

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, Mquma, 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 Mphashe 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 Amat-hole 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 (DWA) 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 Mbhashe 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 / Mbashe / Nkonkobe
Undertake teambuilding, diversity & change management working sessions	Facilitate political & administrative harmony / Define roles & responsibilities	Mbashe
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 / Mbashe / Mquma / 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	Mquma
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

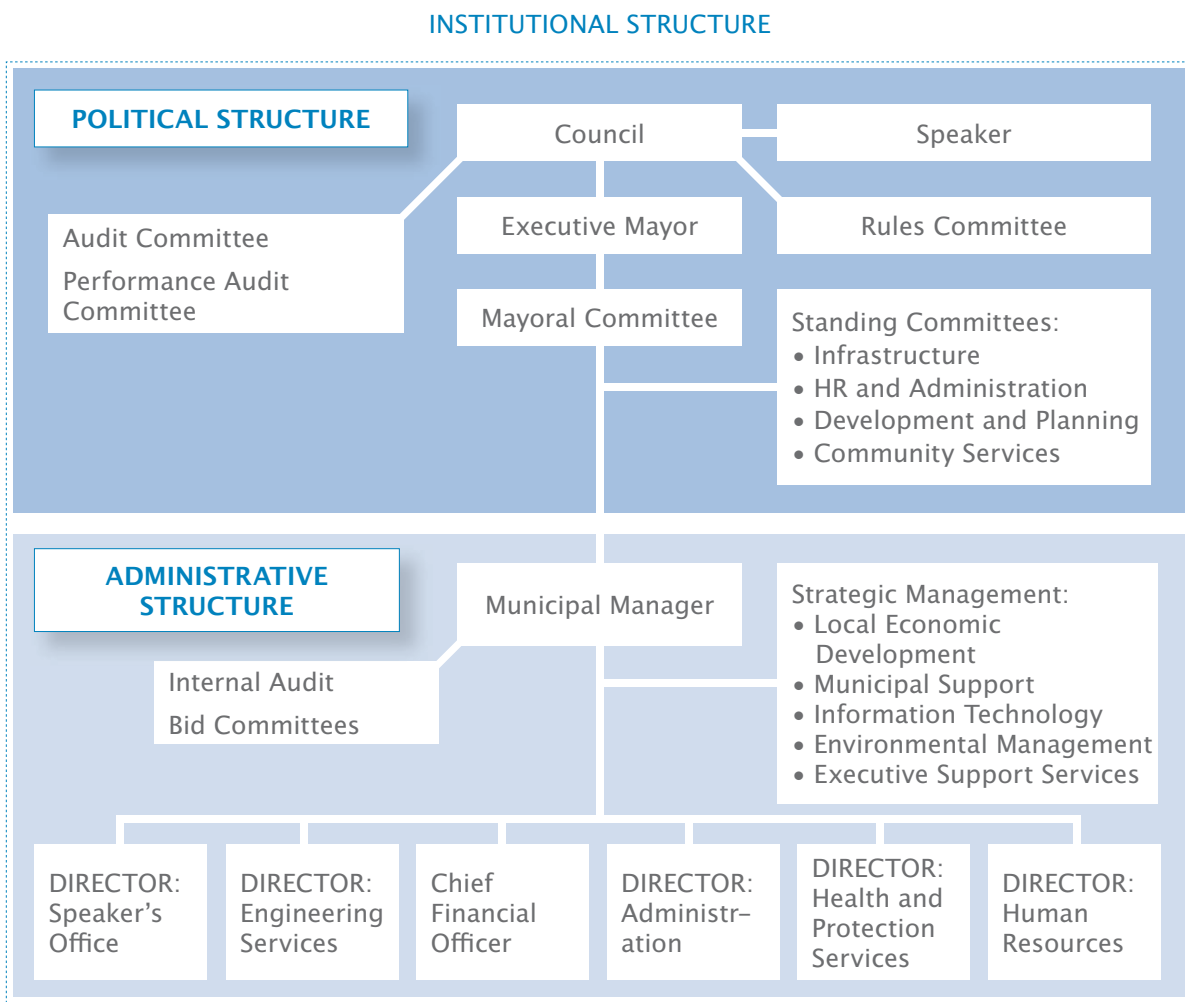
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human resource and other organisational management

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:

- Mbhashe 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, Mbhashe, 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 Mbhashe 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

