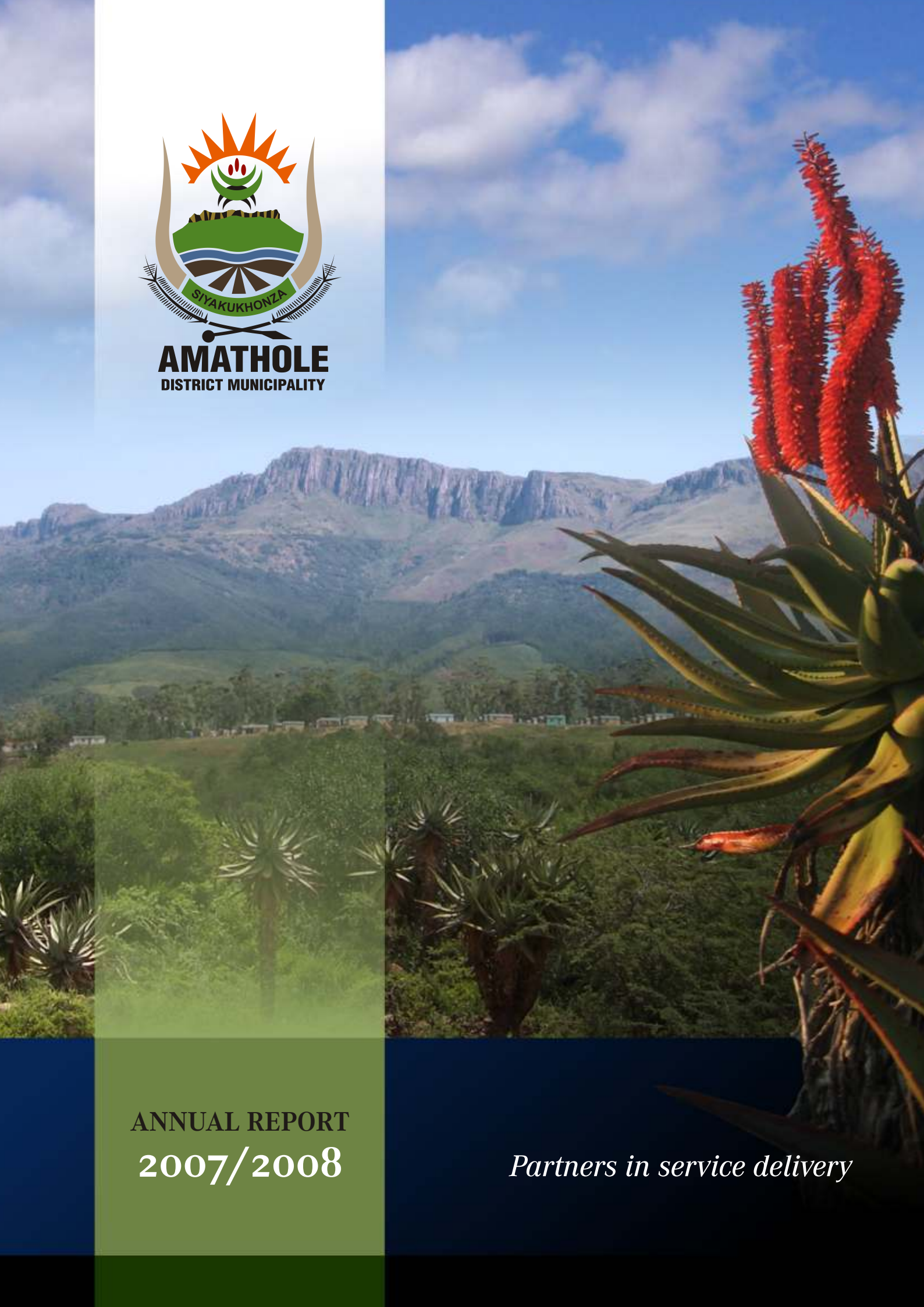




AMATHOLE
DISTRICT MUNICIPALITY



ANNUAL REPORT
2007/2008

Partners in service delivery

Amathole District Municipality



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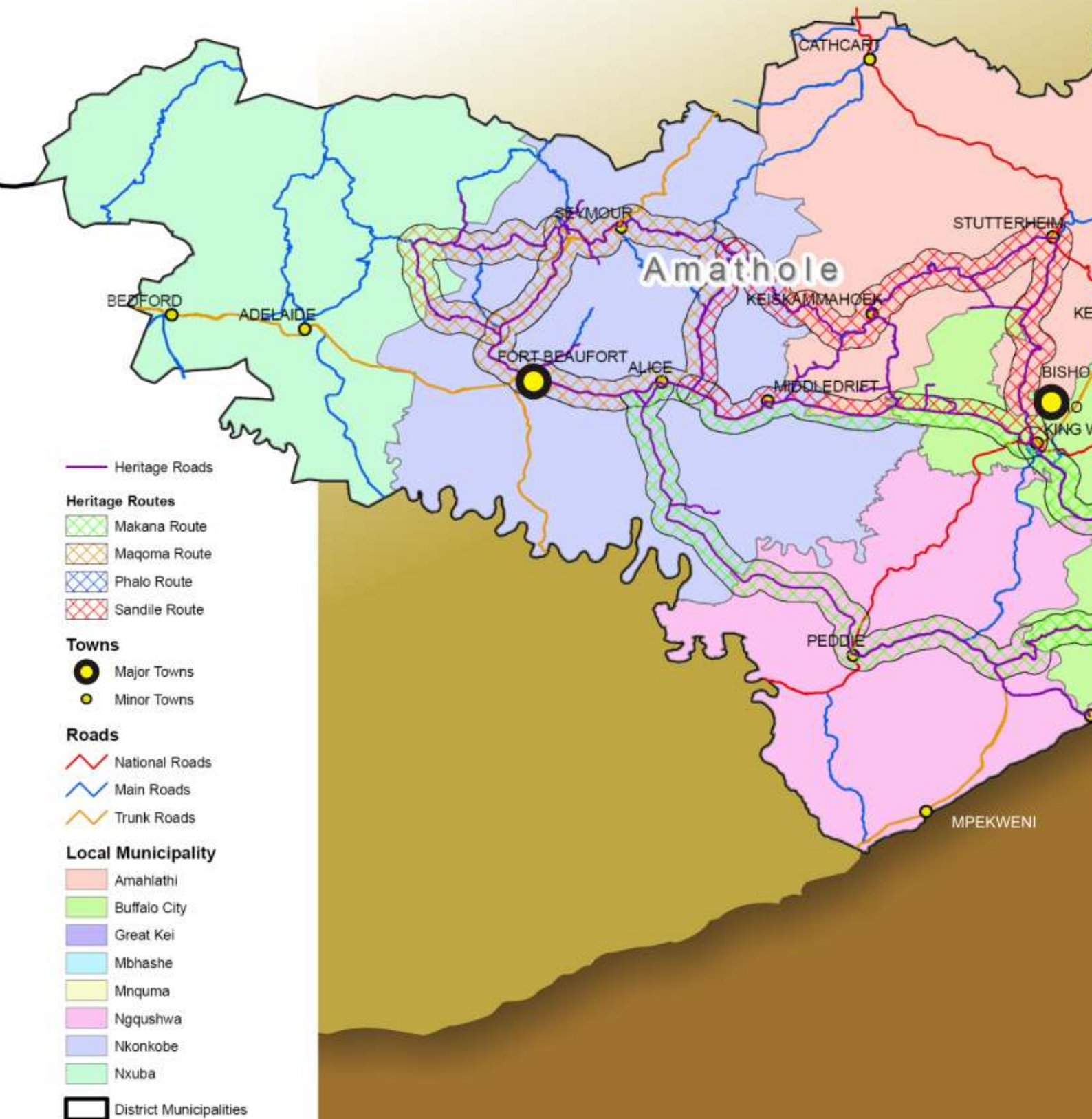
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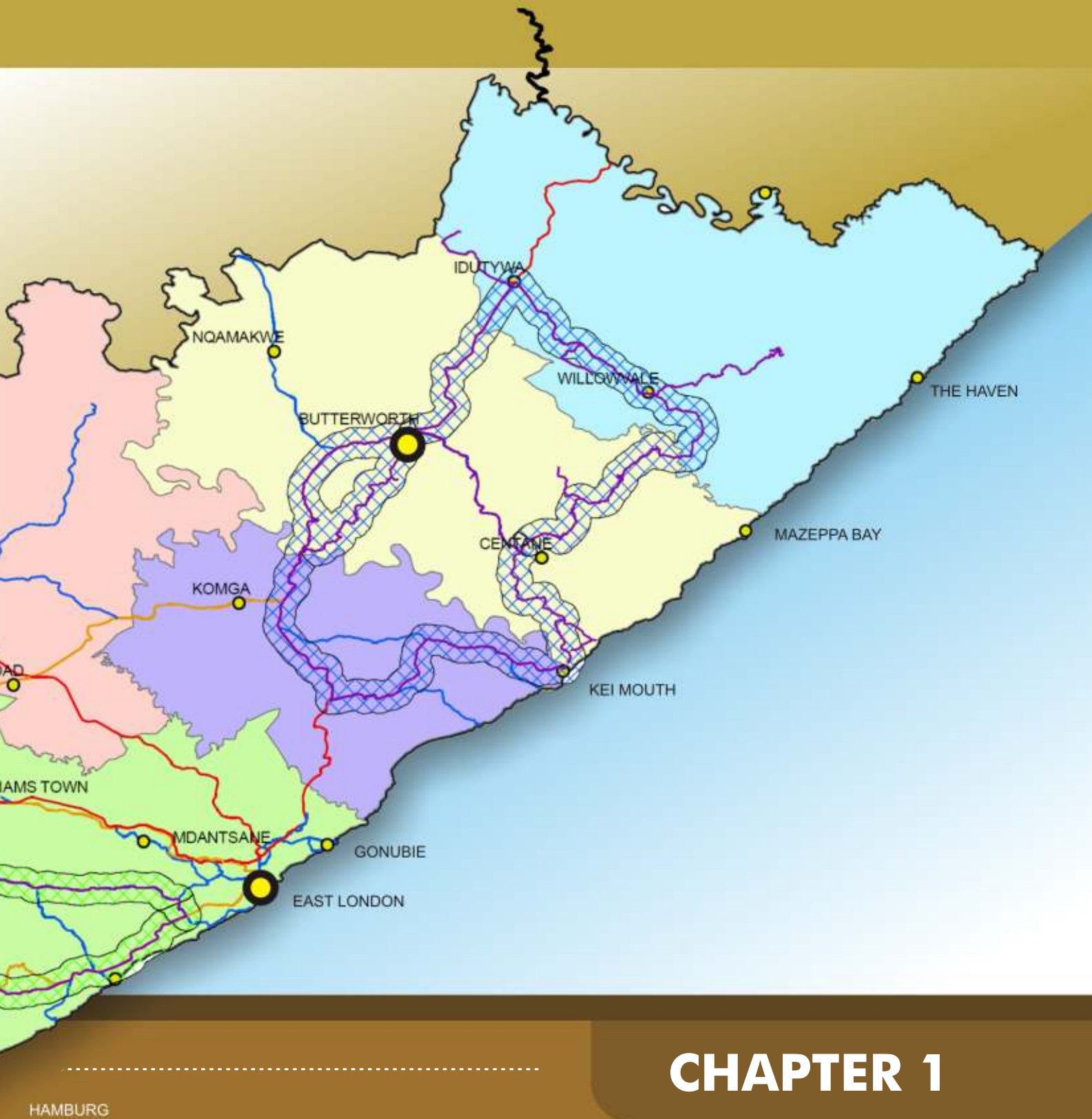
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Amathole District Municipality

Heritage Roads and Routes





CHAPTER 1

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Executive Mayor's Foreword



The Amathole District Municipality's (ADM) Integrated Development Plan (IDP) and Budget Roadshow in April 2008 once again highlighted how central the function of being a Water Services Authority (WSA) is to its service delivery programme. In the previous year, it was indicated that the ADM had a huge financial backlog of some R1.1 billion to carry out this responsibility. This situation hampers the ADM's ability to deliver effectively on its targets of providing water for all by December 2008 and sanitation for all by 2010.

On the local front, the Amathole Regional Economic Development Strategy (AREDS) which was adopted by Council in 2007 culminated in the restructuring of the Amathole Economic Development Agency, thus ushering in a new strategic focus towards the implementation of the AREDS. As a result of this process, the agency recently re-branded itself and is now called ASPIRE with the tagline "Amathole beyond limits".

Vision 2014 is ASPIRE's contribution to the Amathole District Municipality's commitment to meet the Millenium Development Goals to halve poverty by 2014. ASPIRE recently won R300 million from the National Treasury's Neighbourhood Development Partnership Grant (NDPG) and various other agencies. This funding will be utilized for projects that will be implemented in the development corridors of our district, in line with Vision 2014 which seeks to develop the small towns along the four corridors of the N2, the N6, the R63 and the R72 road networks. This grant will be used to develop the following areas:

- Infrastructure costing in Dwesa-Cwebe
- Trial production of Essential Oils along the R63 corridor
- The establishment of the Hamburg Artist's Residence in Hamburg; and
- The stimulation of economic development in the five towns of Alice, Butterworth, Dutywa, Hamburg and Stutterheim. This will translate into making the towns of Butterworth and Dutywa less congested, provide better shopping facilities and generally improve the lives of our communities in these urban centres.

It is worth noting that the ADM has reaped a R300 million return from its initial investment that it made in the agency two years ago.

Our own Local Economic Development Unit within the ADM has also been busy this past year. The ADM supported about 20 co-operatives during the financial year, with a total number of 500 beneficiaries, who were mostly women. The support rendered was mainly capacity building on financial management, mentoring on financial management, training in procurement procedures and other technical support which relate to product development. The main objective of our support programme is to make these cooperatives viable and sustainable businesses.

In October 2007 we co-sponsored the Business Unlimited Expo in East London which proved to be extremely successful and provided a platform for SMME's and emerging entrepreneurs to network, get vital business information and to showcase their wares.

Tourism continues to have potential for huge economic spin-offs for both the district at large and our local communities by creating jobs and a market where our visitors can buy our locally produced products. The ADM Tourism Master Plan recommends that events and festivals should be initiated and supported in order to grow the tourism sector. In that spirit the following events were supported in the past year:

- The Christmas in July 2007 which was held in Hogsback attracted visitors from all over South Africa. Accommodation was fully booked weeks in advance.
- The Bedford Garden Festival was held in October 2007. The event attracted bus loads of foreign visitors and accommodation was also fully booked in the area.

- The Craft Mania was held at Amahlathi area over three days and attracted visitors from the municipal area as well as throughout the district. The event promotes arts and crafts from the district.
- The Mquma Jazz Festival was held in December 2007.
- The Wild Coast Jikeleza Festival was held in Great Kei in July 2008.
- A Marketing Indaba was held in September 2007.
- The Mayor's challenge, which is an annual event aimed at promoting eco-tourism, involved a hike along the Wild Coast and took place during tourism month in September 2007.
- The Summer Festival was held in Buffalo City during December 2007.
- In February 2008, the ADM co-sponsored the Inaugural African Open Golf Challenge at the Fish River Sun, which attracted golfers from all over the world and was televised live in South Africa and abroad. This provided an ideal opportunity for the ADM to market its tourist attractions.

As far as our agricultural development programme is concerned, irrigation schemes are seen in two ways firstly as a means of ensuring food security and eradicating poverty, and secondly as a means of both creating employment and agribusiness by selling surplus produce. The ADM has distributed 84 tractors to various communities in the last four years. This programme is impacting positively with our communities as there have been reports of surplus maize production at both Mbashe and Mquma Municipalities. The ADM has also built two sale pens in Keiskammahoeck and Tamarha to the value of R150,000. This is intended to facilitate the sale of livestock, especially from the emerging and subsistence farmers. These sale pens will serve about 200 farmers. However, there are challenges facing our agricultural initiatives, such as:

- The communities who cannot afford to maintain the tractors. This cost is now increasingly being absorbed by the ADM;
- Some communities are fighting over these tractors;
- There is a need for a policy shift in terms of support to LED and agricultural initiatives because the majority of community or group initiatives have not succeeded as much as it was originally anticipated due to lack of commitment and infighting. As a result, the ADM has resolved to not only assist communities and group projects but also individual initiatives that are likely to contribute to job creation.



MOU with City of Glasgow - November 2007



Africa Open Golf Challenge



Mayors Challenge Wild Coast Hike - September 2007

Spatial development planning cannot be implemented without effective policies in environmental conservation and protection. I am pleased to report that some exciting developments are taking shape in terms of our environmental programme. The first phase of the feasibility study and detailed conceptualization of the Amathole Biosphere Reserve has been concluded. The next phase will include detailed planning, consultation with all relevant role-players, determination of statement of significance, and submitting applications for the declaration of the area as a biosphere reserve and national heritage site. Our Keep Amathole District Clean campaign has once again been very successful and will continue in the next financial year. Our alien vegetation programme serves to support our local communities in generating an income from the alien vegetation which has infested our area and which has depleted our limited water resources.

In November 2007, the ADM signed a Memorandum of Understanding with the City of Glasgow. Applications for further international programmes have been lodged with donor agencies with a view to strengthening our economic development and trade relations. It is envisaged that these programmes will have a significant impact on our communities as we broaden our relations with the City of Glasgow in skills development and cultural exchanges.

However, if we are to meet our Millenium Development goals, much more needs to be done in the economic sector in order to halve unemployment by 2014, to increase our GDP to R13 billion and to create 160,000 new jobs. The ADM remains committed to these objectives and in the next financial year another Growth and Development Summit (GDS) will be held to evaluate our progress achieved thus far and to mobilize our key stakeholders to continue on the course that we have set ourselves as per the GDS agreement that was signed in 2007.

In an attempt to address the scourge of HIV and Aids within our district, the ADM has entered into a partnership with an NGO which is proving to be invaluable. The Humana People to People, through the national Department of Health and the South African National Aids Council have accessed Global Funds for HIV and Aids for our district, namely in Mbhashe, Mnquma and Great Kei in the amount of R10,5 million for the next three years. The ADM has added R1,75 million for this next financial year towards this project. All in all, R5,25 million will be spent on HIV and Aids Total Control of the Epidemic (or TCE Programme) for these three areas. The ADM has lodged an application for further funding to cover the rest of our district in the 2009/10 financial year. In terms of this programme, 150 field workers will be employed by July 2008. These workers will come from the communities in the three local municipal areas. The project seeks to interact with communities on a door-to-door basis, bringing the message of HIV and Aids closer to the people that are affected the most. This project will also address the TB pandemic. The programme also forms part of the Healthy Living Clubs that are aligned to our Post Test Club Programme that we have initiated with Kampala Central Division in Uganda. Where possible, the members of the Post Test Clubs will be employed as fieldworkers. In this way we hope to reach a target population of about 300,000.

In July we took five members from our Post Test Clubs to Uganda for training at their Post Test Clubs. This has had an enormous impact upon their lives as most, if not all, of them had never even travelled in an aircraft let alone visited another country. They were struck by the friendliness of the Ugandan people and the lack of discrimination for those suffering from HIV and Aids and came back with lots of ideas to grow the Post Test Clubs concept. The Ugandans have had phenomenal success in fighting HIV and Aids and this project is but one of the positive outcomes of our international relations programme.

