

# LUKHANJI MUNICIPALITY

## ANNUAL REPORT



2007/08



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## **EXECUTIVE MAYOR'S FOREWORD**

It is a pleasure to present the Council's Annual Report for the 2007/08 financial year. This Annual Report sets out what we achieved in the past year, compared to what we said we would do.

Every year, we as a Council must measure our performance. To be successful, we must ensure our promises are delivered, our goals met and our responsibilities fulfilled. During our Budget and IDP visits to various wards between 10 April and 16 May 2007, residents told us clearly they want quality programs and services at the most efficient cost. We heard this loud and clear.

Our objective is always to make every taxpayer Rand count. To that end, in our three-year budgeting process, we began to match our priorities with our financial realities. In addition, an increasing number of our programs and services were benchmarked and measured so we could gauge how effectively and efficiently they were delivered.

Through a series of strategic sessions convened by the Budget and Treasury Office, in collaboration with the IDP/LED Strategic Manager, we refined our budgeting and planning processes. We did this by gleaning the best from existing planning practices. We tapped more deeply the expertise and experience of staff and of our business community.

We integrated feedback that Councillors gathered from their residential constituents. And we

consulted broadly with residents through a variety of channels.

We at Lukhanji are proud of what has been achieved so far with the limited resources at our disposal and are confident that, with the assistance applied for and our own hard work, we will succeed in driving back the frontiers of poverty in our area.

We are proud to present and recommend Lukhanji Municipality's Annual Report for the period 1 July 2007 to 30 June 2008. This report provides an opportunity to share information with the people of our community about the programs, activities, and accomplishments of the various municipal directorates. It contains useful information and an insight into the operations and progress of Lukhanji Municipality.

We welcome and encourage any comments and thank everyone for commitment to our municipality.

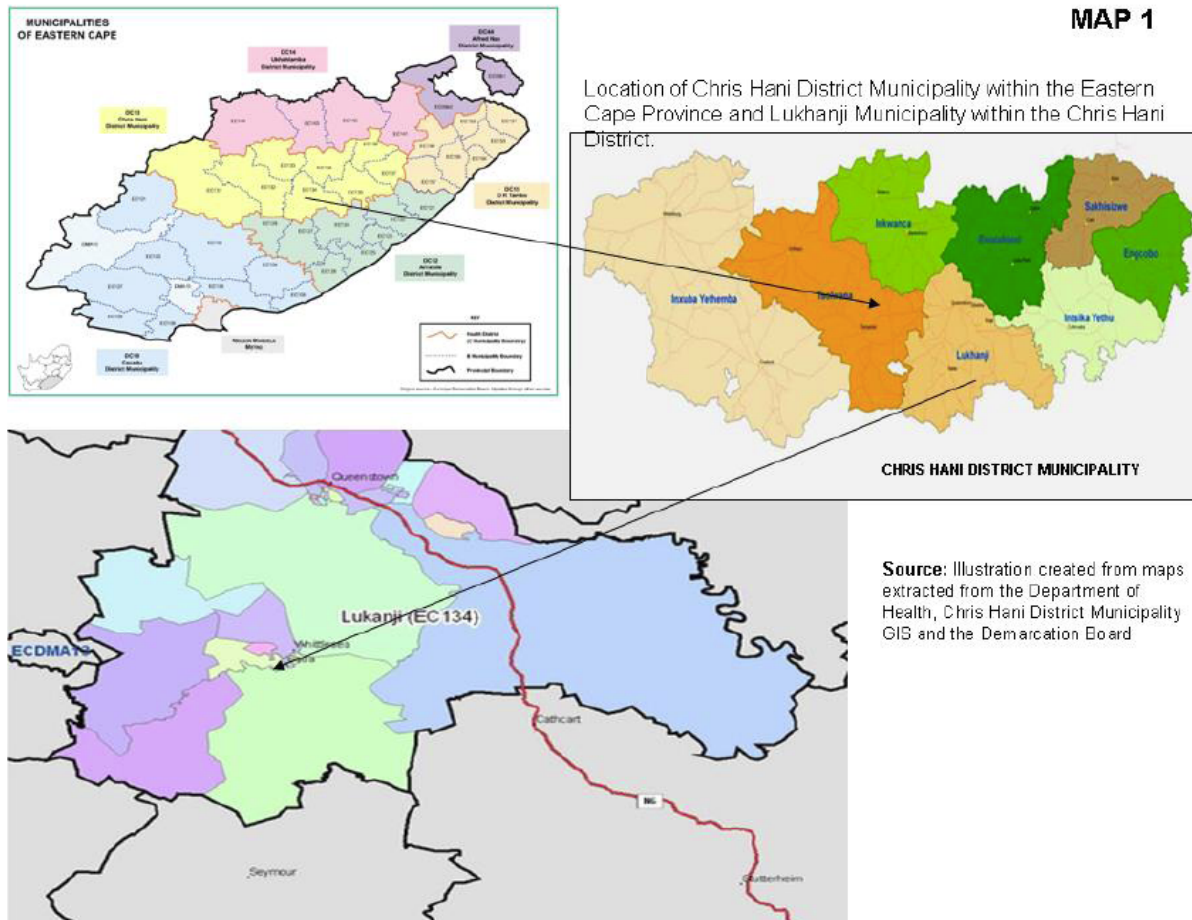
**M E DAPULA**  
**EXECUTIVE MAYOR**

# CHAPTER 1

INTRODUCTION AND OVERVIEW

## 1.1 OVERVIEW OF THE MUNICIPALITY

Lukhanji Municipality is a local category B municipality situated within the Chris Hani District Municipality in the Eastern Cape Province. The above figure below shows the locality of Lukhanji Municipality within the within the Eastern Cape Province and Chris Hani District municipal context. Lukhanji occupies a strategic geographic position within the Chris Hani District municipality and covers approximately 4231 km<sup>2</sup> in extent. It comprises of 27 wards.



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

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

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

**DEMOGRAPHIC PROFILE (2001 Census data)**

Population Group		
Black African	172 203	93.31%
Coloured	6 461	3.50%
Indian or Asian	342	0.19%
White	5 536	3.00%
Total Population	184 542	

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

Labour Force	
Employed	24 013
Unemployed	30 419
Not Economically Active	57 786
Total Labour Force	54 432

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



## **1.2 BACKGROUND ON SERVICES PROVIDED BY THE MUNICIPALITY**

### **1.2.1 TECHNICAL SERVICES**

#### **1.2.1.1 Water Services**

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

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

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

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

Chris Hani District Municipality is in terms of the allocation of Powers and Functions the Water Services Authority. The local municipality provides the service on behalf of the District Municipality. A Water Services Contract has been endorsed by both municipalities during the period under review.

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

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

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

The municipality has committed itself in ensuring that it provides free basic water to all indigent households. During the period under review, a total of 14 051 urban households benefited at a cost of R4 957 333 million funded from the equitable share received. The District municipality provides free basic water in rural areas.

#### 1.2.1.2 Sanitation

Queenstown, Mlungisi and Ezibileni all have waterborne sanitation. The informal areas have pit latrines. Which includes a number of VIPs. Whittlesea has 10% septic tanks and the rest are pit latrines. In Sada all households have buckets while all stands in Ekuphumleni are reticulated with waterborne sanitation. Madakeni and Shiloh have pit latrines. The District Municipality earmarked a total of 466 buckets to be removed during the period under review. Treatment capacity in Queenstown is 16Ml/d, adequate for the present inflow.

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

During the period under review, a total of 9 816 urban households benefited from the provision of free basic sanitation services at a cost of R3 641 081 million funded from the equitable share received.

#### 1.2.1.3 Roads and stormwater

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

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

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

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

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

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

#### 1.2.1.4 Electricity

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

50kWh free basic electricity is provided to all indigent households. The Municipality provide free basic electricity to 7214 households in the former Queenstown TLC area at a cost of R1 866 359 million while Eskom provide free basic electricity to households elsewhere in Lukhanji.

The electricity losses have a far bigger monetary value than water losses and certainly hold the key to the success or failure of Lukhanji. Electricity is one of the main sources of income for the municipality. The electricity losses for the period under review amounted to 23%.

### 1.2.2 COMMUNITY SERVICES

#### 1.2.2.1 Waste disposal

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

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

27 000 households are served with 9 compactors. There is no spare capacity and constant breakdowns of refuse removal vehicles create problems. During the period under review, a total of 8881 households benefited at a cost of R3 945 219 million funded from the equitable share received.

#### 1.2.2.2 Health Services

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

#### 1.2.2.3 Cemeteries

The new cemetery in Queenstown currently handles approximately 40 burials per week.

Pauper burials are done in Queenstown and Whittlesea.

#### 1.2.2.4 Fire and Emergency Services

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

#### 1.2.2.5 Nature reserve

The Council is in the process of making improvements at the Lawrence de Lange and Longhill Nature Reserves. Approval has been obtained from the Department of Environment and Tourism for the improvement this facility and the Bonkolo Dam. It is anticipated that the projects will be commenced before the end of the 2008/09 financial year. The reserves are adjacent to Queenstown and are stocked with between 700 and 800 animals of 16 different species including white rhino. There are Bushmen paintings and fossil remains in the reserves. There is a lapa for public use and limited hunting is allowed. About every two to three years about 250 animals are caught and sold live at a game sale.

#### 1.2.2.6 Pound

The Council runs a municipal pound in Queenstown and Whittlesea. The pounds are mainly used to keep impounded stray animals. During the period under review, the trucks provided by the

Department of Transport impounded 5 579 stray animals. The combating of stray animals on national roads attained substantial success and increased revenues of the pound.

### **1.2.3 ESTATES AND PLANNING**

#### 1.2.3.1 Buildings and estates

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

#### 1.2.3.2 Housing

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

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

The following is a report on activities in the Housing Section as at 30 June 2008:

A. Report on progress made with Housing Projects:

The following is a report with regards to progress on all the current Peoples Housing Projects as at 30 June 2008:

1. Ekuphumleni PHP:

This project consists out of 950 subsidies of which the beneficiary subsidy administration has been done by BKS (Pty) Ltd. While 4 applications are still awaiting approval from the DHLG, further

instructions for the finalisation of the last Subsidy Application are currently awaited from the Director: Estates Services.

Progress on Construction is as follows:

Number of Foundations Completed:	950
Number of Top Str. Completed to Gable Height:	950
Number of Top Str. Completed to Roof Height:	950
Number of Top Str. 100% Completed:	950

## 2. Enkululekweni PHP:

This project consists of 541 subsidies of which all subsidy applications have been submitted to the Department of Housing, Local Government and Traditional Affairs and of which all have been approved. Although the registration of individual Title Deeds has been delayed for a long time, confirmation has been received that 524 individual Title Deeds have been registered.

Progress on Construction is as follows:

Number of Foundations Completed:	541
Number of Top Str. Completed to Gable Height:	541
Number of Top Str. Completed to Roof Height:	541
Number of Top Str. 100% Completed:	541

Current Status:

The Infrastructure Development Unit is in the process of finalising the last snags.

## 3. Ezibeleni Phase II PHP:

This project consists of 1560 subsidies which were being administered by Power Developments, also involving GIBB Africa. All of these applications have been approved and most of these individual Title Deeds have already been registered.

Progress on Construction is as follows:

Number of Foundations Completed:	1560
Number of Top Str. Completed to Gable Height:	1554
Number of Top Str. Completed to Roof Height:	1522
Number of Top Str. 100% Completed:	1267

4. Ilinge PHP:

This project consists out of 1215 subsidies of which the beneficiary subsidy administration has been completed by BKS (Pty) Ltd). The registration of the title deeds is still in progress.

Progress on Construction is as follows:

Number of Foundations Completed:	1215
Number of Top Str. Completed to Gable Height:	1215
Number of Top Str. Completed to Roof Height:	1215
Number of Top Str. 100% Completed:	1215

5. Imvani PHP:

This project consists of 160 subsidies of which the subsidy administration is being administered by Sinakho Consulting. At present all of these applications have been approved but none of the individual Title Deeds have been registered.

Progress on Construction is as follows:

Number of Foundations Completed:	144
Number of Top Str. Completed to Gable Height:	144
Number of Top Str. Completed to Roof Height:	144
Number of Top Str. 100% Completed:	144

The Infrastructure Development Unit has taken over as Project coordinator on this project and a full assessment and costing on all work still to be done has been completed by them. The Senior Manager: Infrastructure Development Unit has submitted a formal application for Additional Funding for the completion of the project to the Department of Housing, Local Government and Traditional Affairs and approval thereof is currently awaited.

6. Sabata Dalindyabo PHP:

These two projects consist of 240 subsidies for the lowest income group (PHP Project) and 210 subsidies for the beneficiaries in the higher income groups (Credit Linked Project) of which the subsidy administration has been completed by the Estates Directorate. The last 4 title deeds must still be registered.

Progress on Construction is as follows:

Number of Foundations Completed:	240
Number of Top Str. Completed to Gable Height:	240
Number of Top Str. Completed to Roof Height:	240
Number of Top Str. 100% Completed:	240

7. Tambo Village PHP:

This project consists of 990 subsidies which are being administered by Sinakho Consulting and of which 974 approvals have been received. None of the individual Title Deeds have been registered yet.

Progress on Construction is as follows:

Number of Foundations Completed:	953
Number of Top Str. Completed to Gable Height:	952
Number of Top Str. Completed to Roof Height:	950
Number of Top Str. 100% Completed:	945

Construction at this project is currently at a standstill while the approvals of the last beneficiaries are awaited from the DHLG.

8. Botha's Hoek PHP:

This project consists of 93 subsidies which are being administered by the Estates Directorate.

Beneficiary information submitted by the Beneficiary Committee and captured on the Database:

	93
Applications Signed by Beneficiaries:	93
Applications Submitted to DHLG:	93
Applications Approved by DHLG:	93

9. Ensam PHP:

This project consists of 247 subsidies which are being administered by the Estates Directorate.



Beneficiary information submitted by the Beneficiary Committee and captured on the Database:  
252  
Applications signed by Beneficiaries: 247  
Applications submitted to DHLG: 247  
Applications Approved by DHLG: 246

10. Mc Bride PHP:

This project consists of 678 subsidies which are being administered by the Estates Directorate.

Beneficiary information submitted by the Beneficiary Committee and captured on the Database:  
692  
Applications Signed by Beneficiaries: 678  
Applications submitted to DHLG: 678  
Applications Approved by DHLG: 678

11. Merino Walk PHP:

This project consists out of 274 subsidies which are being administered by the Estates Directorate.

Beneficiary information submitted by the Beneficiary Committee and captured on the Database:  
275  
Applications Signed by Beneficiaries: 274  
Applications submitted to DHLG: 274  
Applications Approved by DHLG: 271

12. Poplar Grove PHP:

This project consists of 308 subsidies which are being administered by the Estates Directorate.

Beneficiary information submitted by the Beneficiary Committee and captured on the Database:  
316  
Applications Signed by Beneficiaries: 308  
Applications submitted to DHLG: 308  
Applications Approved by DHLG: 308

13. Who-Can-Tell PHP:

This project consists of 708 subsidies which are being administered by the Estates Directorate.

Beneficiary information submitted by the Beneficiary Committee and captured on the Database:

	715
Applications Signed by Beneficiaries:	708
Applications submitted to DHLG:	708
Applications Approved by DHLG:	707

14. Nomzamo Project Linked Housing Project:

This project consists out of 337 subsidies which are being administered by the Estates Directorate. Of these 337 subsidies, 287 erven will be allocated to beneficiaries identified by the Beneficiary Committee while the remaining 50 erven will be allocated to beneficiaries still to be identified by the committee of the Homeless Federation.

Beneficiary information submitted by the Beneficiary Committee and captured on the Database:

287

Beneficiary information submitted by the Homeless Federation Committee and captured on the Database:

0

Applications Signed by Beneficiaries:	287
Applications submitted to DHLG:	287
Applications Approved by DHLG:	243

All beneficiaries of the Homeless Federation must still be applied for.

B. Report on progress made with the registration of transfers under the Extended Discount Benefit Scheme:

	(A) Total Original Stock	(B) + (C) Less Prev. Registered	(D) Less Appl. not Qualified	(E) Total Stock for LexiCon (A-B-C-F)	(F) Docs. submitted to LexiCon	(G) Rejections and Withdrawals	(H) Total Docs. Submitted	(I) % Docs. Submitted	(J) Titles Registered	(K) % Titles Registered
Mlungisi	3090	1707	168	1164	744	51	693	60.91	594	51.25
Ezibeleni	642		5	637	308	0	308	48.43	0	0.00
VAN Area	210			208	132	2	130	64.90	29	13.94

(Victoria Park; Aloveale & New Rest)										
Ekuphumleni	2204	1542		610	295	52	243	39.84	0	0.00
SADA Unit I	1225	748		456	284	21	263	57.68	0	0.00
SADA Unit II	1483	459		992	746	32	714	71.98	27	2.72
Ilinge	2539	1415	13	1110	599	1	598	53.96	93	8.38
Totals				5177	3108	159	2949	56.96	743	14.35

#### 1.2.3.4 Planning

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

LAND SALES	
CATEGORY	VALUE
Residential	R 1 699 740.60
Commercial	R 225 041.00
Places of Worship	R 160 654.54

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

ZONING APPLICATIONS	
CATEGORY	TOTAL
Rezoning	16
Subdivisions	12
Encroachments	1

# CHAPTER 2

## PERFORMANCE HIGHLIGHTS

The following tables reflect a performance assessment on the state of the budget and service delivery performance for the period under review:

**Capital Expenditure per Vote**

1. ESTATES

SOURCE	PROJECT 2007/08	ORIGINAL BUDGET (R000)	REVISED BUDGET (R000)	PLANNED YTD (SDBIP) (R000)	ACTUAL YTD (R000)	VARIANCE (R000)	YTD VARIANCE (%)	CHALLENGES / REASONS FOR NON PERFORMANCE
Own	Ezibeleni Fencing	0	27	27	40	13	48%	Cost analysis is being prepared of what needs to be done.
EC	Ekuphumleni Housing	1,499	1,205	1,205	1,765	560	46%	Project is nearly completed, the Project Co-ordinator is only attending the final snags.
EC	Enkululekweni Housing	76	76	76	14	-62	-82%	Project is basically completed. Only attending to final snags.
EC	Ezibeleni Phase II Housing	7,273	8,013	8,013	6,748	-1,265	-16%	Since the project project was blocked and progress was very slow when it became unblocked, the project co-ordinator appointed additional contractors in an attempt to have the project completed as soon as possible and this had a direct impact on the expend
EC	Illinge Housing	2,510	3,044	3,044	3,064	20	1%	There are a number of of unforeseen matters that had to be addressed at this project eg rectifications to slabs and top structures. Additional 15 erven erven still to be measured which cause a delay in construction and had a direct influence on expenditure
EC	Imvani Housing	126	551	551	32	-519	-94%	An application for additional funding still needs to be compiled. Although the matter has been addressed with DHLG, feedback from their offices is currently awaited.
EC	Sabata Dalindyebo Housing	1	63	63	0	-63	-100%	Project is basically completed.

