coordinating the HIV and Aids Programme in the workplace;
- Primary and Occupational Health;
- Educating employees on Employee Assistance Programme (EAP)

COMPLIANCE WITH OCCUPATIONAL HEALTH AND SAFETY LEGISLATION

In line with the Occupational Health and Safety Act (OHASA) 85 of 1993, the Occupational Health and Safety section must ensure that all the ADM councillors and employees work in a safe and healthy environment. This section also facilitates compensation for the disabled, death, injuries and diseases contracted or sustained in the course of duty, in line with the Compensation for Occupational Injuries and Diseases Act 130 of 1993.

During the 2006/07 financial year twenty-three (23) employees were injured during the course of duty. All these incidents were reported to the Compensation Commissioner. The increase in disabling injuries was mainly due to ADM taking over responsibility for Water Services employees.

The focus of the Occupational Risk Section was on the implementation of a Health and Safety System for Water Services employees. To this end satellite safety committees were established in the following areas:

- Mbashe Municipality;
- Amahlathi Municipality;
- Mquma Municipality;
- Great Kei Municipality;
- Ngqushwa Municipality;
- Nxuba Municipality;
- Nkonkobe Municipality

The Occupational Risk Section has continued to render assistance to the Project Management Unit in the implementation of the ADM's Health and Safety Plans for Contractors as required in terms of Regulations which were promulgated in 2003.

Support to Local Municipalities

The EAP and HIV programmes have been rolled out to six local municipalities excluding Buffalo City, with assistance rendered, ranging from financial to technical aspects.

Councillors and managers in all LMs were trained on ways of managing HIV and Aids within their institutions, from setting up Workplace HIV/Aids as well as employee assistance programmes. Employee education was undertaken on preventive measures and on ways to live a long productive life with HIV infection. Peer educators were trained in Amahlathi, Nxuba, Mbashe, Nkonkobe and Mquma with relevant educational material handed out for the trainees to which they are able to refer. Peer education in Great Kei LM was cancelled because of the shortage of funds.

Anonymous HIV Prevalence Survey and KAP Studies were conducted at Mbashe and Ngqushwa local municipalities, with almost 100% participation in both municipalities. Out of the Ngqushwa staff complement of 116, 115 participated and the results showed a prevalence of 16%. In Mbashe, 104 out of 124 employees took part and the prevalence recorded was 12%.

In Mquma Municipality, 130 out of 458 employees engaged in voluntarily counseling and testing for HIV, and the prevalence was 10%. This was followed up with the training of peer educators to form a support group.

Alcohol and drug awareness workshops were conducted at Nxuba and Mbashe because of high absenteeism rate that these municipalities were experiencing that could be related to substance abuse.

Employee Assistance and Wellness Programme

To show the commitment the ADM has for the health and well-being of its employees, the municipality embarked on an employee assistance and wellness programme. The programme is aimed at providing assistance to employees on a broad range of personal concerns, including but not limited to marital, family and relationship problems, substance abuse and other addictive behaviours, dealing with the HIV and Aids pandemic, workplace violence and trauma counselling, workplace discrimination, personal debts and financial management, stress; psychological problems, sexual harassment, chronic illnesses, etc. The programme is available to all councillors, employees, retirees, as well as spouses and dependants of employees.

To promote healthy lifestyles and to motivate employees and their families to be proactive about their health, the unit organized a wellness day in May 2007, where health risk assessments were done and participants took part in various field activities.

Employee Wellness Activities

The purpose of the ADM Wellness Unit is to promote healthy lifestyles and to motivate employees and their families to be proactive about their health. In March 2006, 41 employees and two councillors submitted themselves for voluntary counselling and testing using a rapid test method.

Employees were encouraged to take part in an anonymous HIV Prevalence and Knowledge, Attitudes and Practices study (KAP) that was conducted on ADM employees during the month of November 2006. The study revealed 12.6% prevalence, a 1.6% increase on the 11% recorded in 2003.

Employees have continued to utilize the Wellness Unit for the following services:

- Counselling for personal and work related problems. Some have referred their relatives as well;
- HIV and Aids information, education and communication as well as voluntary counselling and testing;
- Primary and occupational health issues including monitoring and advice on chronic ailments.

SUPPORT BEYOND ADM AREA OF JURISDICTION AS PART OF SHARING AND LEARNING NETWORK

The ADM has assisted Chris Hani District Municipality in developing their HIV and Aids Workplace programme and Employee Assistance Programme. Information was given to the Alfred Nzo District Municipality on the benefits and modalities of developing such programmes for their employees.

Formulation and Implementation of HR Policies and Employment Equity Skills Development Plans

No	Key Initiatives	Key successes																
1.	Employment Policies Recruitment, Promotion and Transfer, Career Succession Planning Policies and Employment Equity and Skills Development Plans	<p>Motivation for filling vacant posts is done according to the Recruitment Policy. The Executive Mayor and Municipal Manager approve the filling of vacant posts. Short listing, interviewing, Promotion and Transfer committees are constituted according to the Recruitment and Promotion and Transfer Policies, respectively, to ensure transparency and accountability. Relevant competency tests have been used as and when necessary. The roll-out strategy for Career Succession Planning policies is underway. The Employment Equity profile in the three highest levels of employment was as follows as at 30 June 2007:</p> <table border="1"> <thead> <tr> <th>Levels of Employment</th> <th>Target</th> <th>Actual</th> <th>Variance</th> </tr> </thead> <tbody> <tr> <td>Percentage of black employees in three highest levels of management</td> <td>55%</td> <td>75%</td> <td>20%</td> </tr> <tr> <td>Percentage of female employees in three highest levels of management</td> <td>55%</td> <td>24%</td> <td>-11%</td> </tr> <tr> <td>Percentage number of disabled employees in three highest levels of management</td> <td>2%</td> <td>0.12%</td> <td>1.88%</td> </tr> </tbody> </table>	Levels of Employment	Target	Actual	Variance	Percentage of black employees in three highest levels of management	55%	75%	20%	Percentage of female employees in three highest levels of management	55%	24%	-11%	Percentage number of disabled employees in three highest levels of management	2%	0.12%	1.88%
Levels of Employment	Target	Actual	Variance															
Percentage of black employees in three highest levels of management	55%	75%	20%															
Percentage of female employees in three highest levels of management	55%	24%	-11%															
Percentage number of disabled employees in three highest levels of management	2%	0.12%	1.88%															
2.	Employee Health and Safety Policies Sexual and Other Harassment, Smoking, Rainy Day, Substance Abuse, HIV & Aids, Vehicle Usage and Vehicle Accidents Policies	<p>Employees are complying with Sexual and Other Harassment Policies, such that no cases were reported during the period under review. Implementation of the Rainy Day Policy has improved the safety of employees. Smokers are complying with the smoking arrangements. Non-smoking areas have been designated. Defaulters are reprimanded accordingly. Employees with problems of substance abuse problems will be referred for professional assistance. The prevalence of the HIV and Aids pandemic has been established amongst employees. A comprehensive EAP Unit is functioning well and meeting its objectives. Staff Wellness Clinic is utilized effectively by the employees. Condoms are distributed in the work place.</p>																
3.	Employee Capacity Building & Productivity Enhancement Policies Training & Development & Performance Management Policies	<p>47 courses were delivered to 503 officials, and 167 Councillors. An amount of R1 200 000 was spent on training.</p> <p>The performance of employees from levels 2 to 15 is being well managed.</p>																

Activities of the Job Evaluation Unit

In terms of the Collective Agreement concluded by the Eastern Cape Local Government Bargaining Council, the ADM and Buffalo City Municipality were commissioned to establish a Job Evaluation Unit for the Amathole District Region as demarcated by South African Local Government Bargaining-

Council. The municipalities budget for funding of accommodation, employment and other logistical requirements. The process of developing job descriptions for each post has been completed. Amathole District Municipality and Local Municipalities under its area of jurisdiction are now waiting for the final results of evaluation.

FINANCIAL INFORMATION ON MEDICAL Aids AND PENSIONS

2006-07 EXPENDITURE ON MEDICAL AID SCHEMES

Name of Scheme	Number of Members At 30 June 2007	Annual Costs (R)
BONITAS	170	2,383,593.00
LA HEALTH	131	840,746.00
MUNIMED	84	1,675,631.00
SAMWUMED	77	37,758.00
HOSMED	6	128,767.00
GLOBAL HEALTH	13	59,300.00
TOTAL	481	5,125,795.00

2006-07 EXPENDITURE ON PENSION FUNDS

Name of Funds	Number of Members At 30 June 2007	Annual Costs (R)
CAPE JOINT RETIREMENT FUND	296	9,515,039.00
CAPE JOINT PENSION FUND	23	460,370.00
SAMWU NATIONAL PROVIDENT FUND	194	2,016,694.00
EASTERN CAPE MUNICIPAL PENSION FUND	3	109,335.00
GOVERNMENT EMPLOYEES PENSION FUND	2	15,075.00
NATIONAL FUND FOR MUNICIPAL WORKERS	25	331,862.00
SOUTH AFRICAN LOCAL AUTHORITIES PENSION FUND	27	375,621.00
TOTAL	570	12,823,996.00

TOTAL PERSONNEL EXPENDITURE ANALYSIS OVER THE PAST THREE YEARS

Financial Year	Total Personnel Expenditure (R)	Total Municipal Budget (R)	Percentage Variance (%)
2004-05	53,244,437.00	358,561,442.00	14.85%
2005-06	73,840,075.00	561,750,681.00	13.14%
2006-07	14,387,648.00	519,078,865.00	22.03%

EMPLOYEE RELATED COSTS

Remuneration of the Municipal Manager	2006/07 (R)	2005/06 (R)
Annual Remuneration	481,207.00	431,622.00
Performance Bonus	110,573.00	44,116.00
Acting Allowance	0.00	0.00
Cell Phone Allowance	0.00	13,560.00
Car Allowance	172,861.00	190,470.00
Contribution to UIF, Medical & Pension Fund	106,497.00	86,708.00
TOTAL	871,138.00	766,476.00

Remuneration of the Chief Financial Officer	2006/07 (R)	2005/06 (R)
Annual Remuneration	378,136.00	337,200.00
Performance Bonus	102,453.00	87,540.00
Acting Allowance	0.00	0.00
Cell Phone Allowance	17,700.00	16,920.00
Car Allowance	135,469.00	137,903.00
Contribution to UIF, Medical & Pension Fund	96,837.00	87,586.00
TOTAL	730,595.00	667,149.00

Remuneration of the Director	2006/07 (R)	2005/06 (R)
Annual Remuneration	387,564.00	341,007.00
Performance Bonus	103,592.00	82,935.00
Acting Allowance	0.00	0.00
Cell Phone Allowance	16,920.00	16,920.00
Car Allowance	129,406.00	141,720.00
Contribution to UIF, Medical & Pension Fund	91,659.00	83,627.00
TOTAL	729,141.00	666,209.00

Remuneration of the Director: Engineering	2006/07 (R)	2005/06 (R)
Annual Remuneration	380,368.00	341,007.00
Performance Bonus	96,761.00	79,912.00
Acting Allowance	0.00	0.00
Cell Phone Allowance	17,700.00	16,920.00
Car Allowance	135,658.00	138,195.00
Contribution to UIF, Medical & Pension Fund	91,696.00	84,257.00
TOTAL	722,183.00	660,291.00

EMPLOYEE RELATED COSTS (Cont.)

Remuneration of the Director: Strategic Management	2006/07 (R)	2005/06 (R)
Annual Remuneration	386,599.00	339,631.00
Performance Bonus	70,578.00	18,919.00
Acting Allowance	0.00	0.00
Cell Phone Allowance	5,010.00	8,040.00
Car Allowance	136,360.00	148,316.00
Contribution to UIF, Medical & Pension Fund	88,908.00	79,354.00
TOTAL	687,455.00	594,260.00

Remuneration of the Director: Human Resources	2006/07 (R)	2005/06 (R)
Annual Remuneration	386,995.00	341,007.00
Performance Bonus	88,792.00	76,219.00
Acting Allowance	0.00	0.00
Cell Phone Allowance	0.00	8,040.00
Car Allowance	136,528.00	141,047.00
Contribution to UIF, Medical & Pension Fund	89,044.00	86,621.00
TOTAL	701,359.00	652,934.00

Remuneration of the Director: Health & Protection	2006/07 (R)	2005/06 (R)
Annual Remuneration	388,830.00	341,007.00
Performance Bonus	99,038.00	86,023.00
Acting Allowance	0.00	0.00
Cell Phone Allowance	17,700.00	16,920.00
Car Allowance	138,022.00	152,173.00
Contribution to UIF, Medical & Pension Fund	83,615.00	70,141.00
TOTAL	727,205.00	666,264.00

Remuneration of the Director: Executive Services	2006/07 (R)	2005/06 (R)
<i>Started 01 May 2007</i>		
Annual Remuneration	60,273.00	0.00
Performance Bonus	0.00	0.00
Acting Allowance	0.00	0.00
Housing Subsidy	1,108.00	0.00
Cell Phone Allowance	3,600.00	0.00
Car Allowance	22,560.00	0.00
Contribution to UIF, Medical & Pension Fund	12,781.00	0.00
TOTAL	100,322.00	0.00

EMPLOYEE RELATED COSTS (Cont.)

Remuneration of Agency Chief Executive Officer	2006/07 (R)	2005/06 (R)
Salary	583,512.00	255,910.00
Allowances	133,068.00	63,356.00
Bonus	84,575.00	26,472.00
TOTAL	801,155.00	345,738.00

Remuneration of Agency Chief Executive Officer	2006/07 (R)	2005/06 (R)
Salary	478,056.00	150,756.00
Allowances	127,932.00	42,644.00
Bonus	70,066.00	22,440.00
TOTAL	676,054.00	215,840.00

Remuneration of Agency Strategic Projects Specialist	2006/07 (R)	2005/06 (R)
Salary	320,570.00	62,378.00
Allowances	95,210.00	19,042.00
Bonus	38,304.00	0.00
TOTAL	454,084.00	81,420.00

Remuneration of Agency Business Partnership Specialist	2006/07 (R)	2005/06 (R)
Salary	257,058.00	105,546.00
Allowances	90,710.00	44,284.00
Bonus	31,608.00	8,900.00
TOTAL	379,376.00	158,730.00

Remuneration of Councillors	2006/07 (R)	2005/06 (R)
Executive Mayor	547,282.00	445,632.00
Speaker	428,979.00	366,405.00
Mayoral Committee Members	4,127,169.00	2,999,598.00
Councillors	4,100,766.00	2,874,288.00
Councillors Pension Contributions	0.00	395,413.00
TOTAL COUNCILLORS REMUNERATION	9,204,196.00	7,081,336.00

IN KIND BENEFITS

The Executive Mayor, the Speaker and Mayoral Committee members are full-time positions. Each is provided with an office and secretarial support at the cost of the Council. The Executive Mayor has use of a Council-owned vehicle for official duties and has a full-time driver/bodyguard.

EMPLOYEE RELATED COSTS (Cont.)

	2006/07 (R)	2005/06 (R)
TAXES	14,257,544.00	10,554,168.00

PAYE AND UIF	2006/07 (R)	2005/06 (R)
Opening Balance		
Current Year Payroll deductions & Council Contributions	15,603,473.00	10,932,464.00
Amount Paid – Current Year	(15,603,473.00)	(10,932,464.00)
Amount Paid – Previous Year		
Balance Unpaid		

PENSION AND MEDICAL AID DEDUCTIONS		
Opening Balance		
Current year Payroll deductions & Council Contributions	16,917,393.00	12,633,573.00
Amount Paid – Current Year	(16,917,393.00)	(12,633,573.00)
Amount Paid – Previous Year		
Balance Unpaid		



EPWP Learnership Launch (2007)

DISCLOSURE CONCERNING EXECUTIVE COUNCILLORS BY PORTFOLIO

for the period 01 July 2006 – 30 June 2007

Description	Executive Mayor	Speaker	Land and Housing	Community Service	Health	Water and Sanitation
SALARIES AND WAGES	412630	316786	289971	306299	288140	288140
NORMAL	396770	293294	270990	279426	269692	269692
BACK PAY	15860	23492	18981	26873	18448	18448
COUNCIL CONTRIBUTIONS	22401	8483	10545	0	12168	12360
ALLOWANCES	170310	114172	121160	123304	121135	108151
TRAVEL AND MOTOR CAR	(103157)	75641	69945	71789	69620	69620
ACCOMMODATION						
SUBSISTENCE						
CELL PHONE	28908	0	12684	12984	12984	0
HOUSING BENEFITS	38245	38531	38531	38531	38531	38531
LOANS AND ADVANCES						
OTHER BENEFITS						
PERSONAL FACILITY						
ARREARS OWED TO COUNCIL						
TOTAL REMUNERATION	605341	439441	421676	429603	421443	408651

THE TRANSFER OF WATER SERVICES EMPLOYEES FROM THE VARIOUS LOCAL MUNICIPALITIES TO AMATHOLE DISTRICT MUNICIPALITY TOOK PLACE WITH EFFECT FROM 1 JULY 2006

The division of powers and functions between district and local municipalities in terms of Section 84 of the Local Government: Municipal Structures Act, 1998 provides that District Mu-

nicipalities are responsible for potable water supply systems and domestic wastewater and sewerage disposal systems, in other words Water Services Authorities.





chapter 4

In this Chapter

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Response to Issues Raised in the Performance Audit Report.....	page 124

auditor-general's report

to the ADM council and the EC Provincial Legislature on the group financial statements and performance information of the ADM

for the year ended 30 June 2007

Introduction

1. I have audited the accompanying group financial statements of the Amathole District Municipality which comprise the consolidated and separate statements of financial position as at 30 June 2007, consolidated and separate statements of financial performance, consolidated and separate statements of changes in net assets and consolidated and separate cash flow statements 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 60 to 121.

Responsibility of the Accounting Officer for the Financial Statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error ;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004), 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. Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is still in the process of being developed, I have determined that my audit of any disclosures made by the Amathole District Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.

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

Basis of Accounting

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

BASIS FOR ADVERSE OPINION

Infrastructure, Plant and Equipment

10. *GAMAP 17: Property, Plant and Equipment* prescribes that where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

On 1 July 2006 the municipality assumed responsibility for the provision of water and sanitation services in its district in terms of Government Notice 849 issued in terms of section 84(3)(a) of the Municipal Structures Act, 1998 (Act No.117 of 1998).

In terms of this notice, the water and infrastructure assets of seven local municipalities within the district were transferred to the Amathole District Municipality. The municipality engaged the services of a consulting engineer to value these assets on the date of transfer. These valuations were used as a basis of recording these infrastructure assets in the asset register and the annual financial statements.

The engineer's working papers reflect that an estimated depreciated cost and not fair value, as prescribed by GAMAP 17, was calculated for each asset.

As a result, it is estimated that the gain on transfer of water infrastructure is understated by R129.5 million, the depreciation expense for the year is understated by R16.2 million and the carrying value of infrastructure assets is understated by R113.3 million.

11. Paragraph 35 of *GAMAP 17: Property Plant and Equipment* requires subsequent expenditure relating to an item of property, plant and equipment that has already been recognised to be added to the carrying amount of the asset when it is probable that future economic benefits or service potential over the total life of the asset in excess of the most recently assessed standard of performance of the existing asset, will flow to the entity. All other sub-

sequent expenditure shall be recognised as an expense in the period in which it is incurred.

Audit tests conducted on a sample of repairs and maintenance expenditure transactions revealed that expenditure of R886 831 was expensed instead of being capitalised to the cost of property, plant and equipment in accordance with this requirement.

The errors identified appear to be recurring in nature and are an indication that the repairs and maintenance expense and property, plant and equipment disclosed in the financial statements are materially misstated. The full extent of the errors could not be quantified.

Inventory

12. Paragraph 38 of *GAMAP 12: Inventories* requires the carrying amount of inventories held for distribution to be recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when the goods are distributed.

Housing development inventory of R49.7 million is disclosed in note 5 to the annual financial statements. The amount capitalised represents all expenditure incurred on the housing projects to date. According to the municipality's records, 1 924 completed housing units had been distributed to housing beneficiaries at 30 June 2007. The annual financial statements do not reflect any adjustments in respect of the distributed houses. Furthermore it was not possible to quantify the costs to be transferred to the statement of financial performance or to quantify the amount of the prior year adjustment as details of completed houses at the end of 2005 and 2006 together with detailed unit costing schedules (including infrastructure costs) could not be provided for audit purposes.

As a result, inventory and the accumulated surplus are overstated whilst expenditure is understated by a material amount that could not be quantified.

13. Adequate records such as inventory registers that record receipts, issues and available inventory on site were not maintained for materials that were purchased by the municipality and delivered directly to the project sites. Furthermore no evidence could be produced that physical counts were conducted and that such counts were reconciled to the materials on hand. As a result it was not possible to verify the existence of materials on site. It was also not possible to verify that all material purchased was used for the purpose acquired. The effect of this finding on inventory and expenditure disclosed in the financial statements could not be quantified.
14. The municipality does not have adequate systems in place to identify and quantify unsold purchased water inventory as prescribed by *GAMAP 12: Inventories*. Accordingly the annual financial statements do not disclose unsold water inventory. Water purchases of R24 million are included in the expenditure for the year under review. It was not possible to quantify the effects thereof as no records of water are maintained. Furthermore, own water is also included in reservoirs and storage tanks and the distinction between owned and purchased water could not be determined. As a result, inventory and expenditure is misstated by an amount that could not be quantified.

Payables – Water and Sanitation Services

15. Government Notice 849 transfers all of the rights, obligations, assets and liabilities in respect of water and sanitation services of seven local municipalities to Amathole District Municipality. The annual financial statements recognise only the water and sanitation infrastructure and related long term loans of six out of the seven local municipalities. No provision was raised for claims in respect of unpaid water service costs that may have been outstanding at 1 July 2006 and that have not been submitted by these local municipalities.

As a consequence, payables and the gain on transfer of water infrastructure may be misstated by a material amount that cannot be quantified.

Water Revenue

16. Section 64 of the MFMA requires the municipal manager to take reasonable steps to ensure that effective revenue collection systems are in place.

A lack of monitoring by management impacted on the municipality's water and sanitation revenue collection systems and its ability to collect revenue during the year under review.

This resulted in incorrect water tariffs being applied to consumer accounts, inadequate documentation being available to support sanitation charges, consumers not being billed every month, property transfers not being effected on the billing system, consumer deposits not existing for all consumer accounts, and no estimated revenue being raised for the period between the last meter reading and the financial year end. The misstatement of revenue and receivables as a result of the errors noted could not be quantified.

Employee Costs

17. The municipality did not confirm the employment benefits of the water service employees who were absorbed into the personnel structure of the municipality as a result of the transfer of the water and sanitation services in writing. The only available documentation relating to their employment benefits was correspondence from their previous employer notifying them that they would be transferred to the Amathole District Municipality on their existing benefits.

The audit reports for the financial year ended 30 June 2006 of six out of the seven municipalities from where these officials were absorbed contained qualification paragraphs relating to employment benefits and leave records. No reliance could thus be placed on the employment records of these municipalities in order to verify the conditions of service of the absorbed employees. Furthermore, the salaries and benefits of the employees tested during the audit did not reconcile to the post grade/ levels recommended by the South African Local Government Association.

As a result, it was not possible to verify the occurrence and accuracy of the employee related costs of R9.3 million paid in respect of the services provided by these employees during the year under review.

Adverse Opinion

18. In my opinion, because of the significance of the matters described in the basis for adverse opinion paragraphs, the financial statements do not present fairly, in all material respects, the financial position of the Amathole District Municipality and the group as at 30 June 2007 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the MFMA.

Emphasis of Matters

19. I draw attention to the following matters:

Highlighting a Matter Affecting the Financial Statements

Unauthorised Expenditure

20. The budget of the engineering department was exceeded resulting in unauthorised expenditure of R10 million. This unauthorised expenditure is disclosed in note 28 to the annual financial statements.

Basis of Accounting

21. As set out in accounting policy note 1, the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of *General Notice 552 of 2007*, issued in *Government Gazette No. 30013 of 29 June 2007*.

Unaudited Supplementary Schedules

22. The schedules set out on pages 182 to 215 do not form part of the annual financial statements and are presented for information pur-

poses only. Accordingly, they have not been audited and no opinion is expressed thereon.

OTHER MATTERS

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

Non-Compliance with Applicable Legislation

Annual Report

23. At the date of this report the 2005-06 annual report had not been published as required by section 21A of the Municipal Systems Act, 2000 (Act No. 32 of 2000) and section 127(5) of the MFMA.

Upper Limits of Salaries – Municipal Entity

24. Although the salary, allowances and other benefits of the chief executive officer and senior managers of the Amathole Economic Development Agency (Proprietary) Limited were reviewed by the parent municipality's management and the annual increases awarded were in line with the increases of department heads of Amathole District Municipality, they have not been approved by council as prescribed by section 89(1) of the MFMA.

Transactions on the Primary Bank Account

25. The mayor and speaker were issued municipal credit cards in a previous financial year in order to enable them to effectively utilise their budgets. During the year under review transactions with a value of R55 788 were recorded on these cards.

In terms of section 11(1) of the MFMA only the municipal manager, chief financial officer or another delegated official may authorise the withdrawal of municipal funds from the primary bank account.

The credit card expenditure referred to above is debited automatically against the primary bank account at the end of each month. This arrangement does not comply with the requirements of section 11(1) of the MFMA and the expenditure incurred on these credit cards is thus irregular.

Matters of Governance

Internal Audit

26. The approach and methodology adopted by the internal audit function is not formally documented. This resulted in significant documentation deficiencies in the internal audit files that were used to support the internal audit reports issued during the year.

Credit Card Expenditure

27. Transactions with a value of R117 292 were incurred during the year on the credit cards that were allocated to the municipal manager and chief financial officer.

Explanations and supporting documentation was requested from the municipal manager in respect of the expenditure of R94 270 incurred on the credit card that was allocated to him. These have not been provided.

Furthermore, expenditure of R23 022 was incurred on the credit card that was allocated to the chief financial officer. Explanations provided indicate that personal expenditure of R14 470 was incurred on this card.

In the absence of a policy or guideline that regulates the use of the credit cards it was not possible to determine whether the above-mentioned expenditure was incurred for the purposes as was originally intended by the municipality.

These matters require further investigation.

Travelling and Subsistence

28. An analysis of motor vehicle hire expenditure incurred during the year and the applicable

provisions and prescripts of the subsistence and travel policy, in respect of the entitlement of the mayor, speaker and municipal manager to motor vehicle hire, revealed non-adherence to the policy. The full extent of the additional costs as a result of this non-adherence could not be determined.

Material Corrections made to the Financial Statements Submitted for Audit

29. 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:
- Expenditure on housing development projects was credited directly to accumulated surplus. This resulted in an overstatement of the accumulated surplus and general expenditure of R11.5 million;
 - A system error resulted in the value added tax on outstanding levy and water receivables being recorded in revenue and not a VAT suspense account that was included in payables. This resulted in an understatement of payables and an overstatement of revenue of R4.4 million;
 - Consumer billing errors of R4.3 million were detected during the audit resulting in an overstatement of revenue and receivables;
 - Infrastructure work in progress recognised as a result of the take over of the water services function was capitalised at the incorrect amount. This resulted in an of understatement infrastructure, property, plant and equipment and deferred income of R75 million;
 - The capital budget approved by council on 26 May 2007 was not included in commitments resulting in an understatement of the amount disclosed as approved but not yet contracted of R172.5 million;

- The provision for impairment of accounts receivable was increased by R33.1 million. As a result, expenditure was understated and receivables overstated by the same amount.

Internal Control

30. 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.

Control Activities

The effectiveness of control activities was not adequate. This is evident from the matters reported relating to revenue, payables and material changes to the financial statements.

Monitoring of Controls

The monitoring controls such as the review of reconciliations, confirmations from external parties and internal processes were not effective. This contributed to the matters reported relating to infrastructure, plant and equipment, inventory and employee costs, credit cards and subsistence and travelling, non compliance with laws and regulations and matters of governance.

The internal audit department did not provide an effective service to management by assisting them with their governance responsibilities.

OTHER REPORTING RESPONSIBILITIES

Reporting on Performance Information

31. I have audited the performance information as set out on pages 140 to 173.

Reporting Item	Control Environment	Assessment of risks	Control Activities	Information and Communication	Monitoring
BASIS FOR ADVERSE OPINION					
Infrastructure assets, Plant and Equipment					X
Inventory					X
Water Payables			X		
Revenue			X		
Employee Costs					X
EMPHASIS OF MATTER					
Unauthorised Expenditure		X			
OTHER MATTERS					
Non-compliance with Applicable Laws and Regulations					X
Matters of Governance					X
Material Corrections to the Financial Statements			X		

Responsibility of the Accounting Officer for the Performance Information

32. 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).

Responsibility of the Auditor-General

33. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with General Notice 646 of 2007, issued in Government Gazette No. 646 of 25 May 2007 and section 45 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000).
34. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and proce-

dures. The procedures selected depend on the auditor's judgement.

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

Audit Findings (Performance Information)

36. No significant findings were identified as a result of my audit.

APPRECIATION

37. The assistance rendered by the staff of the Amathole District Municipality during the audit is sincerely appreciated.

Auditor-General

EAST LONDON
21 DECEMBER 2007



Mayor's Challenge – Hiking of Amathole Mountain Escape (Report on Page 26).





0.9726	1.9726	0.9726
0.9732	1.9732	0.9732
0.9738	1.9738	0.9738
0.9744	1.9744	0.9744
0.9750	1.9750	0.9750
0.9756	1.9756	0.9756
0.9761	1.9761	0.9761
0.9767	1.9767	0.9767
0.9306	1.98	0.9761
0.9319	1.99	0.9767
0.9251	1.97	0.9756
0.9265	1.95	0.9744
0.9279	1.96	0.9750
0.9292	1.97	0.9756



the consolidated annual financial statements for the year ended 30 June 2007

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GENERAL INFORMATION

MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE

ALDERMEN / COUNCILLORS		
SOMYO, S.S.	Executive Mayor	
FUSA, V.N.	Human Resources Human Resources & Administration SC Chairperson	PR
JACOBS, L.	Community Safety	PR
JANDA, S.N.	Local Economic Development Development & Planning SC Chairperson	PR
MALGHAS, K.E.	Land & Housing	PR
MKEBE, S.E.	Budget & Treasury	PR
MTONGANA, M.W.	Water & Sanitation Infrastructure SC Chairperson	PR
MZOZOYANA, W.	Engineering & Infrastructure	PR
NCITHA, Z.V.	Administration & Asset Management	PR
NEALE-MAY, H.E.	Health & Protection Community Services SC Chairperson	PR
SINUKA, N.E.	Community Liaison & Participation	PR

GRADING OF THE DISTRICT MUNICIPALITY

Grade 5

AUDITORS

Auditor – General

BANKERS

MEEG Bank, East London

REGISTERED OFFICE

40 Cambridge St, East London
PO Box 320, East London, 5200
Telephone: 043 701 4000

MUNICIPAL MANAGER

Msweli, X.W.

CHIEF FINANCIAL OFFICER

Jacoby, K.T.

LEGISLATION

The ADM complies with the Municipal Finance Management Act 56 of 2003

MEMBERS OF THE AMATHOLE DISTRICT MUNICIPALITY

COUNCILLOR / ALDERMAN	WARD	COUNCILLOR / ALDERMAN	WARD	COUNCILLOR / ALDERMAN	WARD
Adonis, N.L.	<i>Buffalo City</i>	Matika, M.D.	<i>Buffalo City</i>	Ngwane, N.	<i>Buffalo City</i>
Booi, N.F.	<i>Nkonkobe</i>	Mawisa, A.T.	<i>Amahlathi</i>	Nombamba, N.	<i>PR</i>
Botha, J.P.J.	<i>PR</i>	Mayekiso, G.	<i>Mbashe</i>	Ntongana, M.W.	<i>Mnquma</i>
Dikimolo, S.R.	<i>Buffalo City</i>	Mbane, S.	<i>Amahlathi</i>	Ntontela, B.	<i>Ngqushwa</i>
Dlephu, T.	<i>PR</i>	Mciteka, M.	<i>Buffalo City</i>	Nyokana, A.	<i>Mnquma</i>
Du Plessis, S.A.	<i>Buffalo City</i>	Mdyesha, B.C.	<i>Mbashe</i>	Pan, N.D.	<i>Great Kei</i>
Faku-Hobana, Z.C.	<i>PR</i>	Mdyolo, J.	<i>Buffalo City</i>	Pati, K.F.	<i>Buffalo City</i>
Fusa, V.N.	<i>PR</i>	Mgezi, N.D.	<i>Buffalo City</i>	Pijooos, S.	<i>PR</i>
Gantolo, S.R.	<i>PR</i>	Mkebe, S.E.	<i>PR</i>	Posman, C.J.	<i>Amahlathi</i>
Gqezengele, S.E.	<i>Nxuba</i>	Mkosana, V.V.	<i>PR</i>	Qina, F.	<i>Mbashe</i>
Holiday, V.M.	<i>Buffalo City</i>	Mlamlala, N.P.	<i>Nkonkobe</i>	Shweni-Booyesen, N.	<i>Buffalo City</i>
Jacobs, L.	<i>PR</i>	Mlondleni, N.	<i>PR</i>	Sibini, N.	<i>Mnquma</i>
Jakavula, N.	<i>Buffalo City</i>	Mlonyeni, S.D.	<i>PR</i>	Sinuka, N.E.	<i>PR</i>
Janda, S.	<i>PR</i>	Mngoma, Z.X.	<i>PR</i>	Skotana M.	<i>Amahlathi</i>
July, T.	<i>Buffalo City</i>	Monani, M.P.	<i>PR</i>	Somyo, S.	<i>PR</i>
Magaqa, S.	<i>PR</i>	Moyeni, V.	<i>Ngqushwa</i>	Stevens, J.L.	<i>PR</i>
Magobhiyane, M.	<i>Mnquma</i>	Mpupusi, K.K.	<i>Buffalo City</i>	Tandela, T.N.	<i>PR</i>
Magodla, D.D.	<i>Mbashe</i>	Mtongana, M.	<i>PR</i>	Thompson, I.	<i>Buffalo City</i>
Makhabane, N.	<i>Mnquma</i>	Mqolo, A.Z.	<i>PR</i>	Toboti, W.	<i>PR</i>
Malghas, E.E.K.	<i>PR</i>	Mzozoyana, W.	<i>PR</i>	Tokwe-Koboti, L.	<i>Buffalo City</i>
Maphasa P.P.	<i>PR</i>	Ncitha, Z.V.	<i>PR</i>	Vallabh, D.	<i>Buffalo City</i>
Maphazi, M.	<i>Mnquma</i>	Ncume, M.	<i>Nkonkobe</i>	Voyi, M.A.	<i>Mbashe</i>
Masebeni, T.	<i>Buffalo City</i>	Ndleleni, T.	<i>PR</i>	Vumendlini, M.C.	<i>PR</i>
Mati, T.	<i>Buffalo City</i>	Neale-May, H.E.	<i>PR</i>	Zweni, N.C.	<i>Nkonkobe</i>

MAYOR	Somyo, S.S.
SPEAKER	Mlondleni, N.

APPROVAL OF THE FINANCIAL STATEMENTS

The annual financial statements were approved by the Municipal Manager on 28/09/2007.

MUNICIPAL MANAGER
Msweli, X.W.

CHIEF FINANCIAL OFFICER
Jacoby, K.T.

DIRECTORS OF AEDA

DIRECTOR		
Dr M.E. Tom	Chairperson	<i>Appointed 1 September 2005</i>
Mrs C.V. Kakana	Deputy Chairperson	<i>Appointed 1 September 2005</i>
Ms N.E.P. Loyilane		<i>Appointed 1 September 2005</i>
Mr S.N. Kondlo		<i>Appointed 1 September 2005</i>
Mrs Y.P. Balfour		<i>Appointed 1 September 2005</i>
Ms P. Xuza	Chief Executive Officer	<i>Appointed 1 September 2005</i>

The company does not currently have a company secretary.