I am pleased to present this annual report for 2007/08. I wish to take this opportunity to thank all councillors and staff for their input during the course of the past financial year which in many aspects has proved to be challenging.

Sincerely



SAKHUMZI SOMYO (ALDERMAN)
EXECUTIVE MAYOR

Municipal Manager's Message



The Amathole District Municipality's (ADM) recent Integrated Development Plan (IDP) and Budget Roadshow in April 2008 once again highlighted how central our function of being a Water Services Authority (WSA) is to our service delivery programme. In the previous year we indicated that we had a huge financial backlog of some R1.1 billion to carry out this responsibility. This situation hampers our abilities to deliver effectively on our targets of providing water for all by December 2008 and sanitation for all by 2010.

The ADM became the Water Services Authority for the district, with the exception of Buffalo City, in July 2003. The municipality decided upon the internal option to implement the water services provider function and took over this role as from 1 July 2006, subsequent to the Section 78 Assessment. The municipality also centralized the financial services for water and sanitation from this date as well. The ADM has approximately 600 water systems which it administers and there were many challenges with water outages in various parts of the district, due to aging infrastructure in need of replacement or refurbishment. The water debtors database taken over from the local municipalities was grossly incorrect. The ADM was unable to verify or obtain supporting documentation to substantiate the amounts due. The Revenue Section is currently in the process of a data cleansing exercise. This has a direct impact on the collection rate and the debt write-off. The Revenue Section also engaged in indigent campaigns to make communities aware of the registration process and to get qualifying indigents on board. This has solicited a rather poor response from communities.

In order to meet some of the challenges facing the ADM and to improve service delivery, an agreement was signed with Amatola Water whereby Amatola Water will provide all bulk services including Water and Waste Water Treatment Works in the urban areas of Komga, Fort Beaufort, Alice, Gaga Tyume and Butterworth as part of the initial phase, which will subsequently be reviewed. This will allow the ADM to focus its attention on the distribution side only of these mentioned areas and the municipality will continue to render all bulk and reticulation services outside these areas. The ADM will therefore buy water in bulk from Amatola Water and will now focus on reticulation services and customer care.

Funding constraints aside, other challenges that beset the ADM include scarcity of water sources, the quality of available water and limited bulk services. The ADM now supplies just over 80% of its consumers with RDP standard water or above. 2% of the population now have a safe water supply, which is less than the RDP standard of having a standpipe within 200m of each household. And 29% of our citizens have RDP sanitation or above. The bucket eradication programme was successfully completed after a 6 month extension beyond the December 2007 targeted deadline. However, toilets in some areas still need to be connected and are awaiting the upgrading of sewerage treatment works.

As far back as 2005, the ADM realized that the 3 year MTEF funding was insufficient to provide the basic level of services to all in terms of RDP standards and a new strategy was thus formulated that would be aligned to the reality of available funding streams. Thus the strategy was to ensure safe, clean drinking water to meet the minimum health standards for those areas which are difficult to reach or to connect to a water reticulation system. This will be in the form of a borehole, a windmill or a handpump system and will at least provide good clean water to the affected village community. We aim to cover all affected areas by December 2008. Our Engineering and Municipal Health Services Departments are joining forces to meet the daunting task of providing water protection at springs or small stand-alone water treatment units at dams and rivers within the district.

With the assistance of some key roleplayers, the ADM has developed a new ground-breaking sanitation model which we call the "Accelerated Sanitation Programme" or ASAP for short. This project has all the potential to help us meet the target of sanitation to all by December 2010 as it consists of the following features:

- Maximum community involvement and participation, as communities dig their own pits;
- No monies are wasted on consultancy fees, as this will all be done in-house by our Engineering Department;
- It is very cost-effective.
- The top structure can easily be assembled by locals in literally a few minutes.
- The system is very sustainable as the top structure can be moved from one pit to another with its wheels and this needs only 3-4 people to move it when the pit is full;
- There will be employment creation opportunities through the factories that are to be created in Butterworth and possibly in Dimbaza where panels for the toilets will be made under strict conditions to ensure quality in meeting South African National Standards (SANS) specifications;
- There will be employment opportunities for community labour as small teams will be erecting the top structure under supervision and training of the suppliers;
- There will also be self employment or SMME opportunities in moving of the top structures after a few years when the pits are full;
- This programme will result in swift, meaningful eradication of sanitation backlogs.
- In line with the Department of Water Affairs & Forestry sanitation protocol, tenders have already been called for the provision of lining for the pits where there is a danger of polluting the underground water that would serve as bulk sources for human consumption now or in the future.

The ADM would like to extend its thanks and appreciation to Cemforce, who in November 2007 kindly donated 75 lightweight cement panel VIP toilets to the community of Maxama Village near Dutywa in Mbhashe Municipality. Two of the beneficiaries were disabled people. This has had an enormous impact on their lives as no longer will they have to be escorted into the field to relieve themselves. In a matter of minutes these pits were dug and all 75 VIP toilets were installed and ready for use. Our ASAP model is based on this concept.

The ADM has also called for tenders for Institutional and Social Development (ISD) work whereby communities will gain skills and awareness of proper health and hygiene and sanitation habits.

This programme has immense potential but the challenge again is insufficient funding as it requires R750 million in the next three years for 100% delivery.

The ADM has recognized the need to hunt for external funds to fund its non-core operations. A service provider has been appointed and already begun the process of identifying gaps in funding and has commenced with the process of applying for funds externally for specific projects which could not be accommodated in the 2008/09 budget.

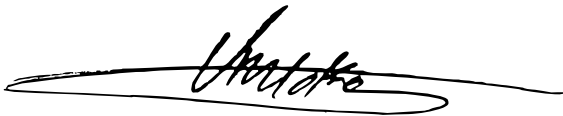
Our communities form a central part of our municipality and in compliance with legislation, we feel it is important to involve them in the decision-making process of Council. Consequently, an extensive IDP/Budget roadshow was undertaken to all the ward committee members of our district at each local municipality during April 2008. During this time, the ADM outlined its performance over the past financial year and unveiled its plans and programmes for 2008/09. The discussions were recorded in a question and

answer report and responses made to all questions, queries and suggestions. There are a number of other platforms for community structures to participate in Council's affairs, including various fora.

The ADM also established Customer Care and Service Centres in all local municipalities within the district in order to localize service delivery. These services will be expanded upon in the next financial year. A sharecall number has also been established where consumers can report all emergencies such as water outages, disasters and fires or even query their accounts. The number is 086010 5789.

I would like to take this opportunity to thank the Executive Mayor, the Councillors and staff for their support during the past financial year. Having recently rejoined the ADM, I am keen to see the ADM back in the top five district municipalities in the country, obtaining unqualified audit reports and winning awards once again. With the continued support of all involved, I am sure that this vision will be attained in due course.

Sincerely

A handwritten signature in black ink, appearing to read 'V. Mlokoti', is written over a long, horizontal, slightly wavy line that serves as a decorative underline.

V. MLOKOTI
MUNICIPAL MANAGER

Overview of the Municipality

Extent of Amathole District Municipality

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

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

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

Socio-Economic Characteristics

The total population for Amathole District Municipality is R1,635,433 in 2007 (Statistics SA Community Survey 2007). The population is concentrated within Buffalo City Local Municipality with 43%. The least populated local municipalities are Nxuba and Great Kei. Buffalo City is the biggest city within the district and is the centre of economic activity for the district.

More than half of the population within Amathole are females. The majority of the households within Mbhashe, Mquma and Ngqushwa are headed by females. Overall the ADM population is made up of 54% females and 46% males. The population structure indicates a young population with 69% of the population between the ages of 0-35 years.

This manifests itself in a higher demand for basic services as well as housing. The demographic trend that emerged during the last census in relation to the growth in the number of households is also found in Amathole District Municipality. The population growth rate has remained fairly low. However, there is an increase in the number of households requiring basic services which is due to the decrease in household size. This trend has led to an upward pressure on local government to provide basic services and housing to a higher number of households than anticipated. The number of households within Amathole is indicative of the demand for basic services. Within the District 65% of the household size are from 1-4 members, whilst 54% of these households have between 1-2 persons. This trend impacts on the growth in informal settlements and the health and environmental status of the district. Services such as education, reproductive health, youth development and development projects to address poverty remain a challenge for local government and government departments.

The District Municipality is made up of former homeland towns where limited or no development has taken place over a number of years. Amathole is experiencing high levels of poverty across the District. Recent data from the State of the Cities Report 2006 reports a growth in unemployment in Buffalo City, the biggest city in the district. The current unemployment figure for the city is placed at 39,8%.

Poverty data from Global Insight (2004) shows that 70% of residents in Amathole live in poverty. A large number of these residents survive on pension or grants from the government. Only 60% of the total population in Amathole is economically active of which 49% is unemployed. Levels of poverty are high and concentrated within the former Transkei and Ciskei local municipalities of Mbhashe, Mquma and Ngqushwa and lowest in Buffalo City. The number and percentage of people



living below the poverty line has increased significantly between 1996 and 2004, for the Eastern Cape as a whole, and particularly for the poorer areas of Amathole. The percentage of people living under the poverty line in the district is slightly higher than for the Eastern Cape as a whole, although Buffalo City registers slightly lower numbers for those living under the poverty line. Even more alarming is the dramatic growth in poverty levels for the more desperate areas of Amathole. The local municipal areas outside of Buffalo City report desperately high levels of poverty with increases of more than twenty percent in some instances.

Household income levels in the district remain very low. More than half of the households within the ADM area (52%) record income levels of R0 - R6000; and 26% earn between R6001 and R 18 000 a year. This translates into approximately 80% of households having annual incomes below R18 001. Education levels are also generally low. Only 16% of Amathole's population have matriculated or have above matriculation qualifications. At least 10 % have no formal schooling. A comparison of the levels of education across the municipalities point to the strong links between low household incomes, high unemployment and low human development index. Seven percent of the economically active population in Amathole is employed informally. Wholesale is by far the biggest provider of informal jobs throughout the district, making up 53% of informal jobs. The dominance of the public sector in the region's economy reveals the limited production base of the area. Buffalo City represents the most important economic development and employment node within the district.

Special Programmes

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

Economic Overview

ADM has the second largest economy in the province, contributing 27% to the provincial economy. East London, Bhisho, Butterworth and King Williams Town are areas of significant economic activity in the Amathole District. Economic activity in the district is concentrated mainly within the Central Business Districts of these major towns. These towns also function as centres of economic activity for surrounding areas and smaller towns, with manufacturing, trade, finance and community services sectors dominating the district's economy. As a result of its central location in the province, the district has good economic links with neighbouring districts.

A growing modern economy linked to global production chains in East London is contrasted with an extremely poor rural economy in former homeland areas. A 49% unemployment rate has been recorded in the area, with 70% of the population in the district living below the minimum living level threshold. High levels of poverty and inequality exist especially in the eastern part of the district. There is a substantial need for investment in social and economic infrastructure throughout the district, especially in the former homeland areas.

Spatial and Land Use Overview

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

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

Environmental Overview

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

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

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



Infrastructure Overview

Water Services

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

The ADM WSA population is estimated at 962,370 people based on data from Statistics South Africa. Affordability levels are low with an estimated 68,5% of households in 2004 classified as living in poverty, against 52,6% in 1996. (Source: Global Insight 2005). The ADM is currently registering indigent consumers and is engaged in a database cleansing exercise.

Electricity Supply

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

Roads

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

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

Solid Waste

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

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

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

- Licensing the sites in terms of the environmental law together with the implementation of the required engineering and operating practices.

- Preparation and implementation of operations management plans for the various services as well as operational plan as set in the minimum requirements for waste disposal to ensure waste is disposed of in an environmentally and socially acceptable manner.
- To plan and implement coordinated and properly structured recycling, composting and education/awareness programmes at both the local and district level.
- Implementation of the outcomes of the investigation of appropriate treatment technology for municipal waste.

Transport

The ADM's reviewed Integrated Transport Plan (ITP) reflects low levels of access in both rural and urban areas to acceptable, road-based public transport services. This is related primarily to the poor condition of roads, as well as the fragmented manner in which public transport services between urban and rural areas are provided.

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

Land and Housing

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

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

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

Building Regulations

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

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

Social Needs Overview

Primary Health Care

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

The ADM currently provides Primary Health Care services on an agency basis for the Provincial Department of Health through an annual renewable Service Level Agreement. The district is divided into five (5) Local Service Areas. Access to health services meets the minimum norms set by the World Health Organisation of 1 clinic per 10,000 population.

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

Devolution Process

Regarding the transfer of staff, Nxuba, Nkonkobe and Amahlathi staff has been transferred.

The transfer of ECDoH staff is scheduled to take place in December/January 2008.

A draft transfer agreement from the ECDoH is in circulation for comments.

For BCM, a Draft SLA is in place.

An ADM Draft Placement Policy has been presented to stakeholders.

Awareness of VCT has been created and the number of VCT sites has been increased to ensure accessibility of antiretroviral treatment.

Community Safety Services

The objective of Community Safety Services is to facilitate stakeholder coordination and cooperation. Community Safety Services concentrates on supporting initiatives that serve to reduce social crime behaviour. Challenges include the

absence of dedicated personnel in local municipalities to coordinate Community Safety Services and Community Safety Forums. The release of crime statistics for the last two years is now starting to indicate trends in crime. The social crime trends will be a good indicator on which to base social crime prevention efforts.

Municipal Health Services

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

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

Disaster Management

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

The focus of Disaster Management is to coordinate all efforts to reduce the loss of life and property to disasters and thus the old adage "prevention is better than cure" is reflected in the preventative nature of the programmes implemented by Disaster Management. Integration of disaster risk principles into all aspects of service delivery is key. Community capacity building initiatives and awareness programmes on avoiding risks are a priority. The completion of the District Disaster Risk Assessment requires focussed plans to be developed to meet the third Key Performance Area of the National Framework, that of planning informed by a risk assessment.

Fire Services

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

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



Executive Summary

Vision

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

Mission

The Amathole District Municipality (ADM) is dedicated to contributing to the betterment of its constituent communities' lives through a participatory development process to ensure they have access to socio-economic opportunities. It is dedicated to enhancing its constituent communities' lives through cooperation with relevant stakeholders, partnership-building and building the capacity of local municipalities within its jurisdiction.

Values

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

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

Guiding Principles

In carrying out its functions, ADM is committed to :

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

Oversight Function

Audit Committee

The ADM has a functional Audit Committee which is an independent oversight advisory body of Council. Audit Committee members during the first nine (9) months of 2007-08 financial year included:

- Mr. M Sibam (Chairperson)
- Ms. T. Mnqeta
- Mr. R Hill
- Mrs. P. Vazi

Members of the Audit Committee for the last three(3) months of the 2007-08 financial year included:

- Ms T. Mnqeta (Chairperson)
- Mr. M. Sibam
- Mr. B. Mbewu
- Ms. T. Maqwathi

Audit Committee members are legislatively required to meet at least four (4) times during a financial year. The ADM Audit Committee held meetings on the following dates:

- 01 August 2007
- 16 October 2007
- 08 November 2007
- 31 January 2008
- 24 June 2008



Chairperson of the Audit Committee
Ms. Thembela Mnqeta.

Performance Audit Committee

The ADM has a functional and capacitated Performance Audit Committee, which is an independent advisory body of Council, specifically advising on matters relating to performance management. The Performance Audit Committee included the following members during the 2007-08 financial year:

- Ms. L. Smith (Chairperson)
- Mr. J. Goldberg
- Mr. C. Ramoo
- Mr. M. Sibam

New members were appointed on 13 March 2008 as follows:

- Ms. L. Smith (Chairperson)
- Mr. C. Ramoo
- Mr. K. Sonamzi

Performance Audit Committee members are legislatively required to meet at least twice (2) during a financial year. The ADM Performance Audit Committee held meetings on the following dates:

- 20 July 2007
- 5 October 2007
- 02 April 2008





CHAPTER 2

In this chapter:

Background on Services Provided by the Municipality ◀

Background on Services Provided by the Municipality

The Integrated Development Plan (IDP) for 2007/2008, adopted by the Amathole District Municipality (ADM), set clear objectives and strategies for attaining the overall mandate of the institution. These objectives and strategies were translated into clear deliverables and informed the district and departmental scorecards, as part of the organisational Performance Management System (PMS), adopted by the ADM for the year under review.

Due to the finalisation of powers and functions of municipalities, the organisational strategy, as per the IDP and related PMS, had to be reviewed to ensure legislative compliance, as well as positioning the ADM for dealing with assigned powers and functions for the 2007/2008 financial year, and beyond.

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

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

Water

As at July 2008, approximately 83.04% of people living within the district had access to an RDP level of service (25 litres per person per day, within a maximum of 200m walking distance).

Sanitation

As at July 2008, approximately 29.14% of people living within the district had access to an RDP level of service (waterborne sewerage or ventilated improved pit latrine).

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

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

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

Cluster Achievements

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

1. Social Needs Cluster

The key focus areas for the Social Needs Cluster include Primary Health Care, HIV and Aids, Municipal Health Services, Disaster Management, Fire Services and Community Safety Services.

Sector plans:

- Disaster Management Framework
- Community Safety Plan
- District Fire Prevention Plan for Forestry Industry
- Communicable Diseases Prevention and Control Strategy

Municipal Health Services

Food Control

During 2007/2008 the inspection of food handling premises was undertaken. The aim was to ensure that food handling premises complied with relevant legislation. The food caterers' registration and training programme continued throughout the year. The training was in the form of workshops and issuing of food handling preparation and handling guidelines. As part of the food monitoring programme a total of 20 food samples were taken for testing. The test results showed an 80% compliance with food legislation. A follow-up was made on all those that did not comply.

The milk sampling programme continued throughout the year focusing on raw milk and milk products from dairy farms. There are 60 dairy farms in the Amathole District Municipality area selling milk to the general public. Of the 57 raw milk samples which did not comply with legislation, re-sampling was done. Contamination of raw milk normally takes place during the milking period, therefore in all the cases of non-compliance, health and hygiene awareness programmes were carried out focusing on milkers and milking parlour management.

During 2007/2008 the proliferation of sour milk vendors continued. The selling of sour milk has become a popular means of generating income especially in rural areas. In trying to reduce the risk of sour milk contamination, workshops were conducted targeting sour milk vendors and suppliers. The workshops focused mainly on the following:

- Transportation of milk/sour milk
- Supply to vendors
- Sour milk containers

- Decanting
- Storage
- Labelling

Surveillance and Prevention of Communicable Diseases

During 2007/2008 health and hygiene promotion campaigns continued. The campaign were aimed at the prevention of communicable diseases. The focus areas were around Mbhashe and Mnquma Municipalities especially the villages, and the emphasis was on waterborne diseases. An assessment of the situation revealed that the lack of clean drinking water is still a challenge in the villages. Lack of sanitation (toilets) also contributes towards the risk of communicable diseases outbreaks in certain areas. The campaign covering these areas during 2007/2008 applied the Participatory Hygiene and Sanitation Training (PHAST) approach. Health education was conducted for families and school children. Among the topics that were covered during the health talk in those areas covered the following:

- Disinfecting water using bleach or boiling it
- Washing hands before the handling of food
- Washing hands with soap after visiting the toilet

Water Quality Monitoring

The monitoring of water quality and availability, including mapping of water sources, continued during 2007/2008. The aim was to ensure that drinking water is accessible and safe. The analysis of water covers bacteriological and chemical parameters.