EC	Tambo Village Housing	5,004	5,486	5,486	2,695	-2,791	-51%	The project co-ordinator reported that when the project commenced
EC	Illinge Transfer Fees	20	140	140	36	-104	-74%	
EC	Registration Fees	210	100	100	45	-55	-55%	The administration fees due to the Estates Directorate forms part of these funds. A council resolution to allow the Estates Directorate to erect a palasade fence from these admin fees was passed a long time ago, but the actual work was only done now.
EC	Sabata Dalindyabo Project linked Housing	7,275	7,275	7,275	4	-7,271	-100%	It was projected as per our attached cash flow information that this project should commence in Feb 2008, but, due to the outstanding payments of the individual NHBRC contributions due by the approved beneficiaries, the project is being delayed.
EC	Unifound Housing	0	97	97	0	-97	-100%	The project is completed.
EC	Quality Coffins Project linked housing	900	900	900	0	-900	-100%	There is a delay with the Department of Housing in approving our application for additional funds.
		24,894	26,977	26,977	14,443	-12,534	-46%	

## 2. FINANCIAL SERVICES

SOURCE	PROJECT 2007/08	ORIGINAL BUDGET (R000)	REVISED BUDGET (R000)	PLANNED YTD (SDBIP) (R000)	ACTUAL YTD (R000)	VARIANCE (R000)	YTD VARIANCE (%)	CHALLENGES / REASONS FOR NON PERFORMANCE
Debt	Create new Payment Points	200	200	200	0	-200	-100%	Tenders will be called for in due course
Debt	Upgrade B&T Offices	300	300	300	0	-300	-100%	Tenders will be called for in due course
		500	500	500	0	-500	-100%	

3. COMMUNITY SERVICES

SOURCE	PROJECT2007/08	ORIGINAL BUDGET (R000)	REVISED BUDGET (R000)	PLANNED YTD (SDBIP) (R000)	ACTUAL YTD (R000)	VARIANCE (R000)	YTD VARIANCE (%)	CHALLENGES / REASONS FOR NON PERFORMANCE
NG	Feasibility Study Whittlsea Cemetery	100	100	100	0	-100	0%	
CHD	Libraries		272	272	20	-252	7%	
Internal	Nature Reserve Fund Improvments		401	401	50	-351	12%	
Debt	Animal Shed at Pound	100	0	0	0	0	#DIV/0!	
Debt	Refuse Tipper Truck	480	823	823	823	0	0%	Tenders awarded. Waiting for financing tender award
Debt	90 - 100 liter Otto Waste Bins	383	95	95	0	-95	-100%	Tenders will be called for in due course
Debt	2 ML 410 lifters	90	90	90	0	-90	-100%	Tenders will be called for in due course
Debt	Three 4.5 cm refuse skips	54	54	54	0	-54	-100%	Tenders will be called for in due course
Debt	Tractor	175	220	220	220	0	0%	Tenders awarded. Waiting for financing tender award
Debt	18 cubic meter refuse containers	55	55	55	0	-55	-100%	Tenders will be called for in due course
Debt	Refuse Compactor	0	1,900	1,900	0	-1,900	-100%	Tenders will be called for in due course
		1,437	4,010	4,010	1,113	-2,897	-72%	

4. TECHNICAL SERVICES

SOURCE	PROJECT 2007/08	ORIGINAL BUDGET (R000)	REVISED BUDGET (R000)	PLANNED YTD (SDBIP) (R000)	ACTUAL YTD (R000)	VARIANCE (R000)	YTD VARIANCE (%)	CHALLENGES / REASONS FOR NON PERFORMANCE
Debt	Fleet Replacement	1,950	1,950	1,950	1,884	-66	-3%	This delay is caused by the outstanding correspondence from National Treasury regarding the financing of the fleet. Tenders will be awarded in due cause.

NG	PMU Fees	522	522	522	0	-522	-100%	All PMU fees were claimed in the previous years, therefore nothing is due know.
CHD	Consolidated Rural Areas	352	296	296	126	-170	-57%	
CHD	Disaster Funds	0	4,100	4,100	2,150	-1,950	-48%	
EC	Interest on Housing Projects	100	0	0	0	0	#DIV/0!	
EC	Nomzamo Project linked housing	11,675	11,688	11,688	1,905	-9,783	-84%	There is a delay with the Department of Housing in approving our application for additional funds. Contractor is on site and work has started.
EC	Bothas Hoek Housing	163	43	43	88	45	105%	The contractor worked faster on services than expected.
EC	Ensam Housing	1,930	1,495	1,495	900	-595	-40%	The variance is caused by the slow progress on completeing the services as the contractors only focused on completing the top structures.
EC	Merino Walk Housing	2,250	2,535	2,535	1,268	-1,267	-50%	The variance is caused by the slow progress on completing the services as the contractors only focused on completing the top structures.
EC	Poplar Grove Housing	3,199	1,128	1,128	2,210	1,082	96%	The variance is caused by the slow progress on completing the services as the contractors only focused on completing the top structures.
EC	Who can tell Housing	4,700	4,276	4,276	4,283	7	0%	There was a slow progress on the construction of foundations and services.
EC	Mcbridge Housing	3,946	3,079	3,079	2,742	-337	-11%	There was a slow progress on the construction of foundations and services. Contractor is progressing slower on the top structure as what was anticipated.
NG	Recreational Facilities	811	811	811	0	-811	-100%	All MIG project expenditures is reflected under Rural Gravel Roads therefore no expenditure is shown here.
NG	Whittlesea Transfer station (MIG)	172	172	172	0	-172	-100%	
NG	Illinge Transfer Station (MIG)	400	400	400	0	-400	-100%	
NG	Lesseyton Tipsite (MIG)	90	90	90	0	-90	-100%	
EC	Mbekweni Road & Stormwater	530	669	669	661	-8	-1%	Project is nearly completed therefore slow prgress.



NG	Urban Gravel Roads (MIG)	2,436	4,796	4,796	10,377	5,581	116%	All MIG project expenditures is reflected under Rural Gravel Roads therefore no expenditure is shown here.
NG	Urban Tar Roads (MIG)	1,800	1,800	1,800	0	-1,800	-100%	The project has not started yet.
Debt	Purchase Plan for MIG projects		3,000	3,000	2,188	-812	-27%	Budget adjustment was required. Tenders for financing and purchasing will go out.
NG	Rural Roads (MIG)	2,805	2,805	2,805	0	-2,805	-100%	All MIG project expenditures is reflected under Rural Gravel Roads therefore no expenditure is shown here.
NG	Stormwater Drains (MIG)	3,093	3,093	3,093	0	-3,093	-100%	All MIG project expenditures is reflected under Rural Gravel Roads therefore no expenditure is shown here.
NG	Nat. Electrification Program (DME)	2,300	1,798	1,798	1,229	-569	-32%	Problems were encountered with the contractor on Rathwick electrification project and was repalced with another contractor.
Debt	Zone 2 Electric System Improv.	1,600	1,600	1,600	0	-1,600	-100%	Quotations have been obtained. Awaiting awarding of the financing tender.
Debt	Purchase Strategic Spares	1,155	1,155	1,155	0	-1,155	-100%	Tendering process was delayed by outstanding letter from National Treasury.
Debt	Cherry picker & Crane Trucks	750	750	750	507	-243	-32%	Tendering process was delayed by outstanding letter from National Treasury.
Debt	Three Traffic control units	200	200	200	0	-200	-100%	Tendering process was delayed by outstanding letter from National Treasury.
		48,929	54,251	54,251	32,518	-21,733	-40%	
	<b>TOTAL</b>	75,760	85,738	85,738	48,074	-37,664	-44%	

1. MUNICIPAL MANAGER'S DIVISION

**STRATEGIC GOAL:**

**TO PROVIDE LEADERSHIP AND DIRECTION TO MUNICIPAL MANAGEMENT, ACCOUNT TO COUNCIL AND ENSURE IMPLEMENTATION OF THE OBJECTS OF LOCAL GOVERNMENT.**

STRATEGIC OBJECTIVE	MAJOR SERVICE OUTPUTS	PERFORMANCE MEASURE/ INDICATOR	UNIT OF MEASUREMENT	ACTUAL PERFORMANCE AGAINST TARGET		CHALLENGES / REASONS FOR NON PERFORMANCE	PLANS TO ADDRESS CHALLENGES / NON PERFORMANCE
				TARGET FOR 2007/08	ACTUAL FOR 2007/08		
The objective of this division is to lead and direct the administration aspects of the municipality, account to the municipal Council and work towards the fulfilment of the objects of local government as described in the Constitution of the Republic of South Africa. Special attention must be given to facilitating economic growth and development, addressing poverty, providing an efficient and effective service to the municipality, and ensuring the long term stability of the municipality within the requirements of relevant legislation. The division must assure compliance with the Council's IDP.	Establish and maintain a formal system of financial reporting to council, provincial and national governments	Deliver monthly budget reports to the mayor (MFMA s71)	Delivery of completed report to the mayor by the 10th working day	12	12	None	No Action required
	Provide leadership and management of the Budget and IDP processes and systems	Develop and deliver to council a strategic 5 year plan	Plan completed and delivered	100%	100%	Linkages between the IDP and Budget, Performance Plans and SDBIP needs to be streamlined and perfected.	Expert assistance to be solicited to assist with alignment process for the 2008/09 Financial Year.  Responsible Officials to be provided with opportunities to enhance skills in alignment processes
		IDP reviewed and amendments tabled	Amendments tabled with draft budget	1	1		
	Manage the implementation of the operating and capital budgets	SDBIP completed, delivered and reviewed as required	SDBIP tabled to Mayor in June	1	1	None	No Action required
			Quarterly reports delivered to mayor	4	4		
Provide leadership and management of staff	Manage senior staff	Performance agreements and plans are in place for all S57 staff.	100%	100%	None	No Action required	

## 2. FINANCIAL SERVICES

### STRATEGIC GOAL:

### TO PROVIDE SOUND FINANCIAL MANAGEMENT FOR THE INSTITUTION & SUPPORT TO DIRECTORATES

STRATEGIC OBJECTIVE	MAJOR SERVICE OUTPUTS	PERFORMANCE MEASURE/ INDICATOR	UNIT OF MEASUREMENT	ACTUAL PERFORMANCE AGAINST TARGET		CHALLENGES / REASONS FOR NON PERFORMANCE	PLANS TO ADDRESS CHALLENGES / NON PERFORMANCE	
				TARGET FOR 2007/08	ACTUAL FOR 2007/08			
The Budget and Treasury Office is responsible for the provision of sound financial management, support and strategic direction to Lukhanji municipality in respect of municipal assets and risks; budget and treasury; revenue and debt collection; and complete financial services to all directorates	Provide financial management advise and support to staff and the municipal manager's division	Ensure that all directorates are provided with the financial information that they need to manage their finances	Budget expenditure reports are delivered to directorates twice monthly	24	24	None	No Action required	
	Provide for the development, adoption and implementation of the municipal budget	Draft Budget is tabled to council by March 31st	tabled by March 31st	1	1	None	No Action required	
	Provide for the management and security of municipal liquidity and investments	Ensure that all receipts of the municipality are banked daily to assure maximum liquidity	Workdays in which cash is banked/total workdays YTD	100%	100%	None	No Action required	
	Provide for the timely and correct billing and collection of municipal debtors	Ensure that the credit control and debt collection policy of the council is implemented	Actual service terminations expressed as a % of proposed service terminations	100%	100%	None	No Action required	
			% of total debtors that have paid within 60 days	60%	60%	None	No Action required	
	Provide for the timely and correct reporting of information relating to the municipal finances and budget	Compile and submit all monthly and quarterly required reports	Percentage of all required reports submitted as per regulations	100%	100%	None	No Action required	
			Mid-year financial report and adjustments budget	Prepared and submitted to council by January 25 <sup>th</sup>	1	1	None	No Action required
			Financial Statements are GRAP compliant and submitted on time	2007/08 statements comply and delivered within 60 days of year-end	100%	100%	AFS submitted in time but not yet GRAP/GAMAP compliant	AFS will be GRAP/GAMAP compliant for the year ending June 2009

	Implement and administer the Supply Chain Management function of the municipality	Achievement of socio-economic targets e.g. SMME, BEE, labour intensity, etc.	Specific goals in policy	80%	20%	Little opportunity for emerging contractors to be awarded large contracts	More opportunities to be created for SMME's and BEE's reap benefit from Supply Chain policy. Contractors to be encouraged to obtain Construction Industry Development Board – CIDB grading.
		All procurements are done according to the Supply Chain Management Policy	% compliance by all directorates	100%	100%	None	No Action required

### 3. ADMINISTRATION & HR SERVICES

#### **STRATEGIC GOAL:**

**TO RENDER SECRETARIAL, ADMINISTRATIVE, LOGISTICAL AND HUMAN RESOURCE SERVICES TO ALL MUNICIPAL DIRECTORATES TO ENSURE THE SMOOTH RUNNING OF COUNCIL'S VARIOUS OPERATIONS AND SERVICES.**

STRATEGIC OBJECTIVE	MAJOR SERVICE OUTPUTS	PERFORMANCE MEASURE/ INDICATOR	UNIT OF MEASUREMENT	ACTUAL PERFORMANCE AGAINST TARGET		CHALLENGES / REASONS FOR NON PERFORMANCE	PLANS TO ADDRESS CHALLENGES / NON PERFORMANCE
				TARGET FOR 2007/08	ACTUAL FOR 2007/08		
Provide administrative, technical and professional support to directorates and council, effective secretarial services to all output units, and an integrated customer focused Human Resources service to management.	To improve ethical good governance.	No of Training sessions held for Ward Committees	Actual Expenditure Training Material Attendance Register	1	1	None	No Action required
	To improve public participation and community empowerment	Number of Mayoral Outreach programmes conducted	Minutes/reports of meetings	24	25	None	No Action required
	To deliver annual report within 7 months of year-end	Actual submission of report to Mayor	Annual Report tabled in Council by January 2008	100%	100%	None	No Action required
	To deliver the annual oversight report	% progress made toward the publication of the oversight report	Oversight Report tabled in Council before the end of March 2008	100%	100%	None	No Action required
	To develop an HR manual for distribution to employees	% of manual complete	Copies of policies/ procedures developed	50%	10%	Delays in Labour Forum acceptance.	Workshops on new policies to be arranged for unions. Unions to be involved in policy formulation from the onset.
	To develop Employment Equity report, submit & monitor progress	% of EE Plan completed	Evidence of plan submitted, Council resolution	100%	100%	None	No Action required
	To develop a skills development plan	% of Skills Development Plan completed	Skills Dev Plan Monitoring Report	100%	100%	None	No Action required

#### 4. COMMUNITY & SOCIAL SERVICES DIVISION

##### STRATEGIC GOAL

**TO PROVIDE STRATEGIC LEADERSHIP AND MANAGEMENT OF THE PUBLIC SAFETY, HEALTH, DISASTER AND WASTE MANAGEMENT DIRECTORATE WITHIN LUKHANJI MUNICIPALITY TO ENSURE THAT DEPARTMENT MEET THE NEEDS AND REQUIREMENTS OF THE COMMUNITY AT LARGE ACCORDING TO AVAILABLE RESOURCES**

STRATEGIC OBJECTIVE	MAJOR SERVICE OUTPUTS	PERFORMANCE MEASURE/ INDICATOR	UNIT OF MEASUREMENT	ACTUAL PERFORMANCE AGAINST TARGET		CHALLENGES / REASONS FOR NON PERFORMANCE	PLANS TO ADDRESS CHALLENGES / NON PERFORMANCE
				TARGET FOR 2007/08	ACTUAL FOR 2007/08		
<u>HEALTH SERVICES</u> Render a quality Primary Health Care Service, which is affordable, accessible and equitable.	Provide Basic minimal level of primary health care to patients in Lukhanji	Provide Primary Care to Patients	number of patients seen	135124	245231	None	No Action required
		Immunization of children >1	number of children immunized	2540	1265	Ignorance of mothers, Shopping around of mothers from area to area, Wrong addresses given by mothers, Immunizations done by private doctors, Paerents refusal to catch-up immunizations at crèches and schools, Distance from clinics	Social mobilisation of communities, Ongoing education re importance of EPI programme, Stress the importance of submission of stats from private doctors, Staff to be trained on EPI/IMCI, Immunization outreach to be done when skilled staff and staff shortage has been attended to. Satellite clinic for Nomzamo Informal settlement.
		provide pap smear testing	number of pap smear tests conducted	810	1940	None	No Action required
	Institute a comprehensive HIV testing, counselling and treatment program	Provide HIV Counseling	number of patients receiving counselling	943	3951	None	No Action required
		Provide HIV testing	number of HIV test administered	5210	4216	Stigmatization; Ignorance, Fear of knowing their status, lack of skilled staff.	Do more awreness campaigns, Staff to be trained on basic HIV/AIDS, VCT and PMTCT, Skilled staff to be employed, Ongoing Health Education of HIV/AIDS
	Provide health education to the Lukhanji community	Provide Community Health education	number of persons who benefited.	216	54299	None	No Action required
<u>COMMUNITY &amp; SOCIAL SERVICES</u> <ul style="list-style-type: none"> <li>Promote and develop an efficient library service in the Lukhanji Municipality</li> </ul>	Disseminate information to individuals within the community for educational and recreational purposes through different media types including the internet	Provide Library Materials	count of material issued to public	112 000	113983	None	No Action required