STATEMENT OF FINANCIAL POSITION *at 30 June 2007*

MUNICIPALITY			GROUP		
2006/07 R	2005/06 R		Note	2006/07 R	2005/06 R
ASSETS					
657,200,872	73,419,096	Non-current assets		657,431,386	73,683,871
656,431,487	72,385,075	Infrastructure, plant and equipment	1	656,663,001	72,650,850
176,253	315,576	Intangible Assets	2	176,253	315,576
1,000	1,000	Investment in subsidiary	3.1	-	-
592,132	717,445	Long term receivables	4	592,132	717,445
631,430,320	605,733,078	Current assets		634,648,686	609,020,522
76,523,473	64,814,170	Inventory	5	76,523,473	64,814,170
1,864,612	11,143,031	Consumer receivables	6	1,864,612	11,143,031
5,697,424	14,329,244	Other receivables	7	5,817,320	14,098,919
164,301	351,115	Current portion of long-term receivables	4	164,301	351,115
17,896,695	7,349,433	VAT receivable	8	17,327,541	7,500,876
472,516,696	465,451,549	Financial assets	3.2	472,516,696	465,451,549
56,767,120	42,294,536	Bank balances and cash	9	60,434,743	45,660,862
1,288,631,192	679,152,174	TOTAL ASSETS		1,292,080,072	682,704,393
NET ASSETS AND LIABILITIES					
346,917,827	9,483,653	Non-current liabilities		346,937,131	9,497,748
6,052,532	-	Long-term loan: DBSA	10	6,052,532	-
452,420	832,052	Finance lease obligation	11	452,420	832,052
125,868	28,247	Operating lease liability	12	145,172	42,916
334,751,496	5,981,735	Deferred income	13	334,751,496	5,981,735
5,250,451	2,641,619	Leave accrual	15	5,250,451	2,641,045
285,060	-	Consumer deposits	14	285,060	-
260,093,203	258,551,284	Current liabilities		259,716,428	258,941,352
379,632	372,542	Finance lease obligation	11	379,632	372,542
850,201	-	Short term portion of loan: DBSA	10	850,201	-
84,160,862	75,792,695	Trade and other payables	15	83,690,395	76,009,760
702,247	677,754	Deferred income	13	702,247	677,754
		Taxation		91,432	65,744
174,000,261	181,708,293	Unspent conditional grants & receipts	15	174,002,520	181,815,552
681,620,160	411,117,239	Net assets		685,426,512	414,265,293
8,524,341	8,998,708	Revaluation reserve		8,524,341	8,998,708
673,095,819	402,118,531	Accumulated surplus/(deficit)		676,902,171	405,266,585
1,288,631,191	679,152,174	TOTAL NET ASSETS AND LIABILITIES		1,292,080,071	682,704,393



X.W. Msweli
MUNICIPAL MANAGER

28/09/2007

DATE

CERTIFIED AS CORRECT
K.T. Jacoby
(CHIEF FINANCIAL OFFICER)

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2007

MUNICIPALITY			Note	GROUP	
Actuals				Actuals	
2006/07	2005/06			2006/07	2005/06
R	R			R	R
		REVENUE			
39,377,102	271,375	Service charges		39,377,102	271,375
10,911,627	128,604,451	Regional service charges	16	10,911,627	128,604,451
147,923	108,316	Rental of facilities and equipment		147,923	108,316
18,811,646	8,135,431	Income for agency service	17.2	18,811,646	8,135,431
331,476,548	287,980,344	Government grants and subsidies	17	331,626,548	288,534,799
4,048,330	4,520,515	Other income	18	4,048,330	4,606,474
292,062,709	-	Gain on transfer of water infrastructure	19	292,062,709	-
63,400	219,860	Gains on disposal of PPE		66,879	219,860
-	14,053,987	Bad debts recovered		-	14,053,987
696,899,285	443,894,278	Total Revenue		697,052,764	444,534,693
		EXPENDITURE			
114,870,043	74,473,401	Employee related costs		118,125,477	75,932,175
141,314	130,027	Remuneration of councillors		223,369	210,710
61,472,868	340,023	Bad debt provision		61,472,868	340,023
837 658	897 129	Collection costs		837 658	897 129
38,024,715	5,990,478	Depreciation and amortisation	20	38,096,357	6,030,699
11,346,847	4,891,789	Repairs and maintenance		11,358,670	4,898,114
3,179,618	9,163,450	Grants and subsidies paid	26	3,179,618	9,163,450
35,895,881	42,035,891	Grants and subsidies paid: capital	26	35,895,881	42,035,891
194,802,979	288,173,849	General expenses- other		190,936,617	284,155,208
165,993	354,779	Loss on disposal of PPE	20	165,993	354,779
888,716	744,305	Internal Charges		888,716	744,305
461,626,632	427,195,121	Total Expenditure		461,181,224	424,762,483
235,272,653	16,699,157	OPERATING SURPLUS/(DEFICIT)		235,871,540	19,772,210
36,888,541	22,291,240	Investment income	29	36,973,640	22,431,985
1,183,906	148,059	Finance costs	30	1,183,906	148,059
270,977,288	38,842,337	SURPLUS/(DEFICIT) FOR THE YEAR		271,661,274	42,056,135
-	-	Less: Agency Taxation		(25,688)	(65,744)
270,977,288	38,842,337			271,635,586	41,990,391

Refer to Appendix E (1) for explanation of variances

STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30 June 2007

	Capital Re- placement Reserve	Government Grant Reserve	Revaluation Reserve	Accumulated Surplus/ Deficit	Total
<i>Balance at 1 July 2005</i>					
Opening balance as previously reported		7,112,590	34,205,518	333,538,213	374,856,320
Prior year adjustments (Refer Note 36)			-24,698,732	22,660,406	-2,038,326
Balance at 1 July 2005 as restated	-				
GAMAP adjustments	-	-	-	5,883,556	5,883,556
Surplus for the year	-	-	-	38,842,337	38,842,337
Transfer to CRR	7,980,926	-	-	(7,980,926)	-
Property, plant & equipment purchased	-7,980,926	-	-	7,980,926	-
Capital grants used to purchase PPE	-	13,093,057	-	(13,093,057)	-
Disposal of asset	-	-	-33,711	33,711	-
Prior year adjustments (Refer Note 36)	-	-19,063,963	232,841	12,404,474	-6,426,648
Off-setting of depreciation	-	-1,141,684	-707,208	1,848,892	-0
	-	-7,112,590	-508,078	45,919,913	38,299,245
<i>Balance at 30 June 2006</i>	-	0	8,998,708	402,118,531	411,117,239
<i>Opening balance 1 July 2006</i>	-	0	8,998,708	402,118,531	411,117,239
Surplus for the year	-	-	-	270,977,288	270,977,288
Off-setting of depreciation	-	-	-474,367	-	-474,367
	-	-	-474,367	270,977,288	270,502,921
<i>Balance at 30 June 2007</i>		0	8,524,341	673,095,819	681,620,160

STATEMENT OF CHANGES IN NET ASSETS – GROUP

For the year ended 30 June 2007

	Capital Re- placement Reserve	Government Grant Reserve	Revaluation Reserve	Accumulated Surplus/ Deficit	Total
<i>Balance at 1 July 2005</i>					
Opening balance as previously reported		7,112,590	34,205,518	333,538,213	374,856,320
Prior year adjustments (Refer Note 36)			-24,698,732	22,660,406	-2,038,326
Balance at 1 July 2005 as restated	-	-	-	-	-
GAMAP adjustments	-	-	-	5,883,556	5,883,556
Surplus for the year	-	-	-	41,990,391	41,990,391
Transfer to CRR	7,980,926	-	-	(7,980,926)	-
Property, plant and equipment purchased	-7,980,926	-	-	7,980,926	-
Capital grants used to purchase PPE	-	13,093,057	-	(13,093,057)	-
Disposal of asset	-	-	-33,711	33,711	-
Prior year adjustments (Refer Note 36)	-	-19,063,963	232,841	12,404,474	-6,426,648
Off-setting of depreciation	-	-1,141,684	-707,208	1,848,892	-0
	-	-7,112,590	-508,078	49,067,967	41,447,299
<i>Balance at 30 June 2006</i>	-	0	8,998,708	405,266,585	414,265,293

<i>Opening balance 1 July 2006</i>	-	0	8,998,708	405,266,585	414,265,293
Surplus for the year	-	-	-	271,635,586	271,635,586
Off-setting of depreciation	-	-	-474,367	-	-474,367
	-	-	-474,367	271,635,586	-474,367
<i>Balance at 30 June 2007</i>	-	0	8,524,341	676,902,171	685,426,512

CASH FLOW STATEMENT

For the year ended 30 June 2007

	Note	2006/07	2005/06
		R	R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other parties		682,296,770	448,786,693
Cash paid to suppliers and employees		(373,145,001)	(407,845,835)
Cash generated from operations	32	309,151,769	40,940,858
Finance costs	30	(1,183,906)	(148,059)
Investment income	29	36,888,541	22,291,240
NET CASH FROM OPERATING ACTIVITIES		344,856,404	63,084,039
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(330,516,105)	(21,073,983)
Proceeds on disposal of property, plant and equipment		70,055	458,174
Decrease in long term receivables		312,127	797,689
Purchase of equity investment		-	(1,000)
Purchase of financial assets		(7,065,147)	(64,681,570)
NET CASH FROM INVESTING ACTIVITIES		(337,199,070)	(84,500,690)
CASH FLOWS FROM FINANCING ACTIVITIES			
Other capital receipts		-	13,093,056
Finance lease payments		(372,543)	(310,113)
Increase in long term loan		6,902,733	-
Proceeds from consumer deposits		285,060	-
NET CASH FROM FINANCING ACTIVITIES		6,815,250	12,782,943
NET CASH FLOW		14,472,584	(8,633,710)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		14,472,584	(8,633,710)
Cash and cash equivalents at the beginning of year		42,294,536	50,928,246
Cash and cash equivalents at year end	9	56,767,120	42,294,536

CASH FLOW STATEMENT – GROUP

for the year ended 30 June 2007

	Note	2006/07	2005/06
		R	R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other parties		681,991,550	448,786,693
Cash paid to suppliers and employees		(372,589,680)	(404,625,372)
Cash generated from operations	32	309,401,870	44,161,321
Finance costs	30	(1,183,906)	(148,059)
Investment income	29	36,973,640	22,431,985
NET CASH FROM OPERATING ACTIVITIES		345,191,604	66,445,247
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(330,577,855)	(21,379,978)
Proceeds on disposal of property, plant and equipment		97,902	458,174
Decrease in long term receivables		312,127	797,689
Purchase of equity investment		-	-
Purchase of financial assets		(7,065,147)	(64,681,570)
NET CASH FROM INVESTING ACTIVITIES		(337,232,973)	(84,805,685)
CASH FLOWS FROM FINANCING ACTIVITIES			
Other capital receipts		-	13,093,056
Finance lease payments		(372,542)	-
Increase in long term loan		6,902,733	-
Proceeds from consumer deposits		285,060	-
NET CASH FROM FINANCING ACTIVITIES		6,815,251	13,093,056
NET CASH FLOW		14,773,881	(5,267,383)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		14,773,881	(5,267,383)
Cash and cash equivalents at the beginning of year		45,660,862	50,928,246
Cash and cash equivalents at year end	9	60,434,743	45,660,862

ACCOUNTING POLICIES

APPLICATION OF ACCOUNTING STANDARDS AND AMENDMENT OF ACCOUNTING POLICIES

The exemptions obtained (Gazette 30013) regarding the implementation of certain accounting standards necessitated the disclosure of the following:

- The accounting policy of the comparative figures (2005/06) as well as the accounting policy used for the current financial year (2006/07), where applicable;
- Additional disclosures in the annual financial statements to assist users in understanding the implications on the current and comparative figures;
- The audit qualifications received in the prior year (2005/06) relating to the specific accounting policies.

1. BASIS OF PRESENTATION

2005/06 Financial Year

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except for the revaluation of land, buildings and community property, which are carried at fair value:

- Income is accrued when measurable and available to finance operations. Certain direct income is accrued when received;
- Expenditure is accrued in the year it is incurred.

These annual financial statements have been prepared in accordance with Generally Accepted Municipal Accounting Practice (GAMAP) and Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122 (3) of the Municipal Finance Management Act, (Act No. 56 of 2003).

The Municipality has transactions, events or balances that are outside the ambit of the accounting standards referred to above but which are included in the Standards of International

Public Sector Accounting Standards (IPSAS) issued by the International Accounting Standards Board.

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

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

Audit Qualification

The municipality must prepare financial statements in accordance with the basis of accounting determined by the National Treasury. The basis of preparation disclosed in the accounting policies of the annual financial statements indicates that the municipality has elected not to comply with accounting standards which are outside the ambit of Generally Accepted Municipal Accounting Practice (GAMAP) and Generally Recognised Accounting Practice (GRAP). This is in contravention of GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors, which regulates that the South African Statements of Generally Accepted Practice (GAAP), including any interpretations of such statements issued by the Accounting Practices Board, be applied for the recognition and measurement of all transactions that do not fall within the scope of GAMAP and GRAP. (*Audit report indicated deviations included under applicable headings below*).

2006/07 Financial Year

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except for the revaluation of land, buildings and community property, which are carried at fair value.

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

These standards are summarised as follows:

GRAP 1	Presentation of financial statements
GRAP 2	Cash flow statements
GRAP 3	Accounting policies, changes in accounting estimates and errors
GAMAP 4	Effects of changes in foreign exchange rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for investments in associates
GAMAP 8	Financial reporting of interests in joint ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, plant and equipment
GAMAP 19	Provisions, contingent liabilities and contingent assets

GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements.

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

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

The municipality has elected to adopt the following requirement(s) in GRAP, GAMAP or SA GAAP, which were exempted in terms of General notice 552 of 2007: (*See Table below*).

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted are disclosed below.

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

Standard No.	Standard Title	GRAP, GAMAP and/or SA GAAP requirement(s), exempted in terms of General notice 552 of 2007, that have been early adopted
IAS 17 (AC 105)	Leases	Recognising operating lease payments / receipts on a straightline basis if the amounts are recognised on the basis of the cash flows in the lease agreements (SAICA circular 12/06 paragraphs 8 – 11 and paragraphs 33, 34, 50, 51 of IAS 17/AC 105)
IAS 20 (AC 134)	Accounting for government grants and disclosure of government assistance	Entire standard excluding paragraphs 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42 – 46 of GAMAP 9
IAS 38 (AC 129)	Intangible Assets	The entire standard except for the recognition, measurement and disclosure of computer software and website costs (SIC 32/AC 432) and all other costs are expensed

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

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

4. RESERVES

Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The re-valued assets are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on re-valued amounts, are credited or charged to the Statement of Financial Performance.

The surplus arising from the revaluation of land and buildings is credited directly to equity in the revaluation reserve. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

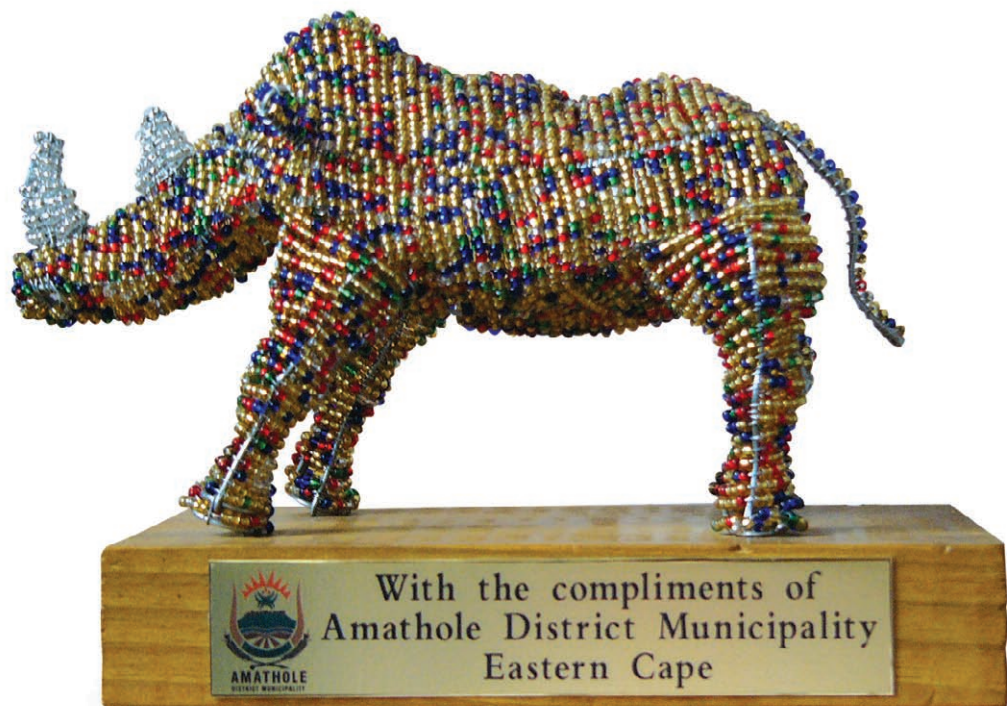
Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to equity in the revaluation reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Depreciation on re-valued buildings is charged to surplus or deficit. On the subsequent sale or retirement of a re-valued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to accumulated surplus.

5. PROPERTY, PLANT & EQUIPMENT

2005/06 Financial Year

- 5.1 Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses, except for land and buildings, which have been re-valued as indicated below.
- 5.2 Land is not depreciated as it is deemed to have an indefinite life.
- 5.3 Items purchased less than R1000 in value, are considered to be non capital in nature and are therefore expensed.



- 5.4 The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amounts of the assets given up.
- 5.5 Expenditure is capitalised when the recognition and measurement criteria of an asset is met.
- 5.6 Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives: (*See Table below*).
- 5.7 The gain or loss arising on the disposal or retirement of an item of property, plant and

	Years
INFRASTRUCTURE	
Roads and Paving	30
Pedestrian Malls	30
Electricity	20–30
Water	15–20
Sewerage	15–20
Housing	30
COMMUNITY	
Improvements	30
Recreational Facilities	20–30
Security	5
INVESTMENT PROPERTIES	30
OTHER	
Buildings	30
Specialist Vehicles	10
Other Vehicles	5
Office Equipment	3–7
Furniture and Fittings	7–10
Watercraft	15
Bins and Containers	5
Specialised Plant and Equipment	10–15
Other items of Plant and Equipment	2–5

equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the statements of financial performance.

- 5.8 Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.
- 5.9 Assets are capitalised on date of payment.
- 5.10 Major improvements to buildings, plant and equipment are capitalised. Maintenance and repairs are expensed when incurred.
- 5.11 Heritage assets, defined as culturally significant resources, are not depreciated.
- 5.12 Land and buildings are stated at re-valued amounts, being net replacement costs at the date of revaluation less subsequent accumulated depreciation and impairment losses on the buildings.
- 5.13 The strategic framework for water services, being the approved Government policy framework, prescribes the processes and details key performance indicators (KPI's), and associated timeframes for the transfer of all infrastructure and functions relating to water services. In accordance, the transfer of all relevant water related infrastructure is to be finalised by 30 June 2006. The ADM conforms to that which has been prescribed in terms of due process as contained in the strategic framework.

Audit Qualification

The accounting policy for property, plant and equipment does not contain sufficient information regarding the revaluation and impairment of assets as required by *GAMAP 17: Property, Plant and Equipment*.

2006/07 Financial Year

- 5.1 Property, plant and equipment is stated at cost, less accumulated depreciation except

for land and buildings, which have been re-valued as indicated below.

- 5.2 The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits associated with the item will flow to the company; and
 - the cost of the item can be measured reliably.
- 5.3 Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.
- 5.4 Land and buildings are carried at the re-valued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the statement of financial position date. Land and buildings are re-valued every 3–5 years.
- 5.5 Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to equity in the revaluation reserve. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.
- 5.6 Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to equity in the revaluation reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- 5.7 The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

5.8 Land is not depreciated as it is deemed to have an indefinite life.

5.9 Items purchased less than R1000 in value, are considered to be non capital in nature and are therefore expensed.

5.10 The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amounts of the assets given up.

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

	Years
INFRASTRUCTURE	
Roads and Paving	10–30
Pedestrian Malls	20–30
Electricity	20–30
Water	15–20
Sewerage	15–20
Housing	30
COMMUNITY	
Improvements	10–30
Recreational Facilities	20
Security	3–5
OTHER	
Buildings	30
Specialist Vehicles	3–20
Other Vehicles	5
Office Equipment	3–7
Furniture and Fittings	7–10
Watercraft	15
Bins and Containers	5
Specialised Plant and Equipment	10–15
Other Items of Plant and Equipment	2–5

5.12 The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in profit or loss when the item is de-recognised. The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

5.13 Assets are capitalised on the last day of the month of purchase.

5.14 Heritage assets are not recognised in accordance with GAMAP 17.

Exemption

In accordance with Government Gazette 30013 dated 29 June 2007 Amathole District Municipality accepted the following exemption paragraphs granted in terms of GAMAP 17 Property, Plant and Equipment:

- Review of useful life of items of Property, plant and equipment recognised in the annual financial statements [paragraphs 14, 19 and 30-31];
- Review of depreciation method applied to Property, plant and equipment recognised in the annual financial statements [paragraphs 62-77];
- Impairment of cash and non-cash-generating assets [paragraphs 63-69 and 75(e)(v)-(vi)];
- IAS 36/AC 128 Impairment of Assets [Entire standard exempted].

6. INVESTMENT PROPERTY

2005/06 Financial Year

Audit Qualification

The municipality does not have an accounting policy for investment property as required by IAS 40: Investment Property. As a result, none of the disclosure required by this standard has been complied with.

2006/07 Financial Year

Exemption

In accordance with Government Gazette 30013 dated 29 June 2007 Amathole District Municipality accepted the following exemptions paragraphs granted in terms of IAS 40/AC 135 Investment Property:

- The entire standard to the extent that the property is accounted for in terms of GAMAP 17;
- Disclosure of the fair value of investment property where the cost model is applied and where Amathole District Municipality has recognised the investment property in terms of IAS 40/AC 135 [paragraphs 79(e)(i)-(iii)].

7. INTANGIBLE ASSETS

2006/07 Financial Year

- 7.1 An intangible asset is recognised when:
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
 - the cost of the asset can be measured reliably;
- 7.2 Intangible assets are initially recognised at cost;
- 7.3 Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred;
- 7.4 Intangible assets are carried at cost less any accumulated amortisation;
- 7.5 Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets;
- 7.6 Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software – Application software	3 years

7.7 An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

Exemption

In accordance with Government Gazette 30013 dated 29 June 2007 Amathole District Municipality accepted the following exemption granted in terms of IAS 36/AC 128 Impairment of assets due to the impact on Intangible assets:

- The entire standard on Impairment of Assets have been exempted.

8. FINANCIAL INSTRUMENTS

8.1 Accounts Receivable

2005/06 Financial Year

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

8.2 Trade creditors

2005/06 Financial Year

Trade creditors are stated at their nominal value.

8.3 Cash and cash equivalents

2005/06 Financial Year

Cash includes cash on hand and deposits held on call with banks. For the purposes of the cash flow statements, cash and cash equivalents comprise cash on hand, deposits held on call with banks.

8.4 Investments

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

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and impairment loss is charged to the statement of financial performance.

Audit Qualification

Financial instruments have not been recognised or measured in terms of International Accounting Standard (IAS) 39: Financial Instruments: Recognition and Measurement, nor disclosed in terms of IAS32: Financial Instruments: Disclosure and Presentation. The financial misstatement with regards to this is unknown as the municipality would have to determine an adequate discount rate in accordance with their risk profile and the discounting period, if not known, would have to be estimated. This may have a material impact on current liabilities and current assets of R69 555 523 and R14 887 391 respectively.

2006/07 Financial Year

8.1 Initial Recognition

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the municipality's statement of financial position when the municipality becomes party to the contractual provisions of the instrument.

8.2 Loans to municipalities, municipal entities and employees

These financial assets are initially and subsequently measured at face value plus direct transaction costs.

8.3 Loans from municipalities and the Development Bank of South Africa

These financial liabilities are initially and subsequently measured at face value plus direct transaction costs.

8.4 Trade and other receivables

Trade receivables are measured at initial and subsequent recognition at face value. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired.

8.5 Trade and other payables

Trade payables are initially and subsequently measured at face value.

8.6 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

These are initially and subsequently recorded at face value.

8.7 Investments

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

8.8 Borrowings

Borrowings is initially and subsequently measured at face value.

Exemption

In accordance with Government Gazette 30013 dated 29 June 2007 Amathole District Municipality accepted the following exemptions paragraphs granted in terms of IAS 39/AC 133 Financial instruments: Recognition and measurement:

- Initially measuring financial assets and financial liabilities at fair value. (SAICA circular 09/06, paragraph 43, AG79, AG64 and AG65 of IAS 39/AC 133

Exemption

In accordance with Government Gazette 30013 dated 29 June 2007 Amathole District Municipality accepted the following exemption paragraphs granted in terms of IFRS 7/AC 144 Financial Instruments: Disclosures

- Entire standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998.

9. LEASES

2005/06 Financial Year

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals in respect of the municipality are expensed as they become due, while agency operating lease rentals are accounted for on a straight-line basis over the period of the lease.

Audit Qualification

Operating lease payments have been accounted for when the payments fall due and not on a straight line basis as required by IAS17: Leases. The

accounting policy used to account for operating leases was therefore incorrect.

2006/07 Financial Year

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

9.1 Finance leases – lessee

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

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

9.1.3 The lease payments are apportioned between the finance charge and reduction of the outstanding liability.

9.1.4 The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

9.1.5 Leases are classified as finance leases if the following situations in accordance with paragraphs 10 and 11 of IAS 17 individually or in combination occur:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;

– the lease term is for the major part of the economic life of the asset even if title is not transferred;

– at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;

– the leased assets are of such a specialised nature that only the lessee can use them without major modifications;

– if the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;

– gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (for example, in the form of a rent rebate equaling most of the sales proceeds at the end of the lease); and

– the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

9.2 Operating leases – lessor

9.2.1 Operating lease income is recognised as an income on a straight-line basis over the lease term.

9.2.2 Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

9.2.3 Income for leases is disclosed under revenue in the Statement of Financial Performance.

9.3 Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

This asset or liability is not discounted.

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

10. INVENTORIES

2005/06 Financial Year

- 10.1 Consumables stores, raw material, work-in-progress, settlements and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the first-in, first-out method.
- 10.2 Unsold properties and land used for housing are valued at the lower of cost or net realisable value. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.
- 10.3 Housing development funding received is recognised as revenue and expenditure on the Statement of Financial Performance to the extent that the Municipality has complied with any of the criteria, obligations or conditions of the grant.
- 10.4 When housing development is financed from government grants, an amount equal to the note is transferred from the accumulated surplus / (deficit) in the Statement of Changes in Net Assets and is reflected as Work in Progress Housing projects. Completed and transferred houses will be offset against the accumulated surplus / (deficit) in the Statement of Changes in Net Assets.

Housing development inventory is valued at cost and is expensed when beneficiaries take occupation of the houses.

2006/07 Financial Year

Exemption

In accordance with Government Gazette 30013 dated 29 June 2007 Amathole District Municipality accepted the following exemptions granted in terms of GAMAP 12 Inventories:

- The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17; and
- The entire standard to the extent that it relates to water stock that was not purchased by the municipality.

11. EMPLOYMENT BENEFITS

2005/06 Financial Year

Audit Qualification

There is no accounting policy to recognise the municipality's liability for the defined benefit plan in respect of post employment benefits as required by IAS 19: Employee Benefits. Accordingly an actuarial gain/loss has not been recognised in the statement of financial performance and the required disclosure has not been reported.

2006/07 Financial Year

11.1 Short-term employee benefits

- 11.1.1 The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.
- 11.1.2 The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.
- 11.1.3 The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

11.2 Defined contribution plans

- 11.2.1 Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

11.2.2 Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the company's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

11.3 Defined benefit plans

11.3.1 The municipality has accounted for the defined benefit plan as a defined contribution plan for the 2006/07 financial year as permitted in terms of Gazette 30013. Accordingly, the municipality recognises the contributions to the scheme as an expense when the employees and councillors have rendered the employment service or served office entitling them to the contributions.

Exemption

In accordance with Government Gazette 30013 dated 29 June 2007 Amathole District Municipality accepted the following exemptions granted in terms of IAS 19 Employee benefits:

12. PROVISIONS

2005/06 Financial Year

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the municipality.

Leave Provision

The leave provision is utilised for the payment of leave sold during the year. An amount equivalent to the expected value of the leave accrual for the financial year is allocated to the leave provision during the year.

Audit Qualification

Leave pay and performance bonuses owing to employees, of R2 673 587 and R824 782 respectively, have been recorded as provisions, rather than accruals, which represents non-compliance with GAMAP 19: Provisions, Contingent Liabilities and Contingent Assets. No accrual has been recognised for service bonuses.

2006/07 Financial Year

12.1 Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

12.2 The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

12.3 Provisions are not recognised for future operating losses.

12.4 Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

13. CONDITIONAL GRANTS AND RECEIPTS

2005/06 Financial Year

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations. If it has not been met it is recognised as a liability.

2006/07 Financial Year

13.1 Government grants are recognised when there is reasonable assurance that:

- the municipality will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

- 13.2 A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.
- 13.3 Government grants related to assets, including non-monetary grants at fair value, are presented in the Statement of Financial Position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.
- 13.4 Grants related to income are presented as a credit in the Statement of Financial Performance.
- 13.5 Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.
- 13.6 Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

14. REVENUE RECOGNITION

2005/06 Financial Year

14.1 Levies

Enterprises are assessed on a monthly basis and charged an establishment and service charge levy using turnover and human resource costs, respectively.

The tariffs for levies on turnover and human resources costs differ in accordance with the operating budget approval.

Levy income is recognised on the receipt of actual assessments.

Payments received regarding undeclared figures are considered creditors in the municipality's records.

Audit Qualification

The accounting policy for revenue does not comply with the requirements of GAMAP 9: *Revenue*.

In terms of paragraph 50, levies shall be recognised as revenue when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and the amount of the revenue can be measured reliably. Paragraph 51 continues to state that revenue will be determined from declarations actually received by due date of the payment, together with an estimate of levies due when a levy payer has not submitted a declaration in the reporting period where payment was due. Based on this requirement, the levy revenue for the 2005–06 year should be recognised irrespective of whether a declaration has been submitted by 30 June 2006. The total misstatement cannot be determined.

2006/07 Financial Year

- 14.1 When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the statement of financial position date.

The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the statement of financial position date can be measured reliably; and

- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

14.2 When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

14.3 Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable services provided in the normal course of business, net of value added tax.

Services

14.4 Service income is recognised on an invoice basis.

Interest and Rentals

14.5 Interest and rentals are recognised on a time proportion basis in the Statement of Financial Performance.

14.6 Agency Services

Income from agency services is recognised once such income has been received in accordance with a service level agreement.

Exemption

In accordance with Government Gazette 30013 dated 29 June 2007 Amathole District Municipality accepted the following exemptions paragraphs granted in terms of GAMAP 9 Revenue:

- Initial measurement of fair value discounting all future receipts using an imputed rate of interest [SAICA circular 09/06 and paragraph 12]

15. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of

2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

16. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003) the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998).

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17. FRUITLESS AND WASTEFUL EXPENDITURE

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

18. COMPARATIVE INFORMATION

18.1 Current year comparative:

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

18.2 Prior year comparatives:

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2007

1. INFRASTRUCTURE, PLANT AND EQUIPMENT

MUNICIPALITY						
Reconciliation of Carrying Value	Prop-erty	Infrastruc-ture	Communi-ty	Her-itage	Other	Total
	R	R	R	R	R	R
As at 1 July 2006	723,236	12,764,080	4,596,073	-	54,301,686	72,385,075
Cost	781,714	13,232,090	4,909,080	-	55,671,650	74,594,534
Revaluation	-	-	-	-	9,692,262	9,692,262
Accumulated depreciation	58,478	468,010	313,007	-	11,062,226	11,901,721
Acquisitions	-	276,898,076	925,568	-	14,216,685	292,040,329
Capital under Construction	-	330,538,485				330,538,485
Increases/decreases in revaluation	-	-	-	-	-	-
Depreciation	36,933	31,276,249	244,144	-	6,802,432	38,359,758
based on cost	36,933	31,276,249	244,144	-	6,328,065	37,885,391
based on revaluation					474,367	474,367
Carrying value of disposals	-	-	-	-	172,644	172,644
Cost/revaluation	-	-	-	-	247,479	247,479
Accumulated depreciation	-	-	-	-	74,835	74,835

CARRYING VALUES						
As at 30 June 2007	686,303	588,924,392	5,277,497	-	61,543,295	656,431,487
Cost	781,714	620,668,651	5,834,648	-	69,640,856	696,925,869
Revaluation	-	-	-	-	9,692,262	9,692,262
Accumulated depreciation	95,411	31,744,259	557,151	-	17,789,823	50,186,644
Cost	95,411	31,744,259	557,151	-	16,655,529	49,052,350
Revaluation					1,134,294	1,134,294

1. INFRASTRUCTURE, PLANT AND EQUIPMENT (Cont.)

MUNICIPALITY						
Reconciliation of Carrying Value	Prop-erty	Infrastruc-ture	Communi-ty	Heri-tage	Other	Total
	R	R	R	R	R	R
CARRYING VALUES						
As at 1 July 2005	771,447	3,617	4,795,449	-	51,329,294	56,899,807
Cost	781,714	4,794	4,909,080	-	48,573,545	54,269,133
Revaluation	-	-	-	-	9,692,262	9,692,262
Accumulated depreciation	10,267	1,177	113,631	-	6,936,513	7,061,588
Cost	-	1,177	113,631	-	6,750,953	6,865,761
Revaluation	10,267	-	-	-	185,560	195,827
Aquisition	-	13,227,296	820,072	-	8,825,842	22,873,210
Capital under construction	-	-	-	-	-	-
Increases/decreases in revaluation						-
Depreciation	48,211	466,832	215,078	-	5,260,356	5,990,478
based on cost	48,211	466,832	215,078	-	4,785,989	5,516,111
based on revaluation	-	-	-	-	474,367	474,367
Carrying value of disposals	-	-	-	-	593,094	593,094
Cost/revaluation	-	-	-	-	1,727,737	1,727,737
Accumulated depreciation	-	-	-	-	1,134,643	1,134,643
Impairment losses	-	-	-	-	-	-
CARRYING VALUES						
As at 30 June 2006	723,236	12,764,080	4,596,073	-	54,301,686	72,385,075
Cost	781,714	13,232,090	4,909,080	-	55,671,650	74,594,534
Revaluation	-	-	-	-	9,692,262	9,692,262
Accumulated depreciation	58,478	468,010	313,007	-	11,062,226	11,901,721
Cost	58,478	468,010	313,007	-	10,402,299	11,241,794
Revaluation	-	-	-	-	659,927	659,927

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2007

GROUP						
Reconciliation of Carrying Value	Property	Infrastruc- ture	Communi- ty	Heri- tage	Other	Total
	R	R	R	R	R	R
As at 1 July 2006	723,236	12,764,080	4,596,073	-	54,567,461	72,650,850
Cost	781,714	13,232,090	4,909,080	-	55,977,645	74,900,529
Revaluation				-	9,692,262	9,692,262
Accumulated depreciation	58,478	468,010	313,007	-	11,102,446	11,941,941
Acquisitions	-	276,898,076	925,568	-	14,278,435	292,102,079
Capital under construction		330,538,485				330,538,485
Increases/decreases in revaluation	-	-	-	-	-	-
Depreciation	36,933	31,276,249	244,144	-	6,874,074	38,431,400
based on cost	36,933	31,276,249	244,144	-	6,399,707	37,957,033
based on revaluation		-		-	474,367	474,367
Carrying value of disposals	-	-	-	-	197,013	197,013
Cost/revaluation	-	-	-	-	281,778	281,778
Accumulated depreciation	-	-	-	-	84,765	84,765

CARRYING VALUES						
As at 30 June 2007	686,303	588,924,392	5,277,497	-	61,774,809	656,663,001
Cost	781,714	620,668,651	5,834,648	-	69,974,302	697,259,315
Revaluation	-	-	-	-	9,692,262	9,692,262
Accumulated depreciation	95,411	31,744,259	557,151	-	17,891,755	50,288,576
Cost	95,411	31,744,259	557,151	-	16,757,461	49,154,282
Revaluation			-	-	1,134,294	1,134,294

GROUP						
Reconciliation of Carrying Value	Property	Infrastruc- ture	Commu- nity	Heri- tage	Other	Total
	R	R	R	R	R	R
CARRYING VALUES As at 1 July 2005	771,447	3,617	4,795,449	-	51,329,294	56,899,807
Cost	781,714	4,794	4,909,080	-	48,573,545	54,269,133
Revaluation				-	9,692,262	9,692,262
Accumulated depreciation	10,267	1,177	113,631	-	6,936,513	7,061,588
Cost	-	1,177	113,631	-	6,750,953	6,865,761
Revaluation	10,267			-	185,560	195,827
Aquisition	-	13,227,296	820,072	-	9,131,837	23,179,205
Capital under construction	-			-	9,131,837	23,179,205
Increases/decreases in revaluation						-
Depreciation	48,211	466,832	215,078	-	5,300,576	6,030,698
based on cost	48,211	466,832	215,078	-	4,826,209	5,556,331
based on revaluation		-		-	474,367	474,367
Carrying value of disposals	-	-	-	-	593,094	593,094
Cost/revaluation	-	-	-	-	1,727,737	1,727,737
Accumulated depreciation	-	-	-	-	1,134,643	1,134,643
Impairment losses	-	-	-	-	-	-

CARRYING VALUES As at 30 June 2006	723,236	12,764,080	4,596,073	-	54,567,461	72,650,850
Cost	781,714	13,232,090	4,909,080	-	55,977,645	74,900,529
Revaluation		-			9,692,262	9,692,262
Accumulated depreciation	58,478	468,010	313,007	-	11,102,446	11,941,941
Cost	58,478	468,010	313,007	-	10,442,519	11,282,014
Revaluation				-	659,927	659,927

In terms of Government Gazette 30013 dated 29 June 2007 the municipality has utilised the exemption under GAMAP 12 – Inventories. The municipality possibly has housing stock which has been recognised as infrastructure, plant and equipment.