The compliance for the year was 85.5%; remedial measures were taken for the 14.5% non-complying sites. The Amathole District Municipality's water quality Monitoring programme is linked with the Department of Water Affairs and Forestry electronic water quality Monitoring reporting system on website (e-wqms). This is to facilitate the provision of information on the status of water quality to a wide range of stakeholders.

Disposal of the Dead

Fifty (50) funeral parlours complied with legislation and 34 did not comply, representing 60% compliance. The burial of 12 paupers was coordinated by Amathole District Municipality.

Waste Management

A clean-up campaign was held in Nxuba, Nkonkobe and Great Kei Municipalities. These areas were targeted because there was an increase in illegal dumping. The illegal dumping sites were cleaned and "NO DUMPING" signs were mounted. A workshop was also conducted in Nkonkobe and Nxuba Municipalities targeting nursing and general staff on health care waste. Waste generators have been slow in familiarising themselves with sorting and recycling of waste.

Environmental Pollution

Most of the environmental pollution in this region is as a result of poor waste management practices. This has a negative impact on air, land and water in terms of illegal burning of refuse, illegal disposal of waste water as well as illegal dumping of domestic waste.



No dumping signs erected at Great Kei and Nkonkobe



Clean up campaign

HIV and AIDS

ADM's partnership with Uganda Kampala Central Division has led to the establishment of Post Test Clubs at Amahlathi, Buffalo City and Great Kei municipalities, which will be rolled out to other municipalities.

There are currently ten Post Test Clubs established in the district. Five members of the Post Test Clubs underwent a capacity building programme in Uganda in July 2008. The Mbashe Local Service Area launched a Community Based Voluntary Counselling and Testing programme. Health Care Workers create awareness on Voluntary Testing and Counselling during clinic and home visits.

Generally the HIV test rate has increased from 70% to 86% in the first quarter of 2008 and this indicates that communities have adopted more of a health-seeking behavioural practices.

Primary Health Care Services

ADM is implementing the provision of Primary Health Care as an agent for the Department of Health [DoH] and is thus dependant on the DoH for funding this function. Despite the challenges of under-funding, the following programmes and activities were undertaken,

- Continuous in-service training
- Utilization of Community Health Workers at health facilities to assist with counselling

- Provision of home-based care through the use of trained volunteers that were paid stipends by the DoH.
- Providing support to TB clients at community level
- Collaboration with the Traditional Health Practitioners in order to increase community access to health services.
- Training of Traditional Health Practitioners on the integration of traditional and western medicine, as they are often the first point of entry to health care.

Challenges experienced included:

- Filling of vacant positions due to under-funding.
- Non replacement of old and rundown mobile clinic vehicles by the DoH
- Non finalisation of the provincialization process
- Uncertainties regarding implications of provincialization and enormous personnel exodus, impacting negatively on primary health service delivery.

Disaster Management

Achievements:

- Awareness campaigns were conducted at schools throughout the year
- A basic traumatology course was conducted for 10 officials
- First Aid training at 20 schools was facilitated in conjunction with Emergency Medical Services and each school was supplied with First Aid boxes; 2 Learners, 1 Educator and a School Governing Body member were trained at each school.
- A seminar on Disaster Management was held for Traditional Leaders at which 47 Traditional Leaders pledged their support to Disaster Risk Management.
- A workshop on roles and responsibilities for Disaster Management Stakeholders was held where 30 members of the Disaster Management Advisory Forum were trained.
- A workshop was conducted for 51 educators from schools in the Amahlathi and Nkonkobe Municipal areas.
- Families affected by storm damages were supplied with emergency relief materials.

Community Safety Services

The Constitution of South Africa Act 108 of 1996 mandates local government to provide a safe and healthy environment



Disaster risk management competition



Disaster Risk Reduction Competition
Zamukukhanya Primary School - October 2007

to the communities. The National and Eastern Cape Provincial Crime Prevention Strategies have four [4] strategic focus areas for intervention. The first of these is 'Strengthen Communities Against Crime' and this is where local government plays a pivotal role. The strategy is addressed through the Community Safety Forum which is made up of the following key stakeholders:

- Local Municipalities
- South African Police Services
- Community Policing Forums
- Department of Justice
- Department of Education
- Department of Social Development
- Department of Correctional Services
- Community Development Workers
- Non-Governmental Organisations
- Business Associations
- Faith Based Organisations
- House of Traditional Leaders

The sustainability of Community Safety Forums as the vehicle to coordinate stakeholder activities in relation to crime prevention, remains a challenge due to lack of resources at Local Municipality level.

The second Mayor's Cup event which addresses diversionary activities for the youth in the prevention of crime was held in Mngquma Local Municipality in June 2008. Every year a multi-sectoral crime prevention programme is held in the Ngqushwa Municipal area, and this past year it was hosted by the community of Woodridge. Various government departments and NGO's addressed the community members on various issues which included:

- Legal rights when faced with domestic violence
- Crime reporting
- Youth succumbing to peer-pressure
- The parole system and participation of the relevant stakeholders
- The support groups that exist for victims of crimes against the elderly, disabled and abused.
- Substance abuse and the repercussions thereof

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

Fire Services

Institutional capacity

In the past year 4 additional Fire Fighters were employed to complement the existing 1 Chief Fire Officer, 4 station commanders, 10 platoon commanders and 12 fire fighters to bring the total number of permanent staff to thirty one [31]. One Medium Pumper was procured and is stationed at Great Kei Municipality.

Provincial Funding

The Provincial grant funding allocation for 2007-2008 for fire services to the value of R1.5 million was utilised for the payment of stipends, procurement of equipment and protective clothing as well as for the repairs and maintenance of the fire services vehicles in the entire district.

The Provincial grant funding allocation 2007-2008 for Disaster Management to the value of R1.5 million was utilized for emergency relief materials, capacity building, awareness campaigns and strengthening institutional capacity through the employment of temporary staff and provision of resources.

2. Infrastructure Cluster

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

Water and Sanitation

In the past year, the ADM completed 31 projects and provided RDP standard water services to an additional 77,470 people within the district, bringing the total to 83.09% of our target population. Similarly, the ADM provided 94,501 people with RDP standard sanitation, bringing our total to 29.14% of our target population.

The ADM has signed a transfer agreement with the Department of Water Affairs and Forestry (DWAF) that effectively outlines the mechanism for the transfer of the water services from the erstwhile authority to the ADM. This agreement provides for the secondment of 169 personnel, a subsidy of R86,451 million over a six year period for the refurbishment and operations of one regional and 394 rudimentary schemes, as well as training for staff to be transferred. ADM seconded staff from Development Bank of South Africa (DBSA) to facilitate the refurbishment of DWAF assets with a budget of R4, 017,483.00 which has been allocated by DWAF in the last financial year.



Women fire fighters of Great Kei do demonstration





Building toilets



Solid Waste

The Eastern Regional Waste Disposal Site in Butterworth is completed. It has provided employment and capacity building opportunities through the Expanded Public Works Programme. Operations are expected to start in February 2009. The project includes a recycling centre to pilot sustainable recycling of municipal waste. The first composting site is nearing completion in Stutterheim to also present an integrated approach in managing garden waste. This shows our commitment to integrated and sustainable waste minimization in our district.

Amathole District Municipality [ADM] adopted the reviewed Integrated Waste Management Plan [IWMP] during the 07/08 financial year. The IWMP represents a comprehensive picture of the current waste management situation within the ADM and its local municipalities (LMs). This revised IWMP addresses waste management that applies to ADM and provides a framework within which the ADM LMs can develop their own IWMPs. Out of eight LMs within ADM, only two have IWMPs. As an attempt to close this gap, the IWMP has been updated with information gathered during interviews, site visits and workshops conducted during the review processes with the ADM, its LMs and stakeholders.

Community Facilities

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

- Joji Community Hall (R348,195)
- Blackwood Community Hall (R351,960)
- Mabheleni Community Hall (R383,910)
- Hillcrest Community Hall (R350,000)
- Platform Community Hall (R589,768)
- Bonvana Village Creche (R400,000)
- Xhora Community Art Centre (R830,000)
- Elliotdale Indoor Sport Centre (R2,5 million over two years)
- Prudhoe Sportsfield (R650,000)
- Macleantown Sportsfield (R650,000)
- Ducats Community Hall (R500,000)
- Komga Sportsfield (R650,000)
- Mooiplaas Sportsfield (R650,000)
- Mount pleasant (R650,000)

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

Land and Housing

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

The ADM is implementing nine (9) rural housing projects involving 3,620 top structures to the value of R73,4 million at

a subsidy of R20,300 each. So far these projects are in excess of 75% completion. The public-private partnership with emerging contractors to ensure an economic impact on housing has been enhanced.

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

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

Betterment Restitution for 9 Villages

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

Background

In 1998 the above-listed communities lodged claims with the Regional Land Claims Commission in terms of Restitution of Land Rights Act No. 22 of 1994. The state accepted the validity of the claims and it was agreed that the Department of Land Affairs would transfer ownership of the commonage to the claimants and would pay monetary compensation in respect of the other rights to the land that were lost.

The settlement agreement was signed on 16 June 2002. Dispossessed land rights were valued at R55 564 per household with the total number of 1704 households. This translates into a total of R94 681 056 of which R47 340 520 was set aside for development purposes. In addition government agreed to provide supplementary grants of R4 440 per household or a total of R7 565 760 to bolster the development resources. In total therefore, there is R54 906 280 available for the development of nine (9) villages, which is being administered and implemented by the ADM.

Locality

These villages are located within the Amahlathi Local Municipality within the Amathole District Municipality (ADM). The study area consists of settlements in nine restitution

villages within Wards 1, 3 and 11, being Mthwaku, Ngobozana, Ndlovini, Gwiligwil, Lower and Upper Mnyameni, Lower and Upper Gxulu and Upper Ngqumeya.

Description of the study area

As indicated above, the villages in the study area fall within Wards 1, 3 and 11. These three wards have a total population of 21689 (SSA, Census 2001). The Amathole District Municipality's Land Reform and Settlement Plan (LR&SP) describes the study area as a Development Support Zone, meaning that there are a number of settlements in the area that have already or are soon to be awarded land claims in terms of the Land Restitution Act. The zone also falls within an area ranked 3 and 4 ("worst off") in terms of the District Poverty Index Plan (LR&SP). It therefore means that there is a need to promote poverty alleviation and rural livelihood projects and programmes in the area.

Project Purpose

The project purpose formulated a "Development Plan", which is aligned to Amahlathi and Amathole Municipalities Integrated Development Plans for the communities / villages listed above, and which will direct development and inform the expenditure of the development funds.

The Integrated Development Planning therefore was undertaken using participatory methods to:

- Formulate a document that lays out the prioritised infrastructure and services needs of the nine villages and ensure that these needs are addressed as quickly as possible, through appropriate implementation arrangements.
- Determine the development needs of all livelihood sectors/clusters.
- Identify areas for settlement expansion and growth.
- Identify land for various uses, e.g. agriculture, settlement, transport routes, etc.
- Identify environmental sensitive areas/zones and areas where development is not possible.
- Identify, analyse and map development issues in the area.
- Address poverty through identifying, where possible, strategies to support rural livelihoods and income generation.
- Develop an economic generation plan that will identify viable developmental options for the nine Keiskammahoek villages, and establish appropriate arrangements for its implementation.
- Develop an implementation plan that will provide a clear programme for the integrated development of the area.

These claims were settled on the basis that the communities incurred losses due to their forced resettlement into villages in terms of betterment planning policies implemented in the 1960's.

In consideration and settlement of their claim, the provision of Section 38(b)(5) of the Restitution Act, were applied by the Land Claims Court under the auspices of the Ministry of Land Affairs, thereby declaring that a settlement agreement with regard to this land claim be concluded.

Further, in terms of provisions of Section 42(d) of the same Act, the settlement agreement was concluded between the portions involved, being the Department of Land Affairs, the claimants, Commission on Restitution of Land Rights and the Amahlathi Local Municipality.

In accordance with the Settlement Agreement, part of the resolution concluded that:

- Monetary compensation would be paid to the successful claimants but would be split 50:50 as follows:
- 50% of monetary compensation to be paid directly to beneficiaries of the claim
- 50% of monetary compensation to be utilized for development projects within the communities.

The first 50% was paid out to communities in 2000 and 2003 respectively. According to the agreement the implementing agent (ADM) for the development projects is expected to be in charge with the implementation of the second 50% monetary compensation.

In this process the ADM worked hand in hand with both Amahlathi Local Municipality and the Department of Land Affairs through the Regional Land Claims Commission and followed the normal Development Planning approach, including the following:

- Formulate a document that prioritized infrastructure and service needs of the 9 villages and to ensure that these needs were addressed as quickly as possible, through appropriate implementation arrangements.
- Developed an economic regeneration plan that identified viable developmental options for the 9 villages and establishment of appropriate arrangements in its implementation.

The normal process of integrated Development Planning was followed which related to the following:

The project is to be undertaken in three phases:

- Phase 1: Planning and Implementation of prioritised projects, to maximum value of 33% of the total development budget per village.
- Phase 2: Planning of the economic regeneration of the area comprising the nine villages
- Phase 3: Implementation of the economic regeneration plan.

It was decided that the development drive in the nine villages should be undertaken as a single, co-ordinated process. This means that a single institutional structure will be set up to manage the process in all villages.

It is envisaged that Phases 1 and 2 will be undertaken in parallel.

Phase 1

Planning: The starting point for this exercise is the two lists of prioritised projects/needs produced relating to the IDP and restitution processes. The purpose was to select projects from these lists based on analysis and consultation. It should be noted that it is anticipated that most of the projects that will be implemented in phase 1 will relate to infrastructure and services. The reason for this is that these projects will not require time-consuming feasibility and other assessments, unlike the case with economic and business proposals. However, in the event that some communities prioritise such initiatives above infrastructure and services, the service provider will have to consider how to implement those suggestions in the short term.

A first step is for a Situation Analysis of infrastructure, services and amenities to be carried out. This will be divided into two components:

- Physical infrastructure and services- roads, water, sanitation, electrification and
- Social facilities and services schools, clinics, community facilities e.g halls

The analysis has to outline the following:

- The situation in each village and the road network between them.
- The plans and approaches of the respective departments responsible for the delivery and maintenance of the respective services
- Resources available from government departments and programmes (e.g CMIP).

- Key planning information pertaining to linkages between villages, project growth of villages, resource base of each village and economic activities undertaken in each village
- Steps involved in the implementation of the various options and
- Recommendations for immediate implementation (which should be both described and depicted in the form of a framework plan).

Both Municipal Integrated Development Plans had to be considered as well. It should be noted that the analysis of the IDP's would be informed by an accurate understanding of which functions are assigned to the district level and which to the primary level.

Secondly, the plans of Government institutions had to be established to ensure that duplication is avoided.

Thirdly, it is important to establish what resources are potentially available from Government Departments, to ensure that the restitution award is used to broker in additional resources into the area. In other words, it is important to ensure that the development opportunities that currently exist (and will only exist for a finite period) are fully utilized.

Fourthly, the policy approaches of the respective Departments are important because it will be of no benefit if structures are built but not utilised. For example, the Department of Health may not be prepared to maintain a clinic in Lower Mnyameni because there is a clinic at Catha.

Once a draft situation analysis has been prepared, there should be consultation so that the analysis can be finalised. The way in which the consultation should be undertaken is as follows. Meetings of the mandated villages will be called by ADM and these meetings will be facilitated and led by the respective communities. The outcome of the meetings will be one or two prioritised projects in each village. This would be reflected in the finalised Situation Analysis Report.

Thereafter detailed Implementation Plans will be drawn up for each of the prioritised projects.

Implementation: as soon as the Plans are finalised, implementation will commence accordingly.

Phase 2

The benefit of infrastructure development is that it improves people's quality of life.

In order for improved levels of service to be sustainable, infrastructure improvement had to be accompanied by a measure that increases people's incomes in a sustainable manner. Hence the importance of an economic regeneration plan.

Unlike the case with infrastructure, there is a need for a thorough planning process in relation to economic regeneration before any implementation commences.

As was the case with the infrastructure process, the first section of the Economic Plan will comprise a situation analysis of the economy of the region. This will include statistics drawn from available sources e.g. census data, as well as a detailed assessment of current economic activity. The reason for this is to ensure that the focus will be on exploring regeneration options that build on existing practises.

Once the situation analysis has been completed, the development of a comprehensive list of major sectors which have economic potential will be done. This will include identification of possible flagship projects for each of the sectors. All nine villages will house a minimum of one such project.

There are a couple of other points about the plan that should be emphasized:

Zone: the plan will contain a coherent set of proposals for the zone made up by the nine claimant communities. The reason for this is that it will boost the prospects of sustainable economic recovery. In this regard, it is essential that economies of scale and up and down stream benefit will be captured and mobilised. The converse of this is equally clear, that an ad hoc approach will not yield positive long term results. A bakery project here and brick making project there are not going to effect any fundamental changes to the economic fortunes of the area.

Consolidated and integrated: the plan will include the infrastructure analysis and recommendations produced in phase 1. Furthermore, reference will be made to any parallel infrastructure developments. For example, if Amahlathi is successful in its quest to access resources to enable the road linking Keiskammahoek and Stutterheim, this will provide a significant boost to the prospects for sustainable agriculture, forestry or tourism.

The plan is expected to go beyond merely reflecting the output of the phase 1 exercise; instead it will specify infrastructure requirements for those economic proposals deemed to be the most viable. Accordingly the Development Plan would reflect



the proposed way of investing the full balance of the development monies. In other words a certain amount will be committed to infrastructure and the other amount to economic projects.

Once a Comprehensive Plan has been formulated there will be a detailed process of consultation in each of the nine villages. The purpose of this consultation is to gauge the level of interest in the proposed sectors and flagship projects.

Thereafter the plan will be finalised.

Phase 3

After the adoption of the plan, the terms of reference for each of the projects will be put in place and follow the necessary Supply Chain Management processes.

In this regard the Phase with regard to situational analysis has since been considered.

3. Local Economic Development and Environment Cluster

Local Economic Development is informed by the Amathole Regional Economic Development Strategy document which guides economic development within the district for the next 20 years.

The key focus areas for the Economic Development Cluster include agriculture, tourism, heritage, manufacturing, urban renewal, environment and forestry.

The Amathole District Municipality is rural in nature and hence the local economic activities or enterprises promoted by the District will be biased towards enterprises\activities that take advantage of using the local natural resources. Such local economic development enterprises will be in the sectors of heritage tourism and broader tourism, agriculture and forestry and environment. There is limited activity in the sectors of manufacturing and film development. The District has also established a Development Agency, now known as ASPIRE, Amathole Beyond Limits, to promote economic development.