<ul style="list-style-type: none"> <li>Establish conduct and control facilities for the purpose of disposing of human remains in the entire Lukhanji area; and</li> <li>Providing a safe environment for all local flora and fauna to allow for environmental education, income generation, educational opportunities for learners, tourists, etc. and hunting opportunities for international hunters.</li> </ul>	Conduct community educational programs	Provide service to old age homes	number of visits conducted	68	68	None	No Action required
		Conduct children programs	number of children attending programs	4 000	8547	None	No Action required
	Provide facilities for the dignified and environmentally safe disposal of human remains for the entire Lukhanji Municipality	Provide for burials	number of burials done	1 250	1414	None	No Action required
	Provide a flora and fauna reserve providing environmental education and viewing for the community and tourists	Provide game reserve viewing	number of visitors	7 200	11329	None	No Action required
<u>PUBLIC SAFETY</u> Provide overall administration, co-ordination and management of traffic control and parking in the Lukhanji area; maintenance and control of facilities and programs set aside for the securing and control of animals and responsibility to provide for a secure environment for all municipal staff, equipment, plant and property.	Provide for motor vehicle registration and licensing	Process Motor Vehicle Registrations	number of MV registrations processed	5 800	16869	None	No Action required
	Provide for learner and driver license testing	Process Drivers License Applications	number of Applications processed	8 000	14103	None	No Action required
	Provide for issuing of road worthiness certificates	Issue Road Worthy Certificates	number of tests conducted	4 500	3948	None	No Action required
	Provide for fire suppression services to the Lukhanji Municipality	Provide fire suppression services	number of fire calls	239	152	None	Decrease in number of fire calls is an indication that fire prevention is improving
	Law enforcement of municipal by-laws concerning animals	Collect & impound stray animals	number of animals impounded	1 000	5579	None	No Action required
<u>SPORT &amp; RECREATION</u> Provide for the management, control of and maintenance of any sport facility and land of the municipality's used for recreational purposes.	Horticulture: provide for the beautification of parks, open spaces and pavements for pleasing and unpolluted environment	Provide for parks meeting standards	% of parks meeting standards	80%	80%	None	No Action required
<u>WASTE MANAGEMENT</u> Provide for the cleaning & proper disposal of refuse.	Provide for the collection of refuse from residential households and business/industrial customers	Provide basic level of refuse removal services	% households with basic level of refuse removal services	100%	100%	None	No Action required
	Provide for the cleaning and proper disposal of refuse from streets, etc. in the Central Business district and other areas	Man-hours Spent cleaning CBD	total manhours	77 080	273 759	None	No Action required
		Remove illegal dumping	tons of refuse removed from illegal sites	400	7 391	None	No Action required

## 5. ESTATES & PLANNING SERVICES

### STRATEGIC GOAL

**PROVIDE HOUSING, ALTERNATIVE ACCOMMODATION AND LAND USE RIGHTS. ENSURE ACCESS TO ALL MUNICIPAL BUILDINGS, ENTERTAINMENT/SERVICE CENTRES UNDER LEASE.**

STRATEGIC OBJECTIVE	MAJOR SERVICE OUTPUTS	PERFORMANCE MEASURE/ INDICATOR	UNIT OF MEASUREMENT	ACTUAL PERFORMANCE AGAINST TARGET		CHALLENGES / REASONS FOR NON PERFORMANCE	PLANS TO ADDRESS CHALLENGES / NON PERFORMANCE
				TARGET FOR 2007/08	ACTUAL FOR 2007/08		
<u>PROPERTY SERVICES</u> Ensure that the rental, repair and maintenance of municipally owned property is conducted in a fair, transparent and equitable manner.	Perform administrative and financial functions related to the rental, repairs and maintenance of municipal owned properties	Compile comprehensive report for repairs and maintenance of all rented properties, obtain Council approval and implement	% completion of repairs and maintenance	70%	50%	Availability of Cash flow	Funding to be made available during the next Financial Year
	Determine annual increase in rentals to ensure that it would be sufficient to address repairs and maintenance issues	Compile necessary report on increase in rental, submit to council, obtain approval and implement	Approval by council and affected increase in rentals	1	0	Lack of Funds	Property Valuer to be appointed
<u>PLANNING &amp; DEVELOPMENT</u> Do forward planning for the municipality as embodied in the Spatial development framework, the Central Business Development Plan and a Residential Development Plan. We implement these plans in a professional and equitable manner. We perform all administrative functions involved in the sale of municipal land and manage all transfer documents to entitled recipients including farms transfers from DLA to the municipality.	Forward planning to ensure the development is guided by a set of policies	Central Business Development Plan: Compile a Business Plan and submit to DHLG for approval.	plan completed and delivered	1	0	Resignation of Town Planner	Vacancy to be filled as soon as practically possible.
		Residential Development Plan: Compile a Business Plan and submit to DHLG for approval.	plan completed and delivered	1	1	None	No Action required
		Finalize the planning and survey project for the township extension of Sabata Dalindyebo	Approved General Plan	1	0	Funding for project	Project has commenced
		Finalize the planning and survey project for the Brakkloof Village extension	Approved General Plan	1	1		
		Finalize the planning and survey project for the Tylden Township & existing greenfields	Approved General Plan	1	0	Funding for project	Project has commenced
		Finalize the planning and survey project for the	Approved General Plan	1	0	Funding for project	Project has commenced

		extension					
		Finalize the planning and survey project for the Shiloh Commonage 410, Mdakeni & Bede	Approved General Plan	1	0	Funding for project	Project has commenced
		Finalize the planning and survey project for the Ezibeleni resurvey project	Approved General Plan	1	0	Funding for project	Project has commenced
		Finalize the planning and survey project for the Laurie Dashwood Phase II	Approved General Plan	1	1	None	No Action required
		Finalize the planning and survey project for Illinge	Approved General Plan	1	0	Funding for project	Project has commenced
		Provide zoning map & regulations for Whittlesea & SADA	An Approved zoning map and reg. for Whittlesea & SADA	1	0	Faults/Discrepancies found during verification process	Faults in the process of being addressed.
<u>PLANNING &amp; DEVELOPMENT</u> (Cont.)	Assist In the transfer of property within the municipality	Assist owners of prop in Mlungisi, Ezibeleni, Van, and Whittlesea in obtaining title deeds in terms of the phase out of R 7500 DHLG scheme	Percentage of transfer documents submitted to conveyancers for registration	80%	56,9%	Poor reaction from public Conveyancing process very slow	Public to be advised how to deal with properties under estate Plan has been developed with Conveyancer to clear bottlenecks.
		Transfer of Gwatyu farms from dept of land affairs to Lukhanji	percentage of farms transferred	30%	0%	Not transferred as yet	Matter has been handed to Conveyancer
		assist in the transfer of land of state owned prop in Whittlesea & Ezibeleni to Municipality	percentage of properties transferred	50%	0%	Not transferred as yet	Matter has been handed to Conveyancer
	Update housing registers for Mlungisi, Ezibeleni and Van	Update a housing register on a six month basis for Mlungisi	a complete register containing the Erf number, House number, GP No., Erf size, Zoning, history of ownership and title no.	2	2	None	No Action required
		compile and update a housing register and update on a six month basis for Ezibeleni	a complete register containing the Erf number, House number, GP No., Erf size, Zoning, history of ownership and title no.	2	0	Updated register has not been kept up to date	Register to be redone
		compile and update a housing register and update on a six month basis for Van	a complete register containing the Erf number, House number, GP No., Erf size, Zoning, history of ownership and title no.	2	1.5	Register is 80% completed	Outstanding work on register to be completed.



## 6. TECHNICAL SERVICES DIVISION

### STRATEGIC GOAL

### TO PROVIDE COST EFFECTIVE ENGINEERING SERVICES TO LUKHANJI HOUSEHOLDS, COMMERCE, INSTITUTIONAL AND INDUSTRIAL CONSUMERS

STRATEGIC OBJECTIVE	MAJOR SERVICE OUTPUTS	PERFORMANCE MEASURE/ INDICATOR	UNIT OF MEASUREMENT	ACTUAL PERFORMANCE AGAINST TARGET		CHALLENGES / REASONS FOR NON PERFORMANCE	PLANS TO ADDRESS CHALLENGES / NON PERFORMANCE
				TARGET FOR 2007/08	ACTUAL FOR 2007/08		
<u>ADMINISTRATION</u> Repair, maintain, service and monitor all vehicles and plant belonging to the municipality. To provide for all fuel and lubricants and ensure an effective service delivery by the user sections.	To monitor the maintenance and servicing of all vehicles and plant within the Lukhanji Municipality	provide a fleet management service to all Lukhanji directorates	number of monthly management reports delivered to each directorate	12	12	None	No Action required
	To repair, maintain and service all the vehicles and plant within the Lukhanji Municipality	provide a mechanical workshop service to all directorates	percentage availability of municipal vehicles and plant	80%	80%	None	No Action required
		Service all vehicles per the developed service schedule	service schedule completed each month	12	12	None	No Action required
<u>PLANNING &amp; DEVELOPMENT</u> Function as an internal consultant and to provide design and project management services to the municipality.	To act as an internal consultant to provide design and project management to the municipality	provide project mgmt. for the construction of subsidized housing	Houses completed / housing subsidies approved	70%	70%	None	No Action required
		provide project mgmt. for the construction and rehab of urban and rural roads and stormwater	percent of MIG allocation expended	100%	100%	None	No Action required
		provide project mgmt. For the construction of community facilities and infrastructure for LED projects	amount of allocation expended as a percent of total allocation	100%	100%	None	No Action required
		Provide mgmt. Of the electrification of houses and area lighting in both rural and urban areas	amount of allocation expended as a percent of total allocation (DME and MIG)	100%	100%	None	No Action required
<u>WASTE WATER</u> Act as an agent under an agreed upon service delivery agreement with CHDM to provide the maintenance and operational aspects of a sanitary sewer collection system in the agreed upon areas of the municipality.	Act as an agent to Chris Hani District Municipality for the maintenance and operation of sewer plant, repairs to broken pipes and installation of new services	provide satisfactory service as agency within budget	percent of households with basic level of sewer service	85%	84%	None	No Action required
		develop and awareness programme within the community to educate on consequences of vandalism of network and pumpstations	program developed	1	1	None	No Action required

<u>ROAD TRANSPORT</u>  Provide for the roads infrastructure maintenance and upgrading of service to all communities within the Lukhanji municipality for all roads that have been assigned to Lukhanji powers and functions.	Provide for light blading of all rural and urban dirt roads at least once per year	rural access roads bladed	kilometers of road bladed	20	23	None	No Action required
		urban dirt roads in townships bladed	kilometers of road bladed	20	32	None	No Action required
	Provide for the cleaning of all stormwater drain pipes and gutters in urban areas	kilometres of drains and culverts cleaned	kilometers of drains and culverts cleaned	24	16		
		kilometres of gutters cleaned	kilometers of gutters cleaned	24	34	None	No Action required
<u>WATER</u>  Act as an agent under an agreed upon service delivery agreement with CHDM to provide the maintenance and operational aspects of a water treatment and distribution system in the agreed upon areas of the municipality.	Act as an agent to CHDM for the maintenance and operation of the water network, operation of the purification plant and provision of potable water to Exibeleni, Queenstown, Mlungisi and Whittlesea	provide satisfactory service as agency within budget	percent of households with basic level of water service	85%	85%	None	No Action required
		manage a water pipe replacement program	meters of water pipe replaced	2 500	2664	None	No Action Required
<u>ELECTRICITY DISTRIBUTION</u>  Provide an administrative function for the technical services directorate, to provide electrical service to the entire community of the Lukhanji Municipality in terms of maintenance, refurbishment and extensions to the existing electrical network and to plan for the equitable provision of basic electrical service to all residents of the municipality.	Provide for an electric distribution system in Lukhanji	Development of a system maintenance plan	plan developed	1	1	None	No Action required
		carry-out extensions to existing electrical networks to cater for all 'infills' and new connections within area of license	percentage of applications connected	100%	100%	None	No Action required
		Provide basis level of service to all community	percentage of households with access to basic level of electrical services	98%	98%	None	No Action required
			percentage of registered indigents receiving free basic services	98%	98%	None	No Action required
	Provide street lighting for the safety and comfort of the community	develop and implement a streetlight bulb replacement programme to match the recommendations from the supplier	program is developed and accepted	1	1	None	No Action required

	Administer a building inspection and control function for the entire municipality	provide building plan approval within the municipality	number of building plans approved within 30 days of application	300	384	None	No Action required
		provide building inspections at various stages - foundations, completions and routine	number of site inspections done per month	320	371	None	No Action required
		Control the illegal erection of structures and encroachments in the Lukhanji Municipality	Percent of illegal structures and encroachments cases successfully resolved.	100%	100%	None	No Action required
	Administer advertising policy (SAMOAC) and control contracts for Lukhanji Municipality	Control illegal signage in Lukhanji Municipality	Percent of illegal signs removed	100%	100%	None	No Action required

# **CHAPTER 3**

HR AND OTHER ORGANISATIONAL MANAGEMENT

### **3.1 POLITICAL STRUCTURE**

The municipal area has 27 wards. There are 27 ward councillors and 26 proportionally elected Councillors with the ANC holding 47 seats, the DA 3, the UDM 2, and the PAC 1. Lukhanji Municipality has an Executive Mayoral Committee system which is combined with a ward participatory system. The Executive Mayoral Committee comprise 7 members, including the Executive Mayor.

The following members, together with the portfolios they represent, constitute the Executive Mayoral Committee:

Councillor M E Dapula (Executive Mayor)

Councillor M B Snyders (Speaker)

Councillor G N Xoseni (Finance)

Councillor M Nontsele (Community Services)

Councillor T T Madubedube (Technical Services)

Councillor A E Hulushe (Administration and Human Resources)

Councillor M Gongqa (Estates and Planning)

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

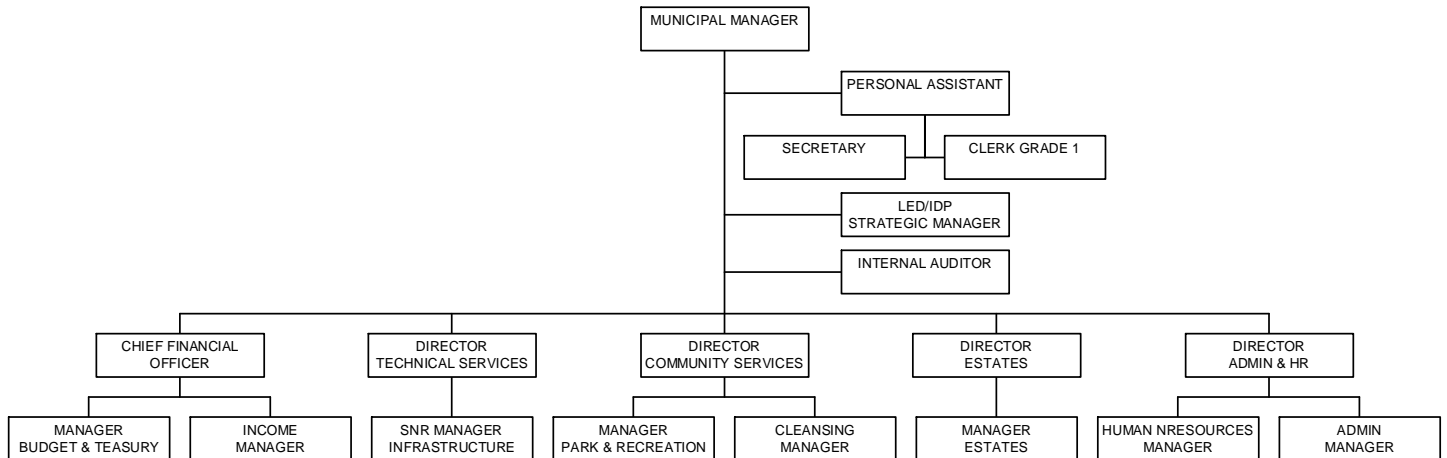
### **3.2 ADMINISTRATIVE STRUCTURE**

The placement of staff into the organogram, as per an adopted amalgamation plan, was completed and job descriptions drafted in accordance with the T.A.S.K job description model prescribed by the Bargaining Council. The Bargaining Council established Task Job Evaluation Units to evaluate the job descriptions drafted by municipalities.

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

During the period under review, Council successfully completed the performance agreements for all its staff appointed in terms of Section 57 of the Municipal Systems Act. These agreements were accepted by Council and endorsed by all "Section 57" employees. Measurable Key Performance Indicators have been developed for all Section 57 staff.

### 3.3 MACRO STRUCTURE



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

The Workplace Skills Plan for 2007/8 financial year has been adopted and the implementation report for 2006/7 has been submitted to LGWSETA as required by Skills Development Act

Grants totalling R207 322 were received from the Seta during the period under review.

Number of Beneficiaries trained during the period under review:

3 X Councillors	-	MFMA
3 X Councillors	-	Asset Management
3 X Councillors	-	GAMAP
3 X Councillors	-	Executive Leadership
23 X Councillors	-	Project Management
22 X Councillors	-	Memory Training and Public Speaking
3 X Directors	-	CPMD
2 X Senior Managers	-	MFMA
1 X Manager	-	MFMA
4 X Middle Managers	-	Project Management
4 X Middle & Junior Managers	-	Public Administration
2 X Traffic Officers	-	ENatis
5 X Junior Staff	-	Basic Computer Skills
10 X Shopstewards	-	Disciplinary Hearing Techniques
5 X Semi-Skilled Officials	-	NSC

### 3.5 TRENDS ON THE TOTAL PERSONNEL EXPENDITURE

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

2005/2006 = R65 587 034

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

### 3.6 THE NUMBER AND NAME OF PENSION AND MEDICAL AID FUNDS

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

1. Bonitas
2. Key Health
3. L. A. Health
4. Global Health
5. Samwumed

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

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

### 3.7 EMPLOYMENT EQUITY RATIO

Occupational Categories	MALE				FEMALE				Total
	A	C	I	W	A	C	I	W	
Leg. Senior Off & Management	6	3	0	11	2	1	0	1	24
Professionals	3	0	0	2	1	0	0	0	6
Tech & Associate Pro's	6	3	0	3	27	5	0	10	54
Clerks	53	10	0	4	28	12	0	11	118

Service & Sales Work	36	7	0	1	2	0	0	1	47
Skilled Agric Workers	1	0	0	0	0	0	0	1	2
Craft & Related Trades	15	10	0	8	1	0	0	0	34
Plant & Machine	20	1	0	2	0	0	0	0	23
Elementary	183	2	0	0	74	1	0	0	260
<b>Grand Total</b>	<b>323</b>	<b>36</b>	<b>0</b>	<b>31</b>	<b>135</b>	<b>19</b>	<b>0</b>	<b>24</b>	<b>568</b>

### 3.8 DISCLOSURES

#### 3.8.1. Remuneration of Councillors

The following table reflect the expenditure on Councillors' remuneration for the 2007/08 financial year.