In terms of the Government Gazette, the municipality has been granted additional time to identify any items of Infrastructure, plant and equipment that should actually be recognised and disclosed as inventory.

In terms of the Government Gazette 30013 dated 29 June 2007 the municipality has utilised the exemption under IAS 40 – Investment property.

Included in community assets above are items that may meet the definition of investment property but have been included as infrastructure, plant and equipment because the municipality had not finalised the process of identifying investment property for reporting purposes. These items will be transferred to investment property once they have been identified as investment property, and that until this has been done the property has been included as infrastructure, plant and equipment in the annual financial statements.

No restriction on title exists on any assets held.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2007

1. REVALUATIONS

Included in other assets above are land and buildings that have been revalued.

The effective date of the revaluation was 1 December 2004. The revaluation was performed by independent valuer Penny Lindstrom [Member of the Institute of Valuers], of Penny Lindstrom Property & Valuation Services. Penny Lindstrom Property and Valuation services is not connected to the municipality.

Land and buildings are re-valued independently every 3–5 years.

The valuation was performed using depreciated replacement values.

Infrastructure, plant and equipment subjected to finance leases.

Included in the community assets above is the following office equipment subject to finance leases:

Office Equipment	2006/07 R	2005/06 R
Cost	1,837,194	1,837,194
Accumulated depreciation	(1,145,365)	(777,926)
	691,829	1,059,268

2. INTANGIBLE ASSETS

	2007			2006		
	Cost	Accumulated Amortisation	Carrying Value	Cost	Accumulated Amortisation	Carrying Value
Computer software – Application software	1,018,212	(841,959)	176,252	1,018,212	(702,636)	315,576
License fees	59,604	(59,604)	–	59,604	(59,604)	–
Total	1,077,816	(901,563)	176,253	1,077,816	(762,240)	315,576

RECONCILIATION OF INTANGIBLE ASSETS – 2007

	Opening Carrying Amount	Additions	Disposals	Amortisation R	Total R
Computer software – Application software	315,576	-	-	(139,323)	176,253
	315,576	-	-	(139,323)	176,253

RECONCILIATION OF INTANGIBLE ASSETS – 2006

	Opening Carrying Amount	Additions	Disposals	Amortisation R	Total R
Computer software – Application software	458,120	0	-	(142,544)	315,576
	458,120	-	-	(142,544)	315,576

3. INVESTMENTS

MUNICIPALITY			GROUP	
2006/07	2005/06		2006/07	2005/06
R	R		R	R
		INVESTMENT IN SUBSIDIARY		
1,000	1,000	Investments in Municipal Entity – cost		
1,000	1,000	Total	-	-

1,000	1,000	Council's Valuation of Unlisted Investments Investments in Municipal Entities	-	-
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		INVESTMENTS IN MUNICIPAL ENTITIES		
		Amathole Economic Development Agency (Pty) Ltd		
1,000	1,000	Issued Share Capital (1000 ordinary shares of R1,00 each)		
100%	100%	Percentage owned by Council		

MUNICIPALITY			GROUP	
2006/07 R	2005/06 R	INVESTMENTS	2006/07 R	2005/06 R
		<p><i>The Amathole Economic Development Agency was established 1 September 2005</i> Place of Incorporation: South Africa Principal Activity: To promote local economic development in the Amathole District Municipal Area.</p> <p>3.2 Financial assets</p> <p>Held to maturity financial assets</p> <p>The following fixed deposit accounts have been classified as held to maturity financial assets in accordance with IAS 39: Financial Instruments.</p> <p>Maturity periods are fixed and range between 6–12 months.</p> <p>In accordance with the municipality’s risk management policy deposits are only made with major banks with quality credit standing and limits exposure to any one counter party.</p> <p>The financial assets disclosed in the note below have not been disclosed as cash and cash equivalents due to the fixed deposits not having a maturity period of 3 months or less as at Statement of Financial Position date.</p>		
472,516,696	465,451,549	Call investment deposits	472,516,696	465,451,549
472,516,696	465,451,549	Total: Call Investment Deposits	472,516,696	465,451,549

		Call Investment Deposits			
		Institution	Account No		
7,353,145	7,143,644	STANDARD BANK	346649	7,353,145	7,143,644
10,509,589	10,318,356		333072	10,509,589	10,318,356
10,327,671	10,086,918		356104	10,327,671	10,086,918
13,316,363	13,094,740		352921	13,316,363	13,094,740
11,441,929	11,152,975		355421	11,441,929	11,152,975
11,283,077	11,095,610		356106	11,283,077	11,095,610
10,132,778	10,032,658		353664	10,132,778	10,032,658
10,151,137	10,044,603		336439	10,151,137	10,044,603
10,375,411	10,176,438		356920	10,375,411	10,176,438

MUNICIPALITY				GROUP	
2006/07 R	2005/06 R	INVESTMENTS		2006/07 R	2005/06 R
		Call Investment Deposits			
		Institution	Account No		
12,636,625	12,266,104	INVESTEC	814695	12,636,625	12,266,104
13,362,985	13,206,273		820481	13,362,985	13,206,273
10,430,945	10,200,356		817131	10,430,945	10,200,356
10,517,644	10,210,082		815329	10,517,644	10,210,082
10,430,945	10,182,178		817130	10,430,945	10,182,178
10,208,219	10,045,370		825251	10,208,219	10,045,370
7,230,616	7,111,070		819394	7,230,616	7,111,070
10,116,507	10,046,000		827464	10,116,507	10,046,000
10,372,192	10,182,178		818400	10,372,192	10,182,178
13,171,315	13,054,974		ABSA	2057-092-476	13,171,315
10,519,233	10,040,986	2059-800-124		10,519,233	10,040,986
12,269,063	12,234,740	2057-067-401		12,269,063	12,234,740
15,150,658	15,127,233	2069-488-868		15,150,658	15,127,233
10,082,411	10,042,575	2062-856-304		10,082,411	10,042,575
10,407,452	10,149,589	2064-823-579		10,407,452	10,149,589
-	2,016,225	2065-284-051		-	2,016,225
12,308,811	10,042,000	2065-364-471		12,308,811	10,042,000
10,424,247	10,153,425	2065-585-419		10,424,247	10,153,425
10,169,068	10,191,096	FNB		FD07J25010	10,169,068
10,370,233	10,042,192		FD07I06001	10,370,233	10,042,192
8,321,403	8,123,616		FD07H28001	8,321,403	8,123,616
12,389,260	12,099,666		FD07I26007	12,389,260	12,099,666
12,270,510	12,029,195		FD07J17001	12,270,510	12,029,195
12,505,973	12,197,014		FD07H14001	12,505,973	12,197,014
8,206,317	8,060,263		FD07J10001	8,206,317	8,060,263
10,100,438	10,166,110		FD07L12003	10,100,438	10,166,110
10,133,205	10,043,096		FD07K21001	10,133,205	10,043,096
12,099,209	12,215,556	NEDBANK	03/7881714026/000070	12,099,209	12,215,556
12,137,589	12,264,230		03/7881714026/000069	12,137,589	12,264,230
12,380,137	12,085,578		03/7881714026/000064	12,380,137	12,085,578
12,476,975	10,140,055		03/7881714026/000063	12,476,975	10,140,055
10,133,205	10,041,137		03/7881714026/000068	10,133,205	10,041,137
14,061,370	14,059,490		03/7881714026/000073	14,061,370	14,059,490
-	2,015,764		03/7881714026/000042	-	2,015,764
10,187,000	10,042,493		03/7881714026/000067	10,187,000	10,042,493
10,043,836	10,177,699		03/7881714026/000072	10,043,836	10,177,699
472,516,696	465,451,549				472,516,696

MUNICIPALITY			GROUP	
2006/07	2005/06		2006/07	2005/06
R	R		R	R
		4. LONG TERM RECEIVABLES		
487,158	964,529.26	Car loans	487,158	964,529.26
226,459	54,500.40	Deposits	226,459	54,500.40
42,815	49,530.00	Loans to Local Municipalities	42,815	49,530.00
756,432	1,068,559.66		756,432	1,068,559.66
164,301	351,115	Less: Short term portion transferred to current assets	164,301	351,115
158,646	344,400	Car loans	158,646	344,400
5,655	6,715	Loans to Local Municipalities	5,655	6,715
592,132	717,445	TOTAL	592,132	717,445
		<p>The car loans and loans to local municipalities have been recognised at its face value and not fair value due to the municipality utilising the exemption provided by the Government Gazette 30013 dated 29 June 2007 on IAS 39: Financial Instruments which exempts the municipality of accounting for financial assets and liabilities at fair value.</p> <p>Car loans Senior staff are entitled to car loans which attract interest at 8% per annum and which are payable over a maximum period of 6 years.</p> <p>These loans are expected to be redeemed in full by 30 June 2010.</p> <p>Loans to Local Municipalities The loans to the local municipalities represents loans to Winterstrand and Kei Road. The loans currently attracts interest at 4% per annum and is repayable over a period of 40 years.</p>		
		5. INVENTORY		
418,699	223,517	Consumable stores: at cost	418,699	223,517
49,694,567	38,180,446	Housing projects	49,694,567	38,180,446
26,410,207	26,410,207	Unsold properties held for resale: settlements	26,410,207	26,410,207
76,523,473	64,814,170	Total Inventory	76,523,473	64,814,170

MUNICIPALITY			GROUP	
2006/07	2005/06		2006/07	2005/06
R	R		R	R
		<p>Housing Projects</p> <p>Unsold resale: settlements</p> <p>In accordance with GAMAP 12 land owned for housing, selling or other developments have to be transferred from PPE to inventory at the lower of cost or current replacement value. A project to identify all Council's land and improvements was undertaken in the prior financial year.</p> <p>In accordance with Government Gazette 30013 dated 29 June 2007 the municipality has been granted additional time to identify any items of property, plant and equipment that should be recognised and disclosed as inventory. Infrastructure, plant and equipment may therefore include a component of Inventory that has not been disclosed under the Inventory note.</p> <p>Water stock</p> <p>The municipality has not accounted for water stock that has not been purchased in accordance with the GAMAP 12 exemption provided by way of the Government Gazette 30013 dated 29 June 2007.</p>		
		6. CONSUMER RECEIVABLES		
1,864,612	11,143,031	Levies	1,864,612	11,143,031
5,269,560	12,838,708	- Levies	5,269,560	12,838,708
(3,404,949)	(1,695,677)	Less: Provision for bad debts	(3,404,949)	(1,695,677)
(0)	-	Water and sanitation	(0)	-
27,029,231	-	- Water	27,029,231	-
25,046,881	-	- Sanitation	25,046,881	-
6,278,347	-	- Interest on arrears component	6,278,347	-
58,354,459	-		58,354,459	-
(58,354,459)	-	Less: Provision for bad debts	(58,354,459)	-
1,864,612	11,143,031	Total consumer receivables	1,864,612	11,143,031
		The ageing of debtors are as follows:		

MUNICIPALITY			GROUP	
2006/07	2005/06		2006/07	2005/06
R	R		R	R
		LEVIES		
	722	Current	1,972,046	722
	379,966	30–60 Days	248,225	379,966
	180,155	60–90 Days	108,399	180,155
	463,467	90–120 Days	83,776	463,467
	752,737	120–330 Days	565,303	752,737
5,269,560	3,391,355	+330 Days	2,291,811	3,391,355
5,269,560	5,168,401	TOTAL	5,269,560	5,168,401
		RSC levies was abolished with effect from 1 July 2006. The levies consumer receivable recognised above represents in accordance with paragraph 52 of GAMAP 9 the estimate of levies due where levy payers had not submitted declarations in the reporting period where payment was due.		
		Water and Sanitation		
12,242,364	-	Current	12,242,364	-
3,640,730	-	30 – 60 Days	3,640,730	-
2,865,313	-	60 – 90 Days	2,865,313	-
4,300,251	-	90 – 120 Days	4,300,251	-
17,234,921	-	120 – 330 Days	17,234,921	-
19,071,601	-	+ 330 Days	19,071,601	-
59,355,180	-	TOTAL	59,355,180	-
		The water and sanitation receivables relate to the take on of the water infrastructure assets in accordance with provincial notice 80 dated 27th of September 2000 in terms of section 12 of the Local Government Municipal Structures Act. The effective transfer date of all the verifiable assets and liabilities taken on from the local municipalities was 1 July 2006. Bad Debt Provision The bad debt provision is calculated on the ageing of debtors. Council's policy is to provide 100% on all debtors' balances which have been outstanding for period between 120 days and 330 days. All balances outstanding for more than 330 days are 100% provided for. The municipality has recognised consumer debtors at its face value and not fair value. This is consistent with the Circular 9 and IAS 39 Financial Instruments exemptions provided by the Government Gazette 30013 dated 29 June 2007.		

MUNICIPALITY			GROUP	
2006/07	2005/06		2006/07	2005/06
R	R		R	R
		7. OTHER RECEIVABLES		
7,647,412	14,957,519	Other receivables	7,767,308	14,727,195
7,647,412	5,639,603	Sundry receivables	7,767,308	5,409,279
-	9,317,916	Department of Health	-	9,317,916
(1,949,988)	(628,275)	Less: Provision for bad debtors	(1,949,988)	(628,275)
5,697,424	14,329,244	TOTAL	5,817,320	14,098,920

		The municipality has recognised other receivables at its face value and not fair value. This is consistent with the Circular 9 and IAS 39 Financial Instruments exemptions in terms of Government Gazette 30013 dated 29 June 2007.		
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		8. VAT RECEIVABLE		
17,896,695	7,349,433	Vat receivable	17,327,541	7,500,875
17,896,695	7,349,433		17,327,541	7,500,875

		Amathole District Municipality is registered on the invoice basis for Value Added Tax.		
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		9. BANK BALANCES AND CASH		
		The cash position at financial year end was made up of the following:		
(4,035,405)	12,161,036	Current Account	(368,642)	15,526,250
60,492,555	30,000,000	Call Account	60,492,555	30,000,000
2,000	2,400	Imprest Account	2,861	3,512
307,970	131,100	Plus: Cancelled cheques	307,970	131,100
56,767,120	42,294,536	Total Cash Reserves	60,434,743	45,660,862

MUNICIPALITY			GROUP	
2006/07	2005/06		2006/07	2005/06
R	R		R	R
		SUPPLEMENTARY BANK ACCOUNT INFORMATION		
(4,035,405)	12,161,036	CURRENT ACCOUNTS TOTAL	(368,642)	15,526,250
(4,570,018)	12,142,043	MEEG BANK Closing Balance	(903,255)	15,507,257
12,142,043	-	Opening Balance	15,507,257	-
		Account No 4063093498 East London, 5200		
534,613	18,993	STANDARD BANK Closing Balance	534,613	18,993
18,993	22,324,877	Opening Balance	18,993	22,324,877
		Account No 081093454 East London, Main Branch		

60,492,555	30,000,000	CALL ACCOUNTS TOTAL	60,492,555	30,000,000
50,492,555	30,000,000	Call Account Closing Balance	50,492,555	30,000,000
30,000,000	-	Opening Balance	30,000,000	-
		MEEG BANK Account No 9157439416		
10,000,000	-	Call Account Closing Balance	10,000,000	-
-	15,000,000	Opening Balance	-	15,000,000
		STANDARD BANK Account No 88643816001		

		10. LONG TERM LOAN: DBSA		
6,902,734	-	Development Bank of South Africa Loan [Refer Appendix A]	6,902,734	-
6,902,734	-		6,902,734	-
				-
6,052,533	-	Non current portion	6,052,533	-
850,201	-	Current portion	850,201	-
6,902,734	-		6,902,734	-
		The Development Bank of South Africa loans were taken over by Amathole District Municipality from the Local Municipalities effective 1 July 2006 when Amathole District Municipality effectively took over the water and sanitation function from the various Local Municipalities.		
		Refer to Appendix A for the terms and conditions relating to the DBSA loans.		

MUNICIPALITY			GROUP	
2006/07	2005/06		2006/07	2005/06
R	R		R	R
		11. FINANCE LEASE OBLIGATION		
		Minimum lease payments due		
454,254	493,790	– within one year	454,254	493,790
494,507	948,761	– in second to fifth year inclusive	494,507	948,761
–	–	– later than five years	–	–
948,761	1,442,551		948,761	1,442,551
(116,709)	(237,957)	less: future finance charges	(116,709)	(237,957)
832,052	1,204,594	Present value of minimum lease payments	832,052	1,204,594

		Present value of minimum lease payments due		
379,632	372,542	– within one year	379,632	372,542
452,420	832,052	– in second to fifth year inclusive	452,420	832,052
–	–	– later than five years	–	–
832,052	1,204,594		832,052	1,204,594

452,420	832,052	Non current liabilities	452,420	832,052
379,632	372,542	Current liabilities	379,632	372,542
832,052	1,204,594		832,052	1,204,594

		<p>It is the municipality's policy to lease certain office equipment under finance leases.</p> <p>The average lease term was 5 years and the average effective borrowing rate was 12% (Prior Year: 12%).</p> <p>All leases have fixed repayment terms with no annual escalation rate, but varies with the changes in the prime interest rate.</p> <p>No arrangements have been entered into for contingent rent.</p> <p>The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.</p>		
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MUNICIPALITY			GROUP	
2006/07	2005/06		2006/07	2005/06
R	R		R	R
		12. OPERATING LEASE LIABILITY		
		In accordance with IAS 17/(AC 105), operating lease income and expenses have been recognised on a straight line basis over the lease term.		
		The effect of accounting for operating leases on the straight line basis had the following effect:		
		Non current liabilities		
125,868	28,247	Operating lease accrual	145,172	42,917
125,868	28,247		145,172	42,917

		13. DEFERRED INCOME		
		The deferred income relates to Government Grants related to assets which have been accounted for in accordance with IAS 20/(AC 134) Government grants.		
		The government grant funding that has been received has been set up as deferred income which is recognised as income on a systematic and rational basis over the useful life of the asset.		
329,496,501	-	Government grants related to the construction of water infrastructure assets [CMIP and DWAF: Refer note 37].	329,496,501	-
5,957,242	6,659,489	Government grants related to other assets	5,957,242	6,659,489
335,453,743	6,659,489		335,453,743	6,659,489
334,751,496	5,981,735	Non current liabilities	334,751,496	5,981,735
702,247	677,754	Current liabilities	702,247	677,754
335,453,743	6,659,489		335,453,743	6,659,489

		14. CONSUMER DEPOSITS		
285,060	-	Consumer deposits	285,060	-
285,060	-		285,060	-
		The consumer deposits relate to the water and sanitation function. The deposits are considered to be of a long term nature.		

MUNICIPALITY			GROUP	
2006/07	2005/06		2006/07	2005/06
R	R		R	R
		15. TRADE AND OTHER PAYABLES		
39,817,452	31,261,875	Trade payables	39,817,452	31,261,875
37,585,238	38,450,299	Other payables	37,604,394	38,558,765
40,442	-	RSC levies paid in advance	40,442	-
2,532,339	-	Amounts received in advance: Water and sanitation	2,532,339	-
45,911	23,099	Accrued leave pay	272,247	89,769
675,746	824,782	Accrued performance bonus	792,212	866,711
2,044,249	2,493,969	Accrued service bonus	2,044,249	2,493,969
174,000,261	181,708,294	Unspent Conditional Grants and Receipts (Refer annexure 1)	174,002,520	181,815,553
587,060	2,738,672	Equitable Share Projects	587,060	2,738,672
832,425	-	Indebtness to municipal entity: Amathole Economic Development Agency	0	-
258,161,123	257,500,989	TOTAL	257,692,915	257,825,313

The movement on the leave accrual balance as above for the 2007 financial year was as follows:

		Staff Leave Pay		
2,664,718	2,145,210	Opening Balance	2,730,815	2,145,210
6,104,791	2,620,149	Plus: Contributions during the year	6,265,030	2,686,246
(3,473,147)	(2,100,641)	Leave sold during the year	(3,473,147)	(2,100,641)
5,296,362	2,664,718	Total leave accrual	5,522,698	2,730,815
5,250,451	2,641,619	Non current portion of leave accrual	5,250,451	2,641,046
45,911	23,099	Current portion of leave accrual	272,247	89,769
5,296,362	2,664,718		5,522,698	2,730,815

		16. REGIONAL SERVICE CHARGES		
10,911,627	128,604,451	Levies	10,911,627	128,604,451
10,911,627	128,604,451	Total Service Charges	10,911,627	128,604,451

RSC levies was abolished with effect from 1 July 2006. The RSC levies that has been disclosed in the Statement of Financial Performance represents RSC revenue received by 20th of July 2006 for RSC levies from June 2006. This is in accordance with GAMAP 9 paragraph 52 which states a reliable measurement of levies can usually only be made on the due date of payment which was 20 July 2006.

MUNICIPALITY			GROUP	
2006/07	2005/06		2006/07	2005/06
R	R		R	R
		17. GOVERNMENT GRANTS AND SUBSIDIES		
111,544,918	90,284,664	Equitable share	111,544,918	90,284,664
128,024,000	-	Levy replacement grant	128,024,000	-
91,205,178	197,695,680	Conditional Grants: conditions met – transferred to revenue	91,355,178	198,250,135
702,453	-	Release of deferred income	702,453	-
331,476,548	287,980,344	TOTAL GOVERNMENT GRANT AND SUBSIDIES	331,626,548	288,534,799

		Based on the allocations set out in the Division of Revenue Act. Act 1 of 2005) significant changes in the level of government grant funding have materialised due to the allocation of the RSC levy replacement grant.		
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		17.1 Equitable Share		
		This grant is used to subsidise the following functions:		
		WSP		
		WSA		
		Engineering Services		
		Disaster Management		
		Health & Protection Services		
		Fire service		
		Building & Services Planning		
		Municipal Manager		
		PMU		

		17.2 Income for Agency Services		
2,490,489	-	Balance outstanding at beginning of year	2,490,489	-
17,693,769	10,677,840	Total Income	17,693,769	10,677,840

MUNICIPALITY			GROUP	
2006/07	2005/06		2006/07	2005/06
R	R		R	R
17,621,836	10,625,920	Subsidy received	17,621,836	10,625,920
71,934	51,920	Other income	71,934	51,920
(18,883,580)	(8,187,351)	Total Expenditure	(18,883,580)	(8,187,351)
(18,811,646)	(8,135,431)	Less: Expenditure subsidy	(18,811,646)	(8,135,431)
(71,934)	(51,920)	Less: Other expenditure relating to sundry income	(71,934)	(51,920)
1,300,677	2,490,489	Conditions still to be met – transferred to creditors	1,300,677	2,490,489

		The Municipality renders health services on behalf of the Provincial Government and is refunded 100% of the total expenditure incurred.		
		The conditions of the grant have been met. There was a delay in receiving the subsidy due to negotiations regarding the Service Level Agreement.		

		17.3 Conditional Grants		
181,708,293	115,048,218	Balance unspent at beginning of year	181,708,293	115,048,218
205,170,082	252,618,196	Current year receipts	205,170,082	252,618,196
7,513,715	5,701,699	Interest received	7,513,715	5,701,699
(225,117,486)	(191,659,821)	Less: Expenditure	(225,117,486)	(191,659,821)
169,274,604	181,708,293	Condition still to be met – transferred to liabilities (see note 3)	169,274,604	181,708,293

Refer to Annexure 1

		18. OTHER INCOME		
3,013,150	3,207,247	Other income	3,013,150	3,293,206
1,035,180	1,313,268	Administration fees	1,035,180	1,313,268
4,048,330	4,520,515	Total Other Income	4,048,330	4,606,474

19. GAIN ON TRANSFER OF WATER INFRASTRUCTURE	
	The provisions of Provincial notice 80 dated 27 September 2000, issued in terms of section 12 of the Local Government Municipal Structures Act, provides for the transfer of the Water Service.
	Authority and Water Service Provider duties to the Amathole District Municipality, effective 01 July 2006, for the district municipality's areas excluding Buffalo City Municipality.
	In terms of sub-paragraph 6(1) of Provincial notice 80 "The assets, liabilities and obligations of a disestablished municipality... (are) transferred to the new municipality...".
	The ADM embarked on an asset verification programme aimed at determining all immovable properties to be transferred from the local municipalities' financial records.
	Similarly, the ADM embarked on a process of third party confirmations and/or assessments of all consumer debtors, liabilities and obligations that were identified for transfer from the local municipalities.
	Only immovable assets identified as per the ADM's verification exercise, the identified fleet currently being utilised within operations, and incumbent liabilities are incorporated into the financial records.
	The financial records of the Amahlathi Local Municipality was incorporated into the financial records of the ADM (Only municipality with un-disclaimed audited financial records).
	All unsubstantiated balances will remain within the local municipalities' financial records (Mbhashe LM, Mquma LM, Great Kei LM, Ngqushwa LM Nkonkobe LM, Nxuba LM).
	The value of the water receivables of 6 local municipalities at 30 June 2007 were not recognised in the annual financial statements as the applicable recognition and measurement criteria were not met.
	The incorporation of the financial records of Amahlathi Local Municipality and various balances from other municipalities resulted in gains in the financial records of the ADM.
	The gains (excess of assets over liabilities) are recognised through the Statement of Financial Performance.

MUNICIPALITY			GROUP	
2006/07	2005/06		2006/07	2005/06
R	R		R	R
15,824,654	-	Gain on transfer of Amahlathi water infrastructure assets	15,824,654	-
276,238,055	-	Gain on transfer of other local municipality water infrastructure assets	276,238,055	-
292,062,709			292,062,709	

20. OPERATING SURPLUS			
	Operating surplus is stated after the following:		
	Operating lease charges		

MUNICIPALITY			GROUP	
2006/07	2005/06		2006/07	2005/06
R	R		R	R
		<i>Premises</i>		
3,035,416	2,261,722	- Contractual amounts	3,035,416	2,261,722
		<i>Motor vehicles</i>		
1,251,854	174,453	- Contractual amounts	1,251,854	174,453
		<i>Office Equipment</i>		
143,740	119,031	- Contractual amounts	143,740	119,031
4,431,010	2,555,206		4,431,010	2,555,206

		Cost of inventories		
11,514,122	5,883,556	Housing inventories	11,514,122	5,883,556
2,380,931	448,481	Stores and materials	2,380,931	448,481
24,911,731	15,446,412	Water purchases	24,911,731	15,446,412
38,806,784	21,778,450		38,806,784	21,778,450

(63,400)	(219,860)	Surplus on sale of infrastructure, plant and equipment	(66,879)	(219,860)
37,885,391	5,847,934	Depreciation on infrastructure, plant and equipment	37,957,033	5,888,154
139,323	142,544	Amortisation on intangible assets	139,323	142,544
165,993	354,779	Loss on sale of assets	165,993	354,779
		Gain on disposal of infrastructure, plant and equipment		

12,823,999	10,330,956	Amount expensed in respect of retirement benefit plans:	12,823,999	10,330,956
11,972,932	10,075,064	Defined contribution funds	11,972,932	10,075,064
851,067	255,892	Defined benefit funds	851,067	255,892

		21. EMPLOYEE RELATED COSTS PER THE PAYROLL		
77,342,595	51,386,408	Employee related costs – salaries and wages	80,598,030	52,845,183
15,363,840	9,921,683	Employee related costs – contribution for UIF, pensions and medical aid.	15,363,840	9,921,683
8,347,947	5,701,551	Travel, motor car, accommodation, subsistence and other allowances	8,347,947	5,701,551

MUNICIPALITY			GROUP	
2006/07	2005/06		2006/07	2005/06
R	R		R	R
896,108	815,266	Housing benefits and allowances	896,108	815,266
2,867,735	450,084	Overtime payments	2,867,735	450,084
3,947,028	3,569,390	Bonus	3,947,028	3,569,390
6,104,790	2,629,019	Other benefits/allowances	6,104,790	2,629,019
114,870,043	74,473,401	Total Employee Related Costs	118,125,477	75,932,175

		Remuneration of the Municipal Manager		
481,207	431,622	Annual remuneration	481,207	431,622
110,573	44,116	Performance bonus	110,573	44,116
-	-	Acting allowance	-	-
-	13,560	Cell phone allowance	-	13,560
172,861	190,470	Car allowance	172,861	190,470
106,497	86,708	Contribution to UIF, medical & pension fund	106,497	86,708
871,138	766,476	Total	871,138	766,476

		Remuneration of the Chief Finance Officer		
378,136	337,200	Annual remuneration	378,136	337,200
102,453	87,540	Performance bonuses	102,453	87,540
-	-	Acting allowance	-	-
17,700	16,920	Cell phone allowance	17,700	16,920
135,469	137,903	Car allowance	135,469	137,903
96,837	87,586	Contributions to UIF, medical and pension funds	96,837	87,586
730,595	667,149	Total	730,595	667,149

		Remuneration of the Director: Administration		
387,564	341,007	Annual remuneration	387,564	341,007
103,592	82,935	Performance bonuses	103,592	82,935
-	-	Acting allowance	-	-
16,920	16,920	Cell phone allowance	16,920	16,920
129,406	141,720	Car allowance	129,406	141,720
91,659	83,627	Contributions to UIF, medical and pension fund	91,659	83,627
729,141	666,209	Total	729,141	666,209

MUNICIPALITY			GROUP	
2006/07	2005/06		2006/07	2005/06
R	R		R	R
		Remuneration of the Director: Engineering		
380,368	341,007	Annual remuneration	380,368	341,007
96,761	79,912	Performance bonuses	96,761	79,912
-	-	Acting allowance	-	-
17,700	16,920	Cell phone allowance	17,700	16,920
135,658	138,195	Car allowance	135,658	138,195
91,696	84,257	Contributions to UIF, medical and pension funds	91,696	84,257
722,183	660,291	Total	722,183	660,291

		Remuneration of the Director: Strategic Management		
386,599	339,631	Annual remuneration	386,599	339,631
70,578	18,918	Performance bonuses	70,578	18,918
-	-	Acting allowance	-	-
5,010	8,040	Cell phone allowance	5,010	8,040
136,360	148,316	Car allowance	136,360	148,316
87,509	79,354	Contributions to UIF, medical and pension funds	87,509	79,354
686,056	594,259	Total	686,056	594,259

		Remuneration of the Director: Human Resources		
386,995	341,007	Annual remuneration	386,995	341,007
88,792	76,219	Performance bonuses	88,792	76,219
-	-	Acting allowance	-	-
-	8,040	Cell phone allowance	-	8,040
136,528	141,047	Car allowance	136,528	141,047
89,044	86,621	Contributions to UIF, medical and pension funds	89,044	86,621
701,359	652,934	Total	701,359	652,934

		Remuneration of the Director: Health & Protection		
388,830	341,007	Annual remuneration	388,830	341,007
99,038	86,023	Performance bonuses	99,038	86,023
-	-	Acting allowance	-	-
17,700	16,920	Cell phone allowance	17,700	16,920
138,022	152,173	Car allowance	138,022	152,173
83,615	70,141	Contributions to UIF, medical and pension funds	83,615	70,141
727,205	666,264	Total	727,205	666,264

MUNICIPALITY			GROUP	
2006/07	2005/06		2006/07	2005/06
R	R		R	R
		Remuneration of the Director: Executive support services		
60,273	-	Annual remuneration	60,273	-
-	-	Performance bonuses	-	-
-	-	Acting allowance	-	-
1,108		Cell phone allowance	1,108	
3,600	-	Car allowance	3,600	-
22,560	-	Contributions to UIF, medical and	22,560	-
12,781	-	Contributions to UIF, Medical and Pension Fund	12,781	-
100,322	-	Total	100,322	-

The position for Director: Executive Services was filled on 1 May 2007

		Remuneration of Agency Chief Executive Officer		
		Salary	583,512	255,910
		Allowances	133,068	63,356
		Bonus	84,575	26,472
		Total	801,155	345,738

		Remuneration of Agency Chief Financial Officer		
		Salary	478,056	150,756
		Allowances	127,932	42,644
		Bonus	70,066	22,440
		Total	676,054	215,840

The Chief Financial Officer was employed from 1 March 2006

		22. REMUNERATION OF COUNCILLORS		
547,282	445,632	Executive Mayor	547,282	445,632
428,979	366,405	Speaker	428,979	366,405
4,127,169	2,999,598	Mayoral Committee Members	4,127,169	2,999,598
4,100,766	2,874,288	Councillors	4,100,766	2,874,288
-	395,413	Councillors pension contribution	-	395,413
9,204,196	7,081,336	Total Councillors` Remuneration	9,204,196	7,081,336

MUNICIPALITY			GROUP	
2006/07	2005/06		2006/07	2005/06
R	R		R	R
		In-kind Benefits		
		The Executive Mayor, Speaker and Mayoral Committee Members are full-time		
		Each is provided with an office and secretarial support at the cost of the Council		
		Mayor has use of 2 council-owned vehicles for official duties		
		The Executive Mayor has one full-time driver/bodyguard		

		The salaries, allowances and benefits of the political office-bearers are within the upper limits of the framework as prescribed by section 219 of the Constitution:		
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		Agency Directors Remuneration		
		ME Tom	12,500	20,677
		S Kondlo	14,191	14,050
		CV Kakana	23,492	17,625
		YP Balfour	15,635	12,000
		NEP Loyilane	16,237	16,331
		Total Directors Remuneration	82,055	80,683

		23. PAYE AND UIF		
-	-	Opening balance	38,818	-
15,603,473	10,932,464	Current year payroll deductions	16,381,779	10,932,464
(15,603,473)	(10,932,464)	Amount paid-current year	(16,399,848)	(10,932,464)
-	-	Amount paid-previous year	-	-
-	-	Total	20,749	-

		24. PENSION AND MEDICAL AID DEDUCTIONS		
-	-	Opening balances	-	-
16,917,393	12,633,573	Current year payroll deductions and Council contributions	16,917,393	12,633,573
(16,917,393)	(12,633,573)	Amount paid-current year	(16,917,393)	(12,633,573)
-	-	Amount paid-previous year	-	-
-	-	Total	-	-

MUNICIPALITY			GROUP	
2006/07	2005/06		2006/07	2005/06
R	R		R	R
			The pension fund contributions disclosed above includes contributions to the defined benefit and defined contribution funds.	
			The municipality has accepted the exemption provided by Government Gazette No. 30013 dated 29 June 2007 which states that defined benefit plans can be accounted for as if they were defined contribution plans.	
			Contributions made to the defined benefit plan has therefore been disclosed as contributions which has been recognised in the Statement of Financial Performance. No plan asset or liability was recognised.	

		25. RETIREMENT BENEFIT INFORMATION
		All employees belong to one of the 4 defined contribution retirement funds, namely Cape Joint Retirement Fund, SAMWU National Provident Fund, Eastern Cape Municipal Pension Fund and National Fund for Municipal Workers or one of the 3 defined benefit pension funds namely Cape Joint Pension Fund, Government Pension Fund and South African Local Authorities.
		On retirement an employee of Council has post retirement obligation to contribute 70 % to the medical cost of such an employee. As at 30 June 2007, 104 pensioners of Council received a medical aid contribution.