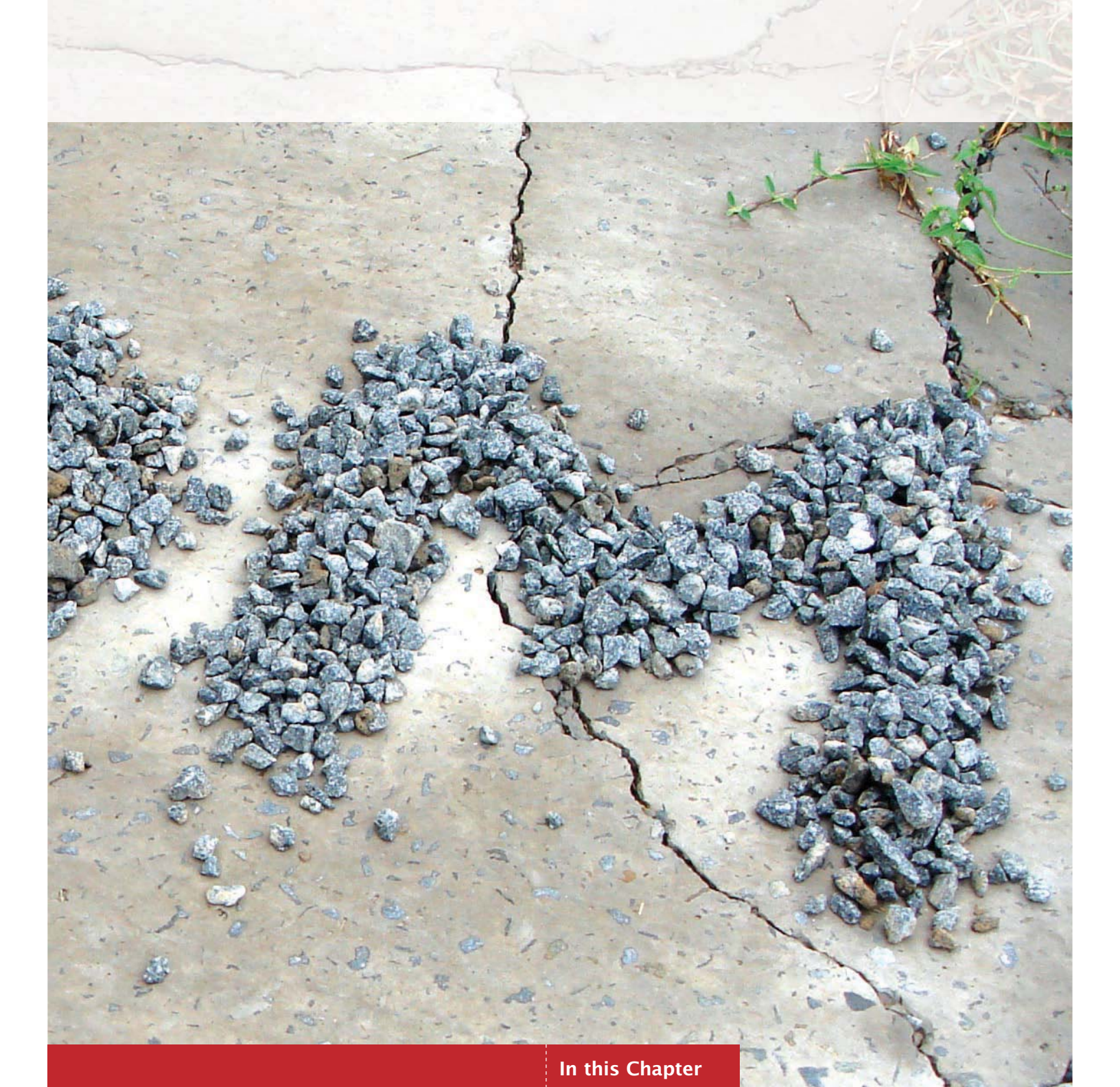
Description	Executive Mayor	Speaker	Land and Housing	Community Service	Health	Water and Sanitation
SALARIES AND WAGES	412630	316786	289971	306299	288140	288140
NORMAL	396770	293294	270990	279426	269692	269692
BACK PAY	15860	23492	18981	26873	18448	18448
COUNCIL CONTRIBUTIONS	22401	8483	10545	0	12168	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

Auditor General's Report to the ADM Council & EC Prov. Legislature page 52

The Consolidated Annual Financial Statements for the Year page 61

Audit committee's Report on the Financial Statements of ADM page 122

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).