	2008	2007
Mayor's allowance	481,821	394,992
Executive Councillors allowances	2,050,220	1,671,832
Councillor's allowances	6,112,897	5,784,323
Councillor's pension contribution	564,525	755,818
Councillor's medical aid contribution	193,267	192,796
<b>Total</b>	<b>9,402,730</b>	<b>8,799,761</b>

#### 3.8.2. In-kind benefits

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

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

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

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



### 3.8.3. Remuneration of Senior Officials

	<b>2008</b>	<b>2007</b>
Municipal Manager	608,427	549,673
Chief Financial Officer	551,986	501,611
Directors(Estates, Admin, Technical, Community Services & Infrastructure Unit)	2,185,672	2,075,426
<b>TOTAL</b>	<b>3,346,085</b>	<b>3,126,710</b>

### 3.8.4 In-kind benefits

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

# CHAPTER 4

AUDITED STATEMENTS

& RELATED FINANCIAL INFORMATION

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## **GENERAL INFORMATION**

### **MEMBERS OF THE FULL TIME COUNCIL**

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

### **MEMBERS OF THE PART TIME COUNCIL**

Councillor B M Adoons  
Councillor Z A Beje  
Councillor J N Birch  
Councillor A V Bokuva  
Councillor T Boo  
Councillor N H Breakfast  
Councillor Z A Deliwe  
Councillor V V Dondolo  
Councillor F N Duda  
Councillor Z A Dywili  
Councillor T Fikizolo  
Councillor S L Gaju  
Councillor M Z Gwantshu  
Councillor T M Gxaba  
Councillor J M Irlam  
Councillor L E James  
Councillor E K Jikele  
Councillor K H Kedema  
Councillor N B Keva  
Councillor N A Kopolo  
Councillor J J Makasi  
Councillor N M Malmani  
Councillor M Mangqangwana  
Councillor N L Maqungo  
Councillor G S Mateta  
Councillor P X Mbasana  
Councillor N O Mfenyana  
Councillor N Mfundisi  
Councillor N P Mnyengeza  
Councillor S C Mpemba  
Councillor T V Mpolo  
Councillor G N Mrwebi  
Councillor S E Mvana  
Councillor S S Ndamane  
Councillor D X Ndidi  
Councillor S N Ndlebe  
Councillor Z Pambani  
Councillor P M X Sibefu

Councillor L L Sikweyiya  
Councillor N E Simayile  
Councillor N Sixabayi  
Councillor E F Smuts  
Councillor F N Sopapaza  
Councillor E N Tsetetsi  
Councillor L N Twaku  
Councillor N C Twalo

GRADING OF LOCAL AUTHORITY

Grade 8 : Category B

AUDITORS

Auditor-General

BANKERS

ABSA Bank

REGISTERED OFFICE

70 Cathcart Road  
QUEENSTOWN  
5320

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

MUNICIPAL MANAGER

P BACELA

DIRECTOR OF FINANCE

I SCHOEMAN

## FOREWORD

The municipality is committed to provide effective and efficient services to the community in its area to ensure that the community have access to basic services including water, electricity and refuse removal etc. The municipality also strive to provide free basic services to its registered consumers, but this is still a challenge for the municipality to ensure that all that qualify, register and benefit.

The Municipal council, Mayoral committee, Municipal Manager and Directors continues to work harmoniously with regard to the implementation of the financial management legislation and policies with support from all staff members.

We have also seen the term end for the financial advisor, Bob Eskridge, that formed part of the GTZ programme from National Treasury. Bob have been with the municipality for almost four years to ensure that the implementation of legislation and policies are met, in particular the Municipal Finance Management Act. We have also seen drastic changes to the budget process to involve all stakeholders in the municipal areas.

This might also be the last year that financial statements will be submitted in the IMFO standards formats as the municipality must be GAMAP/GRAP compliant by the end of June 2009. A lot of work still lies ahead to accomplish this change, but the municipality foresee no problem with the conversion.

## TREASURER'S REPORT

### 1. INTRODUCTION

The control over expenditure and the revised budget has resulted in that the expenditure for 2007/08 stayed within the budgeted figure for expenditure and that resulted in the year closing off with a operating surplus of R6 252 562. This surplus is based on the revenue billed against actual expenditure. The operating surplus as at 30 June 2007 has increased from R14 512 904 to R18 691 161.

### 2. OPERATING RESULTS

Details of the results per department, classification and object of expenditure are included in appendix D and E. The applicable statistics are shown in appendix F. The overall operating results for the year ended 30 June 2008 are as follows :

INCOME	Actual 2006/07 R	Actual 2007/08 R	Variance Actual 07/ Actual 08 %	Budget 2007/08	Variance Actual/ Budget 07/08 %
Opening surplus	18,289,266	14,512,904			
Operating income for the year	154,681,274	181,532,863	17.36%	183,953,764	-1.32%
Closing deficit					
	172,970,540	196,045,767		183,953,764	
<b>EXPENDITURE</b>					
Opening deficit					
Operating expenditure	148,563,299	175,280,301	17.98%	180,052,308	-2.65%
Sundry transfers	9,894,338	2,074,305			
Closing surplus	14,512,904	18,691,161		3,901,456	
	172,970,540	196,045,767		183,953,764	

#### 2.1 RATE AND GENERAL SERVICES

	Actual 2006/07 R	Actual 2007/08 R	Variance Actual 07/ Actual 08 %	Budget 2007/08	Variance Actual/ Budget 07/08 %
Income	97,438,036	123,291,950	26.53%	125,973,691	-2.13%
Expenditure	102,377,262	124,684,396	21.79%	130,920,612	-4.76%
Surplus/Deficit	-4,939,226	-1,392,446	-71.81%	-4,946,921	-71.85%
Surplus (Deficit) as % of total income	-5.07%	-1.13%		-3.93%	

Sanitation service is not included in the 2006/07 and 2007/2008 statistics as the account was transferred to a agency account for Chris Hani District municipality as they became the water authority from 1 July 2004.

2.2 HOUSING SERVICE

	Actual 2006/07	Actual 2007/08	Variance Actual 07/ Actual 08	Budget 2007/08	Variance Actual/ Budget 07/08
	R	R	%		%
Income	137,900	118,491	-14.07%	120,120	-1.36%
Expenditure	41,662	210,358	404.92%	480,010	-56.18%
Surplus/Deficit	96,238	-91,867	-195.46%	-359,890	-74.47%
Surplus (Deficit) as % of total income	69.79%	-77.53%		-299.61%	

2.3 TRADING SERVICES  
ELECTRICITY

	Actual 2006/07	Actual 2007/08	Variance Actual 07/ Actual 08	Budget 2007/08	Variance Actual/ Budget 07/08
	R	R	%		%
Income	57,105,338	58,122,422	1.78%	57,859,953	0.45%
Expenditure	46,144,375	50,385,547	9.19%	48,651,686	3.56%
Surplus/Deficit	10,960,962	7,736,875	-29.41%	9,208,267	-15.98%
Surplus (Deficit) as % of total income	19.19%	13.31%		15.91%	

WATER

	Actual 2006/07	Actual 2007/08	Variance Actual 07/ Actual 08	Budget 2007/08	Variance Actual/ Budget 07/08
	R	R	%		%
Income					
Expenditure					
Surplus/Deficit					
Surplus (Deficit) as % of total income					

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

3. CAPITAL EXPENDITURE

	Actual 2007/08	Budget 2007/08	Actual 2006/07
	R	R	R
Vehicles	4,753,011	8,642,799	5,733,225
Buildings		526,850	
Roads/Stormwater Drainage		13,163,864	
Other Infrastructure		4,753,449	2,505,577
Other	680,503	4,650,277	561,007
	5,433,514	31,737,239	8,799,809



Resources used to finance the fixed assets were as follows :

	Actual 2007/08 R	Budget 2007/08 R	Actual 2006/07 R
Consolidated Loans Fund			
Leases	4,753,011	12,391,500	5,415,525
Contributions from operating income	272,309	1,318,753	803,758
Other Funds	408,194	18,026,986	2,580,526
	5,433,514	31,737,239	8,799,809

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

#### 4. EXTERNAL LOANS, INVESTMENTS AND CASH

External loans outstanding on 30 June 2008 amounted to R16 845 560 as set out in appendix B.

Investments and cash on 30 June 2008 amounted to R44 633 709 (R31 238 403 in 2007).

The bank balance amounted to R3 198 224 on 30 June 2008 compared to an positive bank balance of R6 597 383 in 2007.

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

#### 5. FUNDS AND RESERVES

The consolidated capital development and loans fund has increased with R1 950 565 to R36 015 829. Advances amounting to Rnil has been granted to borrowing accounts while R1 747 828 has been repaid. The total advances to borrowing accounts amounted to R7 673 123 on 30 June 2008.

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

#### EXPRESSION OF APPRECIATION

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

I SCHOEMAN  
CHIEF FINANCIAL OFFICER  
31 August 2008

## ACCOUNTING POLICIES

### 1. BASIS OF PRESENTATION

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

1.2 The financial statements are prepared on the historical cost basis, adjusted for capital expenditure as more fully detailed in note 3. The accounting policies are consistent with those applied in the previous year except if otherwise indicated.

1.3 The financial statements are prepared on the accrual basis :

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

### 2. CONSOLIDATION

The balance sheet includes Rate and General services, Housing services, Trading services and the different funds, reserves and provisions. All inter departmental charges are set-off against each other, with the exception of assessment rates, refuse removal, electricity and water, which are treated as income and expenditure in the respective departments.

### 3. FIXED ASSETS

3.1 Fixed assets are stated :

- at historical cost, or
- at valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the treasurer.

3.2 Depreciation

Vehicles and machinery under the vehicle fleet are depreciated at 25% and equipment at 10% as determined by the Council's policy up to a nominal value. The balance shown against the heading "Loans Redeemed and

other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation, however, certain structural differences do exist. By way of this "Provision" assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through :

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

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

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

#### 4. STOCK

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

#### 5. FUNDS AND RESERVES

##### 5.1 Capital Development Fund

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

#### 5.4 RESERVES

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

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

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

#### 5.5 PROVISIONS

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

#### 5.6 TRUST FUNDS

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

#### 6. RETIREMENT BENEFITS

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

#### 7. SURPLUSES AND DEFICITS

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

## 8. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

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

## 9. INVESTMENTS

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

## 10. INCOME RECOGNITION

### 10.1 Electricity and Water Billing

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

### 10.2 Assessment Rates

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

## 11. CONSOLIDATED LOANS FUND

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

## 12. LEASES ASSETS

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

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

LUKHANJI MUNICIPALITY

BALANCE SHEET FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 R	2007 R
<b>CAPITAL EMPLOYED</b>			
FUNDS AND RESERVES		38,508,276	36,504,481
Statutory Funds	1	36,015,829	34,065,264
Reserves	3	2,492,447	2,439,217
(ACCUMULATED DEFICIT)/RETAINED SURPLUS	17	18,691,161	14,512,904
		57,199,437	51,017,385
TRUST FUNDS	2	20,444,457	20,016,921
LONG-TERM LIABILITIES	4	13,402,258	13,848,084
CONSUMER DEPOSITS : SERVICES	5	7,086,805	6,750,517
		98,132,958	91,632,908
<b>EMPLOYMENT OF CAPITAL</b>			
FIXED ASSETS	6	26,391,798	25,156,877
INVESTMENTS	7	663,821	626,453
LONG-TERM DEBTORS	8	0	0
		27,055,619	25,783,329
NET CURRENT ASSETS/LIABILITIES		71,077,339	65,849,578
CURRENT ASSETS		92,058,367	101,299,944
Stock	9	0	0
Debtors	10	44,655,189	63,850,543
Cash		658,381	610,465
Bank		3,198,224	6,597,384
Call and short-term Investments	7	43,311,507	30,001,486
Short-term portion of Long-term debtors	8	235,066	240,066
CURRENT LIABILITIES		-20,981,028	-35,450,366
Provisions	11	7,745,050	4,560,115
Creditors	12	9,792,676	30,183,001
Short-term of Long-term liabilities	4	3,443,302	707,250
Bank overdraft			0
		98,132,958	91,632,908

.....  
P BACELA  
MUNICIPAL MANAGER

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

LUKHANJI MUNICIPALITY

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

2007 Actual Income R	2007 Actual Expenditure R	2007 Surplus/ (Deficit) R		2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R	2008 Budget Surplus/ (Deficit) R
			RATE AND GENERAL				
97,438,036	102,377,262	(4,939,226)	SERVICES	123,291,950	124,684,396	(1,392,446)	(4,946,921)
81,714,952	76,448,864	5,266,088	Community Services	105,281,967	96,340,557	8,941,410	7,242,768
1,200,197	10,905,195	(9,704,998)	Subsidised Services	1,599,741	11,881,634	(10,281,893)	(11,386,354)
14,522,887	15,023,203	(500,316)	Economic Services	16,410,242	16,462,205	(51,963)	(803,335)
137,900	41,662	96,238	HOUSING SERVICES	118,491	210,358	(91,867)	(359,890)
57,105,338	46,144,375	10,960,962	TRADING SERVICES	58,122,422	50,385,547	7,736,875	9,208,267
<u>154,681,274</u>	<u>148,563,299</u>	6,117,975	TOTAL	<u>181,532,863</u>	<u>175,280,301</u>	6,252,562	<u>3,901,456</u>
			Appropriations for this year (Refer to note 17)			(2,074,305)	
			Net surplus/(deficit) for the year			4,178,257	
			Accumulated surplus/ (deficit) beginning of the year			14,512,904	
			ACCUMULATED SURPLUS/ (DEFICIT) END OF YEAR			18,691,161	

**LUKHANJI MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008</b>	<b>2007</b>
	R	R
CASH RETAINED FROM OPERATING ACTIVITIES :	(29,050,786)	(34,457,972)
Cash receipts from ratepayers, consumers, and users of services	180,852,087	151,526,460
Cash paid to employees and suppliers	(208,519,755)	(185,658,598)
From Operations	(27,667,668)	(34,132,138)
Interest received	215,930	
Redemption external	(706,853)	
Interest paid	(892,196)	(325,834)
<b>INVESTING ACTIVITIES</b>	<b>(15,866,320)</b>	<b>(87,972)</b>
Purchase of property, plant and equipment	(5,433,514)	(8,799,809)
Proceeds from disposal of fixed assets	3,181,891	4,152,777
Receipts from long term debtors	5,000	432,425
Increase in cash on hand	(13,619,697)	4,126,635
<b>FINANCING ACTIVITIES</b>	<b>41,565,865</b>	<b>49,528,800</b>
Net loans repaid	2,290,226	3,494,192
Increase in consumer deposits	336,289	494,496
Cash contribution from public and state	38,939,350	45,540,112
<b>NET CASH GENERATED</b>	<b>(3,351,242)</b>	<b>14,982,856</b>
Cash resources at beginning of year	7,207,847	(7,775,009)
Cash resources at 30 June 2008	3,856,605	7,207,847
	<b>3,351,242</b>	<b>(14,982,856)</b>



**LUKHANJI MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<b>1. STATUTORY FUNDS</b>		
Consolidated Loans Fund (Refer to Appendix A for more detail)	36,015,829	34,065,264
<b>2. TRUST FUNDS</b>		
Grants, Subsidies and Bequests Mayor's Christmas Fund Storm Relief Fund (Refer to Appendix A for more detail)	20,426,842	20,003,406
	17,615	13,514
	20,444,457	20,016,921
<b>3. RESERVES</b>		
Rental Reserve	2,401,130	2,367,900
Removal Expenses Reserve	59,245	39,245
Repairs and Renewals (Refer to Appendix A for more detail)	32,072	32,072
	2,492,447	2,439,217
<b>4. LONG TERM LIABILITIES</b>		
Capital leases	11,597,150	8,578,469
Annuity Loans	5,248,410	5,976,866
	16,845,560	14,555,334
Less : Current portion transferred to current liabilities	(3,443,302)	(707,250)
Capital leases	2,646,841	
Annuity Loans	796,461	707,250
(Refer to Appendix B for more detail on long term liabilities)	13,402,258	13,848,084

**CAPITAL LEASES**

Capital leases with an average interest rate of ± 11% were entered into with West Bank to finance vehicles over a 5 year period. Capital leases with an average interest rate of ± 12.84% were entered into with Nedbank to finance vehicles and plant over a 5 year period.

**ANNUITY LOANS**

No Annuity loans. All debt rescheduled with DBSA. Interest rate payable on loan at 12,00% over a period of 8 years.

**5. CONSUMER DEPOSITS**

Electricity	7,086,805	6,750,517
Guarantees in lieu of electricity deposits were R20 320.		

## 6. FIXED ASSETS

Fixed Assets at the beginning of the year	179,247,757	204,827,395
Capital Expenditure during the year	5,433,514	8,799,809
Adjustments to balance statements to Genetal Ledger		6,032,580
Less : Assets written off, transferred or disposed of during the year	77,250,165	(40,412,027)
TOTAL FIXED ASSETS	261,931,437	179,247,757
		(154,090,88
Less : Loans redeemed and other capital receipts	(235,539,639)	1)
NET FIXED ASSETS	26,391,798	25,156,877

(Refer to Appendix C for more detail)

## 7. INVESTMENTS

### *Listed*

RSA Internal Registered Stock	18,500	18,500
	18,500	18,500

### *Unlisted*

Fixed deposits	645,321	607,953
Call deposits	43,311,507	30,001,486
	43,956,828	30,609,439
TOTAL INVESTMENTS	43,975,328	30,627,939

Market value of listed investments and managements  
valuation of unlisted investments

Listed	23,200	23,200
Unlisted	43,975,328	30,627,939

Average rate of return on investments 9.65% 7.99%

Funds are invested according to Council's Investment Policy.

No investments were written off during the year.