Agriculture

The Agricultural unit undertook the following projects during the year under review:

- Training for the bee-keeping project beneficiaries was undertaken.
- Construction of a vegetable tunnel for seven youths from Mbashe Municipality was started.
- The installation of irrigation equipment in a five-hectare garden at Zintukwini village in Ngqamakhwe was started.
- The unit organised two information days during the financial year and these included Beef information day at Dabane and Maize production information day at Elliotdale.

Environmental Management

The Environmental Management Unit focuses on organizational development (systems and personnel), strengthening environmental management (environmental impact management and cooperative governance), capacity development, education and awareness, monitoring and evaluation to improve compliance and Implementation of sustainability or rehabilitation projects.

The rehabilitation projects such as Let's Keep Mquma Clean, alien vegetation removal and the pelargonium project were implemented with the assistance from various stakeholders. The Butterworth cleaning up project was funded to the value of R500 000 by the Department of Economic Development and Environmental Affairs (DEDEA) and the funding was fully spent during the projects' operations. Forty recruited individuals were involved, working in the Mquma Local Municipality's urban centre.

The alien vegetation project for the Keiskammahoek area was assisted by contributions from Border Rural Committee (BRC). R280 000 was spent in full through the clearing and spacing of wattle in the area and ADM contributed by developing a business plan for the project; 67 individuals were recruited to the project and a lot of areas along water courses were cleared of alien invaders and spacing was done in areas whereby this economically important plant is targeted for propagation and maintenance. Partnerships were established with Natal Timber Enterprise (NTE), South African Pulp and Paper Industry (SAPPI) in order to ensure that a business is established from the operations of the community.

The commitment of the communities involved with the pelargonium project ensured that the project continued despite the lack of funding and 40 volunteers were involved in the preparation of the land for propagation and some vegetables were planted by those involved for subsistence purposes. A business plan for the project was developed which indicated that the project has a bankable business case.

A number of awareness sessions were hosted in order to build capacity for ADM's local municipalities. The main focus was on the environmental legislation and ADM Environmental Management Policy. The institution participated in a number of cooperative governance initiatives and engaged authorizing agents on a number of EIA initiatives of the institution. The Environmental Management Forum also sat regularly and it provides a platform for environmental role players to discuss issues that are affecting the region.

A number of stakeholder awareness sessions were also hosted around water issues, Arbour Week celebrations and cleaning up of the environment. These initiatives were hosted in collaboration with other stakeholders such as government

departments and non-governmental organizations that are operational within ADM's area of jurisdiction.

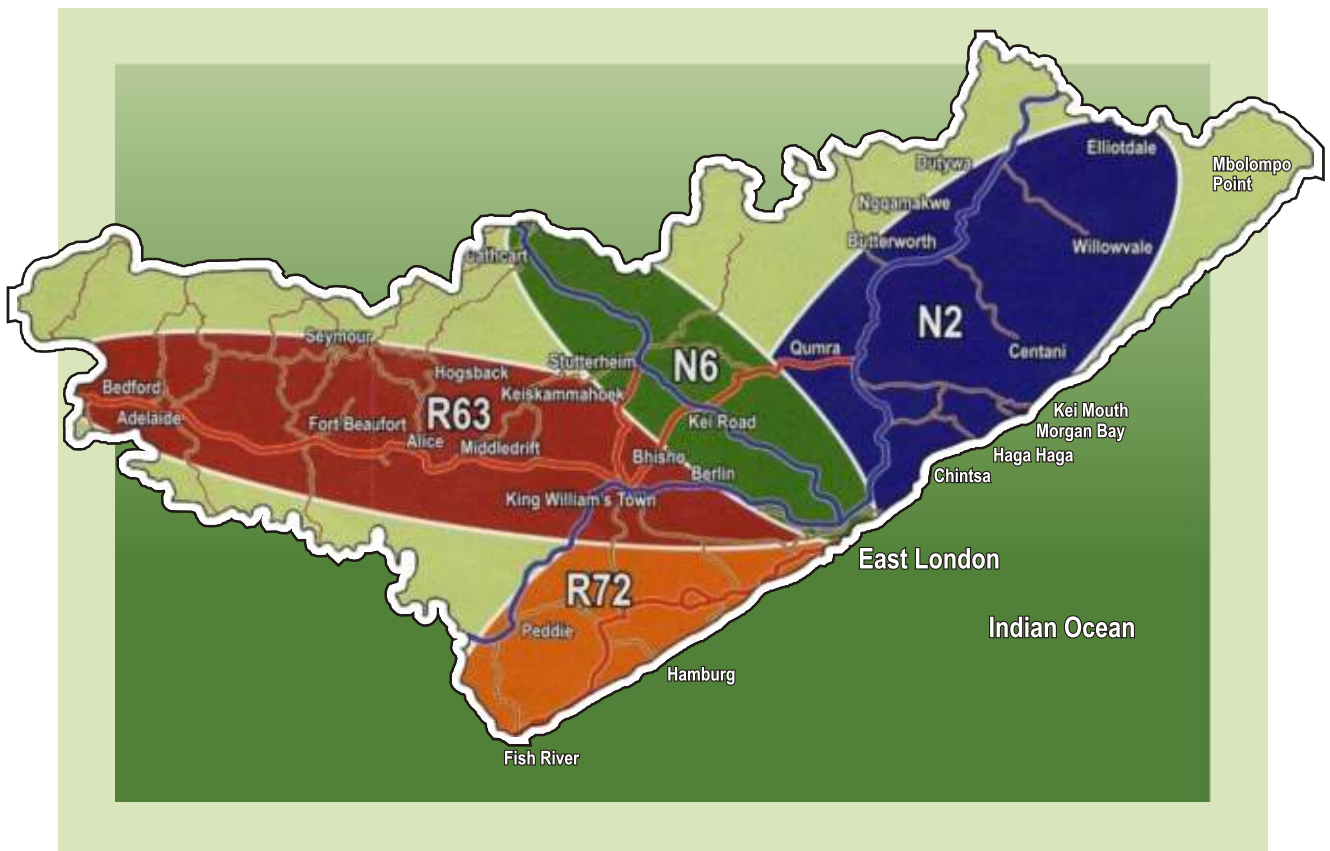
Background on ASPIRE - Amathole beyond limits

In servicing the growth of economic development of the region, Aspire has a four-pronged approach as follows:

People: people

The objective is to promote the application of skills and employment to the regional economy. Some examples of how this is being met are:

- So far, 26 people are being trained and employed in the essential oils trial production project in the R63 Corridor.
- A skills development plan for Hamburg is on the cards; this will require funding, which is being sought through partnership arrangements with the Department of Labour, Public Works' Extended Public Works Programme and tertiary institutions.



Aspire has adopted a corridor management approach to facilitate growth in the economy of the Amathole District and aim to build the economic potential and linkages of four identified corridors that follow the primary road routes of the district: the N2, N6, R63 and R72



Launch of the Essential Oils Project

- The agency plans to advertise for a corporate social responsibility programme to pilot training for the development of timber processing and value addition in Stutterheim.
- Aspire has applied to the World Bank's Development Markets Programme for the development of management support for the Cebe community development trust; a response is expected in July 2008.

Places:

The objective is to stimulate economic development in Amathole through the regeneration of small towns' economies.

- About R300-million has been secured for implementation of anchor projects in Hamburg, Alice, Butterworth, Dutywa and Stutterheim.

Business:

The objective is to promote business efficiency, investments and competitiveness.

- One way this is happening is through supporting a private sector community business partnership for production of essential oils. It is intended that this will result in the establishment of a processing plant to ensure value addition and promotion of the local economy.

- With the Eastern Cape Development Corporation (ECDC), Aspire is looking at ways to support the development of blueberries in the Amahlathi area.
- The small-town development concepts include a range of other business initiatives.

Partnerships:

The objective is to identify appropriate and responsive institutional capacity and partners to contribute to the sustainable development of Amathole.

- To mobilise resources for high-impact investment, Aspire has established partnerships with a broad range of funding agencies.
- Aspire works with a wide range of partners in the public and private sectors for the best provision of development support, funding, finance and research and information services.

Background on the corridor programmes:

The N2 Corridor

The N2 Corridor, which takes in the southern parts of the Wild Coast, is a particularly beautiful area that has significant development challenges which include severe poverty, poor infrastructure and lack of skills. Yet it is brimming with untapped wealth; there is much to be done in this corridor.

Given the challenges, Aspire is laying a solid foundation on which to make a long-term impact. The approach to spatial development here is two-pronged: a change management for economic development approach initiated through a strategy process; and identifying catalytic projects that build credibility and align with what the agency is trying to achieve. The strategy process has four pillars: Wild Coast tourism; agriculture value-chain development; dimension stone sector development; and small-town regeneration.

The N2 Corridor stretches north from East London towards Dutywa. It is made up of the Great Kei Local Municipality, once a Cape Provincial Administration Area, and the Mquma and Mbhashe local municipalities, both of which fall within the former Transkei.

The agency continues to build good relationships with N2 stakeholders. An N2 Economic Forum for the strategy processes around the four pillars has been established, drawing together the stakeholders and three local municipalities. Funding for an investors' conference in March



2009 has been secured. Importantly, this conference will include the private sector and showcase identified projects.

Opening the Wild Coast to increased and responsible tourism involves tackling issues such as improving access roads, expanding or upgrading facilities, marketing the area, and protecting sensitive natural areas. Aspire is commencing interactions with tourism stakeholders to begin to address the issues and determine courses of action.

Aspire's Wild Coast tourism support has focused on three nodes:

- **Dwesa Cwebe** Aspire is supporting the development of the Dwesa Cwebe nature reserve through mobilising funds to plan and cost economic infrastructure. Lack of infrastructure is a major impediment to the development of the reserve. The EU has approved funding, and an application has been made to the DBSA for further funding.
- **Cebe** Aspire is assisting the Cebe Community Trust to apply for funding for economic development. This is an exciting node for the agency as development here is truly community-led: the communities of the six villages in the area came together and drew up their own proposals and business plans. Here people are poor, but have access to land, reasonable agricultural potential and an exceptional coastline.
- **Marshstrand** Aspire investigated the possibility of a lifestyle development on ADM-owned land, but this was found not to be feasible as the available land parcel is too small. The focus of support has now been moved to the Kei Mouth/Morgan's Bay area.

The key, Aspire believes, to developing the agriculture value chain is to get pilot cases going that demonstrate models, principles and approaches, and also generate discussion and interest by stakeholders around these aspects. Looking at cattle, which remains an asset in the area, an example is to improve stock and stock management, take this through to production of skins and meat and perhaps into pre-packed products, and target niche markets with the organic, grass-fed and lower-fat meat that cattle farming in this area yields. Discussions on agricultural land use are commencing with traditional leaders.

Dimension stone, known as black granite and used for upmarket kitchen counters and tiles, is abundant in the N2 Corridor. There is some interest in reviving two dimension stone mines, at Willowvale and Centane, and an application has been submitted by one mining company, to the

Department of Mineral and Energy Affairs, to mine at Komgha. Aspire is seeking funding to map the mineral resources of the area. In the long term, it is hoped that some local processing, perhaps of smaller items such as tombstones and basins, can take place.

Last, and certainly not least, is small-town development. The bulk of the Neighbourhood Development Partnership Grant (NDPG) funding secured in 2007/08 is going towards regeneration of the economies of two small towns in the N2 Corridor, namely Butterworth and Dutywa.

Butterworth is the main town within Mquma, contributing 77% of the area's GDP. Home to almost 50 000 people, the town serves a further 213 000 people in 55 villages. It is also an important retail and education centre. Aspire's concept for the town includes development of:

- A central business district in the Umsobomvu Township, with services and retail facilities designed in a way that is more suitable to low-cash income societies than western models have proved to be
- A university node around the Walter Sisulu University campus
- A leisure/tourism node around Gcuwa Dam and the golf course.

The proposal is to forge linkages between these nodes and with outside areas through, for instance, non-motorised transport, green strips and a central park, and development of an intermodal transfer facility linked to the Kei Rail. This would support longer-term development based on the agro-processing potential of the town's economy.

Plans for the regeneration of the Dutywa economy include linking the town centre with the Govan Mbeki Township through identification, development and use of strategic properties as a catalyst for economic activity. It includes intermodal transport facilities and a commercial community centre.

The N6 Corridor

The function of a bridge is not for just walking or driving over; it is also an economic link that can knit together communities divided along socio-economic lines. It is this kind of thinking that is at the heart of the design for the renewal of Stutterheim, an economic node in the Amahlathi Local Municipality. The small town provides administrative and business services to nearby small towns, townships and rural areas. However, historically fragmented patterns of spatial development and unequal levels of service provision, such as social facilities and



infrastructure, are seen sharply between the town itself and its residential areas on the other side of the Cumakala River, where most of its people live.

The renewal is set to get off the ground with some R87,8-million of the NDPG funding. The aim is to develop Mlungisi Township and open it up to the town. Road linkages and a bridge over the river are just one part of the plan. Investigation into the viability of a commercial community park is an important element: unlike the standard retail mall, the park would include a cultural precinct with a multi-purpose community centre, arts and craft centre, amphitheatre, public garden with play centre, a picnic site and braai stands, space for retail facilities and banking services, and a mini taxi rank.

Amathole's N6 Corridor stretches inland from East London to Cathcart. This is the first stretch of the busy national road that eventually reaches Gauteng, and it's also an area where tourism, forestry, agriculture and manufacturing are important. Also planned for Stutterheim are:

- A petro-park, an anchor project that includes the establishment of a visitors' information centre, a petrol station, mini-retail facilities and a crafts outlet. At year-end, special studies were complete and an environmental impact assessment was almost complete. Aspire is working with Eastern Cape Development Corporation (ECDC) and the Amahlathi Local Municipality on this project.
- The Woodhouse project that focuses on down-streaming of timber and forestry. Essentially, it aims to assist the local community to acquire job opportunities, create business ventures and expand existing businesses. It is envisaged that the park will include a training facility where local people can obtain technical and entrepreneurial skills, and an entrepreneurship and business administration centre. A pilot training programme for local youth, women and people with disabilities is being developed. By year-end a pre-feasibility study on availability and accessibility of timber had been completed; a partnership with local firms for pilot training was close to being established; stakeholders had been mobilised around the concept; and a consultative workshop with stakeholders was held in July 2007, yielding the message that skills were needed not only in furniture making, but in the entire value chain of the timber industry.

Aspire assisted the Amahlathi Municipality in developing its tourism strategy, which was then adopted by the Amahlathi

Council. Various workshops, focusing on a sound situational analysis, and developing adequate strategies and implementation mechanisms, were facilitated by Aspire in cooperation with GTZ. The workshops were attended by all relevant sector departments, government agencies, tertiary institutions, private businesses and community members.

Developments extend beyond Stutterheim. In the Amabele area south of Stutterheim, a fledging blueberry-farming operation is underway. Amathole Berries, a private company with a 52% black economic empowerment shareholding, and supported by ECDC and the Industrial Development Corporation (IDC), has bought the 380-hectare Thornhill farm for the organic growing of this high-value crop. The aim is to ultimately have 560 hectares under planting, creating more than 5 000 seasonal jobs; small-scale farmers are also set to benefit with the establishment of an outgrowers' network. The operation will include a packing shed and processing facility. Aspire's involvement in spatial development here is around planning the renewal of the Amabele village and train station. By year-end: the Department of Roads and Transport had committed to upgrading the road to the farm; and a procurement process to develop the Amabele Spatial Development Plan, including a framework plan for the Amabele station, had been completed.

The spatial plan for the area includes initiatives in tourism, particularly rail-based tourism. As a start, the Amabele train station is being renovated as part of the Kei Rail project. Initiatives around Wiggleswade Dam, Amabele Village and nearby farms are being considered. A project steering committee, which includes Aspire, has been set up to facilitate support requirements for the farm operations and to explore other economic benefits linked to the farm operations, such as tourism.

Further east along the corridor, a concept had been completed in consultation with local communities for the revitalisation of the economy of Keiskammahoek. The concept, which includes an educational, tourism and commercial node, has been approved by the Amahlathi Municipality, and an application for funding has been submitted to the NDPG. Aspire is managing the implementation of the concept and has identified key investment areas, such as a fresh produce market. A private-sector developer had shown interest via the municipality, in developing a retail park at the proposed commercial node development.

Meanwhile, in conjunction with the local municipality, a small-town renewal concept is being developed for Cathcart, 40km north of Stutterheim, centred on tourism and agriculture.



The R63 Corridor

The historic town of Alice is home to the University of Fort Hare, where many of Africa's political and business leaders gained their education. Today, some 43 000 people live in this small town and it is the economic centre for people who live in 56 surrounding villages. Yet the town has largely fallen off the map in terms of development. Aspire is developing an economic regeneration strategy to bring about the restoration, consolidation and improvement of Alice: R3.8-million of the NDPG funding will go towards the design of this strategy that will include the identification of feasible business opportunities.

On 16 March 2006, the Nkonkobe Local Municipality Council mandated Aspire to drive the Alice regeneration process. It is envisaged that the Alice Renewal Spatial Plan will integrate the university, college and town; the planning process will include carrying out environmental impact assessments for identified projects. Elements of the regeneration may include:

- A central urban square
- A downtown hub with shopping facilities, close to transport interchange terminuses
- A railway station precinct with links to main tourist area
- An environmental resource-use facility that will include skills training and research
- A waterfront precinct as a leisure recreational facility
- Pedestrian-friendly linkages between Alice and the university.

Close to Alice, the roots of an essential oils cluster were firmly planted in 2007/08. This exciting development saw nine high-value trial crops planted at Hogsback – most were found to be viable – by a consortium made up of the private sector and the community. Crops planted were: rose geranium; lavender (three species); Roman chamomile; German chamomile; lemon balm (*melissa officinalis*); spearmint; peppermint; rose oil (*rosa damascena*); and the medicinal plant *pelargonium sidoides*.

The trial plantings created jobs for 26 people from surrounding villages; they were also trained in essential oil and organic farming. By year-end, the project was set to enter its pilot phase, with a small amount of commercial production. It is envisaged that up to 500 hectares will be planted with essential oils crops, justifying the establishment of an agro-processing plant.

The European Union has provided R618 000 to fund a business study on the value chain that can be built around essential oils and on the development of an outgrowers' model. Studies are being done into the identification of tourism routes around the industry, and these will stretch across the Amathole corridors and beyond its boundaries. There are clear links into tourism, with Hogsback already being a strong node.

An Essential Oils Producers Association has been established, representing Eastern Cape stakeholders in this industry: these include Rhodes and Fort Hare universities, the Dohne Research Station at Stutterheim, growers and potential buyers. Aspire co-chairs the association with ECDC.

A concept for the economic regeneration of Bedford, a small town towards the west of the corridor, has been completed. The Nxuba Local Municipality has requested Aspire to assist in the development of a regeneration strategy to sustain and grow the local economy while expanding the benefits with the neighbouring town of Adelaide. Sustainable use projects, largely in farming and heritage tourism, have been identified with local businesses and the community, and the municipality has identified and approved suitable land for implementation. By year-end, a funding application for the regeneration of Bedford had been submitted to the NDPG. Further assistance with identifying funding opportunities to support Nxuba Municipality's efforts for the dam construction in Adelaide is underway.