		26. GRANTS AND SUBSIDIES PAID		
7,675,252	16,005,236	EC121	7,675,252	16,005,236
6,693,623	11,404,190	EC122	6,693,623	11,404,190
8,365,613	3,731,462	EC123	8,365,613	3,731,462
2,047,797	3,512,645	EC124	2,047,797	3,512,645
574,803	8,331,515	EC125	574,803	8,331,515
1,756,867	2,892,569	EC126	1,756,867	2,892,569
8,227,977	4,404,313	EC127	8,227,977	4,404,313
3,733,566	917,411	EC128	3,733,566	917,411
39,075,499	51,199,341	Total Grants and Subsidies	39,075,499	51,199,341

		The grants paid to all local municipalities are in terms of the District Municipality's Integrated Development plan. The above grants relate to priority project allocations to local municipalities.		
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MUNICIPALITY			GROUP	
2006/07	2005/06		2006/07	2005/06
R	R		R	R
		27. GRANTS AND SUBSIDIES OUTSTANDING		
1,531,289	9,428,739	EC121	1,531,289	9,428,739
7,566,473	10,494,284	EC122	7,566,473	10,494,284
5,522,890	2,283,097	EC123	5,522,890	2,283,097
197,300	483,071	EC124	197,300	483,071
969,364	1,068,830	EC125	969,364	1,068,830
1,503,606	534,306	EC126	1,503,606	534,306
9,731,793	2,742,209	EC127	9,731,793	2,742,209
1,133,220	1,387,435	EC128	1,133,220	1,387,435
28,155,935	28,421,971	Total Grants and Subsidies	28,155,935	28,421,971

		The above grants relate to priority project allocations to local municipalities.		
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		28. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
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		28.1 Unauthorised expenditure		
		Reconciliation of unauthorised expenditure		
		Opening balance		
10,002,889	-	Unauthorised expenditure current year	10,002,889	-
-	-	Approved by Council or condoned	-	-
-	-	Transfer to receivables for recovery	-	-
(10,002,889)	-	Unauthorised expenditure awaiting authorisation	(10,002,889)	-
-	-		-	-

		The budget of the engineering services depreciation vote was exceeded due to unforeseen depreciation costs due to the take on of water assets, resulting in unauthorised expenditure of R10,002,889		
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MUNICIPALITY			GROUP	
2006/07	2005/06		2006/07	2005/06
R	R		R	R
		28.2 Fruitless and wasteful expenditure		
		Reconciliation of fruitless and wasteful expenditure		
		Opening balance		
-	-	Fruitless and wasteful expenditure current year	-	-
-	-	Condoned or written off by Council	-	-
-	-	To be recovered- contingent asset	-	-
-	-	Fruitless and wasteful expenditure awaiting condonement	-	-
-	-		-	-

		28.3 Irregular expenditure		
		Reconciliation of irregular expenditure		
		Opening balance		
470,456	6,097	Irregular expenditure current year	470,456	6,097
(470,456)	-	Condoned or written off by Council	(470,456)	-
-	(6,097)	Transfer to receivables for recovery- not yet condoned	-	(6,097)
-	-	Irregular expenditure awaiting condonement	-	-
-	-		-	-

		29. INVESTMENT INCOME		
		Interest revenue		
33,467,259	20,783,092	Unlisted financial assets	33,467,259	20,923,837
814,381	748,534	Current account	899,480	748,534
56,247	85,960	Loans	56,247	85,960
2,550,655	673,654	Interest charged on trade and other receivables	2,550,655	673,654
36,888,541	22,291,240		36,973,640	22,431,985

		30. FINANCE COSTS		
114,824	148,059	Finance leases	114,824	148,059
1,069,082	-	External borrowings	1,069,082	-
1,183,906	148,059		1,183,906	148,059

MUNICIPALITY			GROUP	
2006/07	2005/06		2006/07	2005/06
R	R		R	R
		31. AUDIT FEES PAID		
1,159,472	933,073	Fees	1,223,675	933,073
1,159,472	933,073		1,223,675	933,073

		32. CASH GENERATED FROM OPERATIONS		
270,977,288	38,842,337	Surplus for the year	271,661,274	42,056,135
		Adjustments for:		
102,593	134,919	Disposal of property, plant and equipment	99,114	134,919
38,024,715	5,990,478	Depreciation and amortisation	38,096,357	6,030,699
6,104,791	2,781,794	Contributions to provisions – current	6,265,030	2,781,794
61,472,868	(13,764,484)	Contribution to bad debt provision	61,472,868	(13,764,484)
–	(13,093,057)	Non cash flow: Property, plant and equipment purchased from CRR	–	(13,093,057)
(292,062,709)	–	Non cash flow: gain on transfer of water infrastructure from local municipalities	(292,062,709)	–
–	–	Non cash flow: revaluation reserve off setting of depreciation	–	–
(36,888,541)	(22,291,240)	Investment income	(36,973,640)	(22,431,985)
1,183,906	148,059	Interest paid	1,183,906	148,059
48,914,911	(1,251,193)	Operating surplus before working capital changes	49,742,200	1,862,080
(11,709,303)	72,399	(Increase)/Decrease in inventories	(11,709,303)	72,330
(43,562,628)	(1,941,732)	Increase in consumer debtors	(43,912,849)	(1,941,732)
328,794,254	–	Increase in deferred income	328,794,254	–
(7,708,032)	66,660,074	(Decrease)/increase in conditional grants and receipts	(7,813,032)	66,767,333
8,442,976	(20,498,049)	Increase/(decrease) in trade and other payables	7,600,412	(20,498,049)
(3,473,147)	(2,100,641)	Provisions paid	(3,473,147)	(2,100,641)
(10,547,262)	–	Increase in VAT receivable	(9,826,665)	–
309,151,769	40,940,858	Cash generated in operations	309,401,870	44,161,321

MUNICIPALITY			GROUP	
2006/07	2005/06		2006/07	2005/06
R	R		R	R

		33. COMMITMENTS		
		Authorised capital expenditure		
224,130,816	129,746,242	- Approved and contracted for:	224,130,816	129,746,242
216,045,594	128,338,702	<i>Infrastructure</i>	216,045,594	128,338,702
4,614,882	1,407,539	<i>Community</i>	4,614,882	1,407,539
-	-	<i>Heritage</i>	-	-
3,470,340	-	<i>Other</i>	3,470,340	-
-	-	<i>Investment properties</i>	-	-

266,881,384	140,031,889	- Approved but not yet contracted for	266,881,384	140,031,889
249,518,415	137,782,359	<i>Infrastructure</i>	249,518,415	137,782,359
7,612,970	2,249,530	<i>Community</i>	7,612,970	2,249,530
-	-	<i>Heritage</i>	-	-
9,750,000	-	<i>Other</i>	9,750,000	-
-	-	<i>Investment properties</i>	-	-
491,012,200	269,778,131	Total	491,012,200	269,778,131

		This expenditure will be financed from:		
-	-	- External loans	-	-
487,541,860	266,121,061	- District Council grants	477,791,860	266,121,061
3,470,340	3,657,069	- Own resources	3,470,340	3,657,069
-	-		-	-
491,012,200	269,778,131		481,262,200	269,778,131

		Operating leases		
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		Operating leases - as lessee (expense)		
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		Minimum lease payments due		
2,353,614	691,493	- within one year	2,681,945	691,493
2,235,343	625,859	- in second to fifth year inclusive	2,720,632	625,859
-	-	- later than five years	-	-
4,588,956	1,317,352		5,402,576	1,317,352

MUNICIPALITY			GROUP	
2006/07	2005/06		2006/07	2005/06
R	R		R	R
		Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of 3 years and rentals escalate on average at 10% p.a. No contingent rent is payable.		

		Operating leases – as lessor (income)		
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		Minimum lease payments due		
50,113	84,333	– within one year	50,113	84,333
40,091	62,974	– in second to fifth year inclusive	40,091	62,974
–	–	– later than five years	–	–
90,205	147,306		90,205	147,306

		Operating lease payments represent rentals receivable by the municipality for certain of its properties situated in Stutterheim, Komga, Cathcart, Mount Pleasant and Macleantown.		
		Leases are negotiated for an average of 4 years and rentals escalate by an average of 12% annually.		

		34. CONTINGENT LIABILITIES		
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		The following contingent liabilities have been disclosed and not recognised:		
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93,588	93,588	Iliso Consulting	93,588	93,588
26,000	–	Nedbank Ltd	26,000	–
87,592	–	S Hololoshe	87,592	–
500,000	–	PAS: Status quo analysis	500,000	–
707,179	93,588		707,179	93,588
		Iliso Consulting		

MUNICIPALITY			GROUP	
2006/07	2005/06		2006/07	2005/06
R	R		R	R
		<p>Iliso Consulting demanded from Council an amount of R93 588 for services rendered in the Ngqushwa Municipality's Makhahlane Water Supply Project. Council's attorneys responded to the Iliso Consulting's attorneys informing them that the council was not liable, and if any summons were issued against Council, then Council would defend.</p> <p>Matters are currently held in abeyance, as per agreement between parties, pending the investigation of the matter by the Amathole District Municipality and possible action against the construction company (Ziyawa Construction).</p>		
		Nedbank Ltd		
		<p>Amathole District Municipality rented a photocopier machine from Canon. The contract was allegedly ceded to Nedbank Ltd, which now claims outstanding rental.</p> <p>Discussions are currently in progress between Amathole District Municipality and the Provincial Government. Nedbank Ltd has threatened to issue summons.</p>		
		S Hololoshe		
		<p>A previous employee utilised fraudulent means to obtain payment by generating false invoices.</p> <p>A Warrant of Execution is to be issued in order to seek the Judgement debtor and his assets.</p>		
		PAS: Status quo analysis		
		<p>PAS has sued for services rendered and damages out of breach of contract. PAS failed to carry out the full terms of the contract and breached its obligations which has resulted in termination of the contract.</p> <p>Currently there is an attempt at settlement. Dates for the pre-trial conference is still to be confirmed.</p>		
		35. RELATED PARTIES		

MUNICIPALITY			GROUP	
2006/07	2005/06		2006/07	2005/06
R	R		R	R
		Relationships		
		Subsidiary / Municipal entity. Refer to Note 3.1.		
		Related party balances		
(832,425)	290,944	Owing (to) by Amathole Economic Development Agency	-	-
		Related Party Transactions		
5,000,000	5,000,000	<i>Funding provided to AEDA for the operations of the agency</i>	-	-
		36. PRIOR PERIOD ERRORS		
		Finance leases		
		Leases were not classified as operating or finance leases in accordance with IAS 17 in the prior financial years. Leases were assessed against the criteria of IAS 17 in the current financial year. This has led to certain leases being classified as finance leases which has resulted in the capitalisation of office equipment as well as recognising the corresponding liability. The prior period errors relating to leases have been corrected retrospectively.		
		Operating leases		
		In the past operating leases payments were incorrectly accounted for when they fell due and not on a straight line basis as required by IAS 17. Operating leases were straight lined in the current year and all errors were corrected retrospectively.		
		RSC levies		
		In the prior year no receivable was raised for RSC revenue where levy payers had not submitted a declaration in the reporting period where payment was due. This error was inconsistent with paragraph 51 of GAMAP 9. An exercise was undertaken in the current year to correct this error; the error has been adjusted retrospectively.		
		Service bonuses accrual		

MUNICIPALITY			GROUP	
2006/07	2005/06		2006/07	2005/06
R	R		R	R
		No accrual was made in the prior year for services bonuses in accordance with GAMAP 19.		
		This error was corrected in the current year and was adjusted retrospectively.		
		Revaluation reserve		
		A portion of the revaluation reserve was incorrectly recognised in the prior financial years on the initial recognition of property, plant and equipment where land and buildings were acquired for zero or a nominal consideration. This error is inconsistent with paragraph 27 of GAMAP 17. The error was corrected in the current financial year and was adjusted for retrospectively.		
		Government Grants		
		The accounting for the government grant reserve in the prior year was inconsistent with paragraph 12 of IAS 20. IAS 20 paragraph 12 states that government grants shall not be credited directly to equity. This error was corrected in the current financial year by setting up the government grants received as deferred income. Where the government grants related to assets, the deferred income was released to the Statement of Financial Performance on a systematic basis being the period which is consistent with the useful life of the asset the grant is related to. An error also arose during the take – on of the DWAF water assets as the take on balance was incorrectly taken to the government grant reserve due to the assets being acquired for zero consideration. No government funding was received for the take on of the DWAF water assets. The errors were corrected retrospectively. The correction of the errors resulted in adjustments as follows:		
		FINANCE LEASES		
		Statement of Financial Position		
	115,510	Adjustment against opening retained earnings 30 June 2005		115,510
	(1,204,594)	Increase in finance lease liability		(1,204,594)

MUNICIPALITY			GROUP	
2006/07	2005/06		2006/07	2005/06
R	R		R	R
	1,837,194	Increase in infrastructure, plant and equipment		1,837,194
	(777,926)	Increase in accumulated depreciation		(777,926)
	(5,429)	Increase in trade payables (Interest accrual)		(5,429)
	(35,244)			(35,244)

		Statement of Financial Performance		
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	148,059	Increase in finance charges		148,059
	345,357	Increase in depreciation		345,357
	(458,172)	Decrease in leasing and hiring costs		(458,172)
	35,244			35,244

		OPERATING LEASES – LESSORS AND LESSEES		
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		Statement of Financial Performance		
	(33,925)	Increase in rental income		(33,925)
	(33,925)			(33,925)

		Statement of Financial Position		
	62,172	Adjustment against opening retained earnings 30 June 2005		62,172
	(28,247)	Increase in rental due		(28,247)
	33,925			33,925
		RSC LEVIES		

		Statement of Financial Performance		
	(6,968,048)	Increase in RSC revenue		(6,968,048)
	(6,968,048)			(6,968,048)

		Statement of Financial Position		
	7,088,309	Increase in levies consumer receivable		7,088,309
	(120,262)	Increase in Vat liability		(120,262)
	6,968,047			6,968,047
		SERVICE BONUSES ACCRUAL		

MUNICIPALITY			GROUP	
2006/07	2005/06		2006/07	2005/06
R	R		R	R

		Statement of Financial Position		
	1,860,644	Decrease in opening retained earnings		1,860,644
	(2,493,969)	Increase in service bonus accrual		(2,493,969)
	(633,325)			(633,325)

		Statement of Financial Performance		
	633,326	Increase in service bonus expense		633,326
	633,326			633,326

		REVALUATION RESERVE		
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		Statement of Financial Performance		
	232,841	Increase in depreciation		232,841
	232,841			232,841

		Statement of Financial Position		
	(24,698,732)	Adjustment against opening retained earnings 30 June 2005		(24,698,732)
	24,465,891	Decrease in Revaluation Surplus		24,465,891
	(232,841)			(232,841)

		GOVERNMENT GRANT RESERVE		
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		Statement of Financial Position		
	(12,404,474)	Increase in accumulated surplus/ (deficit)		(12,404,474)
	19,063,963	Decrease in Government Grant Reserve		19,063,963
	(6,659,489)	Increase in deferred income		(6,659,489)
	-			-

MUNICIPALITY			GROUP	
2006/07	2005/06		2006/07	2005/06
R	R		R	R
		37. CAPITALISATION OF CMIP AND DWAF WATER INFRASTRUCTURE COSTS		
		Water infrastructure assets		
		<p>On 1 July 2006, being the effective transfer date, Amathole District Municipality became the water services provider in terms of the Strategic Framework for water services.</p> <p>This entails that Amathole with effect 1 July 2006 provides water services to consumers. Previously Amathole District Municipality was the water services authority which meant that the municipality was responsible for ensuring access to water services.</p>		
		<p>The result of the above is that prior to 1 July 2006 Amathole did not have control over the water infrastructure assets that were being constructed.</p> <p>All payments made prior to 1 July 2006 for the construction of water infrastructure was expensed due to the probability of future economic benefits relating to the construction of the water infrastructure not flowing to Amathole District Municipality.</p>		
		Subsequent to 1 July 2006 Amathole assumed control of the water infrastructure assets due to the District Municipality's decision to centralise the Water Service Provision function under the municipality.		
		The capitalisation of this expenditure is not seen as a prior period error in accordance with Grap 3 due to no omissions or misstatements arising from the failure to use or misuse reliable information in the prior year.		
		The effect of the above on the 2006/07 annual financial statements is as follows:		
		Statement of Financial Position		
	329,496,501	Increase in infrastructure, plant and equipment [Refer note 1].		329,496,501
	(329,496,501)	Increase in deferred income [Refer note 13].		(329,496,501)
	-			-

MUNICIPALITY			GROUP	
2006/07	2005/06		2006/07	2005/06
R	R		R	R
		38. RECLASSIFICATION OF COMPARATIVE FIGURES		
		Certain comparative figures have been reclassified.		
		Property, plant and equipment and intangible assets		
		Application software and license fees which are not considered to be an integral part of the related hardware has been reclassified from infrastructure, plant and equipment to intangible assets in accordance with paragraph 4 of IAS 38/(AC 129).		
		The effect of the reclassifications as mentioned above are as follows:		
		Statement of Financial Position		
		Infrastructure, Plant and Equipment and Intangible Assets		
901,563	762,240	Decrease in infrastructure, plant and equipment – accumulated depreciation	901,563	762,240
(901,563)	(762,240)	Increase in intangible assets – accumulated amortisation	(901,563)	(762,240)
1,077,816	1,077,816	Increase in intangible assets – cost	1,077,816	1,077,816
(1,077,816)	(1,077,816)	Decrease in infrastructure, plant and equipment – cost	(1,077,816)	(1,077,816)
		Statement of Financial Performance		
139,324	142,544	Increase in amortisation	139,324	142,544
(139,324)	(142,544)	Decrease in depreciation	(139,324)	(142,544)
		39. RISK MANAGEMENT		
		Liquidity risk		
		The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.		

MUNICIPALITY			GROUP	
2006/07	2005/06		2006/07	2005/06
R	R		R	R

		Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.		
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		Interest rate risk		
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		Deposits and all call accounts attract interest at rates that vary with prime. The municipality's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on the surplus / deficit.		
--	--	---	--	--

		At year end, financial instruments exposed to interest rate risk were as follows: balances with banks, call accounts and current accounts.		
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		Credit risk		
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		Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.		
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		Financial assets exposed to credit risk at year end were as follows: deposits with banks, staff loans and receivables.		
--	--	--	--	--

		The municipality is exposed to the following guarantees:		
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130,000	130,000	Guarantees in lieu of Eskom and the Post Office	130,000	130,000
130,000	130,000		130,000	130,000

		40. EVENTS AFTER THE REPORTING DATE AS AT 30 JUNE 2007		
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		No events subsequent events have been identified subsequent to reporting date.		
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audit committee's report on ADM's financial statements

For the year ended 30 June 2007

As a high capacity municipality benefiting from the Finance Management Grant (FMG), which carries a condition requiring full implementation of the Municipal Finance Management Act 56 of 2003, Amathole District Municipality is required to follow the annual report process as per the Act and in line with National Treasury circulars and regulations.

This report was prepared as per Section 166(2)(b) of the Municipal Finance Management Act.

The audit committee in its present form was appointed in 2004/05 financial year. The Chairperson, Mr M. Sibam, was granted leave of absence from February 2007 to September 2007. The Audit Committee held 6 meetings. The Audit Committee consists of the following members:

Member	No. of meetings attended
M. Sibam (Chairperson)	4
J. Hill	6
T. Mnqeta	6
P. Vazi	3

The Audit Committee has formally adopted its terms of reference and it is operating in accordance with them. The Audit Committee is satisfied that it has discharged its responsibilities in terms of the charter.

Annual Audit of ADM

The annual audit of Amathole District Municipality (ADM) by the Office of the Auditor-General has been finalised, and the Audit Committee reviewed the audit findings and the resultant audit report for the year ended 30 June 2007. The Audit Committee accepts the findings, and is appreciative to the Office of the Auditor-General and management for the co-operation and openness that prevailed in the conduct of the annual audit.

The adverse opinion on the accompanying financials was discussed in detail at the Audit Committee meeting held on 17 January 2008. The causes of the adverse opinion were discussed in detail, together with the action plan that management has put in place to address these significant findings. The Audit Committee is satisfied that the basis for the adverse audit opinion is primarily caused by the transfer of water and sanitation services from local municipalities to ADM in terms of Government Notice 849 issued in terms of section 84(3)(a) of the Municipal Structures Act, 1998 (Act No.117 of 1998) and the three inventory shortcomings pertaining to housing and water distribution.

The Audit Committee was given assurance by management that most of the significant issues raised by the Office of the Auditor-General were within the means of management to rectify, and they outlined the challenges that resulted in the adverse opinion. Management has undertaken to develop an action plan, with responsible individuals and dates, and the Audit Committee will be informed regularly of the progress made on the matters raised. The Audit Committee is optimistic that the steps put in place

by management will go a long way towards overcoming the challenges that ADM faced during the year under review.

Effectiveness of Internal Controls

The adverse opinion of the Office of the Auditor-General is an indication of the weaknesses of internal controls in ADM. As mentioned above, a detailed action plan is being implemented which will result in addressing most of the weaknesses of internal control.

Internal Audit Function

The Audit Committee is concerned that the internal audit unit did not effectively carry out its responsibilities. The internal audit unit is operating without a formally adopted methodology as required by the standards.

There has been some progress in respect of the internal audit function subsequent to end of the financial year under review. However, limited capacity of the internal audit unit still remains a challenge.

The Annual Financial Statements

The annual financial statements were reviewed and discussed by the Audit Committee prior to submission thereof for audit. It was noted that a number of technical deviations from the required basis of preparation of annual financial statements were identified during the external audit process that resulted in an adverse audit opinion expressed by the Auditor General.

Cognisance is taken of the approval by National Treasury of deviations from the basis of accounting applicable to the municipality in terms of General Notice 552 of 2007, issued in Government Gazette No. 30013 of 29 June 2007.

The Audit Committee accepts that the financial statements as presented give a reasonable reflection of ADM's activities.

The Audit Committee reviewed and accepts certain adjustments that were made to the financial statements during the audit process.

Auditor-General's Report

The Audit Committee accepts the adverse audit opinion of the Auditor-General on ADM's annual financial statements.

Appreciation

The Audit Committee wishes to thank the Office of the Auditor-General, the Municipal Manager of ADM and the Budget and Treasury Office staff for the cordial manner in which this year's audit was conducted, together with the enthusiasm shown by management to address the issues identified going forward.

On behalf of Amathole District Municipality Audit Committee



CHAIRPERSON
M. SIBAM

response to issues raised in the audit report

MATTERS AFFECTING THE AUDIT REPORT

INFRASTRUCTURE PLANT AND EQUIPMENT

Water Infrastructure Schemes (Property, plant and equipment)

In accordance with Government Notice 849 issued in terms of section 84(3)(a) of the Municipal Structures Act, 1998 (Act No.117 of 1998) all of the rights, obligations, assets and liabilities in respect of water and sanitation services of seven local municipalities within the district were transferred to the ADM. *GAMAP 17: Property, Plant and Equipment* prescribes that where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition. However the valuations used were based on available documentation relating to these assets and did not necessarily include a physical inspection and conditions analysis.

Management is currently engaged in acquiring the necessary funding to appoint a consultant to re-assess the valuations. Once completed necessary adjustments will be affected in Council's records. Due to the enormity of the exercise, it is not foreseen that it will be concluded by the end of current financial year.

Asset Expensed

GAMAP 17: Property, Plant and Equipment requires that subsequent expenditure on an item of property, plant and equipment already recognised is to be added to the carrying amount of the asset when

it is probable that economic benefits or service potential over the total life of the asset in excess of the most recently assessed standard of performance of the existing asset, will flow to the entity. All other subsequent expenditure shall be recognised as an expense in the period in which it is incurred.

The primary contributing factor is that there is no costing system in place to distinguish whether expenditure related to repairs or maintenance to any of Council's assets, are made to improve the useful life or to maintain the future economic benefits or service potential of the asset. As a result, major components of some items of property, plant and equipment have not been accounted for as separate assets because their useful lives differ from those of the items of property, plant and equipment to which they relate. Management is engaged in a process to ensure that all assets meet the recognition criteria and are accounted for, in compliance with the applicable accounting framework, in the records of Council.

INVENTORY

Housing Development Projects

Housing development inventory of R49.7 million is disclosed in the annual financial statements, however according to Council's records, 1 924 completed housing units had been distributed to housing beneficiaries which could not be quantified and transferred to the statement of financial performance. This amount capitalised represents all expenditure incurred on the housing projects to date. The adjustments in respect of the distributed houses are not reflected in the annual financial statements.

The total number of housing units completed and related costs will be quantified in order to determine the cost to be transferred to the statement of financial performance.

Materials on Site

Audit comments are appreciated, and this has been identified as a priority area for immediate addressing. Control measures introduced will include physical stock takes as well as records reflecting the receipts, issues and available inventory on site.

Water Purchases

The shortcoming in accounting for unsold purchased water originates from the absence of a functional water management system. This has already been identified as a priority area and management is currently in the process of implementing a system that will ensure compliance.

Payables – Water and Sanitation Services

Management have identified the recognition of water service payables as a priority and are thus carrying out a process of determining the amount due to be accounted for in the records of Council.

Water Revenue

The ADM adopted a phase-in approach to take over the water services from the various local municipalities with effect 1 July 2006. Numerous challenges in the billing process were experienced due to uncertainties regarding the completeness and accuracy of the databases that were taken

over. A data cleansing exercise was implemented with immediate effect in order to verify and identify active billable accounts. Subsequently, billing codes have been corrected and customers have been correctly billed.

Employee Costs

When ADM was appointed as a water service authority, the various local municipalities transferred their employees dealing in water to ADM, in terms of Section 197 of the Labour Relations Act. The ADM is in the process of evaluating and placing the water service employees and once this process is complete, the rationalising of salaries and benefits will commence.

Unauthorised Expenditure

The over expenditure incurred on the engineering services vote was as a result of the unforeseen depreciation costs from the take on of the water assets previously not recognised in Council's records. The annual financial statements were adjusted to disclose the amount of R10 002 889 as unauthorised expenditure.

Annual Report

Subsequent to the date of the audit report, the 2005/06 annual report was published.

Upper limits of Salaries – Municipal Entity

A study was conducted by DeLoittes on the upper limits of the salary, allowances and other benefits of the chief executive officer and senior manag-

ers of AEDA, however Council approval is to be obtained. Upper limits have been approved by the Board. In addition a process is underway to present the limits to Council.

Transactions on the Primary Bank Account

This compliance issue has been identified as a priority area and management is in the process of preparing a plan for the Executive Mayor and Speaker to access funds which is in compliance with applicable legislation. The credit cards will be withdrawn and alternative arrangements will be put in place to ensure control over expenditure without compromising the ability of the Executive Mayor and Speaker to perform their duties.

Internal Audit

An approved internal audit charter was in existence, but due to the lack of efficient filing within the internal audit unit, the charter could not be obtained for submission.

The charter will be filed in a manner that ensures it is readily available when required.

The audit committee minutes do not reflect the approval of the internal audit plan. However, the plan was ratified and changes thereto approved by the audit committee in a meeting held on 1 June 2007.

The internal audit plan for 2007/08 financial year is awaiting the approval of the audit committee.

Furthermore, the plan will be monitored to ensure that it is implemented.

The audit comments, regarding the audit approach and methodology adopted by the internal audit function, are noted and appreciated. The internal audit unit is in the process of documenting the audit approach and methodology for approval by the audit committee. Training will be carried out after the methodology has been adopted.

Credit Card Expenditure

In the absence of guidelines or a policy for the utilisation of the budgeted entertainment expenditure, all Section 57 employees receiving an entertainment allowance, were required to exercise their discretion in utilising their allowance. The proviso being that the pre-determined budget was not to be exceeded.

The CFO has provided documentation substantiating the total expenditure incurred on the credit card provided to him for the purpose of utilising his budgeted entertainment allocation. Expenditure, considered by the Auditor General, for personal use was considered by the CFO to have been incurred exercising his discretion. A legal opinion obtained, attached for reference purposes confirms the submission by the CFO.

Council is currently analysing the Municipal Manager's expenditure incurred using the credit card provided to him for the purpose of utilising his expenditure budget. A full report inclusive of all credit card transactions will be provided to the Executive Mayor for his consideration as to whether further action is required or not.

Travelling and Subsistence

In drafting the existing policy, the intention was that executive members of council were to obtain a higher level of benefits. Erroneously the vehicle category applicable to executive members was not amended to reflect the changes in the motor vehicle industry. Thus the category in the existing policy relates to 1600cc motor vehicles which do not meet their capacity. The levels of the vehicles used are to be clarified and the policy adjusted accordingly.

Material Corrections made to the Financial Statements submitted for Audit

Adjustments were effected to provide a more fair presentation of the municipality's financial position, financial performance and cash flows to all stakeholders.



Building Bridges in Glasgow



Perlargonium projects





chapter 5

In this Chapter

Functional Area Service Delivery Reporting.....	page 130
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functional area service delivery reporting

This section of the report deals with financial and non-financial performance information about the various functions performed by the ADM.

Each function has been reported on in terms of:

- Overview
- Description of the activity
- Analysis of the function
- Key performance area

The ADM has the following functions in respect of service delivery of the Engineering Services Department:

- Water Services Authority for Amahlathi (EC124), Great Kei (EC123), Mbhashe (EC 121), Mquma (EC 122), Ngqushwa (EC12), Nkonkobe (EC127) and Nxuba (EC128) Municipalities;
- Roads/Transport Authority for Ngqushwa (EC 126) Municipality;
- Planning Authority for Transportation; and
- Planning and Monitoring Function for Solid Waste

The electricity function is currently shared between Eskom and local municipalities.

PERFORMANCE HIGHLIGHTS

During the year under review, the Amathole District Municipality (ADM) attained a number of achievements and successes, inter alia:

Water Services

Divisional Function Overview

The function of the Water Services Planning and

Construction (WSA) Division is the planning of water services and ensuring the effective, efficient, affordable, economical and sustainable access to water services infrastructure, which promote sustainable livelihoods and economic development.

In addition to this primary function, the division is also responsible for the regulation of water services provision and water services providers within the ADM's area of jurisdiction and within the policy and regulatory frameworks set by DWAF through enactment of by-laws and the regulation of contracts.

In order to deliver on this function, the division has to undertake different planning exercises such as Water Services Development Planning and feasibility studies. The division is also involved in implementing various projects for interim water services provision such as its Drought Programme.

The Water Services Planning and Construction Division experienced historical challenges in the areas of the provision and supply of water services. In 2005 all schools and clinics were supposed to have gained access to water. By December 2007 the bucket system should be eradicated; in 2008 all people should have access to basic water and by 2010 all people should have access to basic sanitation.

Water Services Development Plan

The Water Services Development Plan (WSDP) is required by the Water Services Act and it forms part of and provides input into the IDP of the municipality, as required by the Municipal Systems Act 32 of 2000 (as amended).

In terms of Section 3(3) of the Municipal Systems Act, a WSDP should provide for measures to realise

each citizen's rights to basic water supply and basic sanitation. The principles and planning, control and review cycle – as described in the Municipal Systems Act – envisages that a WSDP should, as part of the IDP process, identify priorities, objectives, key performance indicators and targets for water services within the area of jurisdiction of the municipality for which the plan is prepared. This should form part of an overall performance management system for the municipality.

The WSDP is reviewed annually. The 2006/07 review was a major one. The 2007/08 review is anticipated to be significant in order to account for the gaps that were identified by DWAF, as well as the nearing of national targets in respect of water (2008) and sanitation (2010).

The ADM faces enormous challenges in this sector. Estimates reveal that, to meet national government's targets of providing water to all by 2008 and sanitation to all by 2010, funding of R1,67 billion is required. Funding confirmed in the next three (3) year capital programme amounts to R450 million, leaving a R1, 22 billion shortfall.

The safe or interim water supply programme is a new strategy that was identified during the last year WSDP process. The grant funding from the Municipal Infrastructure Grant is not sufficient to eradicate both water and sanitation targets, thus the strategy seeks to ensure that at least a safe or interim water supply would be provided to those areas at a less than RDP standard, in areas where access to RDP standard water supply would be difficult to implement by 2008.

Water Services Feasibility Studies

The ADM prepared its first WSDP in 2000, which

was reviewed in 2003. The outcomes of the 2000 WSDP showed that there were gaps in terms of the water services information. Most gaps were identified in the areas of Mbhashe and Mquma Municipalities, where most of the backlog in water and sanitation is being experienced.

Feasibility studies have been undertaken in most parts of these municipalities including, most recently, Gcuwa West feasibility study, completed during the 2006/07 financial year.

The Tsomo Villages feasibility study and Alternative Water Supply Provision Options study are due to be carried out during the current financial year. Investigations during these studies will include examining rainwater harvesting, surface water and ground water potentials, sustainable sanitation solutions based on DWAF ground water protocol standards, capital costs, operating and maintenance costs, water resources, bulk distribution, scheme boundaries and proposed phased implementation.

Drought Relief Programme

Recent droughts experienced in parts of the Eastern Cape have necessitated the allocation of disaster relief to communities to assist in the provision of their basic need for water.

According to the Government Gazette Volume 474 of December 2004 (No. 27124) emergency funding was allocated in terms of the Division of Revenue Act (DoRA) No. 5 of 2004. In the ADM, the Amahlathi, Mbhashe and Mquma Municipalities were the first to be identified as areas affected by drought. Projects addressing the situation have been implemented since 2005 throughout the affected areas. Recently Ngqushwa and Nkonkobe Municipalities were also identified as affected areas

and projects addressing the situation in these areas are in progress.

Water Services Authority Capacity Building Business Plan

The ADM was assigned responsibility for potable water supply systems and domestic waste-water and sewerage disposal systems in terms of the provisions of Chapter 5, Section 84 of the Municipal Structures Act 117 of 1998 (as amended).

The ADM had not had this function or responsibility before. Consequently, it did not possess all the necessary structures, systems and resources to manage these functions and responsibilities. In view of this, the Department of Water Affairs and Forestry (DWAFF) has undertaken a programme to assist municipalities to develop the required Water Services Authority (WSA) capacity.

A business plan was commissioned as part of the programme which would:

- Identify the status quo of existing WSA capacity;
- Identify gaps and problems to be addressed for the municipality to efficiently and effectively fulfil its WSA responsibilities;
- Set out the objectives formulated to address WSA capacity gaps identified;
- Set out the strategies developed to achieve these objectives;
- Set out the ADM's Implementation Plan, including actions, programmes and projects to give effect to strategies developed to achieve the objectives; and
- Set out an overall budget.

Implementation of the Action Plan was completed in 2005. However, two (2) outstanding issues, namely the adoption of the Water Services Policy and the implementation of the Water Management Information System, will be carried over to a new Water Services Business Plan to be developed during the 2006/07 financial year.

BoTT Programme

The BoTT programme is a three-year R60 million contract programme dealing with both urban and rural water services (i.e. water and sanitation) implemented in the Mbashe and Mquma Municipalities, started in January 2004. In February 2006, a decision was taken to implement some projects

outside the BoTT contract, so as not to exceed the ceiling amount of R60 million, by calling for individual competitive construction bids.

During the 2006/07 financial year, R8.85 million was spent in the BoTT programme servicing another 2 villages (pop 1850) with water and 3 villages (pop 858) with double pit urine diversion toilets. It is expected that when this programme comes to an end a total of 61,800 people would have benefited directly. The BoTT Programme would also have provided bulk mains designed to extend most of the water systems to other villages in the areas for future projects

The latter part of the 2006/07 financial year has however been a major challenge to the Joint Venture service provider with the demise of the construction partner and has resulted in delaying the completion of the programme into the 2007/08 financial year.

Municipal Health Services

Communicable Diseases Control

Health and hygiene awareness campaigns took place in various local municipalities. There were four (4) campaigns in Ngqushwa Municipality and two (2) in Nkonkobe Municipality, and three (3) school health promotion campaigns took place at Centane, Butterworth and Ngqamakwe.

A *baswa le metse* competition was held in Buffalo City Municipality. The competition covered drama, poetry, music, praise singing and poster categories.

Three (3) traditional health practitioners' workshops were held. Community members who seek treatment for various ailments and communicable diseases regularly consult traditional health practitioners. The aim of these workshops was to bring the western and traditional medicine approaches together in combating the spread of communicable diseases. This was in line with the Traditional Health Practitioners Act 36 of 2004. One (1) traditional health medicinal plant nursery has been established.