## 8. LONG TERM DEBTORS

### *Loans to :*

Housing Loans

Sale of Land 230,036 230,036

Study Loans -

Vehicle Loans 5,030 10,030

235,066 240,066

Less : Current portion transferred to current assets (235,066) (240,066)

-

**9. INVENTORY**

Stock represents consumable stores, raw materials and finished goods.

Less : Stock Obsolescence

	0	0
	0	0
	0	0

**10. DEBTORS**

Consumer debtors

Less provision for doubtful debts

125,129,880	107,447,724
(88,628,201)	(69,240,935)
36,501,679	38,206,789

Sundry debtors

Deposits

Recoverable costs

Agency account Chris Hani

5,932,123	22,709,542
61,168	61,168
0	7,000
2,160,220	2,866,045
44,655,189	63,850,543

*Age analysis*

Current Debtors

30 Days Outstanding

60 Days Outstanding

90 Days Outstanding

120 Days and more Outstanding

Plus : Agency account Chris Hani

Plus : Vat accounts

Plus : Vat accounts

Plus : Suspence accounts

Plus : Payments in Advance

Plus : Unknown Payments

6,692,281	28,841,886
4,014,797	3,864,467
2,618,860	2,945,344
114,812,255	77,582,231
2,160,220	2,866,045
1,775,036	15,487,665
1,209,941	1,503,839

Less : Provision for Bad Debt

133,283,390	133,091,478
(88,628,201)	(69,240,935)
44,655,189	63,850,543

Debtors to the value of R8,576,822,12, regarded as bad debt were written off during the year.

*Agency account Chris Hani**Assets:*

Water and Sanitation assets

Less: Loans redeemed and other capital receipts

41,188,084	40,412,027
(41,188,084)	(40,412,027)
0	0

*Accumulated surplus*

Surplus and Losses on the operational accounts for Water and Sanitation from 01/07/2004 to 30/06/2008

(14,124,110)	(12,209,559)
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*Debt management:*

Outstanding Water and Sanitation debtors at 30 June 2008

Provision for Doubtful Debts on Water and Sanitation transferred

71,604,095	63,429,022
(55,319,765)	(48,353,418)
16,284,330	15,075,604
2,160,220	2,866,045

Balance 30 June 2008

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

#### 11. PROVISIONS

Leave Gratuity	5,933,583	3,062,849
Valuation Expenses	1,811,468	1,497,266
	<u>7,745,050</u>	<u>4,560,115</u>

The leave gratuity were calculated on the leave days due by staff as at 30 June 2008.

Any shortfall or overprovision will be rectified in 2008/09 financial year.

#### 12. CREDITORS

Trade Creditors	4,371,603	6,268,762	*
Payments in Advance	3,287,787	2,640,999	*
Deposits	106	46	*
VAT	0	16,160,866	
Other	2,133,180	5,112,328	*
	<u>9,792,676</u>	<u>30,183,001</u>	

#### 13. ASSESSMENT RATES

	2008	2007
	R	R
	Actual	Actual
	Income	Income
Residential	8,848,077	7,781,258
Commercial	1,289,230	1,232,950
Industrial	2,201,382	2,030,649
Business	1,929,715	1,784,689
Institutional	16,945	15,836
Agricultural	4,292	4,012
Educational	1,662,164	1,376,256
State	1,742,880	1,447,871
Transnet	342,471	320,065
Post and Telecommunications	77,673	72,592
Municipal	36,294	33,919
Grant-in-Aid	90,758	153,357
Sport Clubs	38,909	36,363
	<u>18,280,789</u>	<u>16,289,818</u>

Valuations on land and improvements are performed every four years and the last general valuation came into effect on 1 July 1998. The basic rate was 2,045 per cent in the Rand on land and improvements. The following rebates were granted :

Residential	15%
Commercial	5%
Industrial	5%
Business	5%
Institutional	5%
Agricultural	15%

Educational	20%
State	20%
Grant-in-Aid	100%
Residential-R1300	23.75%

#### 14. COUNCILLOR'S REMUNERATION

Mayor's allowance	481,821	394,992
Executive Councillors allowances	2,050,220	1,671,832
Councillor's allowances	6,112,897	5,784,323
Councillor's pension contribution	564,525	755,818
Councillor's medical aid contribution	193,267	192,796
	<u>9,402,730</u>	<u>8,799,761</u>

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

#### 15. AUDITOR'S REMUNERATION

Audit Fees	<u>1,159,096</u>	<u>1,225,396</u>
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#### 16. FINANCE TRANSACTIONS

Total external interest earned or paid :		
Interest Earned	<u>6,595,906</u>	<u>3,460,135</u>
Interest Paid	<u>667,583</u>	<u>745,912</u>

Capital charges debited to operating account :

Interest :	2,501,115	2,240,327
: External	892,196	325,834
: Internal	1,608,920	1,914,493
Redemption :	3,344,480	2,924,238
: External	1,596,653	1,162,692
: Internal	1,747,828	1,761,546
	<u>5,845,596</u>	<u>5,164,565</u>

#### 17. APPROPRIATIONS

Appropriation account :		
Accumulated surplus at the beginning of the year	14,512,904	18,289,266
Operating surplus for the year	6,252,562	6,117,975
- Rate and General services	6,252,562	6,117,975
- Dog Tax fund		
- Parking Areas Development Fund		
Appropriations for the year	<u>(2,074,305)</u>	<u>(9,894,338)</u>
	<u>18,691,161</u>	<u>14,512,904</u> *

The accumulated surplus at the end of the year

is made up as follows :

- Rate and General services	18,691,161	14,512,904
- Dog Tax fund		
- Parking Areas Development Fund		
	<u>18,691,161</u>	<u>14,512,904</u>

Operating Account :

Capital expenditure	272,309	456,433
Contributions to :		
Bad Debt	24,437,678	16,195,782
Leave Gratuity	3,620,000	720,000
Removal Expenses	20,000	20,000
Rental reserve	33,230	33,230
Stock Obsolescence		
Valuation expenses	250,000	250,000
	<u>28,360,908</u>	<u>17,219,012</u>

## 18. OFFICIALS REMUNERATION

### Remuneration of the Municipal Manager

Annual Remuneration	365,432	334,776
Other (Pension, Transport, Medical Aid, UIF, Housing Subsidy ect.)	198,217	174,172
Bonus	44,778	40,726
<b>Total</b>	<u>608,427</u>	<u>549,673</u>

### Remuneration of the Chief Financial Officer

Annual Remuneration	379,287	310,765
Other (Pension, Transport, Medical Aid, UIF, Housing Subsidy ect.)	130,505	151,980
Bonus	42,193	38,867
<b>Total</b>	<u>551,986</u>	<u>501,611</u>

### Remuneration of the Director Administration

Annual Remuneration	334,399	307,172
Other (Pension, Transport, Medical Aid, UIF, Housing Subsidy ect.)	168,070	167,533
Bonus	41,903	38,600
<b>Total</b>	<u>544,372</u>	<u>513,304</u>

### Remuneration of the Director Community Services

Annual Remuneration	333,646	308,060
Other (Pension, Transport, Medical Aid, UIF, Housing Subsidy ect.)	175,910	167,991
Bonus	41,928	38,600
<b>Total</b>	<u>551,484</u>	<u>514,650</u>

### Remuneration of the Director Estates Services

Annual Remuneration	324,241	297,583
Other (Pension, Transport, Medical Aid, UIF, Housing Subsidy ect.)	190,394	188,998
Bonus	41,065	38,600
<b>Total</b>	<u>555,700</u>	<u>525,181</u>

### Remuneration of the Director Technical Services

Annual Remuneration	249,376	221,807
Other (Pension, Transport, Medical Aid, UIF, Housing Subsidy ect.)	243,659	243,583
Bonus	41,082	56,900
<b>Total</b>	<b>534,116</b>	<b>522,291</b>

**19. CASH GENERATED BY OPERATIONS**

Surplus for the year	6,252,562	6,117,975
Adjustments in respect of previous years operating expenses	(2,074,305)	(1,180,573)
Appropriations charged against income :	25,451,326	25,501,582
Contributions	28,360,908	27,623,868
Administration Charges (Non Cash)		1,302,393
Proceeds on sale of assets	(3,181,891)	(4,152,777)
Long Term Debtors		
Less : Brought to Account		
Contribution Ex CCDLF		
Provisions and Reserves		
Fixed Assets	272,309	728,098

Capital Charges :	6,726,058	11,346,877
Interest Paid		
- to internal funds	1,608,920	1,914,493
- to external loans	892,196	325,834
Redemption Paid		
- to internal funds	1,747,828	7,958,593
- to external loans	2,477,115	1,147,957

Operating account	36,355,641	41,785,861
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Grants and Subsidies (Operating Account)

Non-operating income :	3,211,196	3,420,603
Funds	707,098	1,422,365
Trust	2,499,948	1,998,238
Bad Debt Provision	4,150	0

Non-operating expenditure :	(46,652,267)	(44,860,175)
Expenditure charged against Accumulated Fund		
Expenditure charged against Trust Funds	40,603,567	44,003,952
Expenditure charged against Reserves		4,093
Expenditure charged against Provisions	5,955,556	
Financing funds	(272,309)	
Expenditure charged against Consolidated Loans Fund	365,454	852,130

Non operating transactions	(43,441,071)	(41,439,571)
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(Increase)/decrease in stock		
(Increase)/decrease in debtors	(191,912)	(42,239,738)
Increase/(decrease) in creditors	(20,390,326)	3,304,728
Working capital transactions	(20,582,238)	(38,935,011)

	<b>(27,667,668)</b>	<b>(38,588,721)</b>
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<b>20. (INCREASE)/DECREASE IN WORKING CAPITAL</b>		
(Increase)/decrease in stock		
(Increase)/decrease in debtors	(191,912)	(42,239,738)
Increase/(decrease) in creditors	(20,390,326)	3,304,728
	<u>(20,582,238)</u>	<u>(38,935,011)</u>
<b>21. (INCREASE)/DECREASE IN LONG-TERM LOANS (EXTERNAL)</b>		
Loans Raised	4,767,341	5,415,525
Adjustment		4,310,901
Loans Repaid	(2,477,115)	(1,921,334)
	<u>2,290,226</u>	<u>7,805,092</u>
<b>22. (INCREASE)/DECREASE IN EXTERNAL CASH INVESTMENT</b>		
Investment realised	41,237,758	38,594,283
Investment made	(27,890,371)	(42,720,918)
	<u>13,347,387</u>	<u>(4,126,636)</u>
<b>23. (INCREASE)/DECREASE IN CASH ON HAND</b>		
Cash balance at the beginning of the year	7,207,847	(7,775,009)
Less : Cash balance at the end of the year	3,856,605	7,207,848
	<u>3,351,242</u>	<u>(14,982,857)</u>
<b>24. CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS</b>		
Guarantees in respect of housing bonds to employees	202,125	201,690
Meliziswe International Property Group	1,423,000	1,000,000
MaxProf - VAT	250,000	1,600,000
Mkhetsu - Damages		24,000
Motile - Damages	100,000	94,000
AS Burwana	200,000	
Civil & General	150,000	
Chithi	100,000	
D Osborne	200,000	
AV Magqabi		
Sala Pension Fund		
	<u>2,625,125</u>	<u>2,919,690</u>
Figures for AV Magqabi and Sala Pension Fund not quantified as yet.		
<b>25. CAPITAL COMMITMENTS</b>		
Commitments in respect of capital expenditure :		
- Approved and contracted for		
Refuse Compactor	1,722,403	
	<u>1,722,403</u>	
This expenditure will be financed from :		
-Internal sources		
-External sources	1,722,403	
	<u>1,722,403</u>	



**26. CONSOLIDATED LOANS FUND**

External Loans	16,845,560	6,750,242
Internal Investments	36,015,829	34,065,264
Creditors		
Bank	(3,832,214)	(7,181,457)
	49,029,175	33,634,050
Less :	41,356,052	28,092,033
External Investments	43,975,326	30,627,939
Debtors		7,000
Temporary Advances	(2,619,274)	(2,542,906)
(Refer to Appendix B for more detail)	7,673,123	5,542,017

**27. FRUITLESS and WASTEFULL EXPENDITURE**

Payment made to Civil & General for Excavator that burnt out The municipality had to insure the equipment, but failed to do so therefor when the equipment burnt out we had to pay the replacement cost. Relevant staff member has left the service of the municipality that did not attend to the insurance. Council agreed that amount was irrecoverable and approved write off	555,750
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**28. Unauthorised expenditure**

An amount of R90 989 has been overspent in the Electricity operating budget. This is largely due to the final Eskom account not being Available at year end and an estimation is made. Council condoned such expenditure	90,989
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**29. Irregular Expenditure which arose from these sections**

Section of Supply Chain Management Policy	
Section 13	136,721
Section 16	8,184
Section 13 and Section 16	294,719
Section 13 and Section 14	32,652
Section 13,14 and Section 16	157,354
	629,630

**30. Retirement Benefit Information**

Lukanji municipality makes provision for post-retirement benefits to eligible Councillors and employees who belong to different pension schemes. These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes. These schemes are subject to a tri-annual, bi-annual or annual actuarial valuation.

**Cape Joint Pension Fund**

The Cape Joint Pension Fund operates both as a defined benefit and defined contribution scheme.

**Defined Benefit Scheme**

The Defined benefit section is a multi employer plan and the contribution rate payable is 27%, 9% by the member and 18% by the Council. The fund was last valued at 30 June 2008.

### **Defined Contribution Scheme**

This scheme was established to accommodate the unique characteristics of contract employees and "cost to company" employees. All existing members were given the option to transfer to the defined contribution plan before 1 July 2003. The actuary report certified that, the structure of the assets is appropriate relative to the nature of the liabilities, assuming a smoothed bonus philosophy and given normal circumstances. The report further indicated that the defined contribution plan is funded on sound actuarial principles.

### **CAPE JOINT RETIREMENT FUND**

The contribution rate paid by the members (9%) and their councils (18%) is sufficient to fund the benefits accruing from the Fund in future. The Actuary certified the fund as being in a sound financial position as at 30 June 2006.

### **SALA PENSION FUND**

The fund, a defined benefit plan, is financially sound and was last valued at 30 June 2008.

### **MUNICIPAL COUNCILLORS' PENSION FUND**

The Municipal Councillors' Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13.75%) and their councils (15%) is sufficient to fund the benefits accruing from the fund in future.

The last actuarial valuation of the fund was undertaken at 30 June 2005 and the actuary reported that the Fund as a whole is in a sound financial condition.

**APPENDIX A**

**LUKHANJI MUNICIPALITY  
STATUTORY FUNDS, RESERVES AND TRUST FUNDS FOR THE YEAR ENDED 30 JUNE 2008**

	<b>Balance at 2007-06-30</b>	<b>Contributions during the year</b>	<b>Interest on Investments</b>	<b>Other Income</b>	<b>Expenditure during the year</b>	<b>Capital Expenditure during the year</b>	<b>Written Off</b>	<b>Balance at 2008-06-30</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>		<b>R</b>
<b>STATUTORY FUNDS</b>								
Consolidated Loans Fund	(34,065,264)			(2,316,018)	365,454			(36,015,829)
	(34,065,264)			(2,316,018)	365,454			(36,015,829)
<b>TRUST FUNDS</b>								
Grants, Subsidies and Bequests	(20,003,406)		(2,485,543)	(38,939,349)	45,005,930	250,940	(4,255,414)	(20,426,842)
Storm Relief Fund	(13,514)		(4,101)					(17,615)
	(20,016,921)		(2,489,644)	(38,939,349)	45,005,930	250,940	(4,255,414)	(20,444,457)
<b>RESERVE FUNDS</b>								
Rental Reserve	(2,367,900)	(33,230)			(2,401,130)			(2,401,130)
Removal Expenses Reserve	(39,245)	(20,000)			(59,245)			(59,245)
Repairs and Renewals	(32,072)				(32,072)			(32,072)
	(2,439,217)	(53,230)			(2,492,447)			(2,492,447)

**APPENDIX B**

**LUKHANJI MUNICIPALITY  
EXTERNAL LOANS AND EXTERNAL ADVANCES FOR THE YEAR ENDED 30 JUNE 2008**

		Balance at 2007-06-30 R	Received during the year R	Redeemed or written off during the year R	Balance at 2008-06-30 R
<b>EXTERNAL LOANS</b>	<b>Loan No Redeemable</b>				
Capital Leases		8,578,469	4,788,944	1,770,263	11,597,150
Annuity Loans		5,976,866	(21,603)	706,853	5,248,410
		<u>14,555,334</u>	<u>4,767,341</u>	<u>2,477,115</u>	<u>16,845,560</u>

		Balance at 2007-06-30 R	Received during the year R	Redeemed or written off during the year R	Balance at 2008-06-30 R
<b>INTERNAL ADVANCES TO BORROWING SERVICES</b>					
Consolidated Loans Fund		9,420,951		1,747,828	7,673,123
		<u>9,420,951</u>		<u>1,747,828</u>	<u>7,673,123</u>

**APPENDIX C  
LUKHANJI MUNICIPALITY  
ANALYSIS OF FIXED ASSETS FOR THE YEAR ENDED 30 JUNE 2008**

Expenditure 2007 R	Budget 2008 R	Balance at 2007-06-30 R	Expenditure 2008 R	Written off transferred redeemed or disposed of during the year R	Balance at 2008-06-30 R
6,294,232	26,178,790	74,649,244	5,426,902	(78,962,928)	159,039,074
6,229,625	20,459,893	49,419,624	5,324,691	(78,286,242)	133,030,558
66,100	470,620	6,081,210	-	(5,432,068)	11,513,278
20,010	4,100	20,288	36,927	(75,479,702)	75,536,917
12,015	252,212	1,815,586	30,092	(890,458)	2,736,137
-	20,488	-	176,688	(439,851)	616,539
-	-	3,548	-	3,548	-
-	-	122,818	-	(4,099)	126,917
5,733,225	7,990	10,572,527	-	(3,355,120)	13,927,647
12,349	16,249,664	6,473,305	1,375,235	(6,773,211)	14,621,752
2,350	1,951,188	2,350	3,434,601	3,434,601	2,350
4,252	831,381	3,009,341	105,516	(174,772)	3,289,629
-	-	5,243,305	-	(657,252)	5,900,557
6,513	24,650	30,756	4,780	(207,806)	243,341
15,275	11,600	131,961	-	(176,034)	307,995
323,529	530,500	2,239,554	25,841	(14,899)	2,280,293
34,007	55,500	123,437	31,274	(804,104)	958,815
-	-	366,000	-	-	366,000
-	-	53,080	-	100	52,980
-	50,000	288,262	103,739	(157,410)	549,411
-	-	760,150	-	760,150	-
-	-	11,126,789	-	11,126,789	-
-	-	144,655	-	144,655	-
-	-	810,701	-	810,701	-