The R72 Corridor

The R72 Corridor stretches from East London to the Fish River, although the economic boundaries extend further. The R72 connects East London and Port Elizabeth, the main economic centres of the Eastern Cape; a business survey estimates an annualised economic transaction of about R2-billion of goods and services flow along the route. Yet there is little economic beneficiation between the cities, except in Port Alfred. The Hamburg Regeneration Initiative offers ample opportunities to spread economic benefits to surrounding rural communities.

The Ngqushwa Local Municipality has actively been trying to position Hamburg as a tourist destination. For Aspire, the starting point was looking at how this portion of the Sunshine Coast could be differentiated from other coastal "brands", such as the Garden Route. With an existing strong base in beading, arts and traditional music, Hamburg presented a perfect opportunity for development as a cultural tourism destination to intentionally use the arts for economic development.

Picture a low-rise “eco-friendly” building stretching along the curves of a hilltop overlooking the small seaside town of Hamburg. It is quiet here: artists are at work as they take in the spectacular views of the Indian Ocean and Keiskamma River. This is the Hamburg Artists' Residency, a facility that is intended to attract artists from all walks of life into the area. The residency is a unique development that includes 20 bungalows with complementary services, including theatres, a multi-media centre, visual arts and dance studios, a restaurant, a laundromat, and botanical art park.

The residency's arts programme will help reinvigorate the tourism sector in the area. The National Department of Environmental Affairs and Tourism (DEAT) has allocated seed funding of R22-million for the construction, and a pre-feasibility on the environmental impact assessment has been undertaken. Plans are already in place for implementation to commence in the next financial year.

As spin-offs from the Hamburg Artists' Residency, Aspire identified a number of commercial opportunities which fit within a clearly defined spatial development framework. These include retailing, fish farming, an arts and crafts facility, tour guiding, tour operations, bed and breakfast facilities, leisure and entertainment. Such new businesses will compliment existing tourism products along the R72 and increase the tourism traffic in the area.

The Hamburg Artists' Residency is an anchor for the broader Hamburg Regeneration Initiative. The development of Hamburg and surrounds will require economic and social infrastructural improvements, including sanitation, electrification, roads, telecommunications, recreational facilities, public transport facilities, as well as the beautification of the area. There are significant impacts for skills

development and jobs in the corridor. Working with the Department of Labour, Aspire is developing a skills development plan for the area.

Primarily, the challenge is to demonstrate the probable economic impact of the Hamburg Regeneration Initiative on the surrounding areas. The NDPG has allocated R3.25-million to undertake an expanded spatial development plan framework for the seven rural villages that surround Hamburg.

Besides the Hamburg Regeneration Initiative, Peddie, the administrative centre in the municipal area, has been identified as a strategic economic area within the small towns regeneration programme. Currently, the Ngqushwa Local Municipality is working closely with the DBSA, the University of Fort Hare and Aspire to develop an LED strategy, aligned to AREDS, which will be translated into bankable opportunities.

4. Institutional and Finance Cluster

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

IDP Budget Roadshow Alice - April 2008



Communications

The ADM has actively promoted community participation in the decision making process of Council. This has been implemented in a number of different ways, including undertaking an IDP and budget roadshow to communities at all local municipalities; the Council Open Day, the Imbizos in October 2007 and April 2008, as well as hosting information days at various centres within the district. In addition, a number of different forums are held on a regular basis where representatives of community structures have a direct role to play in policy decisions.

The ADM's Communications Strategy incorporates a communications cycle of promotional campaigns and programmes throughout the course of the year. The Strategy is reviewed on an annual basis.



Supply Chain Management workshop for contractors - June 2008



Supply Chain Management (SCM)

The Supply Chain Management function is situated within the Administration of Amathole District Municipality. The Supply Chain Management Unit deals with all the activities related to procuring goods and services within the municipality. The Municipality reviewed its SCM Policy in 2007 where the ADM adopted a targeted SCM Policy and set out empowerment goals to support Historically Disadvantaged Individuals

(HDIs). Support mechanisms have also been included to empower HDIs. A help desk has been established to achieve these goals as set out in the SCM Policy. A database has been established for General Services Providers/Suppliers, Professional Services Provider and Contractors.

Municipal Support

Amathole District Municipality (ADM), like all District Municipalities, is legislatively required to assist and build the capacity of local municipalities within their demarcated area, in order for them to perform their functions and exercise their powers [Section 83(3)(c), and Section 88(2)(a) of the Local Government: Municipal Structures Act, 117 of 1998].

ADM established a Municipal Support Unit (MSU) that provides dedicated support to local municipalities in the areas of finance, human resources, administration, technical services, land and housing, development planning and performance management matters.

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

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

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

ACTIVITY	PURPOSE	AFFECTED LOCAL MUNICIPALITIES (LMs)
Coordinate District Corporate Services Forum meetings	To encourage learning and sharing within district	All Local Municipalities
Develop SCM Procedure Manuals	To facilitate easy implementation of SCM Policy	Ngqushwa and Nxuba
Develop Delegation Framework (for Staff)	Legislative compliance	Nxuba
Trained and capacitated ward committees	To strengthen public participation	Nxuba and Great Kei
Facilitated training in archives and records management	Improve Records Management	Buffalo City, Ngqushwa and Great Kei
Customize Fleet Management Policy	Improve fleet management	Nxuba and Ngqushwa
Trained SCM Officers	Improve the SCM function	Mbhashe and Ngqushwa
Supplied and explained copies of ADM Supply Chain Management reports	Improve quality of SCM Reports; to enhance the oversight role of Council	Mbhashe, Ngqushwa and Nxuba
Develop and/or review LM IDP's and performance management system	Legislative compliance. strategic planning. Monitoring and evaluate IDP implementation	All Local Municipalities
Coordinate the development of Spatial Development Frameworks	Promote spatial planning / manage spatial and land use systems	All Local Municipalities
Coordinate alignment of NSDP, PGDP & IDP at a district level	Align national, provincial & district municipality planning activities	Amathole District Municipality
Facilitate the development of sector plans	Integrate sector dimensions and cross cutting issues	All Local Municipalities
Undertake environmental scan to assess support requirements of LMs	Municipal Support Unit to strategically assess and optimise the support requirements of Local Municipality functionaries	All Local Municipalities

ACTIVITY	PURPOSE	AFFECTED LOCAL MUNICIPALITIES (LMs)
Facilitation and coordination of District Corporate Services Forum meetings in regard to Human Resources matters	Creating a platform of learning & sharing / coordination of activities within Corporate Services Functionary	All Local Municipalities
Customisation and roll out of draft Employment Equity Plans for LMs for 2007-09 reporting year	To ensure compliance in setting of Employment Equity targets as per Employment Equity Act, Act 58 of 1998 as amended and for reporting period 2007-09	Nxuba and Mbhashe
Undertake a desktop study to assess LM organograms in accordance with Municipal Powers and Functions	Organisational structures and establishment plans of LMs are in line with municipal powers and functions, to ensure compliance with Section 66(1) of Municipal Systems Act, Act 32 of 2000 as amended	Amahlathi, Mbhashe, Mquma, Nkonkobe and Nxuba LMs
Undertake Labour Relations Management training for LMs	Imparting of Labour Relations Management skill to heads of departments, line managers and junior managers of Local Municipalities	All Local Municipalities, except Buffalo City
Completion of Legislative compliance checklist by all LMs	Legislative compliance / compliance with the Office of the Auditor General requirements	All Local Municipalities
Completion of Satisfaction level questionnaire	To assess the impact of support provided to LMs by ADM / establish areas of improvement for the effective support to transform LMs to be self sustainable	All Local Municipalities
Coordination and facilitation of Local Labour Forum terms of reference for Councillors / managers / senior officials / employee representatives of LMs	Impart learning on legislation that supports or recognises establishment of Employer Formations & Employee Trade Unions / governance issues within the workplace / Rationale upon the establishment	Mbhashe & Mquma LMs
Facilitate performance management working sessions for Local Municipalities	Operationalisation of Performance Management System / Conclusion Performance Agreements in line with New PMS Regulations / Assist in the development of SDBIP for LMs	All Local Municipalities



ACTIVITY	PURPOSE	AFFECTED LOCAL MUNICIPALITIES (LMs)
Coordinate District Corporate Services Forum meetings	To encourage learning and sharing within District	All Local Municipalities
Vukuzakhe Labour Based Road Maintenance	To alleviate poverty and to maintain roads of Hogsback	Nkonkobe
Development of operating systems and manuals	To provide a guiding document for LMs to operate and maintain their infrastructure	All Local Municipalities
EPWP LIC NQF 5 & 7 training	To provide LM officials with qualification to implement EPWP projects	All Local Municipalities
Zibhityolo Labour Based Road Maintenance	To alleviate poverty and to provide access to Zibhotyolo Village	Mnquma
To develop Housing Sector plans for Local Municipalities	To ensure development of sustainable human settlements.	All Local Municipalities
Facilitate the development of Area Based Plans/Land Reform and Settlement Plans	To fast track implementation of land reform programmes and restitution programmes.	All Local Municipalities except Buffalo City.
Facilitate development of Spatial Development Framework Plans	To inform land use development initiatives and ensure environmental sustainable programmes.	All Local Municipalities except Buffalo City.





CHAPTER 3

In this chapter:

Human Resource and Other Organisational Management ◀

Human Resource and Other Organisational Management

Institutional structure

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

Political structure

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

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

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

Administrative Structure

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

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

Name: Amathole District Municipality

Purpose: To develop and implement an Integrated Development Plan for the Amathole District.

Functions:

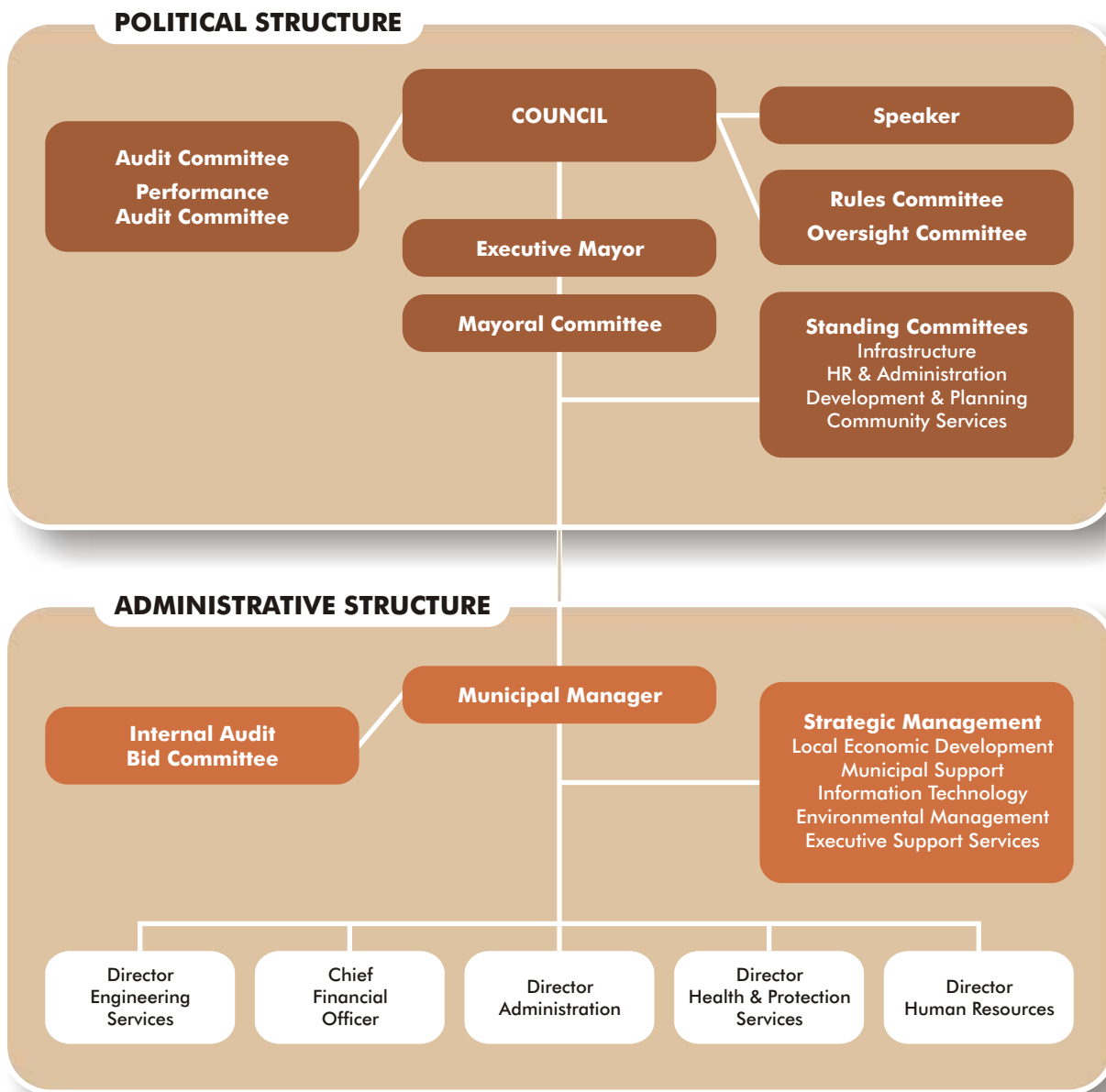
- The management of the municipality;
- The rendering of administrative services to the municipality;
- The rendering of financial services to the municipality;
- The rendering of human resources services to the municipality;
- The rendering of health and protection services;
- The rendering of engineering services; and
- The rendering of support to the Executive Mayor's Office.

There are seven (7) departments established to perform the functions, namely:

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



The ADM's institutional structure is illustrated as follows:



Organogram as at 30 June 2008

A break down of posts per department and divisions

Office of the Mayor	No of Posts per Division	Total	Filled
Municipal Manager's Office	Executive Support Services	17	15
	Municipal Manager	1	1
	Office Administrator: Municipal Manager	1	1
	Receptionist	1	1
	Strategic Manager	1	1
	Office Administrator: Strategic Manager	1	1
	Division: Local Economic Development	6	5
	Division: Information Systems	7	7
	Division: Municipal Support	12	12
	Division: Office of the Speaker	4	3
	Division: Internal Audit	8	8
Division: Environmental Management	4	3	
TOTAL		46	43
Administration	Director	1	1
	Secretary: Director	1	1
	Deputy Director	2	1
	Division: Supply Chain Management	12	12
	Division: Council Support & Auxiliary Services	37	37
	Division: Land & Housing	13	13
TOTAL		66	65
Budget & Treasury Office	Chief Financial Officer	1	1
	Secretary: Chief Financial Officer	1	1
	Deputy Director	2	1
	Systems Analyst	1	1
	Division: Expenditure	10	10
	Division: Budget & General	8	8
	Division: Accounting & General	6	6
	Division: Revenue Services	27	27
TOTAL		56	55
Human Resources	Director	1	1
	Secretary: Director	1	1
	Deputy Director	1	1
	Division: Personnel Administration	8	7
	Division: Industrial Relation & Employee Wellness	7	6
	Division: Recruitment & Organisational Development	6	5
	Division: HRD & Occupational Risk Management	8	8
TOTAL		32	29



Office of the Mayor	No of Posts per Division	Total	Filled
Engineering Services	Director	1	1
	Secretary: Director	1	1
	Administration Support Management	1	1
	Receptionist	1	1
	Division: PMU	17	17
	Division: Planning & Construction	7	7
	Division: Operations & Maintenance [Transferred position from water services]	630	538
	Division: Building Management & Services Planning	22	17
TOTAL		680	583
Health & Protection Services	Director	1	1
	Secretary: Director	1	1
	Deputy Director	1	1
	Division: Nursing Services	81	79
	Division: Environmental Health [Subject to devolution of powers therefore no structure has been implemented]		
	Division: Protection Services	32	32
TOTAL		116	114
GRAND TOTAL		996	889

Organisation Capacity Building, Occupational Health and Safety and Employee Assistance

The strategic objectives of these functions are as follows;

Training and development

- To equip the ADM councillors and officials with the necessary skills, knowledge and attitude for effective and efficient service delivery.
- To organise Adult Basic Education and Training for employees who want to improve their educational status.
- To organise opportunities for student trainees to do practical work in the Council when that becomes the requirement for a qualification.
- To provide assistance / advice to the Local Municipalities on capacity building.

- To develop, implement and report on the ADM's Workplace Skills Plan.
- To develop and review all training and development-related policies.
- To ensure compliance with all legislation related to training and development.

Occupational health and safety

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



Employee Assistance Programme

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

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

Labour Relations

Labour Relations has the task of establishing and maintaining workplace peace. Workplace relations are maintained with due regard to relevant legislation and provisions of the ADM and SALGBC Disciplinary Procedure Collective Agreement.

Sports and Recreation

The ADM adopted a Sports and Recreation Policy that was created with the intent of recognizing and formalizing the various sports and recreation initiatives like ADM soccer/netball and the ADM choir. The objectives of the section is:

- a) to attend and take part in activities that will support the success of the 2010 FIFA World Cup
- b) to represent the ADM in sports fora within the District, Province and nationally;



- c) to institutionalize sport and recreation in the ADM
- d) to manage, promote, and co-ordinate sport and recreation within the ADM
- e) to provide access to support, training, life skills development services, coaching as well as a supportive social environment in order to increase the number of staff interested in joining sport and recreation
- f) to ensure provision of resources
- g) to invest in health, vitality and productivity of ADM staff

Organisational Capacity Building

ADM Annual Training Programme (2007/08) as approved by Council.

The ADM is constantly making a concerted effort to ensure the implementation of sufficient skills development initiatives in order to fulfil the responsibility with which it has been entrusted. For the period under review, an annual training programme was compiled which was informed by the identified training needs of councillors and officials. Such training needs had to be aligned with the business objectives of the Council (i.e. the Integrated Development Plan), and the Sector Skills Plan of the Local Government Sector Education and Training Authority (LGSETA). The annual training programme formed the basis of the Workplace Skills Plan (WSP) for the Council, which was submitted to the LGWSETA.

Although some of the training for councillors was facilitated through the South African Local Government Association (SALGA) Eastern Cape, and Department of Provincial Local Government (DPLG) the Council has a share of responsibility that compels it to budget for a significant amount of funds in order to co-ordinate various training interventions in respect of councillors where skills gaps have been identified.



Training interventions in the 2007/08 Financial Year

The following is a synopsis of the training programme that was followed in the 2007/2008 Financial Year for the ADM councillors and officials: The synopsis seeks to highlight the training interventions that were conducted indicating the total number of Courses as well as the number of councillors and officials who attended such courses.

The total number of courses conducted was 43. Funding was proportioned in such a manner that at least 25% was spent on training in each quarter. Of the R905 000.00 allocated for training, 100% expenditure was realised by June 2008.