Swine fever awareness campaigns were held at pay points, taxi ranks, informal settlements and schools in Buffalo City, Mquma and Mbashe Municipalities. This was in terms of regulations for

the control of environmental conditions constituting a danger to health or a nuisance, in response to a swine fever outbreak.

The ADM, working together with the Department of Agriculture, embarked on an anti-rabies campaign at Mpukane Administrative Area in Mquma Municipality. The campaign included vaccination of dogs and cats, information on the nature of the disease, mode of transmission and preventative measures. This was in response to a reported case of a rabid dog in the area.

The ADM printed and distributed 9,000 pamphlets in isiXhosa and English as part of an awareness campaign on meningococcal meningitis. Road shows were conducted in Nkonkobe and Nxuba Municipalities covering Middledrift, Alice, Fort Beaufort, Seymour and Adelaide villages.

Water Quality Monitoring Programme

The Water Quality Monitoring Programme continued uninterrupted throughout the 2005/06 financial year. A total of 1,023 water samples were taken from 95 sampling sites in all local municipalities. Out of the water samples taken, 788 complied with SABS (77% compliance). Where samples did not comply, further investigations were carried out to determine the reasons for non-compliance, and remedies were affected.

The most common contributing factor causing non-compliance was aged infrastructure. This also contributed to the 20 complaints received from communities about water which did not meet common aesthetic standards. A total of nine (9) emergency samples were taken to ensure community safety. Relevant departments are working together to continuously improve the infrastructure and the quality of drinking water.

Food Safety Programme

A total of 54 samples of used frying oil were analysed. Of these, 52 complied with the Foodstuffs, Cosmetics and Disinfectants Act, No. 54 of 1972.

A total of 605 food handlers were trained, including caterers. There are 60 registered dairies in the Amathole district. A total of 228 milk samples were taken for testing, of which 178 complied with R1555 (78% compliance). A common cause of non-compliance is the lack of good hygiene practices

on the dairy farms. The registered dairies had their dairy cows tested for TB, as required by R1555.

Pauper burials

A total of eight (8) pauper burials were coordinated by the ADM during the year under review.

Exhumation

A total of three (3) exhumations and reburials were coordinated by the ADM during the year under review, one (1) in Amahlathi Municipality and two (2) in Great Kei Municipality.

Annual Events

National Water Week celebrations were held from 27 - 31 March 2006 in Mbashe, Great Kei and Amahlathi Municipalities, with the main event held at Mquma Municipality. An annual celebration, Water Week, is an awareness campaign which serves as a mechanism re-iterating the value of water, the need for sustainable management of this scarce resource and the role water plays in eradicating poverty and underdevelopment.

Sanitation and Hygiene Week celebrations took place from 13-17 March 2006 at Amahlathi Municipality. The main objective was to raise the profile of sanitation and to encourage municipalities and communities to prioritise sanitation, health and hygiene. The 2005/06 international theme was "putting women at the centre of water supply, sanitation and hygiene" (WASH). The national theme was "washing of hands for healthy lives".

National Arbour Week celebrations took place in Amahlathi and Ngqushwa Municipalities from 1-7 September 2005. The aim of these celebrations was to promote awareness of the benefits of planting and growing indigenous trees.

Devolution of Municipal Health Services

Municipal Health Services / Environmental Health is in the process of being devolved to metropolitan and district municipalities. The Municipal Systems Act 32 of 2000 (as amended) states that a municipality must review and decide on the appropriate mechanism to provide a municipal service when a new municipal service is to be provided.

This review process, known as a Section 78 Assessment, was carried out and completed during 2005/06. The ADM Council had to choose between

two options, namely internal or external mechanisms to provide this service. Council opted for an internal mechanism.

Public health complaints

A total of 55 different public health complaints were received from communities and attended to by Municipal Health Services staff.

Solid Waste

The ADM was assigned authority as from July 2005 to provide solid waste management services under the current authorisation of powers and functions evolved in the Municipal Structures Act 117 of 1998 (as amended).

The ADM's responsibility to support and monitor local municipalities, as well as developing partnerships with other spheres of government and the private sector in pursuing the objectives of the National Waste Management Strategy remains vital.

The ADM has developed and adopted a district Integrated Waste Management Plan in accordance with the National Waste Management Strategy.

The Eastern Regional Solid Waste project, to serve Mngquma and Mbhashe Municipalities is under construction and due to be in operation during the 2007/08 financial year.

The closure and rehabilitation of the Ducats landfill site has been completed. The closure of Second Creek and Mdantsane NU2 landfill sites is at the planning stage.

The establishment of a Waste Transfer Station in Fort Beaufort has been delayed by environmental impact assessment (EIA) processes. Due to interactions between ADM, DWAF and the Department of Environmental Affairs and Tourism (DEAT), this project will begin construction shortly. The successful implementation of this project will result in closure of a (prohibited) landfill site in Fort Beaufort. The ADM is moving away from the development of small and unnecessary waste sites, which are uneconomical to manage or operate.

The ADM recently upgraded the Komga Solid Waste Site in Great Kei Municipality. The Elliotdale Solid Waste Disposal Site in Mbhashe Municipality is at the design phase.

Feasibility studies on sustainable recycling and composting were conducted and have resulted in the initiation of a buy-back centre in Butterworth, which has now been incorporated into the Regional Waste Site. The ADM has spent R1 million on purchasing bailing and packaging equipment, which will form part of the recycling centre operations.

The ADM has embarked on an awareness campaign for waste minimisation. Education and awareness material has been developed in the form of posters and brochures, which were distributed during the following environmental celebrations held around the district.

- Wetlands Day – Hosted by DEAT
- National Water Week – Hosted by DWAF
- Cleaning Campaign Week – Hosted by Buffalo City Municipality

The establishment of a Waste Management Stakeholder Forum – with the short term goal of normalising waste services in the district – is ensuring a legitimate approach to waste management. This forum will realise the objective of being a centre for information dissemination and planning.

The solid waste disposal by-law was adopted by the ADM Council on the 26 May 2006, as per requirements of Section 21 of the Constitution. It is currently with the Government Gazette for promulgation. The by-law should enable efficient and effective regulation of waste management activities in the district.

All municipalities in the district dispose of their waste in landfill sites. In terms of the Environmental Conservation Act, sites are required to be engineered and operated under license issued by DWAF/DEAT. The number of licensed or permitted sites has increased from seven (7) in 2002 to 13 sites in 2005, out of 25 operational sites in the district. (*See Table opposite*).

Waste Site	Size	Status	Comments
East London Regional	L	Permit Issued	GLB+
King Williams's Town	M	Permit Issued	GMB+
Ducats B/bay	S	Permit Issued	Closed and Rehabilitation in progress
Dimbaza	S	Permit Issued	Closed
Riegerton Waste Site	S	Direction Issued	Garden Refuse Waste Site
Alice	C	Permit Issued	GCB-
Middledrift	C	Permit Issued	GCB-
Peddie	C	Direction Issued	GCB-
Stutterheim	GSB+	Permit Issued	GSB+
Keiskammahoek	C	Permit Issued	GCB-
Hamburg	C	Direction Issued	Transfer Station
Xmas Rock	C	Direction Issued	Private Land
Seavale	C	Direction Issued	Private Land
Bedford	C	Permit Issued	GCB-

Local Economic Development

Tourism

During the year under review, the tourism programme focused on marketing and development of the tourism sector with the aim of increasing the volume of tourists that visit the area and the time they spend in the area. As part of tourism marketing, the following activities were carried out:

- Developing a comprehensive marketing brochure
- Exhibiting the district as a tourist destination at the Durban Tourism Indaba
- 'Getaway' shows in George, Bloemfontein and Queenstown
- Advertising in different tourism magazines

Over and above these activities, the ADM in partnership with local municipalities hosted festivals as a means of attracting visitors to the area. Even though there are no statistics kept it is believed that these initiatives contribute towards promoting the district.

The following festivals were held:

- Hamburg Beach Festival
- Hogsback Christmas in July Festival
- Great Kei Heritage Festival
- Amahlathi Craft Mania

Business Development

The ADM has partnered with Buffalo City Municipality in setting up a One Stop Shop in Mdantsane. The centre provides business development services to SMMEs and co-operatives.

During the year under review, partnerships were developed with different business associations such as Border Kei Chamber of Business, National Federated Chamber of Commerce (Nafcoc) and the Black Management Forum. The ADM supported the Border Kei Chamber of Business in hosting South African Chamber Business (Sacob) National Conference.

Support was provided to emerging entrepreneurs to exhibit their products at the Durban Tourism Indaba and Grahamstown National Arts Festival. A programme aimed at supporting co-operatives was strengthened.

Economic Development Agency

An economic development agency, the Amathole Economic Development Agency (AEDA) was established in an effort to support business development and increase the capacity of the ADM to deliver on its mandate of promoting economic development. The agency is wholly owned by the District Municipality and is responsible for implementing key strategic economic development initiatives that are aimed at promoting economic growth and development.

Heritage

A number of heritage sites have been upgraded as part of the Heritage Sites Improvement Project. The project consists of access roads, signage, erection of interpretation boards and the actual site rehabilitation. This project is continuous and other sites will be done in forthcoming financial years.

A number of community-based heritage initiatives have been supported through grant funding support. Through these projects, local communities identified heritage sites for rehabilitation, erected memorials and created information centres and community museums.

Research paving the way for the mounting of a pictorial exhibition about the identified individuals that formed the first phase of the Early Modern African Intellectuals Heritage Trail Project was conducted. The pictorial exhibition, officially opened in June 2005, has travelled throughout the district. From December 2006 it will be housed at Robben Island Museum for three (3) months as there is a historical connection and partnership between the two institutions.

The ADM coordinated a Wreath Laying Ceremony at Dr. W.B.M. Rubusana's grave and a Memorial Lecture as an integral part of the short term deliverables of the Early Modern African Intellectuals Heritage Trail Project.

The main highlight was the undertaking of the archaeological investigation and historical research about the unearthed mortal remains in King Williams Town, as the remains were housed at the Amathole Museum for 13 years with lots of uncertainties as to whom they belonged to. The investi-

gations helped to produce more knowledge about the remains and culminated in cleansing and re-burial ceremonies, and the memorialisation of the Cattle Killing Mass Grave.

The ADM also developed the draft District Heritage Resources Policy and Heritage Strategy. These documents provide an in-depth assessment of work that needs to be undertaken to streamline the district's heritage resources and the legal and financial instruments to safeguard the available heritage resources in the district for present and future generations.

Municipal Infrastructure Grant

The ADM administers the Municipal Infrastructure Grant (MIG) through the Project Management Unit (PMU). The unit is responsible for implementation of the MIG registered projects, which are IDP compliant and are entailed in the ADM's Three (3) Year Capital Plan.

The main target of MIG funds is to provide at least a basic service to all South Africans by the year 2013. MIG funding is aligned to the powers and functions of the ADM and therefore provides funding for the following basic services:

- Water supply
- Sanitation
- Local Economic Development
- Municipal roads (Ngqushwa Municipality)
- Regional waste management infrastructure
- Local Amenities
- Municipal public transport infrastructure

During the 2005/06 financial year the PMU started implementation of the Expanded Public Works Programme (EPWP) compliant projects. Implementation of an Expanded Public Works Learnership Programme (EPWLP) was also initiated through the signing of a Memorandum of Agreement with the Department of Public Works and the Construction Education and Training Authority (CETA). The unit committed itself to engaging at least 10 learner contractors and 20 construction supervisors in the learnership programme when it is implemented during the 2006/07 financial year.

MIG Allocations

For the 2005/06 financial year, the ADM received a MIG allocation of R148,259,000. By the end of March 2006, the PMU had spent R121,610,329 (82%). An additional three (3) month grace period was authorised, with the ADM undertaking to spend 100% of the total allocation by the end of May 2006.

The ADM was responsible for the implementation of 108 projects during the 2005/06 financial year. These projects are broken down per area as follows:

LM	ACTIVE PROJECTS
2005/06	
Amahlathi	16
Great Kei	15
Mbhashe	16
Mnquma	23
Ngqushwa	18
Nkonkobe	15
Nxuba	3
Buffalo City	2
TOTAL	108

The PMU was challenged by the slow MIG registration process of the former DWAF projects, and other MIG projects in general, which were regarded as non-expenditure projects, whereas the unit was spending against these projects subsequently registered in May 2006.

Support to Local Municipalities

The PMU is currently divided into three (3) operational area grouped as follows:

AREA	LMS
Area 1	Amahlathi / Mnquma
Area 2	Great Kei / Mbhashe
Area 3	Nkonkobe / Ngqushwa / Nxuba

These areas are managed by specific area managers and their relevant staff members. As MIG is a multi-year programme, it has been projected that six (6) of seven (7) local municipalities will be receiving their MIG allocations during the 2006/07 financial year. In view of this, the ADM has started a process of engaging these municipalities to prepare them for receiving these funds in 2006/07.

For the 2005/06 financial year only two (2) local municipalities, namely Ngqushwa and Mnquma Municipalities, received MIG funds. The ADM was responsible for guiding these municipalities to enable them to carry out the MIG registration and implementation processes.

Operating Budget

The PMU received an operational budget of R5,329 million in the 2005/06 financial year, being R3,029 million from the total MIG allocation and R2,3 million from the ADM's equitable share allocation. The full R3,029 million MIG allocation had been spent by the end of March 2006 and was within the 0,5% to 5% of MIG funds allocated to the PMU operating budget, as per MIG guidelines.

Future Allocations

The ADM's projected MIG allocations for the 2005/06, 2006/07 and 2007/08 medium term expenditure framework (MTEF) period were as follows:

YEAR	05/06 (Actual)
Allocation	R148,259,000

YEAR	06/07 (Indicative)	07/08 (Indicative)
Allocation	R157,975,577	R183,598,000

By the end of March 2006, the ADM's MIG commitments for the 2005/06 and two (2) outer financial years were as follows:

YEAR	05/06	06/07	07/08
COMMITMENT	100%	100%	106%





chapter 6

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institutional performance measurement

PERFORMANCE AUDIT COMMITTEE REVIEW OF PERFORMANCE RESULTS AND SYSTEMS

- Mr J Goldberg – Chairperson
- Ms L Smith
- Mr M Sibam
- Mr C Ramoo
- Ms Z Ndhlovu (resigned 9 October 2006)

Introduction

In terms of municipal legislation the Municipal Financial Management Act 56 of 2003, the Municipal Systems Act 32 of 2000 and the Planning and Performance Management Regulations of 2000, a municipality must, *inter alia*, implement a system to monitor performance and consequently establish a Performance Audit Committee. Amathole District Municipality (ADM) appointed a Performance Audit Committee in 2003. The Committee aims to provide an objective review and assessment of performance of the municipality, the employees and the performance management system itself to provide advice and recommendations thereof.

Summary of Meetings held during the Financial Year

There were a number of meetings during the 2007 financial year on the following dates, 04 September, 18 September 2006, 9 October 2006, 15 February 2007 and 12 April 2007. These meetings reviewed the scorecards for the 2005/06 year and the six month period ended 31 December 2006. Note the final review for the year ended 30 June 2007 took place during September to December 2007.

Committee Members and Officials

The Committee consisted of the following voting members during the 2006/2007 financial year.

Functioning of Committee

This is the second report that we have compiled for the year ended 30 June 2007, the first was a high level review for the six month period ended 31 December 2006.

Findings of the Committee

Lack of compliance with the Government Gazette issued 1 August 2006

Our previous reports for the year ended 30 June 2006 as well as for the six month report ended 31 December 2006 referred to the Government Gazette issued on 1 August 2006 relating to the Performance Management System of a Municipality. We have to report that the changes have not been implemented in the current year which we believe impacts negatively on the compliance with legislation of the Municipality. Our report therefore has been based on the information presented to us, i.e. in terms of the previous performance management system. In addition, we would like to report that our committee constituted in terms of the Government Gazette regulations and will have to be reviewed for the 30 June 2008 year, which we understand is underway.

Other findings

The Committee continues to make recommendations to improve the Performance Management System. We therefore strongly recommend that the following matters are rectified during the year ending 30 June 2008:

- *Proper Supporting Documentation for Performance Measures*

Proper assumptions should be documented when setting performance measures. This entails expanding on the “short version” of the performance measure. The assumption should include how the performance measure will be measured. These assumptions should be kept separately from the scorecards and signed off by the Departmental Head and the Municipal Manager.

- *Duplication of Performance Measures*

Duplicate performance measures in both the District and Departmental scorecards should be reviewed carefully to ensure appropriateness. Where it is found appropriate to have duplicated performance measures these should be documented in the above supporting documentation.

The Performance of the Head of Departments and Municipal Manager

DEPARTMENT	2006 TARGETS MET	2007 TARGETS MET	2007 COMBINED MET
Municipal Manager			
Only district	78 %	89 %	89 %
BTO (Finance) Departmental District	90 %	90 % 100 %	95 %
Engineering Departmental District	85 %	88 % 82 %	85 %
Administration Departmental District	91 %	93 % 100 %	97 %
Health Protection Departmental District	87 %	81 % 93 %	87 %
Human Resources Departmental District	78%	74% 90%	82%
Strategic Department Departmental District	62%	58% 68%	63%

- *Adjustments to the Scorecard during the Year*

Where performance measures are adjusted during the year and this has been agreed with the Municipal Manager, this should be properly documented.

- *Documentation Control*

The quarterly district and departmental scorecards should be properly signed and dated by the Departmental Head and Municipal Manager. There was no evidence that the Municipal Manager had met with each Head of Department on a quarterly basis.

- *Numbering of Indicators*

Key performance indicators are not numbered and this makes it difficult to review them from an audit perspective. The scorecards should firstly be on excel and then each indicator should be numbered and in addition, a summary should be prepared for the front of the quarterly report.

- *Adjustments to the District Scorecard*

It was found that the District Scorecard initially given to us to review did not agree to the District Scorecards used by the Department Heads and Municipal Managers. Although the differences were of a minor nature, there should be no adjustment to the district scorecard (as per the performance agreement of the Municipal Manager) without the written consent of the Executive Mayor.

The departmental and district scores are audited by the internal auditors and we have reviewed their report in compiling our report. In addition, our report is compiled once the Office of the Auditor General has issued their external audit report as their opinion has an impact on the final scores for the year.

Charter Amendments and Sign Off

We reported in the prior year the following:

“We as a Committee continue to strive for perfection and as part of that we performed a “self review” during the assessments by reviewing our charter and ensuring that we are in compliance with said charter. Certain amendments were made and

updated to the Charter during our review last year, However the Charter was not submitted to Council. This is despite numerous requests to have it signed off. This is a priority matter for the committee to function effectively.” We are unhappy to report that the above situation has not changed and have been given no evidence that the Charter has been submitted to Council.

2007 Year Process

There has been improvement in the administration of our committee in terms of the minutes kept for our meetings, however the maintenance of these records is inadequate.

According to the Government Gazette of the 1 August 2006, secretariat services should be provided to the Committee.

Way Forward

We understand that this ends our term in office with the completion of this report (for the year ended 30 June 2007). We recommend that the new committee is appointed in order for them to begin the process of reviewing the six month period ended 31 December 2007.

Currently the internal audit department focus their efforts on reviewing the key performance areas for the Departmental Managers as well as the Municipal Manager. Going forward, we recommend that the internal audit department do a complete audit on the performance information system which would include a review of compliance with all legislation.

Conclusion

We would like to thank the Council, Municipal Manager and Department Heads for the support they have offered to us during our term of office.



SIGNED BY J Goldberg (Chairperson) ON BEHALF
OF THE PERFORMANCE AUDIT COMMITTEE
18 January 2008



ADM World Aids Day (Mnquma, 23 November 2006)



performance of the municipal manager and heads of departments

The performance results of the 2006–07 financial year, reflected below, were reviewed by the Performance Audit Committee.

DEPARTMENT	2004 TARGETS MET	2005 TARGETS MET	2006 TARGETS MET	2007 TARGETS MET	2007 COMBINED TARGETS MET
MUNICIPAL MANAGER					
Only district	–	66%	78 %	89%	89%
BTO					
Departmental	89%	90%	91%	90%	95%
District	100%	73%	88%	100%	
ENGINEERING					
Departmental	72%	79%	84%	88%	85%
District	67%	69%	86%	82%	
ADMINISTRATION					
Departmental	91%	88%	82%	93%	97%
District	100%	67%	100%	100%	
HEALTH PROTECTION					
Departmental	70%	87%	88%	81%	87%
District	100%	73%	85%	92%	
HUMAN RESOURCES					
Departmental	65%	83%	81%	74%	82%
District	100%	58%	75%	90%	
STRATEGIC DEPARTMENT					
Departmental	–	71%	71%	58%	63%
District	–	69%	52%	68%	

Strategic cluster approach

District wide agreement was reached on clustering priority issues within four (4) strategic clusters as outlined in the table below.

CLUSTER	PRIORITY ISSUES
INSTITUTION AND FINANCE (I&F)	<ul style="list-style-type: none"> • Institution • Finance • Communication • IDP – Local Municipalities (PIMSS) • IDP – ADM (co-ordination) • Municipal Support • Special Programmes (HIV & Aids, Poverty, Gender, Youth, Disabled); GR; MIR
INFRASTRUCTURE	<ul style="list-style-type: none"> • Water & Sanitation • Roads & Transport • Telecommunications & Electricity • Solid Waste • Land & Housing • Regional waste management infrastructure • Local Amenities • Municipal public transport infrastructure
SOCIAL NEEDS	<ul style="list-style-type: none"> • Environmental Health • Municipal Health Services • HIV&Aids (monitoring responsibility within the I&F Cluster) • Disaster Management • Fire Services • Primary Health Care • Community Safety Services
LOCAL ECONOMIC DEVELOPMENT (LED) AND ENVIRONMENT	<ul style="list-style-type: none"> • Agriculture • Manufacturing • Tourism • Heritage • Environment

Clusters were decided upon for a number of reasons.

Institution and Finance Cluster: Service Delivery Model

PRIORITY AREA	OBJECTIVE	STRATEGY	INDICATOR
SERVICE DELIVERY MODEL: CROSS-CUTTING	To ensure that designated groups are adequately integrated into ADM's plans and activities	Mainstreaming of Special Programmes in all ADM's programmes and projects	% target of all programmes directed towards designated groups
	To ensure establishment of national and international partnerships	Review of intergovernmental policy	Final Policy document adopted by council
		Review Municipal International Relations Policy	Final Policy Document adopted by council
	Positioning ADM as a model of excellency through learning and sharing	Strive to adopt best practises and ethics in the conduct of business and interaction with stakeholders	Adoption of excellency models and building of partnerships with stakeholders

PRIORITY AREA	OBJECTIVE	STRATEGY	INDICATOR
SERVICE DELIVERY MODEL: COORDINATION AND INTEGRATION	To develop and review the institutional strategic document	Facilitate & coordinate development of strategic document	Adopted IDP document
	Form strategic partnerships with service providers, parastatals & government departments involved in service delivery within ADM	Include strategic partners in quarterly DIMAFO meetings	DIMAFO
	To provide enhanced communication within the District	Establish Video Conference Centre's at Satellite Offices	Number of Satellite offices with Video Conferencing Capabilities
	To ensure that designated groups are adequately integrated into ADM's activities	Co-ordination and inter-gration of special programmes in all ADM's programmes	% compliance with the legislative framework

	MEASUREMENT SOURCE AND FREQUENCY	BASELINE	TARGET: 07/08	TARGET: 08/09	TARGET: 09/10	ACCOUNTABLE OFFICIAL
	Quarterly Reports	30%	45%	60%	80%	Strategic Manager
	Quarterly Reports	1	Review	Review	Review	Strategic Manager
	Quarterly Reports	1	Review	Review	Review	Strategic Manager
	Quarterly Reports	0	1	Review	Review	Strategic Manager

	MEASUREMENT SOURCE AND FREQUENCY	BASELINE	TARGET: 07/08	TARGET: 08/09	TARGET: 09/10	ACCOUNTABLE OFFICIAL
	Council Resolution / Annually	Reviewed IDP	Full IDP	Reviewed IDP	Reviewed IDP	Strategic Manager
	Minutes / Quarterly	4	4	4	4	Strategic Manager
	Quarterly Reports	0	3	4	0	Strategic Manager
	Quarterly Reports	32%	80%	100%	0	Strategic Manager

Institution and Finance Cluster: Building Partnerships and Participation

PRIORITY AREA	OBJECTIVE	STRATEGY	INDICATOR
BUILDING PARTNERSHIPS AND PARTICIPATION	To ensure integration of communication strategy in all ADM programmes by 2007/08	Implement the communications strategy	Adopted strategy
		Inform communication and stakeholders about the communications, public participation and petition policy	No of quarterly promotional programmes
		Inform stakeholder communities about the ADM's IDP, budget and service delivery	No of promotional events per quarter
		To inform communities about water services by-laws, tariff policies, credit control, FBS and Indigent support	No of promotional programmes
		To brand water services and provide cross cutting customer care services to local communities	Launch and functioning of 7 local service / customer care centres
		To inform communities about municipal health services	No of promotional programmes
	To ensure public participation in ADM Programmes	Implementation of public participation programme	No of meetings

	MEASUREMENT SOURCE AND FREQUENCY	BASELINE	TARGET: 07/08	TARGET: 08/09	TARGET: 09/10	ACCOUNTABLE OFFICIAL
	Quarterly reports	1	1	1	1	Strategic Manager
	Quarterly reports	4	4	4	4	Strategic Manager
	Quarterly reports	4	4	4	4	Strategic Manager
	Report	0	1	1	1	Strategic Manager
	Quarterly Reports	0	1	1	1	Strategic Manager
	Quarterly Reports	0	4	4	4	Strategic Manager
	Quarterly Reports	4	4	4	4	Strategic Manager

Institution and Finance Cluster: Supporting Local Municipalities

PRIORITY AREA	OBJECTIVE	STRATEGY	INDICATOR	
SUPPORTING LOCAL MUNICIPALITIES	To ensure the submission of Financial Statements by Local Municipalities	Definition of working programmes that ensure the submission of LM financial statements	Number of LM financial statements submitted to AG's office	
	To ensure legislative compliance by LMs	Determine legislative noncompliance by LMs	Legislative compliance checklists	
	To ensure learning & sharing within district	Co-ordinate quarterly functional forum meetings	No. of functional forum meetings	
	Provide IT technical Support to LMs	Establish a centralised shared services support centre at ADM		Fully Functional Shared Service Centre
		Sound Network Infrastructure		No. of installed networks at Local Municipalities
		Develop ICT Master Strategic Plans		No. of developed Master Strategic Plans at Local Municipalities
		Provision of Sound Project Management Systems		Number of DIMS implementations
		Provision of Email Services		No of LMs with implemented services
		Provision of Corporate GIS		No. of LMs with Corporate GIS
		Development of Website		No of LMs with developed websites

	MEASUREMENT SOURCE AND FREQUENCY	BASELINE	TARGET: 07/08	TARGET: 08/09	TARGET: 09/10	ACCOUNTABLE OFFICIAL
	AG's office report/ Bi annually	5	7	7	7	Chief Finance Officer / Strategic Manager
	MSU report / Biannually	2 per functional area (6)	2 per functional area (8)	2 per functional area (8)	2 per functional area (8)	Strategic Manager / All HODs
	Minutes / Quarterly	4 per functional area (16)	4 per functional area (16)	4 per functional area (16)	4 per functional area (16)	Strategic Manager / All HODs
	Reports	0	4	3	0	Strategic Manager
	Reports	0	2	5	7	Strategic Manager
	Reports	0	2	5	7	Strategic Manager
	Reports	0	2	5	7	Strategic Manager
	Quarterly Reports	0	2	5	7	Strategic Manager
	Reports	0	2	5	7	Strategic Manager
	Reports	0	2	5	7	Strategic Manager

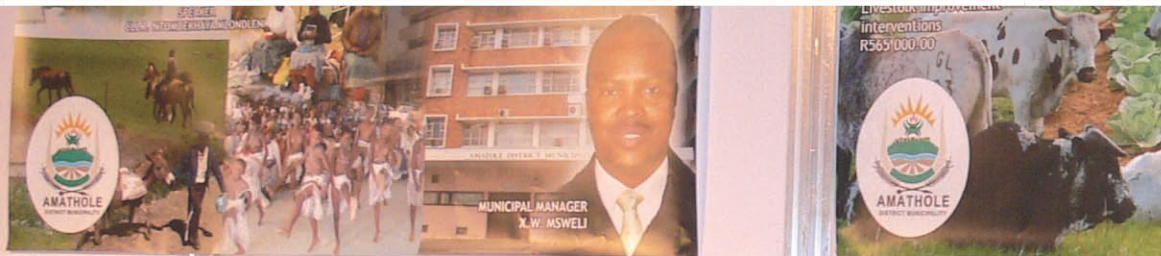
Institution and Finance Cluster: Maximising Internal Governance Systems

PRIORITY AREA	OBJECTIVE	STRATEGY	INDICATOR
MAXIMISING INTERNAL GOVERNANCE SYSTEMS	To create a healthy working environment within ADM	To ensure 100% implementation of HR policies approved by Council	Percentage person days lost to absenteeism
			Percentage person days lost as a result of sick leave
			% Staff Turnover
			Reduction in number of labour disputes
			Reduction of disputes referred to CCMA and Bargaining Council
			Reduction in no. of disciplinary hearings
			Reduction in no. of grievances received
	Ensure compliance with the Employment Equity Act	To develop a new Employment Equity Plan in line with legislation	Employment Equity Plan in place
			% employed in level 1-6 who are black
			% employed in level 1-6 who are women
			% of all levels who are disabled
			% employed in level 1-3 who are black
			% employed in level 1-3 who are women
	Alignment of IT Strategy to ADM Business Strategy	Implement the ICT Master Strategic Plan	Number of IT Strategy programmes which have been implemented
Business Continuity	Implementation of Disaster Recovery Plan	Fully functional disaster recovery site	
	Development of a Business Continuity Plan	Completed Business Continuity Plan	
Address all matters associated with audit report	Ensure compliance with prescribed accounting standards (Compliance with AFS preparation framework)	% of material exceptions raised	
Improve financial management in line with financial management requirements	To ensure the implementation of budget reform programme	% Grant expenditure	

	MEASUREMENT SOURCE AND FREQUENCY	BASELINE	TARGET: 07/08	TARGET: 08/09	TARGET: 09/10	ACCOUNTABLE OFFICIAL
	Staff Records Monthly	1.58%	2%	2%	2%	Director: HR
	Staff Records Monthly	0.8%	2%	2%	2%	Director: HR
	Staff Records Quarterly	0.09%	2%	2%	2%	Director: HR
	Monthly Reports	0	10	8	6	Director: HR & all HODs
	Monthly Records	0	3	2	2	Director: HR
	Staff records/ Quarterly	1	3	3	3	Director: HR
	Staff records/ Quarterly	1	3	3	3	Director: HR
	Report to Council for adoption	0	100%	N/A	N/A	Director: HR
	Quarterly Report	84%	84%	85%	86%	Director: HR
	Quarterly Report	36%	38%	40%	42%	Director: HR
	Quarterly Report	0,2%	3%	3%	3%	Director: HR
	Quarterly Report	75,5%	78%	80%	82%	Director: HR
	Quarterly Report	29%	31%	33%	35%	Director: HR
	Quarterly Reports	0	100%	100%	100%	Strategic Manager
	Quarterly Reports	0	50%	100%	0	Strategic Manager
	Quarterly Reports	0	100%	0	0	Strategic Manager
	Audit Report Annual	100%	100%	100%	100%	Chief Financial Officer
	Quarterly Financial Reports	80%	100%	100%	100%	Chief Financial Officer

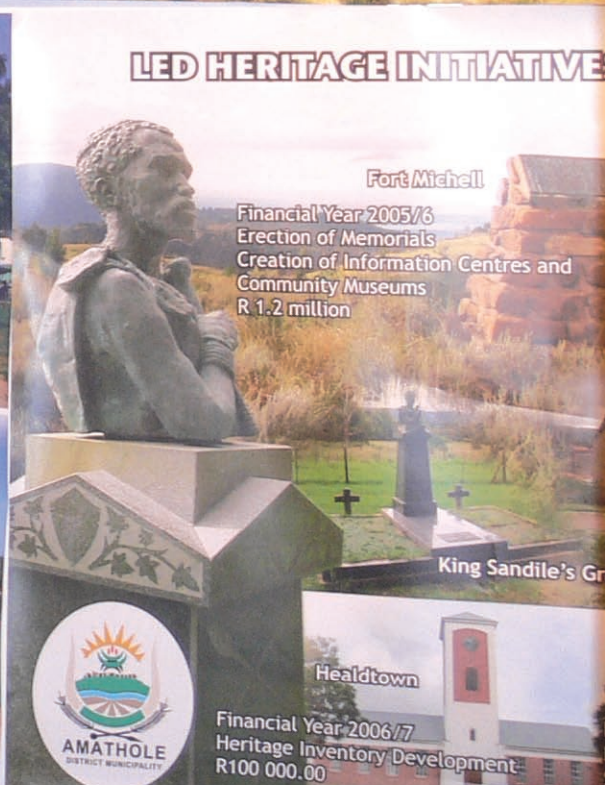
Institution and Finance Cluster: Maximising Financial Viability

PRIORITY AREA	OBJECTIVE	STRATEGY	INDICATOR
MAXIMISE FINANCIAL VIABILITY	Ensure 100% receipt of funds registered the DORA	Implement Division of Revenue Act (DORA)	% Gazetted funds received versus the Gazetted amount
	To ensure ADM remains financially viable	Ensure that the debt collection rate for water and sanitation debtors improves to 80% by 09/10	Financial report
		Ensure that all metered households are read monthly	Financial report
		Undertake billing database cleansing	Financial report
		To ensure that there is a positive working capital	Financial report



Part of an ADM Exhibit (28 July 2006)

	MEASUREMENT SOURCE AND FREQUENCY	BASELINE	TARGET: 07/08	TARGET: 08/09	TARGET: 09/10	ACCOUNTABLE OFFICIAL
	Annually	100%	100%	100%	100%	Relevant Directors
	Quarterly	2%	50%	60%	80%	Chief Finance Officer
	Quarterly	Unknown	80%	100%	100%	Director: Engineering
	Quarterly	0	1	0	0	Chief Finance Officer
	Quarterly Reports	1	1	1	1	Chief Finance Officer



Infrastructure Cluster: Water and Sanitation: Objectives and Strategies

PRIORITY AREA	OBJECTIVE	STRATEGY	INDICATOR
WATER	<i>To provide adequate, potable water to all by 2010¹</i>	Develop Water Supply Infrastructure	No. of people with access to water
		Develop Interim Safe Water Supply Infrastructure	No. of people with access to safe water
		Develop WSP Business Plan in accordance with outcomes of Section 78 investigation	Approved Business Plan
		Conclude Transfer Process of all DWAF assets	Assets capitalised on ADM Register
		Review WSDP annually	Annual review
		Conduct asset functionality analysis	Asset verification
		Develop Water Services Provision Plan jointly with Dept.	Provision Plan
		Develop Water Services Provision Plan jointly with Dept.	Provision Plan
		Develop Water Services performance indicators	KPIs Agreed
		Incorporate KPI's into PMS of Council	KPI's in PMS
		Identify target areas for Water Services Demand Management initiatives Plan	Target areas identified
		Improved Metering efficiency to 80%	% of water bought or abstracted metered
		Implement source based sampling and testing programme	% of water bought or abstracted tested
		Refurbish water treatment works	No. of water treatment works refurbished
		Provide suitable operators at water and waste water treatment works	No. of water and waste water treatment works with appropriate qualified staff
		Develop customer charter	Council resolution
		Conduct asset functionality analysis	Asset verification
		Develop asset refurbishment plan	Plan developed
Participate in Institutional Reform feasibility study	Council resolution		
SANITATION	<i>To provide adequate sanitation to all by 2010</i>	Develop Sanitation Infrastructure	No. of people with access to RDP toilets
		Develop User Education Plan	User Education Plan
		Implement User Education Plan	No. of people taught
		Review WSDP annually	Council resolution approving reviewed WSDP
		Dev. Sanit. infrastructure as an alternative to existing bucket system	No of bucket toilets eradicated