47,857	<u>Subsidised Services</u>	1,377,866	11,608,763	90,312	(37,060)	11,736,136
6,050	Aerodrome		200,000			200,000
	Art Gallery		297,099		(60,185)	357,284
	Cemetries	100,000	64,339		11,249	53,090
2,451	Civic Centre	6,180	3,836,666		(1,272,736)	5,109,402
39,356	Fire Brigade		83,966		(172,866)	256,832
	Libraries	392,436	855,698	86,892	(369,142)	1,311,732
	Parks and Recreation	879,250	6,270,995	3,420	1,826,620	4,447,795
16,750	<u>Economic Services</u>	4,341,031	13,620,856	11,899	(639,625)	14,272,380
16,750	Cleansing Services	3,912,760	990,837	11,899	(91,150)	1,093,886
	Estates	26,850	12,274,650		(532,485)	12,807,135
	Nature Reserve	401,421	355,370		(13,990)	369,360
	Sewerage				(2,000)	2,000
0	<u>Housing Services</u>		1,770,469		1,770,469	
	Sub-Economic Housing		1,770,469		1,770,469	
	Self Help Schemes					
2,505,577	<u>Trading Services</u>	5,558,449	102,828,045	6,612	(57,706)	102,892,363
2,505,577	Electricity	5,539,749	102,828,045	6,612	(57,706)	102,892,363
	Water	18,700				
<u>8,799,809</u>	<b>TOTAL FIXED ASSETS</b>	<u>31,737,239</u>	<u>179,247,757</u>	<u>5,433,514</u>	<u>(77,250,165)</u>	<u>261,931,437</u>
	<b>LESS : LOANS REDEEMED AND OTHER</b>					
	<b>CAPITAL RECEIPTS</b>		154,090,881	7,601,389	(73,847,369)	235,539,639
	Loans redeemed and advances paid		44,371,684	3,518,090	3,402,796	44,486,978
	Contribution ex operating income		76,700,724	3,675,105	(77,250,165)	157,625,995
	Lease Agreements					
	Provision and Reserves		58,098			58,098
	Grants and Subsidies		32,960,375	408,194		33,368,569
	<b>NET FIXED ASSETS</b>		<u>25,156,877</u>	<u>(2,167,875)</u>	<u>(3,402,796)</u>	<u>26,391,798</u>

**APPENDIX D**

**LUKHANJI MUNICIPALITY  
ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2008**

Actual 2007 R		Actual 2008 R	Budget 2008 R
	<b>INCOME</b>		
46,608,663	Grants and Subsidies - Provincial & Government	52,091,379	53,213,471
108,072,611	Operating Income	129,441,485	130,740,293
16,289,818	- Assessment Rates	18,280,659	18,615,973
52,225,618	- Sale of Electricity	51,212,121	51,844,867
39,557,175	- Sale of Water	59,948,704	60,279,453
	- Other services and charges		
<u>154,681,274</u>		<u>181,532,863</u>	<u>183,953,764</u>
	<b>EXPENDITURE</b>		
71,951,953	Salaries, wages and allowances	78,006,953	78,538,574
49,564,388	General Expenses	55,808,947	59,843,758
31,912,347	- Purchase of Electricity	36,261,933	36,290,975
	- Purchase of Water		
101,153	- Entertainment	292,849	306,630
17,550,888	- Other general Expenses	19,254,165	23,246,153
3,624,555	Repairs and Maintenance	5,884,605	6,942,543
5,164,565	Capital Charges	5,845,596	2,696,000
456,433	Contribution to fixed assets	272,309	1,273,203
17,854,898	Contributions	29,531,806	30,802,160
148,616,792	Gross expenditure	175,350,215	180,096,238
(53,493)	Less : Amounts charged out	(69,914)	(43,930)
148,563,299	Net Expenditure	175,280,301	180,052,308

**APPENDIX E**  
**LUKHANJI MUNICIPALITY**  
**DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

Actual Income 2007 R	Actual Expenditure 2007 R	Actual Surplus/ (Deficit) 2007 R		Actual Income 2008 R	Actual Expenditure 2008 R	Actual Surplus/ (Deficit) 2008 R	Budget Surplus/ (Deficit) 2008 R
97,438,036	102,377,262	(4,939,226)	<b>RATE AND GENERAL SERVICES</b>	123,291,950	124,684,396	(1,392,446)	(4,946,921)
- 81,714,952	- 76,448,864	- 5,266,088	<u>Community Services</u>	105,281,967	- 96,340,557	- 8,941,410	- 7,242,768
27,011,455	4,879,911	22,131,545	Assessment Rates	- 29,491,466	4,085,546	25,405,920	25,022,763
33,442,072	12,978,632	20,463,440	Council's General	38,566,655	16,216,138	22,350,517	27,021,092
28,655	1,904,525	(1,875,870)	Community Services: Admin	5,680	2,601,734	(2,596,054)	(2,581,730)
51,322	17,015	(17,015)	Disaster Management		25,321	(25,321)	(28,000)
4,399,407	3,650,651	(3,599,330)	Administration : Estates	16,324	4,515,816	(4,499,492)	(4,535,514)
1,714,031	6,850,567	(2,451,160)	Health Services	8,420,994	6,814,195	1,606,799	(484,709)
95,596	1,078,753	635,278	Pound	1,597,752	1,240,883	356,869	426,705
373,310	475,822	(380,226)	Protection Services	95,596	535,387	(439,791)	(389,189)
	15,588,117	(15,214,807)	Public Works/Town Planning	2,715,474	19,067,891	(16,352,417)	(17,067,176)
	3,225,803	(3,225,803)	Security		3,790,967	(3,790,967)	(3,893,371)
	2,338,182	(2,338,182)	Municipal Manager		3,432,305	(3,432,305)	(3,452,802)
	3,364,064	(3,364,064)	Administration & HR		3,965,673	(3,965,673)	(4,100,594)
30	11,521	(11,491)	Water: Bongolo Dam	7,304	4,765	2,539	(2,030)
8,592,421	14,119,318	(5,526,898)	Financial Services	17,423,405	23,372,662	(5,949,257)	(8,984,090)
6,006,655	5,965,985	40,670	Traffic Services	6,941,317	6,671,274	270,043	291,413
- 1,200,197	- 10,905,195	- (9,704,998)	<u>Subsidised Services</u>	1,599,741	- 11,881,634	- (10,281,893)	- (11,386,354)
2,622	107,966	(105,344)	Aerodrome	- 2,622	305,729	(303,107)	(333,732)
662,422	78,296	(78,296)	Art Gallery		65,980	(65,980)	(166,618)
	742,808	(80,386)	Cemetaries	711,075	809,433	(98,358)	(264,266)



308,437	1,630,305	(1,321,868)	Civic Centre	543,517	1,739,600	(1,196,083)	(1,868,852)
24,883	393,336	(368,453)	Fire Brigade	6,523	448,335	(441,812)	(374,724)
58,156	2,067,792	(2,009,636)	Libraries	59,344	2,325,650	(2,266,306)	(2,322,666)
143,678	5,884,693	(5,741,016)	Parks and Recreation	276,660	6,186,907	(5,910,247)	(6,055,496)
- 14,522,887	- 15,023,203	- (500,316)	<u>Economic Services</u>	16,410,242	- 16,462,205	- (51,963)	- (803,335)
13,717,284	13,667,879	49,406	Cleansing Services	- 15,156,529	15,008,415	148,114	(265,417)
476,342	953,099	(476,757)	Estates	524,143	949,518	(425,375)	(257,240)
329,261	402,225	(72,965)	Nature Reserve	729,570	504,272	225,298	(280,678)
		-	Sewerage				
137,900	41,662	96,238	<u>Housing Services</u>	118,491	210,358	(91,867)	(359,890)
137,900	41,662	96,238	Economic Housing	118,491	210,358	(91,867)	(359,890)
57,105,338	46,144,375	10,960,962	<u>Trading Services</u>	58,122,422	50,385,547	7,736,875	9,208,267
57,105,338	46,144,375	10,960,962	Electricity	58,122,422	50,385,547	7,736,875	9,208,267
		-	Water				
154,681,274	148,563,299	6,117,975	<b>TOTAL</b>	181,532,863	175,280,301	6,252,562	3,901,456
		(9,894,338)	Appropriations for this year (Refer to note 17)			(2,074,305)	
		(3,776,362)	Net surplus/(deficit) for the year			4,178,257	
		18,289,266	Accumulated surplus/(deficit) beginning of the year			14,512,904	
		14,512,904	ACCUMULATED SURPLUS/(DEFICIT) END OF YEAR			18,691,161	

**APPENDIX F**

**LUKHANJI MUNICIPALITY  
STATISTICAL INFORMATION**

a) GENERAL STATISTICS	2007/08	2006/07
Population	300,000	300,000
Total Registered Voters	180,000	180,000
Area km	4,191	4,191
Total Valuation :		
- Rateable	1,249,782,695	1,242,982,097
- Non Rateable	76,313,278	76,257,808
- Residential	754,277,825	750,351,346
- Commercial	65,770,820	67,906,810
Number of Sites :		
- Residential	17,664	17,664
- Commercial	84	162
Assessment Rates : Levies		
- Basic (per Rand)	2.0450	1.9112
- Rebate : Residential Monthly	10,00%	15,00%
- Rebate : Residential Annually	15,00%	
- Other Rebate : Pensioners	23,75%	23,75%
Number of Employees of the Local Authority	585	623
b) ELECTRICITY STATISTICS		
Units bought	180,661,217	172,443,022
Cost per unit bought	0.2007	0.1851
Units sold	138,966,085	122,970,036
Units lost in distribution	41,695,132	49,472,986
Units lost in distribution as a %	23.08	28.69
Cost per unit sold	0.2609	0.2595
Income per unit sold	0.3685	0.4037

**APPENDIX G**

**LUKHANJI MUNICIPALITY**

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

<b>1. PROVINCIAL GOVERNMENT</b>	<b>-</b>	<b>RECEIVED</b>	<b>TOTAL PER</b>	<b>TOTAL PER</b>
<b>HOUSING FUNDS</b>		<b>2008-06-30</b>	<b>SERVICE</b>	<b>DEPARTMENT</b>
Ekuphumleni Top Structure		-537,808.00		
Ekuphumleni Transfer Fees		-6,300.00		
Ezibeleni Phase 2 Establishment Grant		-166,440.00		
Ezibeleni Phase 2 Top Structure		-4,869,423.37		
Ensam Design Fees		-140,431.90		
Ensam Establishment Grant		-50,875.00		
Ilinge registration fee		-32,850.00		
Tambo Village Top Structure		-4,523,485.00		
Ilinge Top Structure		-2,324,533.95		
McBride Design Fees		-210,765.66		
McBride Top Structure		-2,983,514.97		
Merino Walk Design Fees		-38,680.31		
Nomzamo Project Linked		-2,091,144.70		
Poplar Grove Top Structure		-556,716.07		
Who-Can-Tell Top Design Fees		-350,882.99		
Who-Can-Tell Top Structure		-3,274,277.75	-22,158,129.67	
<b>OTHER ALLOCATIONS – PROVINCIAL</b>				
Shiloh Greenfields - Survey Project		-275,000.00		
Planning of Shiloh Greenfields		-225,000.00		
Brakkloof Settlement Planning		-58,050.00		
Brakkloof Survey Prejects		-70,950.00		
LGW Seta – Training		-207,322.72	-836,322.72	-22,994,452.39
<b>NATIONAL GOVERNMENT - DoRa Allocations</b>				
Municipal Infrastructure Grant		-8,865,084.21		
Municipal Systems Improvement Program		-1,000,000.00		

Financial Management Grant	-750,000.00	-10,615,084.21	-10,615,084.21
<b>DEVELOPMENT BANK OF SOUTH AFRICA</b>			
None	0.00	0.00	0.00
<b>CHRIS HANI DISTRICT MUNICIPALITY</b>			
Disaster Funds	-1,366,791.94		
Revenue Management	-1,414,509.70		
Computerized Library System	-268,590.36		
Development of Performance Contracts for Managers	-80,000.00		
Integrated Development Plan	-50,000.00	-3,179,892.00	-3,179,892.00
	-36,789,428.60	-36,789,428.60	-36,789,428.60

All funds received were utilized in terms of the necessary conditions that were attached to the allocations.

2. No funds in terms of the Division of revenue Act were delayed or withheld during the 2007/2008 financial year.

**3. OUTSTANDING DEBTOR ACCOUNTS COUNCILLORS AND STAFF MEMBERS IN EXCESS OF 90 DAYS**

ZA Beje	37,023.39
LN Twaku	3,032.93
NG Xoseni	1,729.05

4. The Municipality does not have any entities under their control.

**5. TOTAL AMOUNTS PAID IN RESPECT OF FOLLOWING FOR THE 2007/2008 FINANCIAL YEAR**

PAYE, UIF	7,592,498
PENSION FUNDS	11,253,840
MEDICAL AIDS	8,752,671
SDL & INDUSTRIAL COUNCIL LEVIES	865,422

All contributions were paid as at year end and nothing was outstanding.

**LUKHANJI MUNICIPALITY**

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

<b>6. BANK ACCOUNTS NAMES</b>	<b>TYPE OF ACCOUNT</b>	<b>2007-06-30</b>	<b>2008-06-30</b>	<b>2008-06-30</b>
Absa Bank	INVESTMENT	9,845.00	9,845.00	
Absa Bank	INVESTMENT	22,000.00	22,000.00	
Absa Bank	INVESTMENT	10,100.00	10,100.00	
Absa Bank	INVESTMENT	16,000.00	16,000.00	
Absa Bank	INVESTMENT	5,870.50	6,305.50	
Absa Bank	INVESTMENT	15,000.00	15,000.00	
Absa Bank	INVESTMENT	10,935.29	10,935.29	
Absa Bank	INVESTMENT	8,266.36	8,266.36	
Absa Bank	INVESTMENT	14,177.00	14,177.00	
Absa Bank	INVESTMENT	14,500.00	14,500.00	
Absa Bank	INVESTMENT	7,000.00	7,000.00	
Absa Bank	INVESTMENT	7,000.00	7,000.00	
Absa Bank	INVESTMENT	18,500.00	18,500.00	
Absa Bank	INVESTMENT	17,500.00	17,500.00	
Absa Bank	INVESTMENT	25,000.00	25,000.00	202,129.15
Standard Bank	INVESTMENT	12,600.95	13,208.62	
Standard Bank	INVESTMENT	19,889.60	19,013.20	
Standard Bank	INVESTMENT	80,772.09	86,805.79	
Standard Bank	INVESTMENT	325,576.91	356,911.43	475,939.04
Absa Bank	INVESTMENT	32,572.38	34,832.22	
Absa Bank	INVESTMENT	36,947.85	39,331.59	74,163.81
Absa Bank	INVESTMENT	555,507.78	605,692.96	605,692.96
Absa Bank	INVESTMENT	88,555.21	100,007.54	
Absa Bank	INVESTMENT	6,886.86	7,487.06	
Absa Bank	INVESTMENT	4,183.25	4,523.95	112,018.55
Absa Bank	CHEQUE	11,340,121.14	10,406,832.86	
Absa Bank	CHEQUE	2,388,052.96	26,631.60	10,433,464.46
Absa Bank	MONEY MARKET FUND	29,850,435.70	43,146,434.80	43,146,434.80
		<b>44,943,796.83</b>	<b>55,049,842.77</b>	<b>55,049,842.77</b>

# **REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF LUKHANJI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008**

## **REPORT ON THE FINANCIAL STATEMENTS**

### **Introduction**

1. I have audited the accompanying financial statements of Lukhanji Municipality which comprise the balance sheet as at 30 June 2008, income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 36 to 69.

### **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 entity-specific basis of accounting, as set out in accounting policy note 1.1, and in the manner required by the Municipal Finance Management Act 2003, Act No. 56 of 2003 (MFMA) and the Division of Revenue Act, 2007 (Act No. 1 of 2007 (DoRA)). This responsibility includes:
  - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - selecting and applying appropriate accounting policies
  - making accounting estimates that are reasonable in the circumstances.

### **Responsibility of the Auditor-General**

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

6. An audit also includes evaluating the:

- appropriateness of accounting policies used
- reasonableness of accounting estimates made by management
- overall presentation of the financial statements.

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

### **Basis of accounting**

8. The entity's policy is to prepare financial statements on the entity-specific basis of accounting, as set out in accounting policy note 1.1.

### **Basis for qualified opinion**

#### **Fixed assets**

9. In terms of section 62(1)(b) of the MFMA, the accounting officer should ensure that full and proper records of the financial affairs of the entity are kept. However, adequate control was not exercised over the assets during the year under review. As a result the fixed asset register is not completely and accurately populated and is therefore not adequately maintained and supported by the appropriate documentation. Consequently, I was unable to verify the completeness and existence of infrastructure of R94 million and other assets of R10 million, included in fixed assets of R262 million per note 6 to the financial statements.

10. In addition, even to the value of R3.6 million are not registered in the name of the municipality. I was therefore unable to verify the right of ownership in respect of these assets.

11. Accounting policy note 3.2 states that the municipality depreciates assets, however no depreciation was calculated for any assets during the financial year. The depreciation could not be quantified due to the fixed asset register not containing information such as purchase dates, classification and method of financing.

12. In terms of the entity-specific basis of accounting the carrying value of assets should agree to the underlying finance sources as loans are repaid over the useful lives of assets. The carrying value of assets per note 6 to the financial statements amounting to R262 million (2007: R179 million) does not agree to the underlying sources of finance amounting to R260 million (2007: R261 million) which has resulted in an unexplained difference of R1.8 million (2007: R1.1 million).

#### **Value added tax (VAT)**

13. The municipality is using an apportionment rate of 83.99% when claiming input VAT while 100% of all input VAT can be claimed on taxable supplies if taxable supplies represent more than 95% of all supplies in terms of section 17(1)(i) of the Value Added Tax Act, 1991 (Act No. 89 of 1991). In addition, it was found that output VAT was not declared on

all taxable supplies due to the municipality not identifying all revenue streams which meet the definition of a taxable supply in terms of section 1 of the VAT Act.