No.	Training Courses	No. of Councillors	No. of Officials
1	Electronic Filing		141
2	Basic Debtors		16
3	GIS Awareness		101
4	Customer Care		18
5	Disaster Management		5
6	Project Management		18
7	Light Vehicle Rescue		30
8	Conflict Management		8
9	Communication and Liaison		8
10	Charing of a Disciplinary Enquiry	1	24
11	Secretarial Skills		15
12	Advanced Project Management		4
13	Intermediate Excel		3
14	Power Point		5
15	Intermediate Word		12
16	Recruitment and Selection	1	20
17	Advanced Excel		4
18	Basic Excel		3
19	Light Vehicle Rescue		10
20	Stress Management		85
21	Transport and Fleet Strategy		4
22	Waste Water Process Operations		19
23	Public Safety		39
24	Occupational Health and Safety		9
25	Introduction to Computers	1	

No.	Training Courses	No. of Councillors	No. of Officials
26	Extrication		7
27	Vehicle Rescue		7
28	Basic Word	1	
29	Excel	2	1
30	Intermediate Excel		1
31	Radio Procedures		7
32	Financial Management & ABET Talk		54
33	Internet & Email	2	
34	Fire Fighting		13
35	Batho Pele		9
36	Intermediate Excel		1
37	General Ledger		3
38	Price Adjustments		3
39	Introduction to Computers		8
40	Personal Finance Management		112
41	Pre-Paid Meter Maintenance		3
42	IDP		14
43	Occupational Health and Safety		40
44	Higher Certificate in Economic Development	3	
45	Finance for Non Financial Managers	2	
46	Public Participation	12	
47	Training on Housing	3	
48	Masters in political science	1	
49	Executive Leadership Municipal Dev. Programme	7	
50	Local Government Law and Administration	2	
51	Municipal Leadership Development Programme	11	
TOTAL		49	884

- It should be noted that some councillors and officials attended more than one course.



Total Employee Qualification Profile

	Highest level qualifications held by employees shown in NQF / NQF equivalent levels										
	Bellow Level 1	1	2	3	4	5	6	7	8	M	F
TOTAL	443	128	46	16	81	138	48	3	1	586	318

Experiential Training Programme

The ADM has been following an experiential training programme since 2002, as part of its focus on social responsibility. The purpose of this programme is to:

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

A total of fifteen (15) learners from various Technikons in the Eastern Cape were given the opportunity to gain practical experience during the period under review by being placed in various ADM Departments, including Human Resources, Administration, Budget and Treasury, Engineering and the Municipal Manager's Office. The duration of this programme is six months and is coordinated by the Human Resources Department.

Internship Programme

Two female candidates are still under the Internship Programme. The duration of the Programme was set at three years by the National Treasury. ADM has further funded them to enrol for the Certificate Programme in Management Development offered by the University of Witwatersrand.

Learnership Programmes

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



A big day for learnership graduates
November 2007

Two Water Learnership Programmes:

The two programmes commenced in January 2007. The duration of the two programmes was 12 months. A total of 50 candidates were enrolled for the two Water Learnership Programmes. Thirty-two candidates who enrolled were unemployed and eighteen were employed candidates. Four unemployed candidates have since been absorbed by the ADM and a further two were employed by Zana-Manzi Water Services; two employed candidates were also withdrawn from the Programme due to operational challenges.

The ADM is responsible for the coordination and administration of the learnership programmes, and also plays the role of employer of all unemployed learners. All theory modules were completed and candidates are undergoing a coaching process and will be assessed as soon as coaching is completed.

Municipal Finance and Administration Learnership Programme:

This programme commenced in November 2006, and is designed to run for a duration of 12 months. Out of the 25 candidates that enrolled for the programmes, 15 were unemployed and 10 were employed. The ADM allocated funding (R400 000) to the learnership programme and all the funds were fully utilized. All theory modules were completed and assessments and moderation were conducted and sent to LGSETA. The service provider is awaiting the awarding of an extension of scope by the LGSETA to conduct re-assessments.

ABET Programme

Commencement of the ABET programme was delayed due to contract changes by the Local Government SETA. Fifty five (55) officials were enrolled with the programme.

Bursary Scheme for Students in Rare Skills

During the period under review two (2) students were awarded bursaries to study civil engineering, both are males. One is currently studying with Nelson Mandela Metropolitan University and the other is with Walter Sisulu University. Four more students are envisaged to take part in the programme at the beginning of 2009.

Employee Study Assistance Scheme

A study assistance scheme was introduced and approved by Council in October 2006. Officials are entitled to apply for financial study assistance through the scheme. A total number of 72 candidates were assisted through this scheme and have enrolled for various programmes with numerous Institutions of learning. The levels of educational programmes enrolled for, range from the Further Education and Training (FET) band to the Higher Education and Training (HET) band.

There are 49 females and 23 males. Out of the total number of employees studying, 68% are females and 32% are males.

Employee Assistance and Wellness Programme

To show the commitment the ADM has to the health and well-being of its employees, it embarked on an Employee Assistance and Wellness Programme. The programme is aimed at providing assistance to employees over a broad range of personal concerns, including but not limited to marital, family and relationship problems, substance abuse and other addictive behaviours, dealing with the HIV and Aids pandemic, workplace violence and trauma counselling,

workplace discrimination, personal debts and financial management, stress; psychological problems, sexual harassment, chronic illnesses, etc. The programme is available to all councillors, employees, retirees, as well as spouses and dependants of employees.

Programmes and Projects

A **financial management workshop** was organized for Water and Sanitation employees to equip them with financial matters. This has since escalated to all staff, inclusive of senior management and councillors during the month of October. A lot of enthusiasm has been ignited among employees to participate in the ADM support group now in place comprising volunteer employees including managers.

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

- **Counseling** for personal and work related problems and some have referred their relatives as well
- HIV and Aids information, education and communication as well as **Voluntary Counseling and Testing**.
- Primary and Occupational Health issues including monitoring and advice on **chronic ailments**.

Budget information

An amount of R300 000 was budgeted for the EAP Vote in the 08/09 Operational Budget.

Compliance with Occupational Health and Safety Legislation

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

During the 2008 financial year twenty-three (8) employees were injured during the course of duty. All these incidents were reported to the Compensation Commissioner.

In response to a concern of the SA Municipal Workers' Union (SAMWU), and in line with its statutory obligations, the OHS Unit conducted a health and safety audit of water and sanitation sites of the Amathole District Municipality. The audit inspection was focusing on checking safety of ADM water and sanitation employees in their working stations. The following situation obtains in the stations visited.

PREMISES	Toilets	Showers	Change Room	Dining Room	Lockers	Chemical Storage	Table and Chairs
Bedford water	N	N	N	N	N	N	N
Bedford Sanitation	Y	N	N	N	N	N	N
AdelaideH2O	N	N	N	N	N	N	N
Adelaide Buckets	N	N	N	N	N	N	N
Adelaide Sanitation	Y	Y	N	N	N	N	N
Ft.Beaufort Water	Y	Y	N	N	N	N	N
Ft. Beaufort Sanitation	N	N	N	N	N	N	N
Carthcart Water	N	N	N	N	N	N	N
Carthcart Sanitation	N	N	N	N	N	N	N
Alice Water	Y	N	N	N	N	N	N
Peddie	N	N	N	N	N	N	N
Great Kei T/W	Y	Y	N	N	N	N	N
Kei Mouth	N	N	N	N	N	N	N
Morgan's Bay	Y	N	N	N	N	N	N

Key:

- Y - Yes (Available)
N - No (Not available)

Protective Clothing

As stated in the Act, the employer must ensure that the Risk Assessment is performed by a competent person before issuing any personal protective equipment. Also as per Safety Management Training Course (Samtrac) the employer has to ensure that the risks identified are managed accordingly by following the steps mentioned below, also known as 4T's:

1. Treat
2. Terminate
3. Transfer
4. Tolerate.

Where the above system is being followed, the employer can tolerate risk that remains by issuing Personal Protective Clothing and it must be in line with the risk assessment that was performed.



Budget information

The budgets of the affected departments for the purchase of protective clothing will now be centralized under the Human Resources Operational Budget to ensure compliance with health and safety requirements.

Labour Relations

The Labour Relations and Employee Wellness Unit has the task of establishing and maintaining workplace peace and looking at the health and safety and wellbeing of employees and councillors. Workplace relations are maintained with due regard to relevant legislation and provisions of the ADM and SALGBC Disciplinary Procedure Collective Agreement, and the health and safety and wellbeing of employees and councillors is regulated through the Occupational Health and Safety Act (OHASA) 85 of 1993, the Occupational Injuries and Diseases Act 130 of 1993, as well as the EAP (Employee Assistance) Policy.

The ADM has successfully concluded the transfer of water services staff from LMs and the Department of Water Affairs, effective on 1 July and 1 November 2007 respectively. The burning issue of lack of parity between staff transferred from local municipalities and the ADM has been addressed through a two stage process. Salary scales of ex-LM employees, except Amahlathi were not corresponding with SALGBC salary structure, and this was addressed in April 2008, with effect from July 2006. The parity issue was addressed next, with same designation employees being put on par, and backpay paid with effect from 1 November 2007, which was the effective date of placement.

Support to Local Municipalities

Support to local municipalities in the form of chairing of disciplinary hearings took place during the period under review. A MSU led training intervention on the entire disciplinary process is in the pipeline to build the capacity of managers and supervisors at LM level.

Secondment of staff to Amatola Water

An agreement was entered into between the ADM and Amatola Water on Bulk Water Service Provision in the local municipalities of Mbashe, Mquma, Great Kei, Amahlathi, Ngqushwa, Nkonkobe and Nxuba. As part of an endeavour to obtain buy-in from labour, it was agreed that all disciplinary issues, save for decisions to dismiss, would be taken care of by the AW.

Budget summary

There is no dedicated budget for the activities related to this function.

Sports and Recreation

The largest sporting event on earth will take place in South Africa in 2010, which will involve 207 nations from 6 continents. This will be the biggest media spectacle in the world with a cumulative audience of over 40 billion people. The Buffalo City area has been earmarked as one of the training venues to be utilised by teams preparing for matches elsewhere in the country. This honour comes with responsibilities which the Buffalo City Municipality cannot carry alone. Given that the South African Government had to stand surety on behalf of the SA Football Association for the successful hosting of the 2010 FIFA World Cup, it has become incumbent upon all levels of government to translate the guarantees into programmes and projects. In realisation of this, a multi-stakeholder district forum including the Amathole District Municipality, is in place to deal with all related logistics. For the stakeholders to play a meaningful role in the activities towards the mammoth event, resources, with emphasis on financial commitment to the process, are of critical importance.

This commitment should transcend the 2010 event and take into account the need for the District Municipality to promote healthy lifestyles through sport. The Sports and Recreation Policy adopted by the Amathole District Municipality in 2007 lists among the responsibilities of local government, funding of principal agencies viz, clubs and individuals and creating facilities for local and provincial usage.

In post apartheid South Africa, sport was recognized as a tool for social integration, hence the conscious promotion of sport and recreation as part of nation-building. The White Paper on Sport and Recreation in South Africa, in its drive of 'getting the nation to play', crystallizes the South African Government's conviction about how sport and recreation activities contribute to the general welfare of all South Africans. The Commonwealth Heads of Government Working Group in Harare (1995) made the following observation with regard to the influence of sport on society: "It is time that the integral role which sport plays in the process of nation-building is fully recognized. Sport is an investment. It is firstly an investment in the health, vitality and productivity of one's people. It is secondly an investment in their future. The social benefits include an overall improvement in the quality of life and physical, mental and moral well-being of a population."

The ADM adopted a Sports and Recreation policy that was created with the intent of recognizing and formalizing the various sports and recreation initiatives like ADM soccer/netball and the ADM choir. The policy also advocated for the creation of a position for an official to be appointed as a Sports and Recreation Administrator, to reside in the Wellness Unit, with the following responsibilities, among others:

- a) to attend and take part in activities that will support the success of the 2010 FIFA World Cup
- b) to represent the ADM in sports fora within the District, Province and nationally
- c) to institutionalize sport and recreation in the ADM
- d) to manage, promote, and co-ordinate sport and recreation within the ADM
- e) to provide access to support, training, life skills development services, coaching as well as a supportive social environment in order to increase the number of staff interested in joining sport & recreation
- f) to ensure provision of resources
- g) to invest in health, vitality and productivity of ADM staff

This is a role-playing position, and the incumbent, seconded from the MSU, is expected to interact at a fairly senior level, and therefore the position was set at Post Level 5.

Various sporting events have been undertaken, such as hosting other municipalities, visiting others, and participating in Southern African Inter-Municipal Games held in Kimberley in September 2008. In taking its place among other stakeholders involved in the 2010 preparations, the ADM hosted a workshop the objectives of which were:

- To look at 2010 objectives
- Mainstreaming of 2010 FIFA World Cup in the 2009/2010 IDP.
- Sustainability and legacy imperatives
- Identifying areas of economic opportunities within the ADM
- Contribution of the district in sports tourism growth.
- Identifying and prioritizing ADM tourism development potential / initiatives
- Ensuring link between the host City [Nelson Mandela Bay], base camps and the ADM 2010 Forum.
- Ensuring public participation.
- Skills transfer and development.
- Developing a District Master Plan.
- Linking 2010 Provincial Coordinating Committee and ADM 2010 Forum.
- Identifying other stakeholders/Partners within the district.
- Identifying and prioritising ADM sport development programmes in relation to 2010
- Identifying and prioritising ADM safety and health initiatives
- Costing and resource mobilization
- Creating synergies amongst work-streams

Residual matters

Reskilling of retrenched road workers

In an effort to discharge of its social responsibility obligation in respect of roads employees retrenched in 2003 after the closure of the Municipality's Roads Division, the Amathole District Municipality, commissioned MCC BUSINESS CONSULTANTS to initiate a process of identifying and putting the ex-employees through skills training. The accredited training was to be through accredited institutions and was meant to equip the affected employees with skills that are capable of being absorbed within the labour market. Funding of R300, 000 for the project was sourced from an amount of R750 000 received from the Department of Housing, Local Government and Traditional Affairs as a Vuna Award in 2003. Of the R300, 000, an amount of R12 104.74 remains as a balance.

According to the service provider, most of the employees that could be located are now employed in different institutions and industries. A meeting was held with MCC BUSINESS CONSULTANTS on 6 June 2007, where the service provider was requested to explore some options in further assisting the remaining five unemployed ex-employees out of the fourteen that went to Lovedale for a Bricklaying and Plastering course. The five ex employees have not been successful in finding steady fulltime employment since the completion of their training.

Not only did the service provider identify a course (roof carpentry) running over 30 days, but it initiated negotiations with credible building contractors who undertook to employ the ex-employees once they completed the roof carpentry course.

The Department of Local Government and Traditional Affairs was requested to assist with top-up funding for this undertaking, which represents the final phase of the project. For the project to be complete, an additional amount of R43 875, 26 is required. Apart from a letter of acknowledgement, in which the department stated that it was looking into the matter, funding is still a challenge in concluding the project. Budget information

The programme was funded from external projects, and R12 104.74 remains as a balance.

Staffing for the Division

The Division has seven staff members



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

No	Key Initiatives																	
1.	<p>Employment Policies</p> <p>Recruitment, Promotion & Transfer, Career Succession Planning Policies & Employment Equity & Skills Development Plans</p>	<ul style="list-style-type: none"> • Motivation for filling vacant posts is done according to the Recruitment Policy. • The Executive Mayor and Municipal Manager approve the filling of vacant posts. • Short listing, interviewing, Promotion and Transfer Committees are constituted according to the Recruitment and Promotion and Transfer Policies, respectively, to ensure transparency and accountability. • Relevant competency tests have been used as and when necessary. • The roll-out strategy for Career Succession Planning Policies is underway. <p>The Employment Equity profile in the three highest levels of employment was as follows as at 30 June 2008:</p> <table border="1"> <thead> <tr> <th>Levels of Employment</th> <th>Target</th> <th>Actual</th> <th>Variance</th> </tr> </thead> <tbody> <tr> <td>Percentage of black employees in three highest levels of management.</td> <td>80%</td> <td>73%</td> <td>-7%</td> </tr> <tr> <td>Percentage of female employees in three highest levels of management.</td> <td>35%</td> <td>31%</td> <td>-4%</td> </tr> <tr> <td>Percentage number of disabled employees in three highest levels of management.</td> <td>2%</td> <td>0.11%</td> <td>-1.9%</td> </tr> </tbody> </table>	Levels of Employment	Target	Actual	Variance	Percentage of black employees in three highest levels of management.	80%	73%	-7%	Percentage of female employees in three highest levels of management.	35%	31%	-4%	Percentage number of disabled employees in three highest levels of management.	2%	0.11%	-1.9%
Levels of Employment	Target	Actual	Variance															
Percentage of black employees in three highest levels of management.	80%	73%	-7%															
Percentage of female employees in three highest levels of management.	35%	31%	-4%															
Percentage number of disabled employees in three highest levels of management.	2%	0.11%	-1.9%															
2.	<p>Employee Health & Safety Policies</p>	<p>A health and safety audit of Operations and Maintenance sites was conducted, which revealed a number of inadequacies and risks. Heads of Departments were apprised of the situation.</p> <p>Condoms are distributed in the work place.</p>																
3.	<p>Employee Capacity Building & Productivity Enhancement Policies are;</p> <p>Training & Development, Bursary on Rare Skills, Employee Study Assistance Policy, Experiential Training & Performance Management Policies</p>	<ul style="list-style-type: none"> • 43 courses were delivered for both councillors and officials. • An amount of R905 000.00 was spent on training. • An amount of R 700 000 was utilized for study assistance. • An amount of R70 000 was utilized for bursary on rare skills. • An amount of R280 000 was utilized for experiential training. • An amount of R90 000.00 was utilized for Internship programme. • An amount of R800 000.00 was utilized for learnership programmes. • The PMS was rolled out to post levels 2 to 15. 																

Activities of the Job Evaluation Unit

In terms of the Collective Agreement concluded by the Eastern Cape Local Government Bargaining Council, the ADM and Buffalo City Municipality were commissioned to establish a Job Evaluation Unit for the Amathole District Region as demarcated by South African Local Government Bargaining Council. The municipalities budget and fund accommodation, employment and other logistical requirements. The process of developing job descriptions for each post has been completed. Amathole District Municipality and local municipalities under its area of jurisdiction are now waiting for the final results of evaluation.