WSP – Water Services Provider
WSDP – Water Services Development Plan

PMS – Performance Management System
RDP – Rural Development Plan

	MEASUREMENT SOURCE AND FREQUENCY	BASELINE	TARGET: 07/08	TARGET: 08/09	TARGET: 09/10	ACCOUNTABLE OFFICIAL
	Quarterly Scorecard Report	701 458	777 473	813 980	920 503	Director: Engineering
	Quarterly Scorecard Report	0	120 829	161 106	54 583	Director: Engineering
	Annual Business Plan Review	0	1	1	1	Director: Engineering
	Annual Financial Statements	0	1	1	1	Director: Engineering
	Quarterly Scorecard Report June ADM Council Resolution	1	1	1	1	Director: Engineering
	Annual Confirmed Asset	0	1	1	1	Director: Engineering
	Quarterly Scorecard Report	0	1	1	1	Director: Engineering
	Quarterly Scorecard Report	0	1	1	1	Director: Engineering
	Quarterly Scorecard Report	0	1	1	1	Director: Engineering
	Quarterly Scorecard Report	0	1	1	1	Director: Engineering
	Quarterly Scorecard Report	0	1	1	1	Director: Engineering
	Quarterly Scorecard Report	0	1	1	1	Director: Engineering
	Quarterly Scorecard Report	unknown	70%	80%	85%	Director: Engineering
	Quarterly Scorecard Report	90%	93%	96%	98%	Director: Engineering
	Quarterly Scorecard Report	2	4	6	8	Director: Engineering
	Quarterly Scorecard Report	2	18	20	25	Director: Engineering
	Quarterly Scorecard Report	0	1	1	1	Director: Engineering
	Annual Confirmed Asset Register	0	1	1	1	Director: Engineering
	Quarterly Scorecard Report	0	1	1	1	Director: Engineering
	Quarterly Scorecard Report	50%	100%	N/A	N/A	Director: Engineering
	Quarterly Scorecard Report	246 000	350 000	454 000	558 000	Director: Engineering
	Quarterly Scorecard Report	0	1	1	1	Director: Engineering
	Quarterly Scorecard Report	Not established	0	454 000	558 000	Director: Engineering
	Quarterly Scorecard Report June ADM Council Resolution	1	1	1	1	Director: Engineering
	Quarterly Scorecard Report	5 742	5 742	0	0	Director: Engineering

Infrastructure Cluster: Roads & Transport: Objectives and Strategies

PRIORITY AREA	OBJECTIVE	STRATEGY	INDICATOR
TRANSPORT	To integrate public transport by 2010	Provide multimodal public transport facilities 2010	No. of studies completed against the total number of main towns identified
		Ensure development of local public transport services plans	No. Municipalities with complete PTSP
	To reduce the walking distance to public transport facilities and services to within 2km of all residential settlements by 2022	Ensure adequate provision of transport facilities and services in rural and urban areas prioritizing low and middle income settlements	No. of settlements within 2km of a public transport service/facility
		Ensure that public transport development and implementation is catered for when new low and middle income housing development is planned	% of new housing projects / land reform approved with public transport facilities planned
		Annually review the District Integrated Transport Plan	Annual review
	To ensure adequate transport systems for efficient movement people and goods through proper planning and consistent implementation	Develop transport infrastructure	Progress in implementation of projects
	Promote nonmotorised modes of transport in district	Provide infrastructure for bicycles and pedestrians within settlements and CBDs	Length of bicycle and pedestrian pathways constructed

PTSP – Public Transport Services Plan
 CPTR – Current Public Transport Record
 ITP – Integrated Transport Plan
 CBDs – Central Business Districts
 NDoT – National Department of Transport
 NMT – Non-Motorised Transport

	MEASUREMENT SOURCE AND FREQUENCY	BASELINE	TARGET: 07/08	TARGET: 08/09	TARGET: 09/10	ACCOUNTABLE OFFICIAL
	Quarterly Scorecard Report	7	8	10	11	Director: Engineering
	Quarterly Scorecard Report	1	5	7	8	Director: Engineering
	Quarterly Scorecard Report	CPTR (Baseline cannot be quantified)	Target to be confirmed later	Target to be confirmed later	Target to be confirmed later	Director: Engineering
	Quarterly Scorecard Report	100%	100%	100%	100%	Director: Engineering
	Quarterly Scorecard Report	Adoption of reviewed ITP in IDP	Major	Minor	Minor	Director: Engineering
	Quarterly Scorecard Report	85%	90%	100%	100%	Director: Engineering
	Quarterly Scorecard Report	NDoT approved funding	Develop NMT infrastructure / framework plan	5km	10km	Director: Engineering

Infrastructure Cluster: Land & Housing: Objectives and Strategies

PRIORITY AREA	OBJECTIVE	STRATEGY	INDICATOR
HUMAN SETTLEMENTS	To facilitate the development of sustainable and viable settlements within the district by 2014	Review and update the Land Reform & Settlement Plan in partnership with local municipalities and stakeholders	Reviewed and updated LRSP
		Review and update the Housing Strategy in partnership with local municipality and stakeholders	Reviewed and updated Housing Strategy
		Depending on availability of funding, Implement the LR&SP according to the agreed programme	No. of projects implemented
		Depending on availability of funding, implement housing projects according to the agreed programme	No. of projects accumulatively
		Implementation of housing strategy projects	No. of projects implemented
		Address land administration matters in Communal land within the district, in partnership with relevant Government Departments and relevant stakeholders	No. of village communal land being properly administered
DISTRICT SPATIAL DEVELOPMENT FRAMEWORK	Ensure a coherent strategic spatial development framework for the district	Implementation on "BNG"/ comprehensive plan objectives	Key indicators as per "BNG" five pillars
		Review and update the District Spatial Development Framework	Reviewed and updated SDF
		Ensuring that all IDP Sector Plans do comply with the Spatial Development Framework	Compliance of all Sector Plans with SDF (ADOPTED PLANS)
INSTITUTIONAL LAND & HOUSING	To ensure that category B municipalities are fully capacitated to fulfil their role and function with regard to land & housing function by 2010	Development of the capacitation plans for land and housing	Number of LMs adequately undertaking this function provide

LRSP – Land Reform Settlement Plan

"BNG" – Breaking New Ground

	MEASUREMENT SOURCE AND FREQUENCY	BASELINE	TARGET: 07/08	TARGET: 08/09	TARGET: 09/10	ACCOUNTABLE OFFICIAL
	Monthly reports	1	1	1	1	Director: Administration
	Monthly reports	1	1	1	1	Director: Administration
	Monthly reports	0	4	To be determined	To be determined	Director: Administration
	Monthly reports	9	15	18	21	Director: Administration
	Quarterly reports	0	4	To be determined	To be determined	Director: Administration
	Quarterly reports	0	4	6	8	Director: Administration
	Quarterly reports	0	To be determined	To be determined	To be determined	Director: Administration
	Monthly reports	1	1	1	1	Director: Administration
	Monthly reports	1	1	1	1	Director: Administration
	Monthly reports	1	6	6	8	Director: Administration

Infrastructure Cluster: Solid Waste: Objectives and Strategies

PRIORITY AREA	OBJECTIVE	STRATEGY	INDICATOR
SOLID WASTE	Ensure that all eligible residents have access to safe and legal waste services in the district by 2014	Annually review the Integrated Waste Management Plan	Adoption of the reviewed IWMP as part of IDP by ADM by June each year
		Ensure provision of adequate infrastructure and services to eligible residents by authority	Compliance with DWAF/DEAT permit conditions in Waste Sites (% of total sites complying)
	To ensure reduction in waste disposal by 50% in 2012	Promote and Facilitate recycling and composting	% waste recycled and composted in the district
		Implement outcomes of the investigation of appropriate treatment technology for municipal waste	Key milestones in the implementation of outcomes/ recommendations

Infrastructure Cluster: Local Amenities: Objectives and Strategies

PRIORITY AREA	OBJECTIVE	STRATEGY	INDICATOR
LOCAL AMENITIES	All households to have access to basic social amenities within a 2-10km walking distance by 2022	Support the viable and sustainable human settlement by providing social amenities at demarcated areas/sites	Review CFIS annually
			No of amenities developed at demarcated sites within villages

Infrastructure Cluster: Support to Local Municipalities

PRIORITY AREA	OBJECTIVE	STRATEGY	INDICATOR
SUPPORT TO LOCAL MUNICIPALITIES	To provide technical support to LM's and to improve service delivery	No of support projects implemented at LMs	Projects implemented annually
		Develop roads management systems (RMS)	No. of RMS implemented
		Assess status quo at LM's based on their Powers and Functions	Reports on status quo assessments

	MEASUREMENT SOURCE AND FREQUENCY	BASELINE	TARGET: 07/08	TARGET: 08/09	TARGET: 09/10	ACCOUNTABLE OFFICIAL
	Quarterly scorecard report June ADM Council resolution	1	1	1	1	Director: Engineering
	Quarterly scorecard report	52%	60%	72%	80%	Director: Engineering
	Quarterly scorecard report	5%	7%	10%	20%	Director: Engineering
	Quarterly reports	Complete investigation	Implement recommendations for year one	Implement recommendations for year two	Implement recommendations for year three	Director: Engineering

	MEASUREMENT SOURCE AND FREQUENCY	BASELINE	TARGET: 07/08	TARGET: 08/09	TARGET: 09/10	ACCOUNTABLE OFFICIAL
	Quarterly scorecard report & Council resolution in June each year	1	1	1	1	Director: Engineering
	Quarterly scorecard report	CFIS +11	CFIS +17	CFIS +24	CFIS +31	Director: Engineering

	MEASUREMENT SOURCE AND FREQUENCY	BASELINE	TARGET: 07/08	TARGET: 08/09	TARGET: 09/10	ACCOUNTABLE OFFICIAL
	Quarterly Report	0	3	6	9	Director: Engineering
	RMS's implemented	1	3	6	8	Director: Engineering
	Quarterly report	0	2	3	2	Director: Engineering

Social Needs Cluster: HIV and Aids: Objectives and Strategies

PRIORITY AREA	OBJECTIVE	STRATEGY	INDICATOR
HIV AND Aids	Contribute towards improvement of outcomes of HIV and Aids by 2014	Coordinate HIV and Aids activities in the district	No. of HIV and Aids consultative activities
		Publishing HIV and Aids material for information sharing	No. of HIV and Aids publications per year
		Establish Post-Test Club concept	No. of Post Test Clubs established
		Conduct HIV and Aids awareness	No. of HIV and Aids awareness events held
	Maintain fully functional home based care programme	Distribute home based care kits in the entire district	No. of home based care kits distributed

Social Needs Cluster: Disaster Management: Objectives and Strategies

PRIORITY AREA	OBJECTIVE	STRATEGY	INDICATOR
DISASTER MANAGEMENT	Enhance effective management of disasters within the district	Coordinate the development of disaster management plans at LM's	No. of LM's that have Disaster Management Plans
		Capacitate LM's to use and maintain Disaster Management Information System [DMIMS]	No. of LM's utilizing the DMIMS system
		Utilise available funding to reconstruct and repair damaged houses (backlog)	% of available funds utilised
		Repair disaster damages as new incidents occur	% of repairs being started within three months of occurring
		Train and equip volunteers recruited by LM's	% of funding for training spent
		Conduct awareness programmes	No. of awareness campaigns conducted
		Co-ordinate District Disaster Management Consultative Forums	No of consultative forum sessions held per year

	MEASUREMENT SOURCE AND FREQUENCY	BASELINE	TARGET: 07/08	TARGET: 08/09	TARGET: 09/10	ACCOUNTABLE OFFICIAL
	Quarterly reports	0	5	5	5	Director Health & Protection
	Bi-annual reports	0	2	2	2	Director Health & Protection
	Quarterly reports	3	5	Maintenance	Maintenance	Director Health & Protection
	Quarterly reports	0	4	4	4	Director Health & Protection
	Quarterly reports	400	450	500	500	Director Health & Protection

	MEASUREMENT SOURCE AND FREQUENCY	BASELINE	TARGET: 07/08	TARGET: 08/09	TARGET: 09/10	ACCOUNTABLE OFFICIAL
	Quarterly report	0	8	Review	Ongoing monitoring	Director Health & Protection
	Quarterly reports from LM's generated on the system	1	7	maintenance	maintenance	Director Health & Protection
	Quarterly report	0	80%	90%	100%	Director Health & Protection
	Monthly report	0	90%	100%	100%	Director Health & Protection
	Quarterly funds report	0	100%	100%	100%	Director Health & Protection
	Quarterly report	9	9	9	9	Director Health & Protection
	Quarterly report	4	4	4	4	Director Health & Protection

Social Needs Cluster: Municipal Health Services: Objectives and Strategies

PRIORITY AREA	OBJECTIVE	STRATEGY	INDICATOR
HEALTH SERVICES	Provide municipal health services to ensure compliance with the National Health Act	Implement food safety programmes	No. of programmes implemented
		Implement a community information programme on hazards related to household chemicals	No. of chemical awareness programmes conducted
		Implement Environmental Pollution Programmes	No. of programmes implemented
		Implement water quality monitoring programme	No. of water samples taken for compliance
		Develop and implement waste management monitoring programme	No. of waste management programmes monitored
		Implement programmes for the disposal of the dead	No. of programmes in place
		Implement a health surveillance of premises programme	No. of health surveillance programs implemented
		Implement a vector control programme	No. of vector control programs implemented
	Enhancing the functioning of the District Health Council to ensure integration of health services	No. of District Health Council consultative activities	
Reduce the outbreak of communicable diseases by 20% in 2009	Conduct awareness and health promotion campaigns	No. of health promotion activities undertaken	



	MEASUREMENT SOURCE AND FREQUENCY	BASELINE	TARGET: 07/08	TARGET: 08/09	TARGET: 09/10	ACCOUNTABLE OFFICIAL
	Quarterly reports	5	5	5	5	Director Health & Protection
	Quarterly reports	1	2	3	3	Director Health & Protection
	Quarterly reports	0	3	3	3	Director Health & Protection
	Quarterly reports	0	245	245	245	Director Health & Protection
	Quarterly reports	2	2	2	2	Director Health & Protection
	Quarterly reports	0	4	4	4	Director Health & Protection
	Quarterly reports	0	5	5	5	Director Health & Protection
	Quarterly reports	0	5	5	5	Director Health & Protection
	Bi-monthly Reports	0	6	6	6	Director Health & Protection
	Quarterly reports	0	8	8	8	Director Health & Protection



Social Needs Cluster: Fire & Community Services: Objectives and Strategies

PRIORITY AREA	OBJECTIVE	STRATEGY	INDICATOR
FIRE SERVICES	To reduce fire incidents by 10% by 2010	Conduct fire safety awareness campaigns	No. of awareness campaigns
		Build capacity of volunteers through training programmes	No. of training programmes per year
	Enhance provision and standardization of fire services within the district	Establish satellite fire stations	No. of satellite fire stations
		Conduct HAZMAT training for fire fighters	No. of HAZMAT training programmes conducted
COMMUNITY SAFETY SERVICES	Contribute to the reduction of social crime by 2010	Co-ordinate the development of local crime prevention strategies through local community safety forums	No. of crime prevention strategies developed
		Co-ordinate multi sectoral crime prevention programmes within the district	No. of crime prevention awareness programmes held per year
		Co-ordinate consultative district safety forum sessions	No. of consultative district safety forum sessions coordinated
		Revival of community safety forums at local municipalities	No. of forums revived
		Implement programmes in respect of diversionary activities for the youth	No. of programmes implemented
		Review of the Community Safety Plan	Reviewed Community Safety Plan



Handing over of a Fire Truck

	MEASUREMENT SOURCE AND FREQUENCY	BASELINE	TARGET: 07/08	TARGET: 08/09	TARGET: 09/10	ACCOUNTABLE OFFICIAL
	Quarterly reports	0	16	16	16	Director Health & Protection
	Quarterly reports	0	4	4	4	Director Health & Protection
	Quarterly reports	1	1	1	1	Director Health &
	Training reports	0	4	4	4	Director Health & Protection
	Quarterly reports	0	2	3	3	Director Health & Protection
	Quarterly reports	0	4	4	4	Director Health & Protection
	Quarterly reports	0	4	4	4	Director Health & Protection
	Quarterly reports	0	8	Maintain	Maintain	Director Health & Protection
	Quarterly reports	0	2	2	2	Director Health & Protection
	Quarterly reports	0	1	-	-	Director Health & Protection



LED and Environment: Economic Growth, Poverty Alleviation and Job Creation

PRIORITY AREA	OBJECTIVE	STRATEGY	INDICATOR
ECONOMIC GROWTH, POVERTY ALLEVIATION AND JOB CREATION	Increase tourist arrivals and expenditure in the district	To develop district tourism intelligence in order to establish tourist trends	Comprehensive survey of tourist arrivals and expenditure
		To promote a safety environment for both tourists and the host community	Signage installed
			Awareness campaigns
	Market Amathole as a tourist destination	No. of exhibitions attended, brochures developed, articles publicised	
	To create favourable environment for film making	To market ADM as a film destination	Attendance of exhibitions
		To provide film infrastructure for emerging film makers	Establish a film resource centre
	To develop, conserve and promote heritage resources	Safeguard available heritage resources	No. of programmes implemented
	To rehabilitate the identified heritage sites	Refurbish and maintain heritage infrastructure	No of sites rehabilitated and maintained
	To promote and support the development of small towns renewal	Regeneration and the renewal of the Butterworth economy	No. of projects implemented
		To promote and support the development of small towns	Formulation of the development plans
	To facilitate development of a vibrant and sustainable agricultural sector	Provision of strategic irrigation infrastructure	No. of schemes established or upgraded
		Provision of strategic cropping machinery and production inputs	No. of projects established and\or assisted
		Provision of superior genetic material in specific areas of the district	No. of bulls and Rams distributed
		Provision of strategic livestock handling facilities and other infrastructure	No. of dipping tanks and\or handlings facilities
		Facilitate flow of technical and market information and opportunities	No. of information days held

¹ The achievement of this objective is dependent on getting a person who will drive film development for the district. Currently the LED unit does not have the capacity to undertake this function. In the past this was added to the LED Unit.

² The achievement of this target is same as the above, furthermore it is dependent on the agreement struck with either Eastern Cape Development Corporation or the University of Fort Hare in establishing the center.

	MEASUREMENT SOURCE AND FREQUENCY	BASELINE	TARGET: 07/08	TARGET: 08/09	TARGET: 09/10	ACCOUNTABLE OFFICIAL
	Quarterly reports	0	Comprehensive survey (Database)	Implementation of recommendations	Implementation of recommendations	Strategic Manager
	Quarterly reports	18	10	5	5	Strategic Manager
	Quarterly reports	3	4	4	4	Strategic Manager
	Exhibition attended	3	4	4	4	Strategic Manager
	Brochures developed	2	4	N/A	N/A	Strategic Manager
	Adverts published	23	10	15	20	Strategic Manager
	Quarterly reports	1	1	2	2	Strategic Manager
	Quarterly reports	0	1 ²	N/A	N/A	Strategic Manager
	Quarterly reports	7	8	8	5	Strategic Manager
	Quarterly reports	5	3	4	5	Strategic Manager
	Quarterly reports	4	10	14	18	Strategic Manager
	Quarterly reports	0	Approved Development Plan	Implementation of the Development Plans	Implementation of the Development Plans	Strategic Manager
	Quarterly reports	3	-	-	-	Strategic Manager
	Quarterly reports	84	-	-	-	Strategic Manager
	Quarterly reports	190	-	-	-	Strategic Manager
	Quarterly reports	7	-	-	-	Strategic Manager
	Quarterly reports	2	-	-	-	Strategic Manager

LED and Environment: Economic Growth, Poverty Alleviation and Job Creation (Continued)

PRIORITY AREA	OBJECTIVE	STRATEGY	INDICATOR
INSTITUTIONAL CAPACITY AND CO-ORDINATION	To improve co-ordination between ADM and other stakeholders for effective service delivery	To co-ordinate LED initiatives through LED forum	LED forum meetings
		To promote co-ordination through District Tourism and Heritage Organization	No. of meetings
		Co-ordinate district wide Environmental Management activities by promoting co-ordination through Environmental Management Forum	No. of meetings
		Co-ordinate agricultural activities through Agricultural Forum	No. of meetings
		Co-ordinate Urban Renewal Technical Committee Meetings	No. of meetings
		Co-ordinate Urban Renewal Stakeholder and Project Steering Committee Meetings	No. of meetings

LED and Environment: Environmental Management System: Objectives and Strategies

PRIORITY AREA	OBJECTIVE	STRATEGY	INDICATOR
ENVIRONMENTAL MANAGEMENT	District-wide co-ordination of and enhancement of environmental management related activities	Create awareness on environmental legislation	No. awareness sessions conducted
		Develop environmental by-laws for category B municipalities	No. of municipalities with by laws
		Ensure all land in the ADM region is free of alien vegetation in line with the Environmental policy	Increase in no of projects implemented
		Enhancing the cleanliness of category B municipalities	No of cleaning campaigns
		Co-ordinate coastal environmental management	No of projects implemented in the ICZMP
		Develop and implement projects that promote the sustainable use of renewable resources	No projects Implemented
		Lobby DEAT for the proclamation of more spatial reserves	Defined protected area

	MEASUREMENT SOURCE AND FREQUENCY	BASELINE	TARGET: 07/08	TARGET: 08/09	TARGET: 09/10	ACCOUNTABLE OFFICIAL
	Quarterly forum meetings	LED forum meeting	4	4	4	Strategic Manager
	Quarterly reports	3	4	4	4	Strategic Manager
	Quarterly reports	3	4	4	4	Strategic Manager
	Quarterly reports	0	4	4	4	Strategic Manager
	Quarterly reports	1	2	4	4	Strategic Manager
	Quarterly reports	0	2	4	4	Strategic Manager

	MEASUREMENT SOURCE AND FREQUENCY	BASELINE	TARGET: 07/08	TARGET: 08/09	TARGET: 09/10	ACCOUNTABLE OFFICIAL
	Quarterly reports	10	4	4	4	Strategic Manager
	Quarterly reports	1	1	2	2	Strategic Manager
	Quarterly reports	3	5	7	10	Strategic Manager
	Quarterly reports	6	8	8	8	Strategic Manager
	Quarterly reports	4	4	4	4	Strategic Manager
	Quarterly reports	1	1	2	1	Strategic Manager
	National & provincial proclamation	1	1	1	1	Strategic Manager





annexures

In this Chapter

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annexure a

Report of the Auditor-General on the financial statements and performance information.

CONTENTS

Report on the Financial Statements

- Introduction
- Responsibility of the accounting officer / accounting authority for the financial statements
- Responsibility of the Auditor-General
- Basis of accounting
- Opinion
- Emphasis of matter

Other Matters

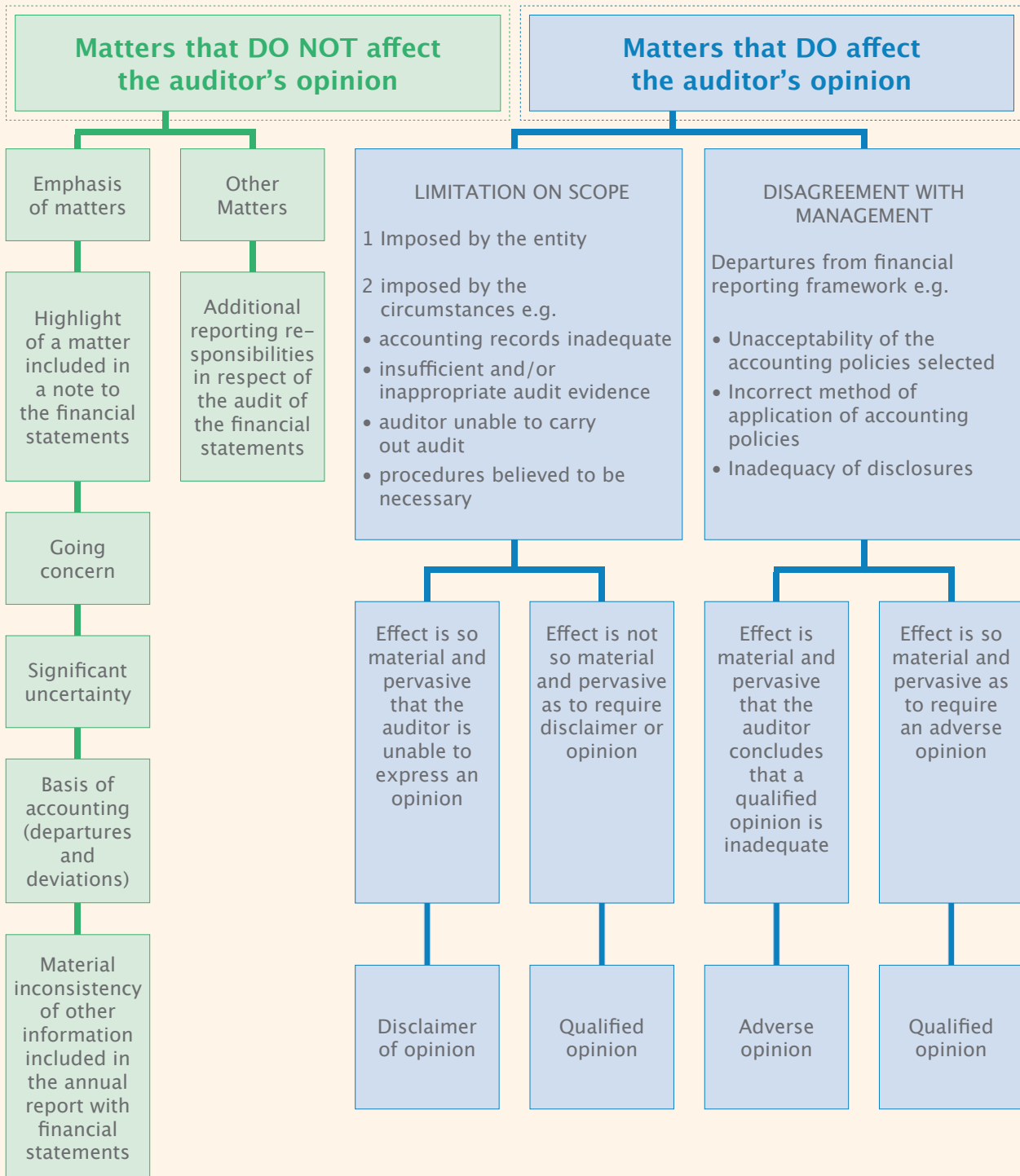
Matters ancillary to the responsibility of the AG in the audit of the financial statement.

Other Reporting Responsibilities

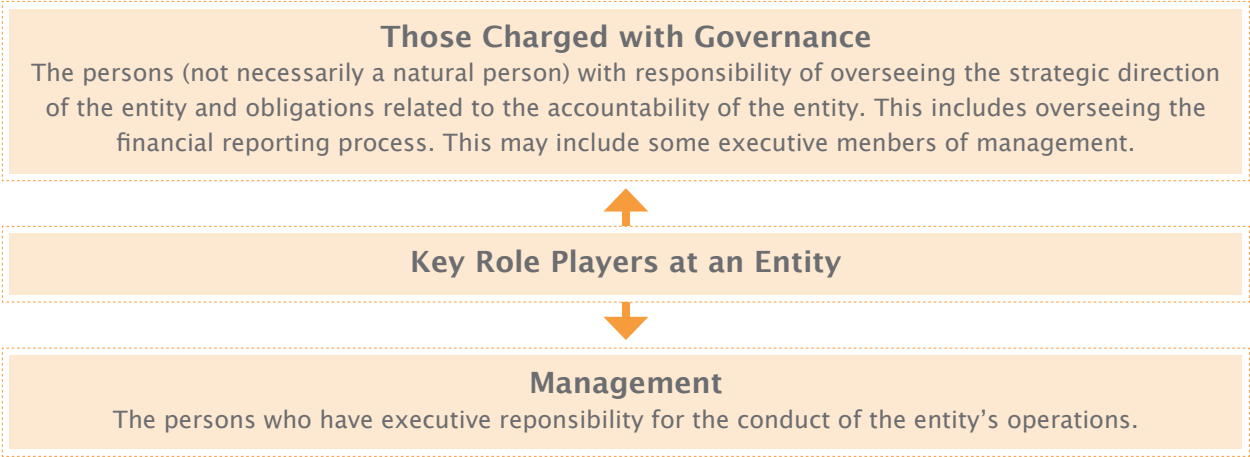
Reporting on performance information

MODIFICATION OF THE AUDIT OPINION

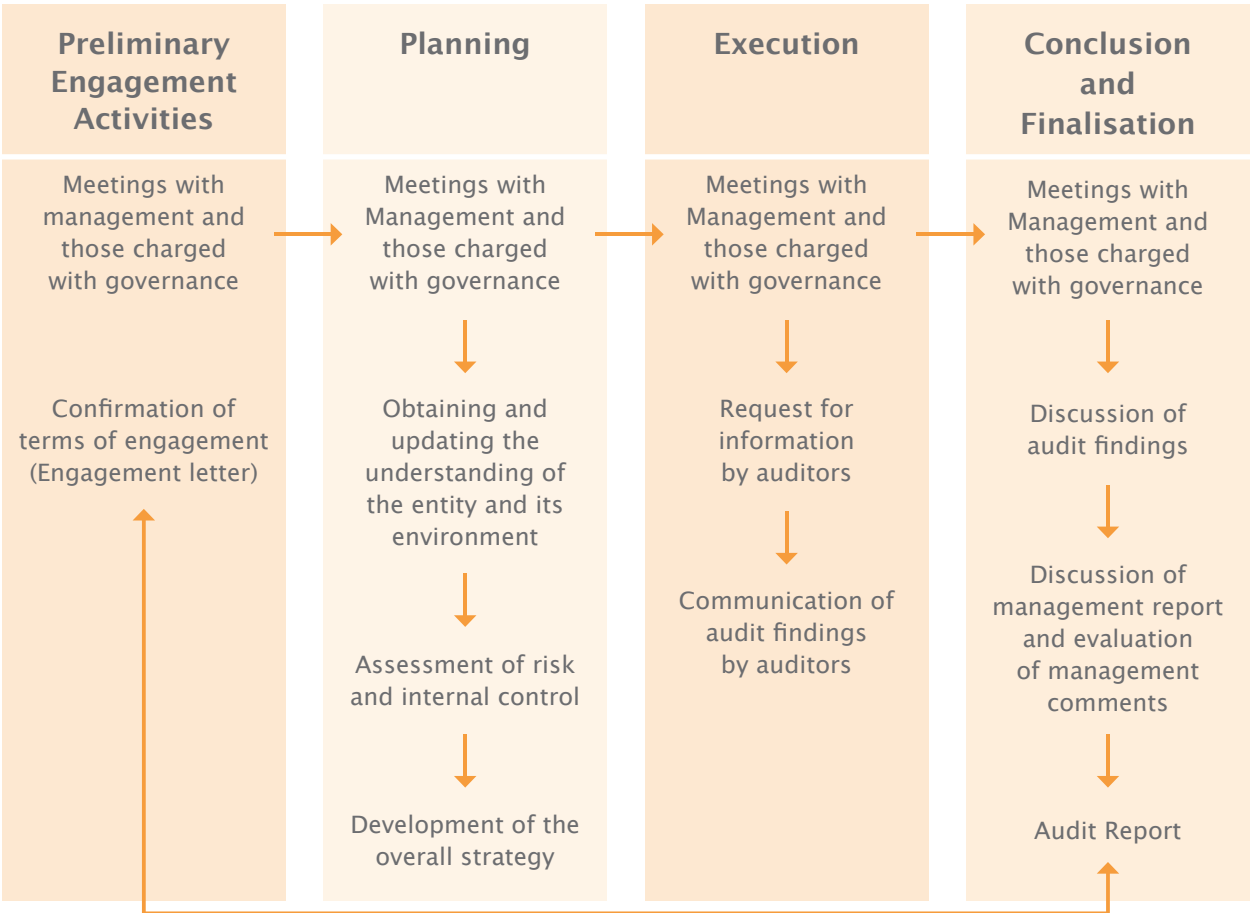
This decision tree illustrates the circumstances under which the audit report would be modified.



COMMUNICATION IN THE AUDIT PROCESS



KEY COMMUNICATION PHASES



annexure b

GLOSSARY OF TERMS

A

Adverse Opinion – An adverse opinion is expressed when the effect of a disagreement with management regarding departures from the financial reporting framework is so material and pervasive to the financial statements that the auditor concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements.

Audit Evidence – All of the information used by the auditor in arriving at the conclusions on which the audit opinion is based. Audit evidence includes the information contained in the accounting records underlying the financial statements and other information.

Audit matters of governance interest – those matters that arise from the audit of financial statements and, in the opinion of the auditor, are both important and relevant to those charged with governance in overseeing the financial reporting and disclosure process. Audit matters of governance interest include only those matters that have come to the attention of the auditor as a result of the performance of the audit.

Audit of financial statements – The objective of and audit of financial statements is to enable the auditor to express an opinion whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework.

C

Comprehensive basis of accounting – a comprehensive basis of accounting comprises a set of criteria used in preparing financial statements which applies to all material items and which has substantial support.

Control activities – those policies and procedures that help ensure that management directives are carried out. Control activities are a component of internal control. (See *Internal Control*).

Control environment – Includes the governance and management functions and the attitudes, awareness and actions of those charged with governance and management concerning the entity's internal control and its importance in the entity. The con-

trol environment is a component of internal control. (See *Internal Control*).

D

Disclaimer of Opinion – A disclaimer of opinion is expressed when the possible effect of a limitation on scope is so material and pervasive that the auditor has not been able to obtain sufficient appropriate audit evidence to form an opinion on the financial statements.

Documentation – The material (working papers) prepared by and for, or obtained and retained by the auditor in connection with the performance of the audit. Working papers may be in the form of data stored on paper, film, electronic media or other media.

E

Emphasis of matter paragraph(s) – An auditor's report may be modified by adding an emphasis of matter paragraph(s) to highlight a matter affecting the financial statements which is included in a note to the financial statements that more extensively discusses the matter. The addition of such an emphasis of matter paragraph(s) does not affect the auditor's opinion on whether the financial statements are fairly presented. The auditor may also modify the auditor's report by using an emphasis of matter paragraph(s) to report matters other than those affecting the financial statements, such as material inconsistency of other information included in the annual report.

G

Governance – Describes the role of persons entrusted with the supervision, control and direction of an entity. Those charged with governance ordinarily are accountable for ensuring that the entity achieves its objectives, financial reporting, and reporting to interested parties. Those charged with governance include management only when it performs such functions.

I

Information system relevant to financial reporting – A component of internal control that includes the financial reporting system, and consists of the procedures and records established to initiate, record, process and report entity transactions (as well as events and conditions) and to maintain accountability for the related assets, liabilities and equity.

Internal Control – The internal control system is the whole system of financial and other controls, including the organisational structure, methods, procedures and internal audit, established by those charged with governance, management and other personnel to:

- assist in conducting the business of the audited entity in a regular economic, efficient and effective manner
- ensure adherence to management policies
- ensure compliance with applicable laws and regulations
- safeguard assets and resources
- secure the accuracy and completeness of accounting records
- produce timely and reliable financial and management information

It provides framework for considering how different aspects of an entity's internal control may affect the audit. The auditor's primary consideration is whether, and how, a specific control prevents or detects and corrects material misstatements in classes of transactions, account balances, or disclosures, and their related assertions.

Internal control consists of the following components:

(a) The *control environment*. The control environment includes the governance and management functions and the attitudes, awareness, and actions of those charged with governance and management concerning the entity's internal control and its importance in the entity. The control environment sets the tone of an organisation, influencing the control consciousness of its staff. It is the foundation for all other components of internal control, providing discipline and structure.

Elements of the control environment are:

- Communication and enforcement of integrity and ethical values through policy statements, codes of conduct and by example
- Commitment to competence
- The "tone at the top", i.e. management's philosophy and operating style
- Organisational structure
- Human resource policies and practices
- Assignment of authority and responsibility
- Participation by those charged with governance

(b) *Risk assessment* process. Risk assessment is the process of identifying and analysing relevant risks from internal and external sources to the achievement of the entity's objectives, as identified in the strategic plan, and determining how the risks should be managed.

Risk assessment implies:

- risk identification
- risk evaluation
- assessment of the risk appetite of the organisation
- development of responses to the risk profile

(c) The *information system*, including the related business processes, relevant to financial reporting, and communication. Relevant and reliable information, both financial and non-financial, and the communication of this information are essential to realising all internal control objectives. In order to help ensure the quality of information and reporting, carry out the internal control activities and responsibilities, and make monitoring more effective and efficient, the internal control system should be fully and clearly documented and should be available for examination.

(d) *Control activities*. Control activities are the policies, procedures, techniques and mechanisms established to address/mitigate risks and to achieve the entity's objectives. They are an integral part of the entity's planning, implementing, reviewing and accountability for stewardship of government resources and achieving effective results.