14. As a result, the VAT debtor of R1.7 million disclosed in note 10 to the annual financial statements is overstated by R403 982 and consequently operating expenditure and revenue is overstated by R1 million and R1.4 million, respectively. I am unable to conclude on the existence and completeness of the VAT debtor as disclosed.

## **Provisions**

### **Leave provision**

15. Due to the inadequate leave records and discrepancies in such records, I was unable to determine whether the leave gratuity amount of R5.9 million disclosed in note 11 is accurate and complete. Therefore I am unable to determine the accuracy and completeness of the related contribution of R3.6 million included in contributions of R29.5 million as disclosed per appendix D.

### **Landfill provision**

16. The municipality, which operates landfill sites, has an obligation in terms of section 28 of the National Environment Management Act, No. 107 of 1998 to restore such sites. The municipality does not assess the remaining useful life of landfill sites. Detailed records of the capacity of landfill sites are not maintained by the municipality's community services department.

17. Consequently, a provision for the rehabilitation of landfill sites has not been raised in the financial statements. Due to the specialist nature of such a provision and lack of appropriate records, I was unable to determine the extent of the misstatement.

### **Irregular expenditure**

18. In terms of section 111 of the MFMA, the accounting officer must ensure that the municipality has and implements a supply chain management policy (SCM). However, goods and services totalling R629 630 were found to have been procured from suppliers without having followed the required SCM procedures. The municipality has subsequently disclosed the amount identified above in note 29 to the financial statements. However, I was unable to determine if all the supply chain management regulations as set out in the MFMA were complied with and the completeness of the related irregular expenditure incurred.

### **Qualified opinion**

19. In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to satisfy myself as to the matters described in the Basis for qualified opinion paragraphs, the financial statements of Lukhanji Municipality as at 30 June 2008 and its financial performance and cash flows for the year then ended have been prepared, in all material respects, in accordance with the basis of accounting as set out in accounting policy note 1.1 and in the manner required by the MFMA and DoRA.



## OTHER MATTERS

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

### Internal controls

20. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the inefficiencies in the system of internal control, which led to the qualified opinion. The root causes are categorised according to the five components of an effective system of internal control. In some instances deficiencies exist in more than one internal control component.

Reporting item	Control environment	Risk assessment	Control activities	Information and communication	Monitoring
<b>Basis for qualified opinion</b>					
Fixed assets			✓		
Value added tax			✓		
Provisions			✓		
Irregular expenditure			✓		
<p><u>Control environment</u>: establishes the foundation for the internal control system by providing fundamental discipline and structure for financial reporting.</p> <p><u>Risk assessment</u>: involves the identification and analysis by management of relevant financial reporting risks to achieve predetermined financial reporting objectives.</p> <p><u>Control activities</u>: policies, procedures and practices that ensure that management's financial reporting objectives are achieved and financial reporting risk mitigation strategies are carried out.</p> <p><u>Information and communication</u>: supports all other control components by communicating control responsibilities for financial reporting to employees and by providing financial reporting information in a form and time frame that allows people to carry out their financial reporting duties.</p> <p><u>Monitoring</u>: covers external oversight of internal controls over financial reporting by management or other parties outside the process; or the application of independent methodologies, like customised procedures or standard checklists, by employees within a process.</p>					

### Non-compliance with applicable legislation

21. In terms of sections 8(1) and (2) of the Property Valuation Ordinance 148 of 1993, a local authority shall from time to time cause a general valuation to be performed on all property. The general valuation must be performed at least every four years and the MEC may extend the period on request for one year. The last general property valuation was performed in 1997 and the council is therefore in contravention of the above-mentioned legislation.

## Matters of governance

22. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matter of governance	Yes	No
<b>Audit committee</b>		
<ul style="list-style-type: none"> <li>The municipality had an audit committee in operation throughout the financial year.</li> </ul>	✓	
<ul style="list-style-type: none"> <li>The audit committee operates in accordance with approved, written terms of reference.</li> </ul>	✓	
<ul style="list-style-type: none"> <li>The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.</li> </ul>		✓
<b>Internal audit</b>		
<ul style="list-style-type: none"> <li>The municipality had an internal audit function in operation throughout the financial year.</li> </ul>	✓	
<ul style="list-style-type: none"> <li>The internal audit function operates in terms of an approved internal audit plan.</li> </ul>	✓	
<ul style="list-style-type: none"> <li>The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.</li> </ul>		✓
<b>Other matters of governance</b>		
<ul style="list-style-type: none"> <li>The annual financial statements were submitted for audit as per the legislated deadlines for municipalities (section 126 of the MFMA).</li> </ul>	✓	
<ul style="list-style-type: none"> <li>The annual report was submitted to the auditor for consideration prior to the date of the auditor's report.</li> </ul>		✓
<ul style="list-style-type: none"> <li>The financial statements submitted for audit were not subject to any material amendments resulting from the audit.</li> </ul>		✓
<ul style="list-style-type: none"> <li>No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.</li> </ul>	✓	
<ul style="list-style-type: none"> <li>The prior year's external audit recommendations have been substantially implemented.</li> </ul>		✓
<b>Implementation of Standards of Generally Recognised Accounting Practice (GRAP)</b>		
<ul style="list-style-type: none"> <li>The municipality submitted an implementation plan, detailing progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 30 October 2007.</li> </ul>	✓	
<ul style="list-style-type: none"> <li>The municipality substantially complied with the implementation plan it submitted to the National Treasury and the relevant provincial treasury before 30 October 2007, detailing its progress towards full compliance with GRAP.</li> </ul>	✓	

Matter of governance	Yes	No
<ul style="list-style-type: none"> <li>The municipality submitted an implementation plan, detailing further progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 31 March 2008.</li> </ul>	✓	

## OTHER REPORTING RESPONSIBILITIES

### REPORT ON PERFORMANCE INFORMATION

23. I have reviewed the performance information as set out on pages 15 to 29.

#### Responsibility of the accounting officer for the performance information

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

#### Responsibility of the Auditor-General

25. I conducted my engagement in accordance with section 13 of the PAA read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008 and section 45 of the MSA.

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

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

#### Audit findings (performance information)

##### Non-compliance with regulatory requirements

Content of integrated development plan

28. The integrated development plan of Lukhanji Municipality did not include the key performance indicators and performance targets determined in terms of its performance management system, as required by section 26(i) of the MSA.

##### Measurable objectives not consistent

29. I draw attention to the fact that the measurable objectives reported in the annual performance report of Lukhanji Municipality are materially inconsistent when compared with the predetermined objectives as per the integrated development plan.

##### Lack of sufficient appropriate audit evidence

Lack of systems generating performance information

30. I was unable to obtain sufficient appropriate audit evidence in relation to the performance information of Lukhanji Municipality, as the system used for generating information on the target of electricity distribution was not adequate for purposes of the evaluation.

**Changes to planned performance information not approved**

31. Changes to the indicators and targets in the current year's annual performance plan were not approved.

**APPRECIATION**

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

*Auditor-General*

East London

30 November 2008



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

# CHAPTER 5

## SERVICE DELIVERY REPORTING

**LUKHANJI MUNICIPALITY  
GENERAL INFORMATION**

Reporting Level	Detail	Total	
Overview:	The lukhanji Municipality with its seat in Queenstown includes the former Queenstown TLC, Whittlesea TLC and 66 villagers from former surrounding TRC's. Ther Council consists of 53 Councillors with an Executive Mayor and 6 full time Councillors.		
Information:	1 Geography: Geographical area in square kilometres	<i>4231KM2 Lukhanji IDP</i>	
	2 Demography: Total population	<i>184 542 Census 2001</i>	
	3 Indigent Population	<i>34626</i>	
	4 Total number of voters	<i>87707</i>	
	5 Aged breakdown: - 65 years and over - between 40 and 64 years - between 15 and 39 years - 14 years and under	<i>12034 46647 64666 61194 Census 2001</i>	
	6 Household income: - over R3,499 per month - between R2,500 and R3,499 per month - between R1,100 and R2,499 per month - under R1,100 per month	<i>2186 4074 4878 173405</i>	

<b>Function:</b>	<b>Executive and Council</b>
<b>Sub Function:</b>	<b>N/A</b>

Reporting Level	Detail	Total	
Overview:	The executive and Council serves as a link between the community, administration, other spheres of government, and the staff of the Municipality. The Municipal Manager, through the office of the Speaker is responsible for the co-ordination of the Municipality's work force in assisting with this process.		
Description of the Activity:	<p>The function of executive and council within the municipality is administered as follows and includes:</p> <p><i>The municipality is administered through a committee structure that includes 27 Ward Committees, 5 Standing Committee viz. Finance, Administration &amp; Human Resources, Community Services, Technical Services and Estates and Land Planning Service.</i></p> <p>The functions undertaken include infrastructure, community services, development planning, and finance, but do not include education, health services, and welfare which reside within the jurisdiction of the provincial government.</p> <p><i>The municipality has mandated to improve the life of all residents.+</i></p> <p>The strategic objectives of this function are to:</p> <p><i>Develop a co-ordinated and integrated approach to planning and budgeting so that resources are applied to this objective in an effective and efficient manner.</i></p> <p>The key issues for 2007/08 are:</p> <p><i>The adoption of an integrated development plan linked to a 5 year budget within the adopted timeframe.</i></p> <p>Development and implementation of a Performance Measurement System.</p>		
Analysis of the Function:			
1	<p>Councillor detail:</p> <p>Total number of Councillors</p> <p>Number of Councillors on Executive Committee</p>	53	6
2	<p>Ward detail:</p> <p>Total number of Wards</p> <p>Number of Ward Meetings</p>	27	109
3	<p>Number and type of Council and Committee meetings:</p> <p><i>Council Meetings</i></p> <p><i>Mayoral Committee meetings</i></p> <p><i>Finance Committee meetings</i></p> <p><i>Community Services meetings</i></p> <p><i>Technical Services meetings</i></p> <p><i>Estates Committee meeting</i></p>	10	27
		9	5
		7	8

<b>Key Performance Area</b>	<b>Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance</b>	<b>Current</b>	<b>Target</b>
<i>Job Description</i>	<i>All job descriptions completed and issued to staff. All job descriptions evaluated by Job Evaluation Committee. Final Outcomes report received.</i>	Completed	
Employment Equity Plan	Employment Equity Plan developed, completed and submitted	Completed & Submitted	
Skills Plan	Skills Development Plan completed and submitted	Completed & Submitted	
	Skills Development report developed and submitted	Completed & Submitted	



**Function: Finance and Administration**  
**Sub Function: Human Resources**

Reporting Level	Detail	Total	
Overview:	The department has the responsibility of implementing and co-ordinating the human resource function of the municipality in a manner that is consistent with current legislation, existing collective agreements and Council policy.		
Description of the Activity:	<p>The function of human resource management within the municipality is administered as follows and includes:  <i>The department is administered by the Human Resources Manager who is directly responsible to the Director of Administration and Human Resources for the recruitment, selection, and induction of employees. The department has an ongoing monitoring role in taking all reasonable steps to ensure that employees comply with the provisions of human resources policies.</i></p> <p>The strategic objectives of this function are to:  <i>Develop and adopt appropriate systems and procedures to ensure fair, efficient, effective and transparent personnel administration, in accordance with existing legislation.</i>  <i>Monitor the payment of remuneration in accordance with conditions of employment.</i>  <i>Institute relevant training and development opportunities for employees.</i>  <i>Introduce occupational health and work place safety standards.</i></p>		
1  Analysis of the Function: Analysis of the Function:	<p>The key issues for 2007/08 have been:            The finalisation of job description for all employees with Accordance with the TASK job evaluation system.            The timeous development and submission of a Skills Development Plan            Development and timeous submission of Skills Implementation Plan            The development and implementation of an Employment Equity Report            To keep employment within the limits of departmental budget.            Number and cost to employer of all municipal staff employed</p> <p>- Professional (Manager/Specialist)            Field (Supervisor/Foreman)            - Office (Clerical/Administrative)            - Non-professional (blue Collar, outside workforce)</p>	<p>73            47            97            317</p>	

<b>Function:</b>	<b>Health</b>
<b>Sub Function:</b>	<b>Clinics</b>

Reporting Level	Detail	Total	
Overview:	Includes all activities associated with the provision of health		
Description of the Activity:	The function for the provision of community health clinics within the municipality is administered as follows and includes: Provide a comprehensive PHp service and promote community participation as per catchment area. Community based care done as per catchment are To promote and render quality service to improve the following: HIV/AIDS; PMTC; TB especially MDR, and suspecting TB, and Immunization		
Analysis of the Function:	<ol style="list-style-type: none"> <li>1. Attend to minor ailments, irrespective of their jurisdiction.</li> <li>2. Review chronic medication, fetch from level1 &amp; 2 hosp, &amp; issue according to protocol.</li> <li>3. Community based care-services taken to the community and homevisits.</li> <li>4. Health education and promote school health services,</li> <li>5. 5 clinis, headcount- 190 538.</li> <li>5. All clinics serve as feeder clinics doing VCT and the drug readiness program added.</li> </ol>		

1. The staff turnover affected our indicators as most skilled personnel left.
2. HIV/AIDS
  - 2.1. There is a gradula improvement of clients responding to VCT, though the male uptake remains poor. All our clinics doing VCT are at 100%, and have now started on drug readiness program so as to feed Philani clinic. Philani Clinic is being prepared, supported and mentored by the Regional Training Centre for accreditation, this depends on our performance, complying to policies and record keeping.
  - 2.2. The PMTCT programme testing rate is at 100%, motivation and health education is emphasised.

3. TUBERCULOSIS

The TB suspect rate norm is between 1% - 2%. We achieved 2,1%.

Cure rate of new cases, the target is 85%, the clinics achieved 73,8%, care givers need to follow up the defaulters, and enforce health education, family support etc.

4. PAP SMEARS

This indicator is progressing quite well, as we managed to do 31 pap smears per clinic per month, and the target being 22 pap smears per month per clinic. Only one clinic managed to establish the Breast Cancer support groups, plus the Cervical Cancer support group with the assistance of CAN/SA.

5. FULL IMMUNIZEED CHILDREN BEOLW 1 YEAR.

The national target is 90%. During the last financial year our clinics managed 100%. We still have a high defaulter rate, which we follow up through home visits.

**Function: Public Safety**  
**Sub Function: Police (Traffic)**

Reporting Level	Detail	Total	
Overview:	Includes police force and traffic (and parking) control		
Analysis of the Function:			<i>R (000s)</i>
1	Number and cost to employer of all personnel associated with policing and traffic control: - Professional (Senior Management) - Field (Supervisors) - Office (Clerical/Administration) - Non-professional (visible police officers on the street) - 1 Non professional - Temporary - Contract	4 5 5 26 41 81	<i>R931 277.00</i> <i>R769, 997.00</i> <i>R614, 509.00</i> <i>R1 438 795.00</i> <i>R3 438 795 00</i> <i>R7 021 046 00</i>
2	Total number of call-outs attended: - Emergency call-outs - Standard call-outs	13481 1023 12458	
3	Average response time to call-outs: - Emergency call-outs - Standard call-outs	10 5 15	
4	Total number of targeted violations eg: traffic offences: <i>Parking offences</i>	4991	<i>R1 639 400.00</i>
5	Total operating cost of police and traffic function		<i>R 9 768 031.00</i>

**Function: Waste Management**  
**Sub Function: Solid Waste**

Reporting Level	Detail	Total	
Overview:	Includes refuse removal, solid waste disposal and landfill, street cleaning and recycling		
Analysis of the Function:			
1	Number and cost to employer of all personnel associated with refuse removal: - Professional (Engineers/Consultants) - Field (Supervisors/Foremen) - Office (Clerical/Administration) - Non-professional (blue collar, outside workforce) - Temporary - Contract	6 3 99 57	<i>R (000s)</i> R 745 225.00 R 242 310.00 R6 246 017.00 R795 600.00
2	Number of households receiving regular refuse removal services, and frequency and cost of service: - Removed by municipality at least once a week	26 799	<i>R (000s)</i> R12 678 808.00
3	Total and projected tonnage of all refuse disposed: - Domestic/Commercial - Garden	115 Tons/day 20 Tons/day	137 Tons/day 30 tons/day
4	Total number, capacity and life expectancy of refuse disposal sites: - Domestic/Commercial (number) - Garden (number)	6	15 years 15 years
Reporting Level	Detail	Total	
5	Anticipated expansion of refuse removal service: - Domestic/Commercial - Garden	2237	<i>R (000s)</i> R129 709.00
6	Free Basic Service Provision: - Quantity (number of households affected) - Quantum (value to each household)	9891/month R 56.57	
7	Total operating cost of solid waste management function		R 18 969 878.00

## **REFUSE COLLECTION**

### **Functions of the Municipality are administered as follows and include:**

1. Refuse removal within household in residential areas once per week.
2. Refuse removal in business according to agreed schedule with the Municipality (e.g. once, twice or thrice or everyday)
3. Removal of bulk refuse in businesses as per agreement with the Municipality.
4. Cleaning of streets, sidewalks and open areas to ensure clean and healthy CBD area for all businesses and tourists on a daily basis.

These services extend to include Mlungisi, Whittlesea, Ezibeleni, Queenstown Households, businesses but do not take into account Ilinge, Lessyton, rural areas of Whittlesea and farms.

The Municipality has a mandate to:

1. Take all lawful, necessary and reasonable practicable measures to maintain its jurisdiction at all times in a hygienic conditions.
2. Ensure clean and healthy Environment.
3. Ensure that solid waste is properly managed from generation to final disposal in an environmental friendly manner.
4. Render refuse collection, removal and disposal services to households and commercial within the Municipal Jurisdiction.

### **THE STRATEGIC OBJECTIVES OF THIS FUNCTION ARE TO:**

1. Provide efficient refuse removal services within the greater Lukhanji Local Municipality.
2. Dispose all Solid Waste generated within the Municipal Area of Lukhanji in an environmental friendly manner.
3. Ensuring Waste minimisation strategies through separation of waste at some, privatisation of recycling activities and public awareness.

**THE KEY ISSUES FOR 2008/2009 ARE:**

1. Recycling/opening of recycling buy-back centres
2. Minimisation of waste going to the landfill site.
3. Awareness Campaign on waste minimisation and education on illegal dumping of open spaces.