0.93119	1.99	0.9767
0.9306	1.98	0.9761
0.9292	1.97	0.9756
0.9279	1.96	0.9750
0.9265	1.95	0.9744
0.9251	1.94	0.9738
	1.93	0.9732
	1.92	0.9726



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>	Pijoos, 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>	Mlamla, 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

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.

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.

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.

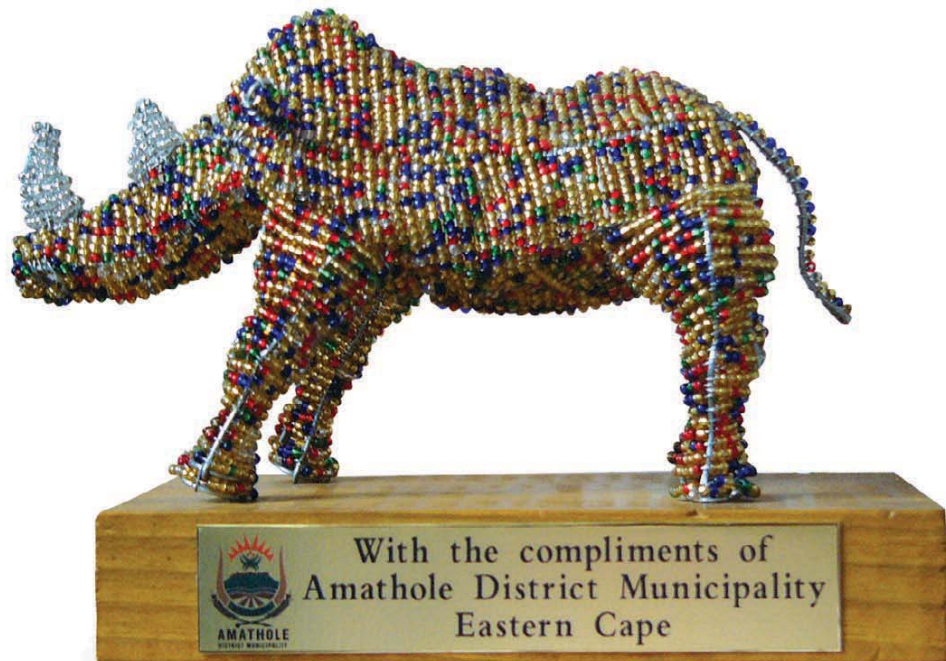
Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to equity in the revaluation reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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 leases 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	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
Acquisition	-	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	Commu- nity	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
Aquisitions	-	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	Infra-structure	Communi-ty	Heri-itage	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	-	-

		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	13,054,974
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	10,191,096
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	465,451,549

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
		Housing Projects		
		Unsold resale: settlements		
		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.		
		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.		
		Water stock		
		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.		
		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: Amat-hole 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, Mnquma 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		

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)		
--	--	--	--	--

		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		
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		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.		
		Interest rate risk		
		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.		
		Credit risk		
		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.		
		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:		
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		
		No events subsequent events have been identified subsequent to reporting date.		

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.

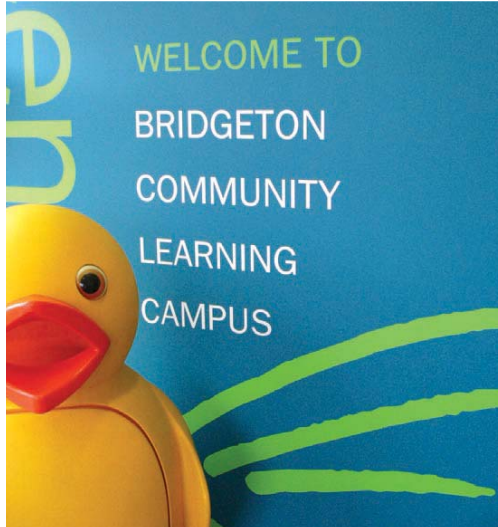
Council is currently analysing the Municipal Manager's expenditure incurred using the credit card provided to him for the purpose of utilising his expenditure budget. A full report inclusive of all credit card transactions will be provided to the Executive Mayor for his consideration as to whether further 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