Control activities include a range of detective and preventive control activities as diverse as, e.g.:

- authorisation and approval procedures
- segregation of duties
- access restrictions to and accountability for resources and records
- verifications
- reconciliations
- reviews by management of performance
- controls over information processing (application controls)
- general IT controls
- proper execution of transactions and events
- Accurate and timely recording of transactions and internal control
- appropriate documentation of transactions and internal control
- reviews of operations and processes
- establishment and review of performance measures and indicators
- supervision
- human capital management

(e) *Monitoring of controls*. internal control systems should be monitored to assess the quality of the systems' performance over time. Monitoring is accomplished through routine activities, separate evaluations, or a combination of both. It involves assessment by appropriate personnel of the design and operation of controls on

a suitable timely basis and the taking of necessary actions. It includes regular management and supervisory comparisons, reconciliations and actions.

Ongoing Monitoring

- Ongoing monitoring of internal control should be built into the normal, recurring operating activities of an entity. It includes regular management and supervisory activities, and other actions personnel take in performing their duties.
- Ongoing monitoring activities cover each of the internal control components and involve action against irregular, unethical, uneconomical, inefficient and ineffective internal control systems.

Separate Evaluations

- The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures.
- Separate evaluations may take the form of self-assessments as well as reviews by internal and external auditors of control design and the direct testing of internal control.

L

Limitation on scope. A limitation on the scope of the auditor's work may sometimes be imposed by the entity (for example, when the terms of the engagement specify that the auditor will not carry out an audit procedure that the auditor believes is necessary). A scope limitation may be imposed by circumstances (for example, when the timing of the auditor's appointment is such that the auditor is unable to observe the counting of physical inventories). It may also arise when, in the opinion of the auditor, the entity's accounting records are inadequate or when the auditor is unable to carry out an audit procedure believed desirable.

M

Management Fraud. Fraud involving one or more members of management or those charged with governance.

Material Inconsistency. Exists when other information contradicts information contained in the audited financial statements. A material inconsistency may raise doubt about the audit conclusions drawn from audit evidence previously obtained and, possibly, about the basis for the auditor's opinion on the financial statements.

Material Misstatement of Fact. Exists in other information when such information, not related to matters appearing in the audited financial statements, is incorrectly stated or presented.

Material Weakness. A weakness in internal control that could have a material effect on the financial statements.

Materiality. Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather.

Misstatement. A misstatement of the financial statements that can arise from fraud or error (*also see Fraud*).

Modified Auditor's Report. An auditor's report is considered to be modified if either an emphasis of matter paragraph(s) is added to the report or if the opinion is other than unqualified.

N

Non-compliance. Refers to acts of omission or commission by the entity being audited, either intentional or unintentional, that are contrary to the prevailing laws or regulations.

O

Opinion. The auditor's report contains a clear written expression of opinion on the financial statements as a whole. An unqualified opinion is expressed when the auditor concludes that the financial statements give a true and fair view (or are presented fairly, in all material respects) in accordance with the applicable financial reporting framework (*also see Modified auditor's report*).

Other information/Other matters. Financial or non-financial information (other than the financial statements or the auditor's report thereon) included – either by law or custom – in the annual report.

P

Planning. Involves establishing the overall audit strategy for the engagement and developing an audit plan, in order to reduce audit risk to an acceptably low level.

Q

Qualified Opinion. A qualified opinion is expressed when the auditor concludes that an unqualified opinion cannot be expressed but that the effect of any disagreement with management regarding departures from financial reporting framework, or limitation on scope is not so material and pervasive as to require an adverse opinion or a disclaimer of opinion.

SCHEDULE OF EXTERNAL LOANS

as at 30 June 2007

APPENDIX A

EXTERNAL LOANS	LOAN NUMBER	INTEREST RATE	FINAL REDEMPTION DATE	BALANCE AT 01/07/2006 R
LONG-TERM LOANS				
DBSA Loan – Nkonkobe	8237	11%	9/30/2014	
DBSA Loan – Great Kei	10876	15%	6/30/2019	
DBSA Loan – Nxuba	11416	17%	6/30/2009	
Loan – Amahlathi	100001	4%	6/30/2009	
Loan – Amahlathi	100001	4%	6/30/2009	
Loan – Amahlathi	100001	4%	6/30/2009	
TOTAL LONG-TERM LOANS				
CURRENT PORTION				
DBSA Loan – Amahlathi [In arrears]	11641	11%	6/30/2007	-
DBSA Loan – Nxuba	11240	16%	12/31/2010	
Total short term loans				0
TOTAL EXTERNAL LOANS				0

	RECEIVED DURING THE PERIOD R	REDEEMED WRITTEN OFF DURING THE PERIOD R	BALANCE AT 30/06/2007 R
	3,978,285	234,084	3,744,200
	1,571,512	-	1,571,512
	78,201	-	78,201
	1,579,684	497,008	1,082,676
	294,964	-	294,964
	113,758	-	113,758
	7,616,404	731,092	6,885,312
	7,926	-	7,926
	9,497		9,497
	17,423	-	17,423
	7,633,827	731,092	6,902,734

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

as at 30 June 2007

APPENDIX B

Classification	Cost / Revaluation					
	Opening Balance	Transfer In / (Out)	New Opening Balance	Additions	Disposals	Closing Balance
INFRASTRUCTURE	12,942,841	289,250	13,232,090	607,436,562	-	620,668,652
Water	-	-	-	-	-	-
Reservoirs & tanks	9,082,744	289,250	9,371,994	161,516,099		170,888,093
Water - other	3,860,097	-	3,860,097	24,800		3,884,897
Metres	-	-	-	1,446,800		1,446,800
Sanitation	-	-	-	23,235,282		-
Purification works	-	-	-	90,675,095		23,235,282
Sewers	-	-	-	330,538,485		90,675,095
Work in progress	-	-	-	-		-
Infrastructure under construction	-	-	-	-		330,538,485
COMMUNITY	5,046,137	(137,057)	4,909,080	925,568	-	5,834,648
Clinics & hospitals	1,864,675	119,017	1,983,692			1,983,692
Fire stations	3,392	1	3,393			3,393
Museum & art galleries	3,166,002	(256,075)	2,909,928	882,924		3,792,852
Security system	12,068	(0)	12,068	42,644.31		54,712
INVESTMENT PROPERTIES	628,165	153,549	781,714	-	-	781,714
Administration	628,165	153,549	781,714			781,714
OTHER	64,931,749	432,163	65,363,912	14,216,685	247,479	79,333,118
LAND AND BUILDINGS	31,784,357	(326,634)	31,457,722	-	-	31,457,722
Administration	22,091,481	1,343,206	23,434,687			23,434,687
Housing schemes	25,062	1,114,853	1,139,915			1,139,915
Workshops & depots	4,535,143	143,542	4,678,685			4,678,685
Land	5,132,671	(2,928,235)	2,204,436			2,204,436
Office Equipment	8,682,604	846,744	9,529,349	3,336,192	24,000	12,841,541
Air conditioners	53,019	(0)	53,019			53,019
Computer hardware	6,601,916	135,784	6,737,700	3,156,411	24,000	9,870,111
Operating software	1,316,149	(1,212,465)	103,683			103,683
Office machines	711,521	1,923,425	2,634,946	179,781		2,814,727
Furniture and Fittings	2,045,121	(136,047)	1,909,074	352,399	15,211	2,246,262
Cabinets & cupboards	696,554	(9,125)	687,428	149,115	3,050	833,493
Chairs	191,374	0	191,374	24,832	281	215,926
Furniture and fittings : other	618,717	(153,803)	464,914	46,286		511,201
Tables & desks	538,476	26,881	565,358	132,165	11,881	685,642
Plant and Equipment	9,854,870	37,000	9,891,869	102,224	2,785	9,991,309
Compressors	5,070	-	5,070			5,070
Medical equipment	17,767	5,601	23,368		1,435	21,933
Fire equipment	197,078	(0)	197,078			197,078
Fire arms	1,775	(0)	1,775			1,775
Laboratory equipment	13,455	0	13,455			13,455
Lawnmowers	58,954	12,012	70,966	54,123		125,089
Plant & equipment : general	331,133	29,472	360,605	48,102	1,350	407,357
Tractors	9,189,430	-	9,189,430			9,189,430
Radio equipment	40,207	(10,085)	30,121			30,121
Telecommunication equipment	0	(0)	-			-
Motor Vehicles	12,564,797	11,100	12,575,897	10,425,870	205,483	22,796,285
Motor vehicles	1,915,090	28,065	1,943,155	530,587	118,450	2,355,292
Fire engines	4,188,685	0	4,188,685	964,500		5,153,185
Trucks & bakkies	6,461,022	(16,965)	6,444,057	8,930,783	87,033	15,287,807
TOTAL	83,548,892	737,904	84,286,796	622,578,815	247,479	706,618,132

	Accumulated Depreciation						Carrying Value
	Opening Balance	Transfer In / (Out)	New Opening Balance	Additions	Disposals	Closing Balance	
	468,010	1	468,011	31,276,249	-	31,744,260	588,924,392
	-					-	-
	274,622	1	274,623	14,684,528		14,959,151	155,928,942
	193,388	-	193,388	2,057,343		2,250,732	1,634,165
		-		271,059		271,059	1,175,741
		-		2,928,932		-	-
		-		11,334,387		2,928,932	20,306,350
		-				11,334,387	79,340,708
		-				-	-
		-				-	330,538,485
	328,710	(15,702)	313,007	244,144	-	557,151	5,277,497
	158,055	5,319	163,374	115,896		279,270	1,704,422
	657	0	657	130		788	2,605
	164,953	(21,022)	143,931	124,189		268,120	3,524,732
	5,045	0	5,045	3,929		8,974	45,738
	27,867	30,611	58,478	36,933	-	95,411	686,303
	27,867.00	30,610.78	58,478	36,933.43		95,411	686,303
	11,083,031	(20,807)	11,062,225	6,802,432	74,835	17,789,822	61,543,296
	815,352	(28,219)	787,133	505,582	-	1,292,715	30,165,007
	302,000	62,013	364,013	215,655		579,668	22,855,019
	13,977	5,321	19,297	10,082		29,380	1,110,535
	400,014	(5,058)	394,956	274,245		669,201	4,009,484
	99,360.73	(90,494.06)	8,866.67	5,600		14,467	2,189,969
	4,345,924	56,861	4,402,785	1,890,658	3,621	6,289,822	6,551,718
	48,894	(0)	48,894	1,414		50,308	2,711
	3,022,364	54,491	3,076,855	1,314,335	3,621	4,387,570	5,482,541
	909,603	(810,160)	99,443	1,454		100,897	2,787
	365,062	812,531	1,177,593	573,454		1,751,047	1,063,680
	653,600	(57,244)	596,355	284,983	13,723	867,616	1,378,646
	214,177	7,636	221,814	120,436	1,561	340,689	492,804
	58,182	1,482	59,664	27,788	281	87,171	128,755
	190,887	(77,098)	113,789	57,051		170,839	340,361
	190,353	10,736	201,089	79,708	11,881	268,916	416,726
	1,697,621	19,808	1,717,429	1,022,103	2,576	2,736,957	7,254,352
	1,518	-	1,518	1,015		2,533	2,537
	13,994	382	14,377	1,789	1,435	14,731	7,202
	15,220	(0)	15,219	13,139		28,358	168,720
	1,775	-	1,775	351		1,775	-
	11,756	19,932	31,688	19,325		32,039	(18,584)
	45,369	(14,918)	30,452	67,400	1,141	49,776	75,312
	143,921	14,451	158,372	919,085		224,631	182,726
	1,433,907	1	1,433,908	-		2,352,992	6,836,438
	30,161	(40)	30,121			30,121	-
	0	(0)				-	-
	3,570,535	(12,012)	3,558,523	3,099,106	54,916	6,602,712	16,193,572
	718,280	19,052	737,333	404,902	37,509	1,104,725	1,250,567
	410,404	-	410,404	280,088		690,493	4,462,692
	2,441,850	(31,065)	2,410,786	2,414,116	17,407	4,807,495	10,480,312
	11,907,618	(5,897)	11,901,721	38,359,759	74,835	50,186,645	656,431,487

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT – GROUP

as at 30 June 2007

APPENDIX B

Classification	Cost / Revaluation					
	Opening Balance	Transfer In / (Out)	New Opening Balance	Additions	Disposals	Closing Balance
INFRASTRUCTURE	12,942,841	289,250	13,232,090	607,436,562	-	620,668,652
Water	-	-	-	-	-	-
Reservoirs & tanks	9,082,744	289,250	9,371,994	161,516,099		170,888,093
Water – other	3,860,097	-	3,860,097	24,800		3,884,897
Metres	-	-	-	1,446,800		1,446,800
Sanitation	-	-	-	-		-
Purification works	-	-	-	23,235,282		23,235,282
Sewers	-	-	-	90,675,095		90,675,095
Work in progress	-	-	-	-		-
Infrastructure under construction	-	-	-	330,538,485		330,538,485
COMMUNITY	5,046,137	(137,057)	4,909,080	925,568	-	5,834,648
Clinics & hospitals	1,864,675	119,017	1,983,692			1,983,692
Fire stations	3,392	1	3,393			3,393
Museum & art galleries	3,166,002	(256,075)	2,909,928	882,924		3,792,852
Security system	12,068	(0)	12,068	42,644.31		54,712
INVESTMENT PROPERTIES	628,165	153,549	781,714	-	-	781,714
Administration	628,165	153,549	781,714			781,714
OTHER	65,237,744	432,163	65,669,907	14,278,435	281,778	79,666,564
LAND AND BUILDINGS	31,784,357	(326,634)	31,457,722	-	-	31,457,722
Administration	22,091,481	1,343,206	23,434,687			23,434,687
Housing schemes	25,062	1,114,853	1,139,915			1,139,915
Workshops & depots	4,535,143	143,542	4,678,685			4,678,685
Land	5,132,671	(2,928,235)	2,204,436			2,204,436
Office Equipment	8,840,942	846,744	9,687,687	3,373,997	50,698	13,010,986
Air conditioners	53,019	(0)	53,019			53,019
Computer hardware	6,731,830	135,784	6,867,614	3,187,613	42,330	10,012,897
Operating software	1,316,149	(1,212,465)	103,683			103,683
Office machines	739,945	1,923,425	2,663,370	186,384	8,368	2,841,386
Furniture and Fittings	2,192,778	(136,047)	2,056,731	376,344	22,812	2,410,263
Cabinets & cupboards	696,554	(9,125)	687,428	149,115	3,050	833,493
Chairs	191,374	(153,803)	191,374	24,832	281	215,926
Furniture and fittings : other	766,374	0	612,571	70,231	7,601	675,202
Tables & desks	538,476	26,881	565,358	132,165	11,881	685,642
Plant and Equipment	9,854,870	37,000	9,891,869	102,224	2,785	9,991,309
Compressors	5,070	-	5,070			5,070
Medical equipment	17,767	5,601	23,368		1,435	21,933
Fire equipment	197,078	(0)	197,078			197,078
Fire arms	1,775	(0)	1,775			1,775
Laboratory equipment	13,455	0	13,455			13,455
Lawnmowers	58,954	12,012	70,966	54,123		125,089
Plant & equipment : general	331,133	29,472	360,605	48,102	1,350	407,357
Tractors	9,189,430	-	9,189,430			9,189,430
Radio equipment	40,207	(10,085)	30,121			30,121
Telecommunication equipment	0	(0)	0			-
Motor Vehicles	12,564,797	11,100	12,575,897	10,425,870	205,483	22,796,285
Motor vehicles	1,915,090	28,065	1,943,155	530,587	118,450	2,355,292
Fire engines	4,188,685	0	4,188,685	964,500		5,153,185
Trucks & bakkies	6,461,022	(16,965)	6,444,057	8,930,783	87,033	15,287,807
TOTAL	83,854,887	737,904	84,592,791	622,640,565	281,778	706,951,578

	Accumulated Depreciation						Carrying Value
	Opening Balance	Transfer In / (Out)	New Opening Balance	Additions	Disposals	Closing Balance	
	468,010	1	468,011	31,276,249	-	31,744,260	588,924,392
	-					-	-
	274,622	1	274,623	14,684,528		14,959,151	155,928,942
	193,388	-	193,388	2,057,343		2,250,732	1,634,165
		-		271,059		271,059	1,175,741
		-				-	-
		-		2,928,932		2,928,932	20,306,350
		-		11,334,387		11,334,387	79,340,708
		-				-	-
		-				-	330,538,485
	328,710	(15,702)	313,007	244,144	-	557,151	5,277,497
	158,055	5,319	163,374	115,896		279,270	1,704,422
	657	0	657	130		788	2,605
	164,953	(21,022)	143,931	124,189		268,120	3,524,732
	5,045	0	5,045	3,929		8,974	45,738
	27,867	30,611	58,478	36,933	-	95,411	686,303
	27,867.00	30,610.78	58,478	36,933.43		95,411	686,303
	11,123,251	(20,807)	11,102,445	6,874,074	84,765	17,891,754	61,774,810
	815,352	(28,219)	787,133	505,582	-	1,292,715	30,165,007
	302,000	62,013	364,013	215,655		579,668	22,855,019
	13,977	5,321	19,297	10,082		29,380	1,110,535
	400,014	(5,058)	394,956	274,245		669,201	4,009,484
	99,360.73	(90,494.06)	8,866.67	5,600		14,467	2,189,969
	4,373,377	56,861	4,430,238	1,940,857	12,416	6,358,679	6,652,306
	48,894	(0)	48,894	1,414		50,308	2,711
	3,046,786	54,491	3,101,277	1,359,105	10,705	4,449,678	5,563,219
	909,603	(810,160)	99,443	1,454		100,897	2,787
	368,093	812,531	1,180,624	578,883	1,711	1,757,796	1,083,590
	666,367	(57,244)	609,122	306,426	14,858	900,691	1,509,572
	214,177	7,636	221,814	120,436	1,561	340,689	492,804
	58,182	1,482	59,664	27,788	281	87,171	128,755
	203,654	(77,098)	126,556	78,494	1,135	203,914	471,287
	190,353	10,736	201,089	79,708	11,881	268,916	416,726
	1,697,621	19,808	1,717,429	1,022,103	2,576	2,736,957	7,254,352
	1,518	-	1,518	1,015		2,533	2,537
	13,994	382	14,377	1,789	1,435	14,731	7,202
	15,220	(0)	15,219	13,139		28,358	168,720
	1,775	-	1,775	351		1,775	-
	11,756	19,932	31,688	19,325		32,039	(18,584)
	45,369	(14,918)	30,452	67,400	1,141	49,776	75,312
	143,921	14,451	158,372	919,085		224,631	182,726
	1,433,907	1	1,433,908	-		2,352,992	6,836,438
	30,161	(40)	30,121			30,121	-
	0	(0)				-	-
	3,570,535	(12,012)	3,558,523	3,099,106	54,916	6,602,712	16,193,572
	718,280	19,052	737,333	404,902	37,509	1,104,725	1,250,567
	410,404	-	410,404	280,088		690,493	4,462,692
	2,441,850	(31,065)	2,410,786	2,414,116	17,407	4,807,495	10,480,312
	11,947,838	(5,897)	11,941,941	38,431,401	84,765	50,288,577	656,663,001

SEGMENTAL ANALYSIS OF FIXED ASSETS PER DEPARTMENT

as at 30 June 2007

APPENDIX C

Department	Cost / Revaluation					
	Opening Balance	Transfer In / (Out)	New Opening Balances	Additions	Disposals	Closing Balance
RATES AND GENERAL	83,527,417	759,380	84,286,797	622,578,815	247,478.76	706,618,133
Council General	-	-	-	183,635	-	183,635
Mayoral Committee	2,122,905	-	2,122,905	9,638	-	2,132,543
Executive Support Services	422,965	245,787	668,752	99,065	-	767,818
Municipal Manager	476,507	230,828	707,335	-	3,050	704,285
PIMMS	36,817	134,875	171,692	10,925	9,760	172,858
Internal Audit	394,431	-	394,431	11,930	-	406,361
Local Economic Development	9,377,929	-	9,377,929	124,646	-	9,502,575
Municipal Support Unit	235,963	-	235,963	43,820	-	279,783
Strategic Management unit	214,931	-	214,931	3,300	-	218,231
Information Com Technology	2,881,810	(982,826)	1,898,984	1,344,058	8,947	3,234,095
Administration	3,626,717	74,623	3,701,341	33,227	-	3,734,567
Land and Housing	27,859,127	-	27,859,127	239,270	5,292	28,093,105
Buildings	5,442,764	-	5,442,764	83,162	14,170	5,511,756
Calgary Museum	3,000,007	-	3,000,007	897,035	-	3,897,042
Supply Chain Management	-	-	-	47,327	-	47,327
Council Support & Auxiliary	-	276,967	276,967	258,664	-	535,631
Budget & Treasury Office	2,304,438	195,193	2,499,631	1,633,995	119,226	4,014,400
Human Resources	679,577	70,691	750,268	70,837	-	821,104
Engineering Services	1,798,385	-	1,798,385	9,125	-	1,807,510
Building and Services Planning	853,219	145,844	999,063	309,603	-	1,308,666
Management of WSP	759,456	-	759,456	269,889	-	1,029,345
Mbashe EC 121	316,813	(0)	316,813	177,479	-	494,292
Mbashe Ex LM Schemes	-	-	-	55,110,868	-	55,110,868
Mbashe EX DWAF Schemes	2,326,891	-	2,326,891	-	-	2,326,891
Mnquma EC 122	201,820	(0)	201,820	225,537	-	427,357
Mnquma Ex LM Schemes	-	-	-	63,198,833	-	63,198,833
Mnquma EX DWAF Schemes	6,528,381	-	6,528,381	557,720	-	7,086,101
Great Kei EC 123	34,577	(0)	34,577	860,205	-	894,782
Great Kei Ex LM Schemes	-	-	-	9,382,271	-	9,382,271
Amahlathi EC 124	46,426	(0)	46,426	-	-	46,426
Amahlathi Ex LM Schemes	-	-	-	49,766,843	-	49,766,843
Amahlathi EX DWAF Schemes	208,303	-	208,303	-	-	208,303
Nqqushwa EC 126	159,236	(0)	159,236	252,882	-	412,117
Nqqushwa Ex LM Schemes	-	-	-	10,379,970	-	10,379,970
Nqqushwa EX DWAF Schemes	887,671	-	887,671	-	-	887,671
Nkonkobe EC 127	201,690	(0)	201,690	-	-	201,690
Nkonkobe Ex LM Schemes	-	-	-	86,778,216	-	86,778,216
Nkonkobe EX DWAF Schemes	2,917,157	-	2,917,157	535,521	-	3,452,678
Nxuba EC 128	29,014	0	29,014	14,375	-	43,389
Nxuba Ex LM Schemes	-	-	-	7,334,237	-	7,334,237
Water Service Authority	170,278	-	170,278	13,640	-	183,918
Project Management Unit	522,710	174,723	697,433	330,670,338	87,033	331,280,738
Health and Protection Services	408,964	120,447	529,411	6,968	-	536,379
Disaster Management	570,373	1	570,374	348,843	-	919,217
Municipal Health	926,143	72,226	998,369	4,658	-	1,003,027
Fire Services	4,583,021	-	4,583,021	1,276,261	-	5,859,282
Primary Health Care	-	-	-	-	-	-
SUBSIDISED SERVICES	-	-	-	-	-	-
	0	-	-	-	-	-
ECONOMIC SERVICES	-	-	-	-	-	-
	0	-	-	-	-	-
HOUSING SERVICES	-	-	-	-	-	-
	0	-	-	-	-	-
TRADING SERVICES	-	-	-	-	-	-
	0	-	-	-	-	-
TOTAL	83,527,417	759,380	84,286,797	622,578,815	247,479	706,618,133

SEGMENTAL ANALYSIS OF FIXED ASSETS PER DEPARTMENT – GROUP

as at 30 June 2007

APPENDIX C

Department	Cost / Revaluation					
	Opening Balance	Transfer In / (Out)	New Opening Balances	Additions	Disposals	Closing Balance
RATES AND GENERAL	83,527,417	759,380	84,286,797	622,578,815	247,478.76	706,618,133
Council General	-		-	183,635	-	183,635
Mayoral Committee	2,122,905	-	2,122,905	9,638	-	2,132,543
Executive Support Services	422,965	245,787	668,752	99,065	-	767,818
Municipal Manager	476,507	230,828	707,335	-	3,050	704,285
PIMMS	36,817	134,875	171,692	10,925	9,760	172,858
Internal Audit	394,431	-	394,431	11,930	-	406,361
Local Economic Development	9,377,929	-	9,377,929	124,646	-	9,502,575
Municipal Support Unit	235,963	-	235,963	43,820	-	279,783
Strategic Management unit	214,931	-	214,931	3,300	-	218,231
Information Com Technology	2,881,810	(982,826)	1,898,984	1,344,058	8,947	3,234,095
Administration	3,626,717	74,623	3,701,341	33,227	-	3,734,567
Land and Housing	27,859,127	-	27,859,127	239,270	5,292	28,093,105
Buildings	5,442,764	-	5,442,764	83,162	14,170	5,511,756
Calgary Museum	3,000,007	-	3,000,007	897,035	-	3,897,042
Supply Chain Management	-	-	-	47,327	-	47,327
Council Support & Auxiliary	-	276,967	276,967	258,664	-	535,631
Budget & Treasury Office	2,304,438	195,193	2,499,631	1,633,995	119,226	4,014,400
Human Resources	679,577	70,691	750,268	70,837	-	821,104
Engineering Services	1,798,385	-	1,798,385	9,125	-	1,807,510
Building and Services Planning	853,219	145,844	999,063	309,603	-	1,308,666
Management of WSP	759,456	-	759,456	269,889	-	1,029,345
Mbhashe EC 121	316,813	(0)	316,813	177,479	-	494,292
Mbhashe Ex LM Schemes	-	-	-	55,110,868	-	55,110,868
Mbhashe Ex DWAF Schemes	2 326 891	-	2 326 891	-	-	2 326 891
Mnquma EC 122	201,820	(0)	201,820	225,537	-	427,357
Mnquma Ex LM Schemes	-	-	-	63,198,833	-	63,198,833
Mnquma EX DWAF Schemes	6,528,381	-	6,528,381	557,720	-	7,086,101
Great Kei EC 123	34,577	(0)	34,577	860,205	-	894,782
Great Kei Ex LM Schemes	-	-	-	9,382,271	-	9,382,271
Amahlathi EC 124	46,426	(0)	46,426	-	-	46,426
Amahlathi Ex LM Schemes	-	-	-	49,766,843	-	49,766,843
Amahlathi EX DWAF Schemes	208,303	-	208,303	-	-	208,303
Nqqushwa EC 126	159,236	(0)	159,236	252,882	-	412,117
Nqqushwa Ex LM Schemes	-	-	-	10,379,970	-	10,379,970
Nqqushwa EX DWAF Schemes	887,671	-	887,671	-	-	887,671
Nkonkobe EC 127	201,690	(0)	201,690	-	-	201,690
Nkonkobe Ex LM Schemes	-	-	-	86,778,216	-	86,778,216
Nkonkobe EX DWAF Schemes	2,917,157	-	2,917,157	535,521	-	3,452,678
Nxuba EC 128	29,014	0	29,014	14,375	-	43,389
Nxuba Ex LM Schemes	-	-	-	7,334,237	-	7,334,237
Water Service Authority	170,278	-	170,278	13,640	-	183,918
Project Management Unit	522,710	174,723	697,433	330,670,338	87,033	331,280,738
Health & Protection Services	408,964	120,447	529,411	6,968	-	536,379
Disaster Management	570,373	1	570,374	348,843	-	919,217
Municipal Health	926,143	72,226	998,369	4,658	-	1,003,027
Fire Services	4,583,021	-	4,583,021	1,276,261	-	5,859,282
Primary Health Care	-	-	-	-	-	-
SUBSIDISED SERVICES	-			-	-	-
	0			-	-	-
ECONOMIC SERVICES	-			-	-	-
	0			-	-	-
HOUSING SERVICES	-			-	-	-
	0			-	-	-
TRADING SERVICES	-			-	-	-
	0			-	-	-
DEVELOPMENT AGENCY	305,995	-	305,995	61,750	34,299	333,446
	305,995	-	305,995	61,750	34,299	333,446
TOTAL	83,833,412	759,380	84,592,792	622,640,565	281,778	706,951,579

	Accumulated Depreciation						Carrying Value
	Opening Balance	Transfer In / (Out)	New Opening Balances	Additions	Disposals	Closing Balance	
	11,886,036	15,685	11,901,721	38,359,759	74,835	50,186,645	656,431,488
				364		364	183,271
	730,396	-	730,396	328,520		1,058,916	1,073,627
	198,613	154,329	352,942	121,996		474,937	292,880
	219,289	84,637	303,926	133,585	1,561	435,950	268,335
	4,823	31,471	36,293	35,711	1,464	70,541	102,317
	90,621	-	90,621	77,538		168,159	238,202
	1,539,673	-	1,539,673	969,402		2,509,075	6,993,500
	79,338	-	79,338	44,453		123,791	155,993
	107,141	-	107,141	51,669		158,809	59,422
	1,309,614	(725,827)	583,786	401,502	746	984,543	2,249,552
	834,703	27,362	862,065	456,721		1,318,786	2,415,781
	533,631	-	533,631	419,982	1,411	952,201	27,140,903
	442,671	-	442,671	277,086	13,961	705,795	4,805,961
	193,797	-	193,797	228,556		422,353	3,474,689
		-	-	4,581		4,581	42,746
		110,787	110,787	84,038		194,825	340,806
	1,246,125	118,296	1,364,421	466,287	38,285	1,792,423	2,221,976
	307,201	51,840	359,040	142,503		501,544	319,561
	1,212,760	-	1,212,760	230,617		1,443,376	364,134
	357,523	43,753	401,277	175,321		576,597	732,069
	188,525	-	188,525	159,599		348,124	681,222
	24,816	-	24,816	72,313		97,129	397,163
		-	-	3,982,281		3,982,281	51,128,587
	116,345	-	116,345	465,378		581,723	1,745,168
		-	116,345	465,378		581,723	1,745,168
	23,851	-	23,851	211,875		235,726	191,631
		-	-	7,894,171		7,894,171	55,304,662
	146,929	-	146,929	643,491		790,420	6,295,681
	722	-	722	328,429		329,151	565,631
		-	-	1,008,099		1,008,099	8,374,172
	968	-	968	11,612		12,580	33,846
		-	-	6,283,016		6,283,016	43,483,827
	10,415	-	10,415	41,661		52,076	156,227
	21,152	-	21,152	56,658		77,810	334,308
		-	-	1,345,125		1,345,125	9,034,845
	44,384	-	44,384	177,534		221,918	665,753
	21,612	-	21,612	152,545		174,157	27,532
		-	-	8,375,617		8,375,617	78,402,599
	145,858	-	145,858	641,263		787,121	2,665,557
	978	-	978	7,765		8,743	34,646
		-	-	999,164		999,164	6,335,073
	110,512	-	110,512	20,533		131,045	52,874
	214,735	64,065	278,800	112,855	17,407	374,249	330,906,490
	301,663	2,007	303,670	68,631		372,302	164,077
	336,364	-	336,364	89,011		425,375	493,842
	326,231	52,966	379,197	191,581		570,778	432,249
	442,062	-	442,062	369,121		811,182	5,048,100
		-	-			-	-
	-			-		-	-
	-			-		-	-
	-			-		-	-
	-			-		-	-
	-			-		-	-
	-			-		-	-
	-			-		-	-
	-			-		-	-
	40,220	-	40,220	71,642	9,930	101,932	231,514
	40,220	-	40,220	71,642	9,930	101,932	231,514
	11,926,256	15,685	11,941,941	38,431,401	84,765	50,288,577	656,663,001

SEGMENTAL ANALYSIS OF FINANCIAL PERFORMANCE

as at 30 June 2007

APPENDIX D

2005/06 Actual Income	2005/06 Actual Expenditure	2005/06 Surplus/ (Deficit)	
R	R	R	
466,185,517	427,343,180	38,842,336	RATE AND GENERAL SERVICES
457,998,167	419,155,830	38,842,335	Community Services
128,604,451		128,604,451	Levies
14,585,397	8,237,683	6,347,714	Council General
6,000	5,245,580	(5,239,580)	Mayoral Committee
4,799	450,163	(450,163)	Grants-in-aid
	4,547,314	(4,542,514)	Executive Support Services
25,001,735	3,110,927	21,890,808	Municipal Manager
964,958	964,958		PIMMS
34,887	1,995,358	(1,960,472)	Internal Audit
2,693,064	5,039,570	(2,346,505)	Local Economic Development
2,125,373	5,142,856	(3,017,483)	Municipal Support Manager
-	1,439,808	(1,439,808)	Strategic Manager
4,205	3,629,833	(3,625,627)	Information Com Technology
-	89,180,936	(89,180,936)	Projects
1,082,616	10,230,203	(9,147,587)	Administration
5,888,641	8,885,159	(2,996,518)	Land and Housing
81,341	1,884,892	(1,803,551)	Buildings
45,204	273,846	(228,642)	Calgary Museum
			Supply Chain Management
			Council Support & Auxiliary Services
66,613	10,287,002	(10,220,390)	Financial Services
1,159,328	1,159,328		Budget Reform
459,374	7,021,929	(6,562,555)	Human Resources
164,360,224	164,141,687	218,537	Engineering Services
5,480,516	4,591,366	889,151	Building and Services Planning
87,870,048	59,869,093	28,000,956	Water Services
5,388,999	3,297,137	2,091,862	Project Management Unit
4,319,234	3,719,658	599,576	Health and Protection Services
3,460,620	3,550,894	(90,274)	Disaster Management
51,537	7,477,569	(7,426,032)	Municipal Health Services
4,259,002	3,781,080	477,921	Fire Services
			Municipal Health services
8,187,350	8,187,350	0	Subsidised Services
		0	Ambulance and Rescue Services
8,187,350	8,187,350	0	Health Nursing Services
0	0	0	Economic Services
0	0	0	
0	0	0	HOUSING SERVICE
0	0	0	
0	0	0	TRADING SERVICES
0	0	0	
466,185,517	427,343,180	38,842,336	TOTAL

	2006/07 Actual Income	2006/07 Actual Expenditure	2006/07 Actual Surplus/ (Deficit)	2006/07 Budgeted Surplus/(Deficit)
	R	R	R	R
	733,787,827	462,810,537	270,977,290	292,002,588
	724,408,727	453,431,437	270,977,290	291,593,198
	10,911,627		10,911,627	-
	3,679	65,634,282	(65,630,603)	(30,839,063)
	16,961	7,574,047	(7,857,147)	(7,485,700)
	-	300,061		(303,035)
	13,320	5,511,861	(5,498,541)	(8,157,199)
	166,312,884	7,889,280	158,423,604	138,148,831
	10,008	1,087,835	(1,077,826)	(1,519,345)
	20,439	2,383,353	(2,362,915)	(3,703,841)
	2,933,807	8,951,869	(6,018,061)	(5,858,299)
	1,835,193	5,256,496	(3,421,303)	(4,672,720)
	1,663	1,410,412	(1,408,749)	(3,088,012)
	98,110	7,473,148	(7,375,038)	(5,288,337)
	1,738,186	58,077,310	(56,339,124)	(15,094,086)
	71,283	3,034,314	(2,963,031)	(3,421,272)
	11,649,881	3,494,963	8,154,919	(4,214,773)
	3,620,387	5,322,645	(1,702,259)	700,288
	59,605	497,893	(438,288)	163,298
	825	1,464,364	(1,463,539)	(2,799,567)
	19,131	6,287,787	(6,268,655)	(6,844,945)
	1,384,557	18,355,577	(16,971,021)	(20,723,770)
	941,532	941,532	-	(409,847)
	1,204,104	9,806,350	(8,602,246)	(8,978,121)
	57,115,632	58,119,532	(1,003,900)	(413,723)
	5,546,690	4,828,521	718,169	128,551
	419,702,052	134,332,792	285,369,260	286,465,634
	4,024,324	4,325,689	(301,365)	(74,625)
	4,904,673	4,852,246	52,427	(75,756)
	5,145,667	4,347,456	798,211	235,490
	3,694,196	3,137,245	556,951	(45,303)
	6,856,132	5,909,575	946,557	(175,812)
	14,572,179	12,823,002	1,749,177	(61,743)
	9 379 101	9 379 101	0	409 390
	9,379,101	9,379,101	0	0
	0	0	0	409 390
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	733,787,828	462,810,538	270,977,290	292,002,588