FINANCIAL INFORMATION ON MEDICAL AIDS AND PENSION FUNDS

2007-08 EXPENDITURE ON MEDICAL AID SCHEMES

Name of Scheme	Number of Members At 30 June 2008	Annual Costs
BONITAS	214	R 4,069,851.00
LA HEALTH	181	R 711,092.00
MUNIMED	89	R 3,587,714.00
SAMWUMED	73	R 2,424,584.00
HOSMED	10	R 236,981.00
GLOBAL HEALTH	12	R 58,228.00
BEST MED	1	R 10,550.00
MEDICOVER	7	R 69,104.00
MEDSHIELD	13	R 125,318.00
FEDHEALTH	5	R 41,516.00
RESOLUTION MED AID	5	R 67,674.00
GEN HEALTH	2	R 13,840.00
SPECTRA MED	2	R 34,662.00
GEMS	2	R 28,922.00
TOTAL	615	R 11,480,036.00

2007-08 EXPENDITURE ON PENSION FUNDS

Name of Funds	Number of Members At 30 June 2008	Annual Costs
Cape Joint Retirement Fund	355	R 11,876,576.00
Cape Joint Pension Fund	22	R 446,676.00
SAMWU National Provident Fund	195	R 2,281,323.00
Eastern Cape Municipal Pension Fund	3	R 80,904.00
Eastern Cape Municipal Gratuity Fund	3	R 18,384.00
Government Employees Pension Fund	100	R 796,427.00
National Fund For Municipal Workers	21	R 327,239.00
South African Local Authorities Pension Fund	27	R 397,116.00
TOTAL	726	R 16,224,645.00

TOTAL PERSONNEL EXPENDITURE ANALYSIS OVER THE PAST 3 YEARS

Financial Year	Total Personnel Expenditure	Total Municipal Budget	Percentage Variance
2005 - 06	R 73,840,075.00	R 561,750,681.00	13.14%
2006 - 07	R 114,387,648.00	R 519,078,865.00	22.03%
2007 - 08	R 146,539,514.00	R 723,641,534.00	20.25%



Remuneration of the Municipal Manager	2007/2008	2006/2007
Annual Remuneration	R 295,793.00	R 481,207.00
Performance Bonus	R 0.00	R 110,573.00
Leave encashment	R 56,959.00	R 0.00
Acting Allowance	R 0.00	R 0.00
Cell Phone Allowance	R 0.00	R 0.00
Car Allowance	R 99,905.00	R 172,861.00
Back pay of Remuneration	R 11,300.00	R 0.00
Contribution to UIF, Medical & Pension Fund	R 68,593.00	R 106,497.00
TOTAL	R 532,550.00	R 871,138.00

Remuneration of the Chief Financial Officer	2007/2008	2006/2007
Annual Remuneration	R 191,772.00	R 378,136.00
Performance Bonus	R 62,205.00	R 102,453.00
Leave encashment	R 0.00	R 0.00
Acting Allowance	R 0.00	R 0.00
Cell Phone Allowance	R 10,939.00	R 17,700.00
Car Allowance	R 61,330.00	R 135,469.00
Back pay of Remuneration	R 9,073.00	R 0.00
Contribution to UIF, Medical & Pension Fund	R 48,330.00	R 96,837.00
TOTAL	R 383,649.00	R 730,595.00

The position of CFO was vacated on 31 Oct 2007 The position of CFO was filled on 1 May 2008

Remuneration of the Director: Administration	2007/2008	2006/2007
Annual Remuneration	R 211,459.00	R 387,564.00
Performance Bonus	R 78,806.00	R 103,592.00
Leave encashment	R 60,985.00	R 0.00
Acting Allowance	R 0.00	R 0.00
Cell Phone Allowance	R 11,556.00	R 16,920.00
Car Allowance	R 53,929.00	R 129,406.00
Back pay of Remuneration	R 9,073.00	R 0.00
Contribution to UIF, Medical & Pension Fund	R 50,967.00	R 91,656.00
TOTAL	R 476,775.00	R 729,138.00

The position of Director: Administration was vacated on 31 December 2007

Remuneration of the Director: Engineering	2007/2008	2006/2007
Annual Remuneration	R 406,924.00	R 380,368.00
Performance Bonus	R 68,529.00	R 96,761.00
Leave encashment	R 30,492.00	R 0.00
Acting Allowance	R 0.00	R 0.00
Cell Phone Allowance	R 23,112.00	R 17,700.00
Car Allowance	R 133,180.00	R 135,658.00
Back pay of Remuneration	R 9,023.00	R 0.00
Contribution to UIF, Medical & Pension Fund	R 98,321.00	R 91,696.00
TOTAL	R 769,581.00	R 722,183.00

Remuneration of the Director: Strategic Management	2007/2008	2006/2007
Annual Remuneration	R 378,634.00	R 386,599.00
Performance Bonus	R 49,683.00	R 70,578.00
Leave encashment	R 56,787.00	R 0.00
Acting Allowance	R 0.00	R 0.00
Cell Phone Allowance	R 23,278.00	R 5,010.00
Car Allowance	R 123,291.00	R 136,360.00
Back pay of Remuneration	R 9,073.00	R 0.00
Contribution to UIF, Medical & Pension Fund	R 89,134.00	R 87,509.00
TOTAL	R 729,880.00	R 686,056.00

The position of Director: Strategic Management was vacated on 31st May 2008

Remuneration of the Director: Human Resources	2007/2008	2006/2007
Annual Remuneration	R 408,236.00	R 386,995.00
Performance Bonus	R 65,959.00	R 88,792.00
Leave encashment	R 32,142.00	R 0.00
Acting Allowance	R 31,344.00	R 0.00
Cell Phone Allowance	R 0.00	R 0.00
Car Allowance	R 135,271.00	R 136,528.00
Back pay of Remuneration	R 9,073.00	R 0.00
Contribution to UIF, Medical & Pension Fund	R 102,110.00	R 89,044.00
TOTAL	R 784,135.00	R 701,359.00



Remuneration of the Director: Health & Protection Services	2007/2008	2006/2007
Annual Remuneration	R 414,389.00	R 388,830.00
Performance Bonus	R 70,242.00	R 99,038.00
Leave encashment	R 0.00	R 0.00
Acting Allowance	R 0.00	R 0.00
Cell Phone Allowance	R 23,112.00	R 17,700.00
Car Allowance	R 134,724.00	R 138,022.00
Back pay of Remuneration	R 9,073.00	R 0.00
Contribution to UIF, Medical & Pension Fund	R 90,444.00	R 83,615.00
TOTAL	R 741,984.00	R 727,205.00
Remuneration of the Director: Executive Services	2007/2008	2006/2007
Annual Remuneration	R 379,682.00	R 60,273.00
Performance Bonus	R 18,521.00	R 0.00
Leave encashment	R 0.00	R 0.00
Acting Allowance	R 0.00	R 0.00
Housing Subsidy	R 7,344.00	R 1,108.00
Cell Phone Allowance	R 23,112.00	R 3,600.00
Car Allowance	R 130,660.00	R 22,560.00
Back pay of Remuneration	R 9,073.00	R 0.00
Contribution to UIF, Medical & Pension Fund	R 96,803.00	R 12,781.00
TOTAL	R 665,195.00	R 100,322.00
Remuneration of Agency Chief Executive Officer	2007/2008	2006/2007
Salary	R 385,008.00	R 489,390.00
Allowances	R 92,712.00	R 110,890.00
Bonus	R 85,858.00	R 55,454.00
TOTAL	R 563,578.00	R 655,734.00
Remuneration of Agency Chief Financial Officer	2007/2008	2006/2007
Salary	R 305,904.00	R 388,678.00
Allowances	R 140,760.00	R 106,610.00
Bonus	R 70,550.00	R 45,551.00
TOTAL	R 517,214.00	R 540,839.00
Remuneration of Agency Strategic Projects Specialist	2007/2008	2006/2007
Salary	R 275,416.00	R 320,570.00
Allowances	R 80,168.00	R 95,210.00
Bonus	R 61,260.00	R 38,304.00
TOTAL	R 416,844.00	R 454,084.00

Remuneration of Agency Business Partnership Specialist	2007/2008	2006/07
Salary	R 276,766.00	R 257,058.00
Allowances	R 78,818.00	R 90,710.00
Bonus	R 59,374.00	R 31,608.00
TOTAL	R 414,958.00	R 379,376.00

NOTE: Remuneration for the period July 2007 to Feb 2008 (payments made by ASSPIRE WEF 1 March 2008)

Remuneration of Councillors	2007/2008	2006/07
Executive Mayor	R 585,222.00	R 547,282.00
Speaker	R 448,960.00	R 428,979.00
Mayoral Committee Members	R 4,328,559.00	R 4,127,169.00
Councillors	R 4,360,345.00	R 4,100,766.00
Councillors Pension Contributions	R 190,033.00	R 0.00
TOTAL COUNCILLORS REMUNERATION	R 9,913,119.00	R 9,204,196.00

IN KIND BENEFITS

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

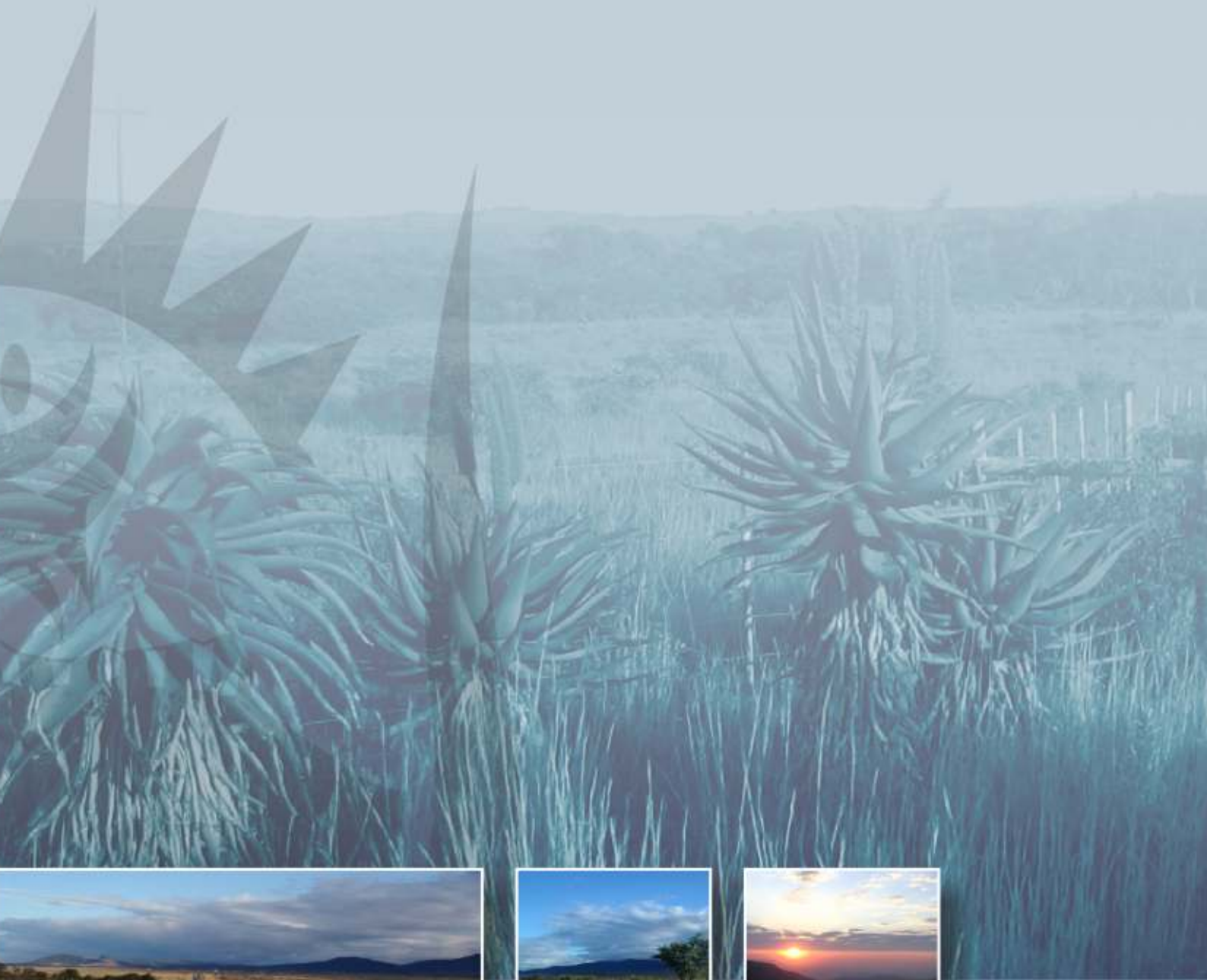
EMPLOYEE RELATED COSTS

TAXES	2007/2008	2006/2007
	R 15,820,287.97	R 14,257,544.00
TAXES PAYE AND UIF	2007/2008	2006/2007
Opening Balance		
Current year Payroll deductions & Council Contributions	R 17,583,954.00	R 15,603,473.00
Amount Paid - Current Year	- R 17,583,954.00	- R 15,603,473.00
Amount Paid - Previous Year		
Balance unpaid		
PENSION AND MEDICAL AID DEDUCTIONS	2007/2008	2006/2007
Opening Balance		
Current year Payroll deductions & Council Contributions	R 28,357,837.00	R 16,917,393.00
Amount Paid - Current Year	- R 28,357,837.00	- R 16,917,393.00
Amount Paid - Previous Year		
Balance unpaid		

DISCLOSURE CONCERNING EXECUTIVE COUNCILLORS BY PORTFOLIO FOR PERIOD 1 JULY 2007- 30 JUNE 2008

Kindly note that these statistics herein include Council Contributions which are excluded in the Annual Financial Statements in Chapter 4 of this document

DESCRIPTION	Executive Mayor	Speaker	Land and Housing	Community Service	Health	Water and Sanitation
Salaries and Wages	R 412,631.98	R 324,300.10	R 301,153.72	R 310,403.16	R 298,964.76	R 298,964.76
Normal	R 396,771.60	R 311,611.71	R 289,258.50	R 298,507.98	R 287,069.58	R 287,069.58
Back Pay	R 15,860.38	R 12,688.39	R 11,895.22	R 11,895.18	R 11,895.18	R 11,895.18
Council Contributions	R 22,402.50	R 17,715.61	R 18,445.68	R 7,204.79	R 21,316.95	R 21,357.85
Allowances	R 172,590.94	R 124,661.09	R 130,064.80	R 131,946.36	R 128,586.22	R 132,341.88
Travel and Motor Car	R 103,158.00	R 81,075.05	R 75,288.46	R 77,600.76	R 74,741.18	R 74,741.18
Accommodation	R 0.00	R 540.00				
Subsistence	R 300.00		R 1,200.00	R 420.00	R 420.00	R 3,060.00
Cell Phone	R 28,908.00	R 4,800.00	R 15,120.00	R 15,120.00	R 15,120.00	R 14,400.00
Housing Benefits	R 38,246.04	R 38,246.04	R 38,246.04	R 38,246.04	R 38,246.04	R 38,246.04
Reimbursive Travel Allowance	R 1,978.90		R 210.30	R 559.56	R 59.00	R 1,894.66
Loans and Advances						
Other Benefits						
Personal Facility						
Arrears Owed to Council						
Total Remuneration	R 607,625.42	R 466,676.80	R 449,664.20	R 449,554.31	R 448,867.93	R 452,664.49





CHAPTER 4

In this chapter:

- Auditor-General's Report on the Audit of the Consolidated Financial Statements ◀
- Amathole District Municipality Audit Committee's Report on the ADM's Financial Statements ◀
- Response to issues raised in the audit report ◀
- Consolidated Financial Statements for the Year Ended 30 June 2008 ◀

REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND THE AMATHOLE DISTRICT MUNICIPAL COUNCIL ON THE GROUP FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF AMATHOLE DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying group financial statements of the Amathole District Municipality which comprise the consolidated and separate statements of financial position as at 30 June 2008, consolidated and separate statements of financial performance, consolidated and separate statements of changes in net assets and consolidated and separate cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes and the accounting officer's report as set out on pages 76 to 129.

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 applicable basis of accounting determined by the National Treasury, as set out in accounting policy note 1 to the financial statements 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), 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. Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1 Presentation of Financial Statements requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Amathole District Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

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

Basis for qualified opinion**Property, plant and equipment**

10. Disclosed in note 1 are capital assets under construction of R140.45 million and acquisitions of R929 000. Completed projects of R48.18 million were incorrectly classified as capital assets under construction. Capital assets under construction is thus overstated and acquisitions understated by R48.18 million. Furthermore the municipality expensed all items of property, plant and equipment with a cost of R5 000 or less in terms of their accounting policy. These assets should have been capitalised and depreciated in terms of GAMAP 17. Thus the treatment of such assets by the municipality does not meet the recognition requirements of GAMAP.
11. Even through alternative procedures the extent of the misstatement could not be determined and is thus unknown, but material. Due to this the completeness of property, plant and equipment of R1.3 billion as disclosed in the financial statements could not be confirmed.

Revenue and receivables

12. Government Notice 849 transferred all of the rights, obligations, assets and liabilities in respect of water and sanitation services of seven local municipalities to Amathole District Municipality from 1 July 2006. A service provider was appointed to assist in an exercise to confirm the accuracy and completeness of accounts receivable for water and sanitation. Based on the work performed by the service provider the Amathole District Municipality continued with the updating of accounts receivable records after the financial year-end under review. As at 30 June 2008 water and sanitation receivables for only one of the erstwhile authorities, namely Mbhashe, has been fully completed and updated on the municipality's accounting system (Venus).
13. It could not be determined, even through alternative procedures that water and sanitation receivables were accurate or complete. Consequently both revenue of R76.6 million and receivables of R32.3 million reflected in the annual financial statements are not accurate, correctly valued or complete. As the municipality uses receivables as a basis for determining the provision for bad debt it was also not possible to confirm the completeness and accuracy of the provision for bad debt of R78.4 million that are disclosed in notes 6 and 7.

Commitments

14. According to note 33 of the annual financial statements commitments at 30 June 2008 amounted to R1.3 billion. It was not possible, even through alternative

procedures, to conclude on a comparison of awarded contracts and the individual commitments as documentation of R94.8 million was not provided by the municipality. Of the comparisons that could be performed differences of R17.24 million existed. Under these circumstances the completeness and accuracy of commitments of R1.3 billion could not be confirmed.

Housing inventory

15. A reconciliation of houses planned, completed and in progress and those that were transferred to beneficiaries was provided by the municipality during the audit. An unexplained difference in this reconciliation of R2.54 million was found. It was thus not, even though alternative procedures, possible to confirm the accuracy and completeness of the work in progress of R6.2 million that is disclosed in note 5 of the annual financial statements.

Irregular expenditure

16. Disclosed in note 28.3 of the annual financial statements is irregular expenditure of R7.58 million. It was not, even through alternative procedures, possible to confirm the accuracy and completeness of this irregular expenditure as contracts and opening registers for expenditure of R4.98 million could not be provided during the audit.

Qualified opinion

17. In my opinion, except for the effects of the matters described in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Amathole District Municipality and group as at 30 June 2008 and its financial performance and cash flows for the year then ended, in accordance with basis of accounting and in the manner required by the MFMA and DoRA.

Emphasis of matters

I draw attention to the following matters:

Unspent project funds

18. In note 18.3 to the annual financial statements, includes unspent conditional grants of R199.69 million. Of these, individual projects totalling R16.35 million (eight percent) showed no movement for the financial period under review except for interest earned. Furthermore, the municipality did not spend R199.69 million (forty three percent) of the total allocated budget (including rollovers) in the financial year under review.



19. Included in the surplus for the financial year of R62.24 million in the statement of financial performance are unspent priority project funds of R79.88 million. These underspent funds represent sixty eight percent of the total available funds for the financial year of R117.47 million and include prior financial year rollovers of R38.6 million.

OTHER MATTERS

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

Appointment of the municipal manager

20. During July 2008 the municipality appointed a municipal manager. As another candidate scored the highest points during an interview this matter was litigated. On 16 November 2008 the Grahamstown High Court ordered the decision not to appoint the candidate who scored the highest number of points to be reversed. The municipality's application to appeal the decision of the Grahamstown High Court was dismissed on 19 November 2008.