<b>Function:</b>	<b>Water</b>
<b>Sub Function:</b>	<b>Water Distribution</b>

Reporting Level	Detail	Total	Cost
Overview:	Water is supplied by two sources: the Waterdown dam, which also supplies water to Whittlesea/Sada area & the Bonkolo dam, owned by Lukhanji municipality. Total storage is about 42 000ML. Bulk storage for the Queenstown area is 46ML, which at present is becoming inadequate due to new developments in the area. Raw water treatment, operation and maintenance thereof forms part of the annual contract with WSSA. A monotorium has been placed on high density developments to minimise the problem.		
Description of the Activity:	<p>The water purchase and distribution functions of the municipality are administered as follows and include:  <i>All areas are connected to the network and metered with the exeption of the rural areas. The informal areas are provided with communal standpipes. Whittlesea areas are unmetered except for businesses and goverment buildings. All ingident households are supplied with restrictor-flow meters to provide 10Kl / month FBS. The rural areas all receive free diesel / electricity to compensate for the 10Kl FBS. All maintenance to pumps &amp; motors are done by the service provider. WSSA are contracted out to do maintenance and the operation of all water services, including infrastructure. Metering is done on a daily basis.</i></p> <p>The municipality has a mandate to:</p> <p><i>The establishment, operation, management and regulation of a potable water supply system, including the services and infrastructure required for the regulation of water conservation, purification, reticulation and distribution bulk supply to local supply points, metering, tariffs setting and debt collection so as to ensure reliable supply to households, including informal households, to support life and personal hygiene.</i></p> <p>The strategic objectives of this function are to:  <i>To provide potable water to all households and to meet the maximum demand. To maintain &amp; operate the network at all times.</i></p>		
1	Number and cost to employer of all personnel associated with the water distribution function: (Excluding annual WSSA contract)	20	R 1,211,648
	- WSSA annual contract		R 1,032,000
	- Professional (Engineers/Consultants)	1	R 100,810
	- Field (Supervisors/Foremen)	8	R 537,061



	- Office (Clerical/Administration)	2	R 95,253
	- Non-professional (blue collar, outside workforce)	9	R 478,524
	- Temporary	0	0
	- Contract	0	0
2	Total volume and cost of bulk water purchases in kilolitres and rand, by category of consumer	5 395 609	R5 295 464
	Total volume and receipts for bulk water sales in kilolitres and rand, by category of consumer:	6 462 205	R13 051 748
3	Total year-to-date water losses in kilolitres and rand	<volume>	R (000s)
	<i>Average of 18% per month</i>	1 163 197	R4 369 658
Reporting Level	Detail	Total	Cost
4	Number of households with water service, and type and cost of service:	44098	
	- Piped water inside dwelling	14003	
	- Piped water inside yard	11920	
	- Piped water on community stand: distance < 200m from dwelling	8765	
	- Piped water on community stand: distance > 200m from dwelling	7095	
	- Borehole	1954	
	- Spring	231	
	- Rain-water tank	130	
5	Number and cost of new connections: <i>Connections done on request &amp; type of connection</i>	46	R 85,117.40
6	Number and cost of disconnections and reconnections:	0	0
7	Number and total value of water projects planned and current:		R (000s)
	- Current HEWU bulk water supply by CHDM		
	- Planned (future years)		
8	Estimated backlog in number (and cost to provide) water connection:	5334	R (000s)
	- Piped water inside dwelling		
	- Piped water inside yard		
	- Piped water on community stand: distance < 200m from dwelling		
	- Piped water on community stand: distance > 200m from dwelling		
	- Borehole		
	- Spring		
	- Rain-water tank		
9	Free Basic Service Provision:		
	- Quantity (number of households affected)	12570	
	- Quantum (value to each household)	R 64.45	R 810,136.50

<b>Function:</b>	<b>Road Transport</b>
<b>Sub Function:</b>	<b>Roads</b>

Reporting Level	Detail	Total	Cost
Overview:	Construction and maintenance of roads within the municipality's jurisdiction		
Description of the Activity:	<p>The road maintenance and construction responsibilities of the municipality are administered as follows and include:</p> <p><i>Implementation of small civil projects.</i>  <i>Clear blocked drains.</i>  <i>Clean gutters.</i>  <i>Patch potholes.</i>  <i>Replace damaged kerbs.</i>  <i>Open catchpits.</i>  <i>Do light &amp; heavy blading of gravel roads.</i>  <i>Resealing of tar roads.</i>  <i>Regravelling of gravel roads.</i></p> <p>The municipality has a mandate to:</p> <p><i>The construction, maintenance and control of a road which the public has the right to and includes a street in build-up areas.</i></p> <p>The strategic objectives of this function are to:</p> <p><i>To provide sustainable, efficient and reliable roads to all road users within Lukhanji area.</i></p> <p>The key issues for 2007/08 are:</p> <p><i>To maintain and upgrade roads to an acceptable standard.</i></p>		
Analysis of the Function:	<p>1 Number and cost to employer of all personnel associated with road maintenance and construction:</p> <ul style="list-style-type: none"> <li>- Professional (Engineers/Consultants)</li> <li>- Field (Supervisors/Foremen)</li> <li>- Office (Clerical/Administration)</li> <li>- Non-professional (blue collar, outside workforce)</li> <li>- Temporary</li> <li>- Contract</li> </ul> <p>2 Total number, kilometres and total value of road projects planned and current:</p> <ul style="list-style-type: none"> <li>- New bitumenised (number) GRAVSEALED</li> <li>- Existing re-tarred (number)</li> <li>- New gravel (number)</li> <li>- Existing re-sheeted (number)</li> </ul> <p>3 Total kilometres and maintenance cost associated with existing roads provided</p>	<p>30</p> <p>1</p> <p>6</p> <p>2</p> <p>16</p> <p>0</p> <p>5</p> <p>6Km</p> <p>5Km</p> <p>0Km</p> <p>13Km</p>	<p>R 1,854,375</p> <p>R 93,204</p> <p>R 572,774</p> <p>R 88,018</p> <p>R 1,011,404</p> <p>R -</p> <p>R 88,975</p> <p>R (000s)</p> <p>R (000s)</p>

	- Tar - Gravel	194,6Km 476,5Km	
4	Average frequency and cost of re-tarring, re-sheeting roads		R (000s)
	- Tar - Gravel		
5	Estimated backlog in number of roads, showing kilometres and capital cost		R (000s)
	- Tar - Gravel	85Km 400Km	
<b>Reporting Level</b>	<b>Detail</b>	<b>Total</b>	<b>Cost</b>
6	Type and number of grants and subsidies received: <i>MIG</i>	3	R (000s) R8 430 374
7	Total operating cost of road construction and maintenance function		

<b>Key Performance Area</b>	<b>Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance</b>	<b>Current</b>	<b>Target</b>
	<ol style="list-style-type: none"> <li>1. Resealing of intersections</li> <li>2. Light blading</li> <li>3. Patch potholes</li> <li>4. Unblock stormwater drains</li> <li>5. Clean gutters</li> </ol>		

<b>Function:</b>	<b>Waste Water Management</b>
<b>Sub Function:</b>	<b>Sewerage etc</b>

Reporting Level	Detail	Total	Cost
Overview:	water & sanitation services are contracted out to WSSA. They are responsible for all water & sanitation services, excluding infrastructure, provision as well as the operation and maintenance thereof.		
Description of the Activity:	<p>The sewerage functions of the municipality are administered as follows and include: annual contract with WSSA. Queenstown, Mlungisi and Ezibeleni all have waterborne sanitation. 10% of Whittlesea has septic tanks in ext. 2, in Sada some households have buckets while the rest of Whittlesea are connected to waterborne sewage. All stands in Ekuphumleni are reticulated with waterborne sanitation. Madakeni and Shiloh have pit latrines. The informal areas have pit latrines, which includes a number of VIPs.</p> <p><i>Maintenance of all reticulation falls under WSSA as per contract. This includes sewer blockages, rehabilitation of pipes and manholes, pipe replacement etc. Whittlesea has a sewer tanker clearing septic tanks as and when required, including villages. Buckets in Sada were eradicated and is connected to water bourne sewerage</i></p> <p>The municipality has a mandate to:</p> <p><i>The establishment, operation, management and regulation of a system, including infrastructure, for the collection, removal, disposal and/or purification of human excreta and domestic wastewater to ensure minimum standard of services necessary for safe and hygienic households.</i></p> <p>The strategic objectives of this function are to:</p> <p><i>To meet maximum flow demand, to provide waterborne sewers to all households &amp; to maintain reticulation in proper working condition.</i></p> <p>The key issues for 2007/08 are:</p>		

	<i>Maintenance - of existing infrastructure &amp; to provide potable water to all households.</i>		
Analysis of the Function:			
1	Number and cost to employer of all personnel associated with sewerage functions: excluding WSSA contract	22	R1 344 752 excl. WSSA- R1188000
	- Professional (Engineers/Consultants)	1	R 105,514.00
	- Field (Supervisors/Foremen)	5	R 270,286.00
	- Office (Clerical/Administration)	2	R99 643.00
	- Non-professional (blue collar, outside workforce)	14	R 869,309.00
	- Temporary	0	R -
	- Contract	0	R -
2	Number of households with sewerage services, and type and cost of service:	41400	R (000s)
	- Flush toilet (connected to sewerage system)	26207	
	- Flush toilet (with septic tank)	1724	
	- Chemical toilet	4170	
	- Pit latrine with ventilation	8707	
	- Pit latrine without ventilation	0	
	- Bucket latrine	592	
	- No toilet provision	0	
3	Anticipated expansion of sewerage:		R (000s)
	- Flush/chemical toilet	766	
	- Pit latrine	0	
	- Bucket latrine	0	
	- No toilet provision	0	
4	Free Basic Service Provision:		
	- Quantity (number of households affected)	13679	
	- Quantum (value to each household) per year	355.18	

Reporting Level	Detail	Total	Cost
	Number of households who receive the FBS provision, and the average value per household.	13679	355.18
5	Total operating cost of sewerage function		<i>R (000s)</i>

## **LOCAL ECONOMIC DEVELOPMENT**

### **L.E.D OVERVIEW**

The LED overview includes all activities with economic development initiatives. The activities are as follows:

- Develop Lukhanji LED unit capacity to implement current LED strategy
- Develop an interactive database and profile of SMME'S in Lukhanji municipal area
- Facilitate assistance towards small business development by providing information to service development agencies to enable SMME'S to gain full access to technical and funding support.
- Encourage and facilitate business development by promoting effective linkages between small and large businesses.
- Encourage economic development and growth by providing sound policy advice to the municipality to enable creation of a climate conducive to business growth and job opportunities.
- Prepare a profile of potential growth in business in the Lukhanji area by gathering and analyzing information on the local economy, to provide sound base for policy and projects.
- Identify key constraints on growth by consulting existing and emerging businesses and obtaining independent analysis barriers to growth.
- Devise development programmes and projects and attract funding for them by working with other spheres of government, private and NGO'S.
- Assist development of growth and job creation by providing sound policy advice to the municipality to enable the creation of climate conducive to the business growth.

### **DESCRIPTION OF ACTIVITIES**

Lukhanji occupies a strategic geographical position within the Chris Hani District municipality and comprises of 27 wards. The municipality is mandated by the constitution to ensure that local economic development is effected. The strategic objective of local economic development in general is to promote robust and inclusive local economies utilising the concerted and coordinated efforts of all spheres and sectors of government.

**The functions of local economic development are administered as follows:**

<b>FUNCTION</b>	<b>HOW IS THE FUNCTION OFFERED</b>
Facilitate development Lukhanji LED unit capacity to implement current LED strategy.	Budget and lobby for funding to establish a dedicated human resource capacity to co-ordinate, facilitate and promote local economic development within Lukhanji
Develop an interactive database and profile of SMME'S in Lukhanji municipal area.	To procure services of a service provider to develop a comprehensive SMME'S database.
Facilitate assistance towards small business development by providing information to service agencies to enable SMME'S to gain access technical and funding support available.	Ongoing activity as the unit makes applications and motivations to potential funding agencies on behalf of SMME'S as per viable request or submission.
Encourage and facilitate business development by promoting effective linkages between small and large businesses.	Working with organised business organisations such as NAFCOC, BKCOB and business formations such as Lukhanji business form and Lukhanji co-operatives forum are mechanisms to be used to promote interaction and knowledge sharing between small and big businesses
Encourage economic development and growth by providing sound policy advice to the municipality to enable creation of a climate conducive to business growth and job opportunities	The current LED strategy and its implementation plan pave the direction to LED policy formulation
To continuously review and analyze Lukhanji economic development situation.	By establishing relevant structures such as LED strategy steering committee to implement the strategy and review the economic situation continuously.
Devise development programmes and projects with high economic impact and attract funding for them by working with government development agencies such as ECDC and SEDA, and with other spheres of government, private sector and NGO'S	The LED strategy direct the development of programmes and projects according to identified economic sectors and will encourage other spheres and institutions to make informed technical and financial contributions to Lukhanji local economic development.



## KEY ISSUES.

From July to December 2008 are:

- Adoption of Lukhanji LED strategy by Lukhanji council.
- Establishment of LED steering committee and identification of sector champions to coordinate and facilitate the implementation of the strategy.
- Draft TOR for the LED strategy steering committee.
- Influencing Lukhanji budgetary process and lobbying for funding from external sources to develop Lukhanji LED human resource capacity.
- Monitoring of ongoing LED funded projects.

The unit monitors projects on monthly basis by doing project visits and documents progress. The progress and challenges experienced are reported and discussed in LED committee meetings for recommendations. The projects are a combined effort between Lukhanji, Chris Hani District and provincial departments.

The following is the update of projects being assisted in the 2008\2009 financial year;

### 1. NONKQUBELA PROJECT: Ilinge Township

**Funding source:** DPLG, CHDM, LLM

**Core activities:** weaving, sewing, knitting, poultry and vegetable garden.

This project is unable to produce to its full capacity because of limited market. It has 26 beneficiaries and currently there are 36 people working in the project.

**Project challenges:** Lack of financial management skills, Lack of a proper marketing plan, Lack of access to new technology to increase production.

## 2. MASIZAKHE DISABLED PROJECT

**Funding source:** Department of arts and culture, CHDM.

**Core activities:** sewing, leatherworks, beadwork

This project has 15 beneficiaries

**Project challenges:**

- insufficient working space.
- Inability to use new technology in increase production.
- Lack of business management skills
- Lack of access to markets.

## 3. LOOK AHEAD YOUTH PROJECT: EZIBELENI TOWNSHIP

**Funding source:** Department of social Development

**Core activities:** catering and hiring of tents, chairs, pots and sound system.

**Project challenges:** Marketing and transport

This project has 15 beneficiaries

## 4. TYLDEN IRRIGATION SCHEME: TYLDEN TOWNSHIP

**Funding source:** DPLG, CHDM, LLM

**Core activities:** vegetables and Lucerne production

**Challenges:** Lack of business management skills

Access to markets.

5. **KHAYELITSHA BLOCKSMAKING PROJECT: NEXT TO KEI BODIES**

**Funding source:** DPLG, CHDM, LLM

**Core activities:** concrete blocks making

It has ten beneficiaries. Eight people working in the project.

**Project challenges:** Quality of blocks not up to required standard.

Lack of a marketing plan and transport.

6. **EZIBELENI BLOCKSMAKING: OLD COLLRGE SITE EZIBELENI**

**Funding source:** DPLG, CHDM, LLM

**Core activities:** concrete blocks making

It has 15 beneficiaries

**Project challenges:** Lack of financial management skills

Lack of a marketing plan

Lack of transport

Sometimes blocks not up to quality standard required.

7. **MC BRIDE IRRIGATION SCHEME**

**Funding source:** CHDM, LLM

**Core activities:** vegetables and Lucerne production.

**Project challenges:** Lack of additional funding

Lack of business management skills

## **ANALYSIS OF FUNCTIONS**

The Unit of local economic development is staffed with two employees. The LED Manager and LED Clerk. The responsibility of the LED Manger is to oversee that the functions of the LED Unit are effected whilst the responsibility of the LED Clerk are to assist the manager in the general operations of the Unit.

- **The LED Unit is responsible for:**
  - To manage the day to day work under consideration of time,resources,and people, ensuring:
  - Involvement of all different role-players, especially the community;
  - That the timeframes are being adhered to;
  - That outcomes are being documented;
  - That the LED is aligned and complies with national and provincial requirements;
  - That conditions for participation are provided.
- The development of a implementation plan in line with guidelines provided by LED strategy for the implementation of Lukhanji LED strategy.
- The mobilisation of financial support.
- Act as interface between funding and projects.
- Integrate LED strategy and existing government programmes[sectorally and spatially]
- Coordinate projects implementation.
- Facilitate stakeholder's participation.
- Prepare documents for and facilitate meetings;
- Coordinate and manage consultancies;
- Monitor implementation of LED strategy, programmes and projects;
- Initiate follow-up actions, reviews and amendments to the strategy and implementation plans.

Furthermore the unit works with the LED committee consisting of a working team of dedicated Directors and councillors deployed to the committee by the Executive Mayor to support the unit and ensure a co-ordinated and a smooth implementation process. The committee is chaired by LED portfolio head, Councillor Birch.

### **The Committee has the following functions and duties:**

- Agree on technical choices and terms of reference for various planning activities;
- Commission research studies where appropriate;

- Make content recommendations;
- Co-ordination of projects;

Consider and comment on:

Inputs from study teams and consultants;

Inputs from provincial sector departments and support providers;

- Ensure alignment with IDP
- Planning of projects;
- Ensure integration of projects and activities; and

Recommendation of future project;

### **ACTUAL PERFORMANCE ACHIEVED IN 2008**

Development of Lukhanji LED strategy with lukhanji economic situational analysis; proposed marketing tool and implementation plan.

Establishment of Lukhanji LED strategy steering committee to co-ordinate and facilitate the implementation of the strategy.

### **PERFORMANCE PLANNED FOR 2009**

- Implementation of the strategy.
- To procure services of a service provider to develop Lukhanji SMME'S database and SMME'S market study.
- Training of SMME'S and co-ops through SEDA and other provincial sector departments.
- Providing support to emerging contractors.
- Organise seminars for SMME'S engaged in various economic sectors.