SEGMENTAL ANALYSIS OF FINANCIAL PERFORMANCE – GROUP

as at 30 June 2007

APPENDIX D

2005/06 Actual Income	2005/06 Actual Expenditure	2005/06 Surplus/(Deficit)	
R	R	R	
466,185,517	427,343,180	38,842,336	RATE AND GENERAL SERVICES
457,998,167	419,155,830	38,842,335	Community Services
128,604,451		128,604,451	Levies
14,585,397	8,237,683	6,347,714	Council General
6,000	5,245,580	(5,239,580)	Mayoral Committee
4,799	450,163	(450,163)	Grants-in-aid
	4,547,314	(4,542,514)	Executive Support Services
25,001,735	3,110,927	21,890,808	Municipal Manager
964,958	964,958		PIMMS
34,887	1,995,358	(1,960,472)	Internal Audit
2,693,064	5,039,570	(2,346,505)	Local Economic Development
2,125,373	5,142,856	(3,017,483)	Municipal Support Manager
-	1,439,808	(1,439,808)	Strategic Manager
4,205	3,629,833	(3,625,627)	Information Com Technology
-	89,180,936	(89,180,936)	Projects
1,082,616	10,230,203	(9,147,587)	Administration
5,888,641	8,885,159	(2,996,518)	Land and Housing
81,341	1,884,892	(1,803,551)	Buildings
45,204	273,846	(228,642)	Calgary Museum
			Supply Chain Management
			Council Support and Auxiliary Services
66,613	10,287,002	(10,220,390)	Financial Services
1,159,328	1,159,328		Budget Reform
459,374	7,021,929	(6,562,555)	Human Resources
164,360,224	164,141,687	218,537	Engineering Services
5,480,516	4,591,366	889,151	Building and Services Planning
87,870,048	59,869,093	28,000,956	Water Services
5,388,999	3,297,137	2,091,862	Project Management Unit
4,319,234	3,719,658	599,576	Health and Protection Services
3,460,620	3,550,894	(90,274)	Disaster Management
51,537	7,477,569	(7,426,032)	Municipal Health Services
4,259,002	3,781,080	477,921	Fire Services
			Municipal Health services
8,187,350	8,187,350	0	SUBSIDISED SERVICES
8,187,350	8,187,350	0	HEALTH NURSING SERVICES
0	0	0	ECONOMIC SERVICES
0	0	0	
0	0	0	HOUSING SERVICE
0	0	0	
0	0	0	TRADING SERVICES
0	0	0	
0	0	0	DEVELOPMENT AGENCY
0	0	0	
0	65 744	(65 744)	TAXATION – AGENCY
0	65 744	(65 744)	
466,185,517	427,408,924	38,776,592	TOTAL

2006/07 Actual Income	2006/07 Actual Expenditure	2006/07 Actual Surplus/(Deficit)	2006/07 Budgeted Surplus/Deficit
R	R	R	R
733,787,827	457,810,537	275,977,290	292,002,588
724,408,727	448,431,437	275,977,290	291,593,198
10,911,627		10,911,627	-
3,679	65,634,282	(65,630,603)	(30,839,063)
16,961	7,574,047	(7,857,147)	(7,485,700)
-	300,061		(303,035)
13,320	5,511,861	(5,498,541)	(8,157,199)
166,312,884	2,889,280	163,423,604	138,148,831
10,008	1,087,835	(1,077,826)	(1,519,345)
20,439	2,383,353	(2,362,915)	(3,703,841)
2,933,807	8,951,869	(6,018,061)	(5,858,299)
1,835,193	5,256,496	(3,421,303)	(4,672,720)
1,663	1,410,412	(1,408,749)	(3,088,012)
98,110	7,473,148	(7,375,038)	(5,288,337)
1,738,186	58,077,310	(56,339,124)	(15,094,086)
71,283	3,034,314	(2,963,031)	(3,421,272)
11,649,881	3,494,963	8,154,919	(4,214,773)
3,620,387	5,322,645	(1,702,259)	700,288
59,605	497,893	(438,288)	163,298
825	1,464,364	(1,463,539)	(2,799,567)
19,131	6,287,787	(6,268,655)	(6,844,945)
1,384,557	18,355,577	(16,971,021)	(20,723,770)
941,532	941,532	-	(409,847)
1,204,104	9,806,350	(8,602,246)	(8,978,121)
57,115,632	58,119,532	(1,003,900)	(413,723)
5,546,690	4,828,521	718,169	128,551
419,702,052	134,332,792	285,369,260	286,465,634
4,024,324	4,325,689	(301,365)	(74,625)
4,904,673	4,852,246	52,427	(75,756)
5,145,667	4,347,456	798,211	235,490
3,694,196	3,137,245	556,951	(45,303)
6,856,132	5,909,575	946,557	(175,812)
14,572,179	12,823,002	1,749,177	(61,743)
9 379 101	9 379 101	0	409 390
9,379,101	9,379,101	0	409 390
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
238 578	4 554 593	(4 316 015)	0
238 578	4 554 593	(4 316 015)	0
0	25 688	(25 688)	0
	25 688	(25 688)	0
734,026,405	462,390,818	271,635,587	292,002,588

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)

for the financial year ended 30 June 2007

APPENDIX E(1)

	2006/07 Actual	2006/07 Budget	2006/07 Variance
	R	R	R
REVENUE			
Service charges	39,377,102	36,278,348	3,098,754
Regional service charges	10,911,627	-	10,911,627
Rental of facilities & equipment	147,923	117,084	30,839
Income for agency service	18,811,646	17,621,834	1,189,812
Government grants & subsidies	331,476,548	326,649,340	4,827,208
Other income	4,048,330	124,835,062	(120,786,732)
Gain on transfer of water infrastructure	292,062,709	292,062,709	-
Gains on disposal of PPE	63,400		63,400
TOTAL REVENUE	696,899,285	797,564,377	(100,665,092)
EXPENDITURE			
Employee related costs	114,870,043	127,667,629	(12,797,586)
Remuneration of Councillors	141,314	141,314	-
Bad Debt provision	61,472,868	26,670,728	34,802,140
Collection costs	837,658	837,659	(1)
Depreciation	38,024,715	8,066,595	29,958,120
Repairs & maintenance	11,346,847	13,245,921	(1,899,074)
Grants & subsidies paid	3,179,618	9,573,650	(6,394,032)
Grants & subsidies paid: capital	35,895,881	57,657,784	(21,761,903)
General expenses- other	194,802,979	250,131,543	(55,328,564)
Loss on disposal of PPE	165,993	-	165,993
Internal charges	888,716	1,867,629	(978,913)
TOTAL EXPENDITURE	461,626,632	495,860,452	(34,233,820)
OPERATING SURPLUS / (DEFICIT)	235,272,653	301,703,925	(66,431,272)
Investment income	36,888,541	3,782,215	33,106,326
Finance costs	1,183,906	1,403,434	(219,528)
NET SURPLUS / (DEFICIT) FOR THE YEAR	270,977,288	304,082,706	(33,105,418)

	2006/07 Variance	Explanation for Significant Variances greater than 10% vs Budget
	%	
	9%	Incompleteness of the records of the local municipalities consumers
	100%	Abolishment of RSC levies with effect 1 July 2006
	26%	Calgary conference facility rented out internally and externally
	7%	
	1%	Grant funds spend during year, refer DWAF assets and annexure 1
	-97%	Operating income from previous years included in budget
	0%	Gain on take on of local municipalities water infrastructure assets
	100%	Assets disposed of during year
	-13%	
	-10%	
	0%	
	130%	Non incorporation of debtors of local municipalities due to unverifiable nature
	0%	Accounting for take on of water assets
	371%	Effective water maintenance and management
	-14%	Low levels of spending vs expected level
	-67%	Low levels of spending vs expected level
	-38%	Conditional grants-conditions met
	-22%	
	100%	Allocation of vehicle cost to water function
	100%	
	-7%	
	875%	Low levels of expenditure on projects
	-16%	Capitalisation of finance leases and LM water and sanitation loans taken over

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) – GROUP

for the financial year ended 30 June 2007

APPENDIX E(1)

	2006/07 Actual	2006/07 Budget	2006/07 Variance
	R	R	R
REVENUE			
Service charges	39,377,102	36,278,348	3,098,754
Regional service charges	10,911,627	–	10,911,627
Rental of facilities & equipment	147,923	117,084	30,839
Income for agency service	18,811,646	17,621,834	1,189,812
Government grants & subsidies	331,626,548	326,649,340	4,977,208
Other income	4,048,330	124,835,062	(120,786,732)
Gain on transfer of water infrastructure	292,062,709	292,062,709	–
Gains on disposal of PPE	66,879	–	66,879
<i>Total Revenue</i>	697,052,764	797,564,377	(100,511,613)
EXPENDITURE			
Employee related costs	118,125,477	127,667,629	(9,542,152)
Remuneration of Councillors / Directors	223,369	141,314	82,055
Bad Debt provision	61,472,868	26,670,728	34,802,140
Collection costs	837,658	837,659	(1)
Depreciation	38,096,357	8,066,595	30,029,762
Repairs & maintenance	11,358,670	13,245,921	(1,887,251)
Grants & subsidies paid	3,179,618	9,573,650	(6,394,032)
Grants & subsidies paid: capital	35,895,881	57,657,784	(21,761,903)
General expenses– other	190,936,617	250,131,543	(59,194,926)
Loss on disposal of PPE	165,993	–	165,993
Internal charges	888,716	1,867,629	(978,913)
<i>Total Expenditure</i>	461,181,224	495,860,452	(34,679,228)
OPERATING SURPLUS/(DEFICIT)	235,871,540	301,703,925	(65,832,385)
Investment income	36,973,640	3,782,215	33,191,425
Finance costs	1,183,906	1,403,434	(219,528)
SURPLUS / (DEFICIT) BEFORE TAX	271,661,274	304,082,706	(32,421,432)
Less: Agency taxation	(25,688)		(25,688)
NET SURPLUS / (DEFICIT) FOR THE YEAR	271,635,586	304,082,706	(32,447,120)

	2006/07 Variance	Explanation for Significant Variances greater than 10% vs Budget
	%	
	9%	Incompleteness of the records of the local municipalities consumers
	100%	Abolishment of RSC levies with effect 1 July 2006
	26%	Calgary conference facility rented out internally and externally
	7%	
	2%	Grant funds spend during year, refer DWAF assets and annexure 1
	-97%	Operating income from previous years included in budget
	0%	Gain on take on of local municipalities water infrastructure assets
	100%	Assets disposed of during year
	-13%	
	-7%	
	58%	
	130%	Non incorporation of debtors of local municipalities due to unverifiable nature
	0%	
	372%	Accounting for take on of water assets
	-14%	Effective water maintenance and management
	-67%	Low levels of spending vs expected level
	-38%	Low levels of spending vs expected level
	-24%	Conditional grants-conditions met
	100%	
	100%	Allocation of vehicle cost to water function
	-7%	
	878%	Low levels of expenditure on projects
	-16%	Capitalisation of finance leases and LM water and sanitation loans taken over

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY PLANT & EQUIPMENT)

for the financial year ended 30 June 2007

APPENDIX E(2)

	2006/07 Actual	2006/07 Budget	2006/07 Variance
	R	R	R
LAND AND BUILDINGS			
Administration	1,041,779	6,139,120	(5,097,341)
Housing schemes	-	-	-
Workshops & depots	-	-	-
Land	-	-	-
	1,041,779	6,139,120	(5,097,341)
INFRASTRUCTURE			
Reservoirs & tanks	161,516,100	-	161,516,100
Water - other	24,800	821,590	(796,790)
Metres	1,446,800	1,857,000	(410,200)
Work in progress	329,496,705	-	329,496,705
Purification works	23,235,282	-	23,235,282
Sewers	90,675,095	253,250	90,421,845
	606,394,782	2,931,840	603,462,942
COMMUNITY			
Clinics & hospitals	-	-	-
Fire stations	-	-	-
Museum & art galleries	882,924	-	882,924
Security system	42,644	-	42,644
INVESTMENT PROPERTIES			
	925,568	-	925,568
OTHER			
Air conditioners	-	-	-
Computer hardware	3,156,411	2,949,903	206,508
Computer software	-	-	-
Office machines	179,781	132,666	47,115
Cabinets & cupboards	149,115	866,029	(716,914)
Chairs	24,832	-	24,832
Furniture and Fittings: other	46,286	47,300	(1,014)
Tables & desks	132,165	336,726	(204,561)
Medical equipment	-	-	-
Fire equipment	-	-	-
Laboratory equipment	-	-	-
Lawnmowers	54,123	103,300	(49,177)
Compressors	-	-	-
Plant & equipment: general	48,102	372,550	(324,448)
Fire engines	964,500	-	964,500
Radio equipment	-	-	-
Telecommunication equipment	-	-	-
Motor vehicles	530,587	-	530,587
Tractors	-	-	-
Trucks & bakkies	8,930,783	5,459,420	3,471,363
	14,216,685	10,267,894	3,948,791
TOTAL	622,578,814	19,338,854	603,239,960

	2006/07 Variance	Explanation for Significant Variances greater than 10% vs Budget
	%	
	-83%	ADM Office building under construction
	0%	
	0%	
	0%	
	0%	
	100%	Incorporating water infrastructure assets
	100%	
	-22%	
	100%	
	100%	
	35705%	Incorporating water and sewerage infrastructure assets
		Incorporating water and sewerage infrastructure assets
	0%	
	0%	Construction started in 2005, and could not be completed Combined with office machines
	0%	
	100%	
	100%	
	0%	
	0%	
	0%	Combined with tables and desks
	7%	
	0%	Combined with security systems
	36%	
	-83%	Combined with furniture and fitting : other, chairs
	100%	
	-2%	
	-61%	Combined with computer hardware
	0%	
	0%	Lawnmowers not purchased
	0%	
	-48%	
	0%	Combined with furniture and fitting : other, chairs
	-87%	
	100%	External funds utilised
	0%	All motor vehicles purchased from priority project funds
	0%	
	100%	
	0%	Purchased from priority project funds and water vehicles from local municipalities
	64%	
	38%	
	3119%	

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY PLANT & EQUIPMENT) – GROUP

for the financial year ended 30 June 2007

APPENDIX E(2)

	2006/07 Actual	2006/07 Budget	2006/07 Variance
	R	R	R
LAND AND BUILDINGS			
Administration	1,041,779	6,139,120	(5,097,341)
Housing schemes	-	-	-
Workshops & depots	-	-	-
Land	-	-	-
	1,041,779	6,139,120	(5,097,341)
INFRASTRUCTURE			-
Reservoirs & tanks	161,516,100	-	161,516,100
Water – other	24,800	821,590	(796,790)
Metres	1,446,800	1,857,000	(410,200)
Work in progress	329,496,705	-	329,496,705
Purification works	23,235,282	-	23,235,282
Sewers	90,675,095	253,250	90,421,845
	606,394,782	2,931,840	603,462,942
COMMUNITY			-
Clinics & hospitals	-	-	-
Fire stations	-	-	-
Museum & art galleries	882,924	-	882,924
Security system	42,644	-	42,644
INVESTMENT PROPERTIES			-
	925,568	-	925,568
OTHER			-
Air conditioners	-	-	-
Computer hardware	3,187,613	2,949,903	237,710
Computer software	-	-	-
Office machines	186,384	132,666	53,718
Cabinets & cupboards	149,115	866,029	(716,914)
Chairs	24,832	-	24,832
Furniture and Fittings: other	70,231	47,300	22,931
Tables & desks	132,165	336,726	(204,561)
Medical equipment	-	-	-
Fire equipment	-	-	-
Laboratory equipment	-	-	-
Lawnmowers	54,123	103,300	(49,177)
Compressors	-	-	-
Plant & equipment: general	48,102	372,550	(324,448)
Fire engines	964,500	-	964,500
Radio equipment	-	-	-
Telecommunication equipment	-	-	-
Motor vehicles	530,587	-	530,587
Tractors	-	-	-
Trucks & bakkies	8,930,783	5,459,420	3,471,363
	14,278,435	10,267,894	4,010,541
TOTAL	622,640,564	19,338,854	603,301,710

	2006/07 Variance	Explanation for Significant Variances greater than 10% vs Budget
	%	
	-83% 0% 0% 0%	ADM Office building under construction
	0%	
	100% 100% -22% 100% 100% 35705%	Incorporating water infrastructure assets Incorporating water infrastructure work in progress Incorporating water and sewerage infrastructure assets Incorporating water and sewerage infrastructure assets
	0%	
	0% 0% 100% 100%	Construction started in 2005, and could not be completed Combined with office machines
	0%	
	0%	
	0% 8% 0% 40% -83% 100% 48% -61% 0% 0% 0% -48% 0% -87% 100% 0% 0% 100% 0% 64%	Combined with tables and desks Combined with security systems Combined with furniture and fitting : other, chairs Combined with furniture and fitting : other, chairs Combined with computer hardware Lawnmowers not purchased Combined with furniture and fitting : other, chairs External funds utilised All motor vehicles purchased from priority project funds Purchased from priority project funds and water vehicles from local municipalities
	39%	
	3120%	

DISCLOSURE OF GRANTS & SUBSIDIES IN TERMS OF MFMA

for the financial year ended 30 June 2007

APPENDIX F

Name of Grant	Name of Organ of State	QUARTERLY RECEIPTS					March 2007	March 2006
		March 2006	June 2006	Sept 2006	Dec 2006	March 2007		
MSIG	HLG &TA	250,000	500,000			477,524	972,225	
Budget reform	Nat Treasury						971,999	
MSP Project Management	DHLG &TA						3,160,747	
Seta	LGW Seta	83,913	44,976				340,046	
Land Use Management	DHLG &TA	459,400						
Community Develop Programme	DHLG &TA	377,055					48,718	
Disaster Management Funds	DHLG &TA			3,000,000			1,381,533	
LED	DHLG &TA					818,000		
PHP Funds	DHLG &TA	1,211,290	(36,086)		101,200	12,995,334	2,109,921	
Nkonkobe drought relief	DWAF							
Support to DM	DBSA	422,500						
Land Reform and Settle Plan Project	DLA	3,600				159,953	79,660	
Development - BNG	HLG &TA		3,452,400					
EDOT funds	ECDOT	491,264			191,410	462,181		
Bucket eradication	HLG &TA	4,463,000		5,000,000		3,207,932	3,155,035	
CMIP	HLG &TA	25,612,617	26,430,112	56,544,596	37,361,213	31,919,298	44,977,597	
DWAF	DWAF	10,385,457					2,909,691	

QUATERLY EXPENDITURE					GRANTS AND SUBSIDIES DELAYED / WITHHELD					Reason for delay/withheld	Compliance with DORA	Reason for non-compliance
	June 2006	Sept 2006	Dec 2006	March 2007	March 2006	June 2006	Sept 2006	Dec 2006	March 2007			
	65,966	137,637	40,735	324,075	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
	101,010	535,495	453,698	(199,597)	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
			179,814	88,586	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
		58,114	4,430	193,902	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
				131,530	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
	19,200			1,145,882	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
					N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
					N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
	732,478	2,413,876	3,155,933	5,193,896	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
				58,508	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
					N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
	10,080	32,448	9,799	78,561	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
		5,607	4,361	45,594	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
					N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
	2,447,988	403,039	3,702,003		N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
	38,309,965	39,345,781	56,088,976	41,693,059	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
	1,869,654	983,854	1,018,895	4,240,128	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A

AMATHOLE DISTRICT MUNICIPALITY AND GROUP GRANT FUNDING

for the financial year ended 30 June 2007

APPENDIX F

CONDITIONAL GRANTS AND RECEIPTS	Balance at 01/07/2006	Contributions during the Year
Performance management	241,619	-
Gamap implementation	-	-
MSIG interest	55,163	-
Feasibility study: LM's F/sys	63,367	(63,367)
By-Law implementation LM's	3,439	(3,439)
Labour forum training	10974	-10974
Ind tarrif policy LM'S	15,011	(15,011)
Water & sewerage treatment operations	13,543	(13,543)
Operations & maintanance systems	-	369,553
Ngqushwa team build change and div management	15,566	(15,566)
Establishment plans renewals	40,720	-
Ward com participation	132,026	-
PIMMS	201,531	(201,531)
MSIG: Mbhashe	27,744	(27,744)
MSIG: Mngquma	-	76,586
MSIG: Great Kei	4,624	-
MSIG: Buffalo City	49,135	(293)
MSIG: Ngqushwa	533	(533)
MSIG: Nkonkobe	-	-
MSIG: Nxuba	2,748	(337)
PMS: Mbhashe	15,140	-
PMS: Mngquma	29,547	57
PMS: Great Kei	47,035	-
PMS: Amahlathi	34,791	-
PMS: Buffalo City	47,035	-
PMS: Ngqushwa	47,035	-
PMS: Nkonkobe	47,035	-
PMS: Nxuba	47,035	337
PMS: Amathole	147,971	-
Mbhashe: IDP	170,197	(6,968)
Mngquma: IDP	-	(57)
Great Kei: IDP	3,155	-
Amahlathi: IDP	218,740	-
Buffalo City: IDP	163,011	293
Ngqushwa: IDP	78,194	63,516
Nknkobe: IDP	154,210	-
Nxuba: IDP	101,180	-

	Other Income	Interest on Investments	Expenditure during the Year	Balance at 30/06/2007
	150,000	-	80,027	311,592
	400,000	-	-	400,000
	-	82,686	75,283	62,566
	-	-	-	0
	-	-	-	0
	0	0	0	0
	-	-	-	0
	-	-	-	0
	-	-	-	369,553
	-	-	-	0
	-	-	-	40,720
	-	-	97,654	34,372
	-	-	-	0
	-	-	-	0
	88,357	-	102,385	62,558
	157,188	-	161,812	0
	-	-	48,842	0
	-	-	-	0
	9,186	-	-	9,186
	60,021	-	2,410	60,021
	-	1,118	0	16,258
	-	2,279	-	31,883
	-	1,298	34,649	13,683
	-	2,635	-	37,426
	-	3,474	-	50,508
	-	3,474	-	50,508
	-	3,395	1,250	49,180
	-	3,164	-	50,537
	120,000	12,624	-	280,595
	70,000	4,857	151,823	86,264
	70,000	1,407	-	71,350
	70,000	1,583	4,138	70,600
	70,000	11,748	226,532	73,956
	70,000	10,798	83,686	160,416
	70,000	10,730	212,612	9,829
	70,000	9,500	124,153	109,557
	70,000	6,399	61,630	115,950

Continued on next page

CONDITIONAL GRANTS AND RECEIPTS	Balance at 01/07/2006	Contributions during the Year
ADM: IDP	98,808	-
MSP: project management	268,400	-
Budget reform	2,103,954	-
SETA: implementation	315,108	-
Dev Inter-Gov Framework	141,141	-
Skilling retrenched staff	11,121	-
By-Laws	(0)	-
Training mun officials	544,597	-
Special investigation H&LG	836,681	-
Identify M/Com Respons	29,034	-
Imfo financial statements at Nxuba	62,733	-
DWAF once off training	885,000	-
LG SETA MSU	45,000	-
Learnership SETA	143,117	-
Land use management	463,005	-
Development of libraries for LM'S	-	-
Vuna Awards-PMS	-	112,772
Capacity Building for Councillors	-	-
Free Basic Services Strategy Development	-	-
Community Development Programme	1,747,330	-
Effective D/M Framework	284,286	-
Disaster Management Plans	561,037	-
Disaster: management centre	963,932	-
Disaster: rebuild fund	4,802,627	-
Disaster Management Forums	87,296	-
Disaster risk assessment 05/06	4,642	-
Contingency fund For incidents	620,282	-
Capacity building 05/06	123,062	-
Train and equip volunteers	21,099	(36)
Capacitate and resources centre	274,693	-
Institutional capacity building	-	-
DMIMS capacity building	-	-
Mainstream Dis.man.	-	-
Conduct awareness programme	-	-
Training equipment	197,120	-
Stipends	213,754	-
Protective clothing	329,367	-
Operational costs	37,730	-
HIV/Aids NGO's	350,270	2,724,401
HIV/Aids laboratory services	57,759	-
Vol Stipends-Aids: Mquma	69,988	(71,099)
Vol Stipends-Aids: B/City	277,222	(281,623)
District Aids Council	2,078	-

	Other Income	Interest on Investments	Expenditure during the Year	Balance at 30/06/2007
	140,000	3,281	242,089	0
		-	268,400	0
	-	101,447	909,725	1,295,676
	44,976	21,459	293,381	88,162
	-	10,424	8,629	142,936
	-	821	-	11,943
	200,000	310	153,540	46,770
	-	25,589	570,186	0
	-	55,844	892,525	0
	-	2,144	-	31,178
	-	-	46,123	16,610
	-	59,406	23,998	920,407
	56,252	1,283	66,760	35,775
	456,343	10,967	610,426	0
	-	34,194	131,530	365,669
	7,296,000	359,602	2,938,035	4,717,566
	200,000	2,178	167,883	147,067
	300,000	4,254	234,602	69,652
	330,000	4,276	-	334,276
	-	127,540	1,165,082	709,787
	-	6,493	257,813	32,967
	-	12,040	555,057	18,020
	-	49,713	870,746	142,899
	-	342,198	268,367	4,876,457
	-	2,792	67,982	22,106
	-	343	-	4,985
	585,000	59,671	643,335	621,619
	100,000	8,439	211,451	20,050
	-	214	21,278	0
	100,000	25,355	18,215	381,834
	480,000	27,361	1,205	506,156
	105,000	5,992	-	110,992
	30,000	1,712	-	31,712
	100,000	4,288	101,538	2,750
	506,100	24,602	522,525	205,298
	604,800	37,753	346,953	509,354
	189,000	21,600	441,429	98,538
	200,100	6,941	203,884	40,887
	-	169,879	282,539	2,962,011
	-	4,266	-	62,025
	-	1,111	-	0
	-	4,401	-	0
	-	154	-	2,232

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CONDITIONAL GRANTS AND RECEIPTS	Balance at 01/07/2006	Contributions during the Year
Tertiary institutional training	30,937	-
Stipend to volunteers	1,559,003	(1,583,752)
ECSECC HIV/Aids	76,400	981
LTO: Amahlathi	-	-
LTO: Nxuba	366	-
Stipend for personal sellers	774,983	(787,286)
Regional tourism	904	-
Memorial Quilt Project	4,649	-
Siyazama Agric Project	15,715	-
Healdtown/Lamyeni Spring Water	279,064	-
Gcaleka Cultural Village	2,592,019	-
Youth fund	82,157	-
Monitor LED Projects	664,461	-
Dube Communal Veg Garden	489,377	-
Printing Project Mdantsane Art Centre	115,615	-
MK veterans	545,384	-
Hamburg heritage initiative	332,753	-
Heritage Jazz Festival	-	-
Bawa Falls LED Project	52,078	-
Establish LED forum	518	-
District Economic Forum	50,031	-
Kei Bridge	27,227	-
Ngcingwane Lencane Community	67,016	-
KKH Dairy Scheme Phase II	81,964	-
Lower Wolf River Irrigation	82,534	-
Beekeeping Project	235,121	-
Mini Maize Project	200,958	-
Rabbit Production	568,712	-
Duncan Village youth project	183,986.27	-
Ludiza Irrigation Scheme-Vuna awards	674,715	-
Skills development centre	2,612,875	-
Balfour Sawmills		-
Highlands resort		-
Peddie Brickmaking		-
Mooiplaas Brickyard		-
Elliotdale Brickmaking		-
Inkuthalo Hydroponics		-
Inxuba Furniture Making		-
LED Strategy		-
Komanshini	69,951	-
Teko Springs	27,597	-
Needs Camp	141,345	-
Dongwe	235	(245)

	Other Income	Interest on Investments	Expenditure during the Year	Balance at 30/06/2007
		2,285	-	33,221
	-	24,749	-	0
	-	4,654	600	81,436
	-	5	5	0
	-	15	381	0
	-	12,303	-	0
	-	38	942	0
	-	193	4,842	0
	-	333	16,049	0
	-	18,975	33,604	264,435
	-	193,059	8,795	2,776,283
	-	4,262	29,456	56,963
	-	10,000	674,461	0
	-	28,439	240,860	276,956
	-	5,267	97,980	22,902
	-	38,743	230,281	353,847
	-	10,779	249,329	94,203
	102,234		74,767	27,467
	-	1,432	53,509	0
	-	38	-	557
	-	2,222	38,694	13,558
	-	1,306	28,533	0
	-	3,464	68,510	1,970
	-	2,237	84,201	0
	-	3,470	86,004	0
	-	16,941	37,119	214,944
	-	6,713	159,072	48,600
	-	30,522	218,208	381,026
		9,019.73	40,356	152,650
	150,000	44,143	446,801	422,057
	-	192,969	-	2,805,844
	300,000	3,888	-	303,888
	200,000	2,592	-	202,592
	200,000	2,591	-	202,591
	200,000	2,591	-	202,591
	200,000	2,591	-	202,591
	200,000	2,591	-	202,591
	100,000	1,296	-	101,296
	818,000	10,600	93,519	735,080
	-	5,676	14,850	60,778
	-	404	27,340	661
	-	10,453	-	151,797
	-	10	-	0

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CONDITIONAL GRANTS AND RECEIPTS	Balance at 01/07/2006	Contributions during the Year
Hogsback	310,894	-
Haga Haga	233,171	-
Willowvale	233,171	193,704
Elliotdale	281,440	-
Lower Blinkwater	241,229	-
Symon (Etandsburgh)	201,029	-
Ndevana	40,376	-
Kwaseven	310,894	-
New Rest	272,032	-
Eskiet	46,634	-
Nqamakwe	155,447	-
Msobomvu	310,894	-
Xujwa	155,447	-
Hertzog	155,447	-
Great Kei planning funds	-	-
Mnquma planning funds	-	-
Ngqushwa planning funds	-	-
Nkonkobe planning funds	-	-
Great Kei survey	-	-
Mnquma survey	-	-
Ngqushwa survey funds	-	-
Nkonkobe survey	-	-
Nandi Prudoe Eng design	30,210	-
Dongwe Eng design	36,002	-
Macleantown Infra	57,372	-
Kubusie establishment grant	221,095	-
Ndlovini establishment grant	16,150	-
Ducats establishment grant	111,273	-
Macleantown establishment grant	18,930	-
Nandi Prudoe establishment grant	85,285	-
Dongwe Prudoe establishment grant	101,921	-
Teko Springs establishment grant	59,844	-
Needs Camp establishment grant	98,000	-
Teko Springs top structure	4,132,421	-
Nandi Prudoe top structure	2,481,498	-
Dongwe top structure	3,330,601	-
Needscamp top structure	1,846,272	-
Ducats top structure subsidy	4,287,217	-
Kubusi top structure	6,132,918	-
Macleantown top structure	933,906	-
Ndlovini top structure	395,714	-
Lilyvale Kayb establishment grant	3,178	-
Kaysers Beach housing project	331,240	-

	Other Income	Interest on Investments	Expenditure during the Year	Balance at 30/06/2007
	-	22,961	-	333,855
	-	17,220	-	250,391
	-	21,995	5,724	443,145
	-	20,547	3,304	298,683
	-	17,816	-	259,044
	-	14,847	-	215,876
	-	2,982	-	43,358
	-	22,961	-	333,855
	-	20,207	-	292,240
	-	3,444	-	50,078
	-	11,480	-	166,927
	-	22,961	-	333,855
	-	11,480	-	166,927
	-	11,480	-	166,927
	110,000	1,425	-	111,425
	110,000	1,428	-	111,428
	180,000	2,330	-	182,330
	126,000	1,632	-	127,632
	101,000	1,306	-	102,306
	25,000	324	-	25,324
	220,000	2,843	-	222,843
	154,000	1,989	-	155,989
	-	2,231	-	32,441
	-	2,659	-	38,661
	-	1,421	54,633	4,159
	-	15,564	28,582	208,077
	-	1,179	270	17,059
	-	8,037	5,205	114,105
	-	1,398	-	20,329
	-	6,023	6,638	84,670
	-	7,449	1,738	107,632
	-	4,358	928	63,274
	-	7,075	3,534	101,541
	2,063,055	298,467	1,680,070	4,813,873
	(36,086)	166,550	337,010	2,274,952
	-	234,416	438,428	3,126,589
	81,498	103,972	1,105,047	926,695
	266,392	234,061	2,333,449	2,454,222
	10,543,739	470,890	5,165,537	11,982,009
	-	68,972	-	1,002,878
	-	18,328	353,050	60,992
	-	233	-	3,411
	141,850	39,950	-	513,040

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CONDITIONAL GRANTS AND RECEIPTS	Balance at 01/07/2006	Contributions during the Year
KWT TRC recreation	-	-
Fingoland Regional Authority	202,001	-
Mngqesha Great Place	68,952	-
Nqadu Great Place	50,110	-
Line mapping	180,001	-
Water Services Info System	1,099,752	-
Nkonkobe drought relief	233,742	-
Nkonkobe drought relief DPLG	1,023,340	-
Ngqushwa drought relief	1,023,340	-
DWAF once off accomodation	500,000	-
DWAF refurbishment	-	-
Qhingqala access road	-	-
Rural access road	737,236	-
Restitution award DLA	48,445,442	-
Dwesa Cwebe restitutional	8,792,214	-
Chanta development fund	6,253,146	-
Grants in aid (Dept. Transport)	1,222,405	(1,200,000)
Planning grant DLA	2,511,030	-
DBSA support to DM	216,753	-
Sanitation projects	1,447,207	-
Development planning-BNG	0	(3,181,200)
Beneficiary administration-BNG	0	228,800
Geo-technical investigation-BNG	0	308,200
Environmental Impact Assesment	0	1,250,000
Geo hydrology	0	1,394,200
Grants in aid 2006/2007	0	1,200,000
Land Reform & Settle Plan Proj	378,225	-
CMIP VAT Savings	509,396	-
Ndlovini (CMIP VAT)	54,036	-
EDOT funds	5,649,320	653,591
Dept Sport 2003/04	17,238	-
Sportsfields	31,365	-
6 Village Green Projects	120,103	-
Peddie sport facility	368,101	-
Dept Sport 2004/05	2,197,840	-
H&LG survey funds	569,947	1,000,000
H&LG development planning	1,888,379	(1,193,459)
Cmip interst	-	4,522,619
Bucket eradication	5,028,378	-
CBPWP 1	69,315	-
DWAF	9,679,755	-
CMIP	21,638,094	-
TOTAL: GRANTS AND RECEIPTS	181,708,294	5,441,548

	Other Income	Interest on Investments	Expenditure during the Year	Balance at 30/06/2007
	1,861,879	12,413	-	1,874,292
	-	14,918	-	216,920
	-	1,170	68,911	1,211
	-	2,727	30,269	22,569
	-	10,536	93,988	96,549
	-	17,340	1,117,092	0
	-	16,134	58,508	191,368
	-	75,386	3,037	1,095,689
	-	74,603	63,448	1,034,495
	-	30,615	6,010	524,605
	2,459,270	151,230	250,943	2,359,557
	550,961		-	550,961
	-	54,026	32,483	758,779
	-	3,577,855	-	52,023,297
	-	648,845	37,171	9,403,888
	20,977	437,059	1,185,402	5,525,779
	-	(22,405)	-	0
	-	185,033	8,204	2,687,860
	-	5,374	184,727	37,400
	-	106,881	-	1,554,088
	3,452,400	114,620	9,969	375,851
	-	9,708	45,594	192,914
	-	13,873	-	322,073
	-	56,264	-	1,306,264
	-	62,755	-	1,456,955
	1,728,000	142,156	692,640	2,377,516
	159,953	26,064	130,888	433,354
	-	40,207	(198,314)	747,918
	-	-	-	54,036
	510,000	(269,966)	2,831,603	3,711,342
	-	1,234	523	17,950
	-	1,290	27,386	5,269
	-	8,870	-	128,973
	-	26,282	46,451	347,931
	-	162,139	(11,339)	2,371,319
	-	31,628	503,747	1,097,828
	-	121,539		816,459
	-	11,314	1,176,259	3,357,674
	8,207,932	386,640	6,553,030	7,069,919
	-	-	69,315	0
	-	535,308	7,321,512	2,893,551
	150,652,157	(3,826,207)	173,189,696	-4,725,652
	199,728,534	7,513,715	225,117,486	169,274,609







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