Internal controls

21. 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 & Communication	Monitoring
Property, plant and equipment					X
Revenue and receivables			X		
Commitments					X
Housing inventory	X				
Irregular expenditure			X		

Control environment: establishes the foundation for the internal control system by providing fundamental discipline and structure for financial reporting.

Risk assessment: involves the identification and analysis by management of relevant financial reporting risks to achieve predetermined financial reporting objectives.

Control activities: policies, procedures and practices that ensure that management's financial reporting objectives are achieved and financial reporting risk mitigation strategies are carried out.

Information and communication: 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.

Monitoring: 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.



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:

No.	Matter of governance	YES	NO
Audit committee			
1(a)	The municipality had an audit committee in operation throughout the financial year.	✓	
1(b)	The audit committee operates in accordance with approved written terms of reference.	✓	
1(c)	The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.		✓
Internal audit			
2(a)	The municipality had an internal audit function in operation throughout the financial year.	✓	
2(b)	The internal audit function operates in terms of an approved internal audit plan.		✓
2(c)	The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.		✓
Other matters of governance			
3	The annual financial statements were submitted for audit as per the legislated deadlines in Section 126 of the MFMA.	✓	
4	The annual report was submitted for the auditor for consideration prior to the date of the auditor's report.		✓
5	The financial statements submitted for audit were not subject to any material amendments resulting from the audit.		✓
6	No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.		✓
7	The prior year's external audit recommendations have been substantially implemented.		✓
8	There are documented policies and procedures and control systems to ensure the reliability of financial reporting.		✓
9	There are documented policies and procedures and control systems to ensure compliance with applicable laws and regulations.	✓	
10	The information systems were appropriate to facilitate the preparation of financial statements that are free from material misstatement.		✓
11	Delegations of responsibilities are in place.	✓	
12	Supply chain management policies and procedures were appropriately applied.		✓

No.	Matter of governance	YES	NO
13	There is a functioning performance management system.		✓
14	Based on the available information, performance bonuses are only paid after proper assessment and approval by those charged with governance.	✓	
Implementation of Standards of Generally Recognised Accounting Practice (GRAP)			
15	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.	✓	
16	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.		✓
17	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.	✓	

Unaudited supplementary schedules

23. The schedules set out on pages 130 to 167 do not form part of the annual financial statements and are presented for information purposes only. Accordingly, they have not been audited and no opinion is expressed thereon.

REPORT ON PERFORMANCE INFORMATION

1. I have reviewed the performance information as set out on pages 194 to 207.

Responsibility of the accounting officer for the performance information

2. 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 MSA.

Responsibility of the Auditor-General

3. 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 Municipal Systems Act (Act 32 of 2000) (MSA).
4. 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.
5. 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)

Reasons for variances between planned and actual performance not included in the annual report

6. None of the reasons between planned and actual performance of reported information for priority areas and objectives were supported by adequate explanations for the variances in the annual report.

Evidence materially inconsistent with reported performance information

7. The planned, objectives, indicators and targets in the integrated development plan were inconsistent when compared with the objectives, indicators and targets reported in the annual report. Examples are in the *maximising internal governance systems and water and sanitation priority areas*.

Changes to planned performance information not approved

8. None of the changes to the objectives, indicators and targets in the current year's integrated development plan were approved for maximizing internal governance systems and water and sanitation.

Lack of sufficient appropriate audit evidence

9. I was unable to obtain sufficient appropriate audit evidence in relation to the performance information of the Amathole District Municipality, as I was unable to obtain access to the following supporting documentation pertaining to objectives listed below:

- To create a healthy working environment within ADM
- To ensure compliance with the Employment Equity Act
- To meet the HDI targets set for capital and non-capital projects as per the SCM Policy
- Alignment of IT Strategy to ADM business strategy
- Business continuity
- Improve financial management in line with financial management requirements
- Address all matters associated with the audit report.

APPRECIATION

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

Auditor-General

East London
11 December 2008



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



AUDIT COMMITTEE'S REPORT ON THE FINANCIAL STATEMENTS OF AMATHOLE DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008

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

This report was prepared as per Section 166(2)(b) of the Municipal Finance Management Act. The term of the previous Audit Committee ended December 2007 and the new Audit Committee was appointed in January 2008. During the 2007/2008 financial year, the Audit Committee had five (5) meetings as reflected below:

Member No. of meetings attended

Previous Committee Members for the past six (6) months and dates of Audit Committee meetings:

Mr. M. Sbam (Chairperson)
Mr. R. Hill
Ms. T. Mnqeta
Mrs. P. Vazi

Current Committee Members for the remaining six (6) months and dates of Audit Committee meetings:

Ms. T Mnqeta (Chairperson)
Mr. M Sbam
Mr. B Mbewu
Ms. F Classen
Mr. T Maqwati

Audit Committee members are legislatively required to meet at least four (4) times during a financial year. The ADM Audit Committee held meetings on the following dates:

- 01 August 2007
- 16 October 2007
- 08 November 2007
- 31 January 2008
- 24 June 2008

The Audit Committee has formally adopted its terms of reference and it is operating in accordance with them. The Audit Committee did not fully discharge its responsibilities in terms of its terms of reference. However, it has put in place mechanisms that will assist in monitoring its performance against the terms of reference and is confident that it will fully discharge its responsibilities from the 2008/9 financial year.

Annual audit of Amathole District Municipality

The annual audit of Amathole District Municipality (ADM) by the Office of the Auditor-General has been finalised, and the Audit Committee reviewed the audit findings and the resultant audit report for the year ended 30 June 2008. The Audit Committee accepts the findings, and is appreciative to the Office of the Auditor-General and management for co-operation and openness that prevailed in the conduct of the annual audit. The Audit Committee is, however, of the opinion that there should be improvement in the way that the annual audit is coordinated.

The qualified audit opinion on the accompanying financials was discussed at the Audit Committee meeting held on 18 December 2008. The Audit Committee also reviewed the action plans, with responsible individuals and dates, put together by management and will monitor their implementation during the year.

The Audit Committee is satisfied that management has implemented the action plans relating to last year's adverse opinion which was caused by the transfer of water and sanitation services from local municipalities to ADM as was reported in the Audit Committee report for the 2007/8 financial year.

The Audit Committee is optimistic that the steps put in place by management will go a long way towards overcoming the challenges that ADM faced during the year under review.

Effectiveness of Internal Controls

The qualified audit opinion of the Office of the Auditor-General is an indication of the internal controls weaknesses in ADM. As mentioned above, a detailed action plan is being implemented which will result in addressing most of the internal control weaknesses. There has, however, been an improvement from last year's adverse opinion.

Effective Governance

The ADM had a vacancy in the office of the Municipal Manager. Subsequent to year end, ADM appointed Adv Zenzile as a permanent Municipal Manager. It later transpired that some procedures were not followed and the appointment was reversed. Mr Vuyo Molokoti was subsequently appointed in the position of Municipal Manager.

Internal Audit Function

The Audit Committee is concerned that the internal audit unit did not effectively carry out its responsibilities as reflected in the internal audit plan. To capacitate internal audit, the Audit Committee recommended to management that internal audit be co-sourced to obtain the requisite skills and competencies.

The Internal Audit Manager resigned in November 2008 and the Municipality has advertised the position which is expected to be filled by March 2009. The Municipality has been experiencing a high level of staff turnover by Internal Audit Managers, due to the level attached to the position.

During the year, the internal audit unit developed the internal audit methodology as required by the standards and has since been adopted by management and approved by the Audit Committee.

The Annual Financial Statements

The annual financial statements were prepared and submitted to the office of the Auditor General as required by the MFMA. It was noted that a number of technical deviations from the required basis of preparation of annual financial statements were identified during the external audit process that resulted in a qualified audit opinion expressed by the Auditor General.

The Audit Committee reviewed the final annual financial statement after being audited by the office of the Auditor General.

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

Auditor-General's Report

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

Appreciation

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

On behalf of Amathole District Municipality Audit Committee



Chairperson
T. Mnqeta

RESPONSE TO ISSUES RAISED IN THE 2007/08 AUDIT REPORT

Property, plant and equipment

10. Disclosed in note 1 are capital assets under construction of R140.45 million and acquisitions of R929 000. Completed projects of R48.18 million were incorrectly classified as capital assets under construction. Capital assets under construction is thus overstated and acquisitions understated by R48.18 million.

Management Comment

Completion Certificates were not filed adequately and this resulted in not all completion certificates being available for audit purposes. ADM will investigate why on certain projects completion certificates were not carefully filed on project files and all files would be updated accordingly. The receipt of certificates becomes a condition to be met before the release of final payments. A filing system will be put in place to ensure that all awarded projects will be managed, as well as the recording of completed projects together with a register reflecting all relevant information

11. Furthermore the municipality expensed all items of property, plant and equipment with a cost of R5 000 or less in terms of their accounting policy. These assets should have been Capitalized and depreciated in terms of GAMAP 17. Thus the treatment of such assets by the municipality does not meet the recognition requirements of GAMAP.

Management Comment

The Asset Management Policy of Amathole District Municipality will be reviewed during the financial year and will take cognizance of any GAMAP and GRAP standards into account.

Revenue and receivables

12. Government Notice 849 transferred all of the rights, obligations, assets and liabilities in respect of water and sanitation services of seven local municipalities to Amathole District Municipality from 1 July 2006. A service provider was appointed to assist in an exercise to confirm the accuracy and completeness of accounts receivable for water and sanitation. Based on the work performed by the service provider the Amathole District Municipality continued with the updating of accounts receivable records after the financial year-end under review. As at 30 June 2008 water and sanitation receivables for only one of the erstwhile authorities, namely Mphashe, has been fully completed and updated on the municipality's accounting system (Venus).
13. It could not be determined, even through alternative procedures that water and sanitation receivables were accurate or complete. Consequently both revenue of R76.6 million and receivables of R32.3 million reflected in the annual financial statements are not accurate, correctly valued or complete. As the municipality uses receivables as a basis for determining the provision for bad debt it was also not possible to confirm the completeness and accuracy of the provision for bad debt of R78.4 million that are disclosed in notes 6 and 7.

Management Comment

The municipality has put in place a 3 phase approach to help ensure that data on the Venus system is accurate. The municipality has undertaken to complete the process by the end of the 2008/2009 financial year.

Phase 1 was undertaken by the appointed consortium as detail in the audit findings. The phase has been completed

Phase 2 is the verification of data obtained during the consortium's field work. A dedicated team has been assigned to update and review the following information for the remaining 6 Local municipalities:

- Verification and correction of cadastral information
- Verification and correction of debtor information (including indigent)
- Verification of billing categories (Tariffs)

Phase 3 will be the quality review stage of the consolidation and review of the verification and correction process undertaken in phase 2. The overall customer's debtor's book will be scrutinized for any anomalies. The reviews will include the review of multiple or lack of debtor's on one erven.

Once the customers data base has been verified and updated the information will be available for other local municipalities to use as a cross reference to its data base and the implementation of the new Property Rates Act.

Commitments

14. According to note 33 of the annual financial statements commitments at 30 June 2008 amounted to R1.3 billion. It was not possible, even through alternative procedures, to conclude on a comparison of awarded contracts and the individual commitments as documentation of R94.8 million was not provided by the municipality. Of the comparisons that could be performed differences of R17.24 million existed. Under these circumstances the completeness and accuracy of commitments of R1.3 billion could not be confirmed.

Management Comment

There is a need to include MIG Projects in financial reporting according to DIMS. This will ensure that there is sufficient monitoring of the workflow processes from project registration, procurement, contracting all the way to supplier performance management to expenditure monitoring. These will provide early warning signs on deviations from commitments during project implementation. Any variation orders and activation of contingencies can be monitored with change control mechanisms.

Housing inventory

15. A reconciliation of houses planned, completed and in progress and those that were transferred to beneficiaries was provided by the municipality during the audit. An unexplained difference in this reconciliation of R2.54 million was found. It was thus not, even though alternative procedures, possible to confirm the accuracy and completeness of the work in progress of R6.2 million that is disclosed in note 5 of the annual financial statements.

Management Comment

The 2005/06 figures were incorrect. Correct figures for houses completed and transferred were submitted to the auditors at a late stage for them to satisfy themselves. This was due to the resignation of the then Housing Projects Manager, who was unavailable to assist ADM at the time of need. Management of project information on the housing projects should be strengthened to transcend the staff turnover challenges. This requires an effective document management system on projects, especially project files that should be maintained by both Engineering and Supply Chain.

Irregular expenditure

16. Disclosed in note 28.3 of the annual financial statements is irregular expenditure of R7.58 million. It was not, even through alternative procedures, possible to confirm the accuracy and completeness of this irregular expenditure as contracts and opening registers for expenditure of R4.98 million could not be provided during the audit.



Management Comment

A Contract Documentation Document Management System and Workflow Process should be developed and implemented under Supply Chain Management. This system should include the specifications for contract documents that must be kept for audit purposes, how they should be updated regularly, copies to be kept by Project Managers and their updating and reconciliation with the original file. Standards should be specified against which the filing system will be established and implemented for these contract documents. Once established and implemented, there must be personnel specially assigned the task of maintaining the document management system on contract documents.

In addition to the Document Management System proposed above and Regular Expenditure Control on Contracts, there must be specific policies and procedures that specify processes of dealing with under funded projects as to how to process top-up funding for those awarded at available funding. There must also be specifics in the policies on the extent to which designs will be done on projects (whether detailed or not including the extent of feasibility studies). The details in the policies and procedures should specify the management of contingencies and processing of variation orders. In implementing all these policies and procedures, there must be proper approval channels agreed, change control mechanisms to update contract information as well as adequate control mechanisms. It should be borne in mind that all Engineering projects are implemented under the "GENERAL CONDITIONS OF CONTRACT [GCC]" which is also specified in the contract agreement signed by all parties. In terms of the GCC, the Engineer [consultant] must adhere at all times with the prescribed procedures which reads that "he shall have power to order the contractor to do any of the following: increase or decrease the quantity of any work included in the contract.....shall grant the contractor extension of time as is appropriate". Of course these powers of the Engineer are always managed by the Engineering Department in such a way that the Engineer may only implement any deviations upon having successfully solicited the support of the employer. Review the SCM policy to amend the extension of contracts. Further the applicable engineering standards will be reviewed to ensure that both the policy, legislation and standards are aligned.

After the approval of the 2009/10 budget procurement plans will be developed by each manager and submitted to SCM to facilitate sufficient planning.

Emphasis of matters

Unspent project funds

18. In note 18.3 to the annual financial statements, includes unspent conditional grants of R199.69 million. Of these, individual projects totalling R16.35 million (eight percent) showed no movement for the financial period under review except for interest earned. Furthermore, the municipality did not spend R199.69 million (forty three percent) of the total allocated budget (including rollovers) in the financial year under review.
19. Included in the surplus for the financial year of R62.24 million in the statement of financial performance are unspent priority project funds of R79.88 million. These underspent funds represent sixty eight percent of the total available funds for the financial year of R117.47 million and include prior financial year rollovers of R38.6 million.

Management Comment

Illustrate actual spending trend in the current year to the receipt of relevant funding (dates) Prepare expenditure projections and cash flows to demonstrate delivery of services vs. misleading face value status of spending.
Priority projects will be aligned to the MTEF and not limited to one financial year.

OTHER MATTERS

Appointment of the municipal manager

20. During July 2008 the municipality appointed a municipal manager. As another candidate scored the highest points during an interview this matter was litigated. On 16 November 2008 the Grahamstown High Court ordered the decision not to appoint the candidate who scored the highest number of points to be reversed. The municipality's application to appeal the decision of the Grahamstown High Court was dismissed on 19 November 2008.

Management Comment

An item will be submitted to Council for further action





THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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GENERAL INFORMATION

MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE ALDERMEN/COUNCILLORS

Somyo, S.S.	Executive Mayor	
Fusa, V.N.	Human Resources Human Resources & Administration SC Chairperson	PR
Jacobs, L.	Community Safety	PR
Janda, S.N.	Local Economic Development Development & Planning SC Chairperson	PR
Malghas, K.E.	Land and Housing	PR
Mkebe, S.E.	Budget & Treasury	PR
Mtongana, M.W.	Water & Sanitation Infrastructure SC Chairperson	PR
Mzozoyana, W.	Engineering and Infrastructure	PR
Ncitha, Z.V.	Administration & Asset Management	PR
Neale-May, H.E.	Health & Protection Community Services SC Chairperson	PR
Sinuka, N.E.	Community Liaison & Participation	PR

GRADING OF THE DISTRICT MUNICIPALITY

Grade 5

- ▶ Integrated development planning for the district municipality as a whole including a framework for all municipalities in the area
- ▶ Potable water supply systems
- ▶ Domestic waste-water and sewage disposal systems
- ▶ Solid waste disposal sites, in so far as it relates to:
 - determining a waste disposal strategy
 - regulation of waste disposal
- ▶ Municipal Health services
- ▶ Fire fighting services serving the area
- ▶ Promotion of local tourism for the area
- ▶ The receipt and allocation of grants

AUDITORS

Auditor - General

BANKERS

MEEG Bank, East London

REGISTERED OFFICE

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

MUNICIPAL MANAGER

ADV. Zenzile, M

CHIEF FINANCIAL OFFICER

Zote, Y

LEGISLATION

The ADM complies with the Municipal Finance Management Act 56 of 2003, Municipal Structures Act 117 of 1998 and the Water Services Act

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

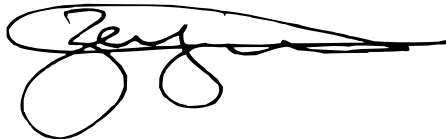
MAYOR Somyo, S.S.

SPEAKER Mlondleni, N.

APPROVAL OF THE FINANCIAL STATEMENTS

The annual financial statements were approved by the Municipal Manager

on 31 August 2008



MUNICIPAL MANAGER
ADV. M. Zenzile



CHIEF FINANCIAL OFFICER
Y. Zote

DIRECTORS OF AEDA

DIRECTOR	
Dr. ME Tom - Chairperson	Appointed 1 September 2005
Mrs. CV Kakana - Deputy Chairperson	Appointed 1 September 2005
Ms. NEP Loyilane	Appointed 1 September 2005
Mr. SN Kondlo	Appointed 1 September 2005
Mrs. YP Balfour	Appointed 1 September 2005
Ms. P Xuza - Chief Executive Officer	Appointed 1 September 2005

The company does not currently have a company secretary.

Foreword from Executive Mayor for the Financial Statements 2007/08

The past financial year has seen some serious challenges for the ADM, with a number of consistent water outages in certain parts of the district as a result of aging infrastructure that had to cope with huge increases in demands, for which it was not originally designed.

Scheme based costing for each water scheme, and the ongoing data cleansing exercise assisted in a 4.5% tariff increase for water and sanitation, with a reduction in sanitation tariffs in Amahlathi and Mquma local municipalities. This was due to the identification of more water users, who were not previously recognized or billed. The ADM has also introduced bulk tariffs for consumption in excess of 500 kl to assist small businesses.

The ADM took over the water assets from all local municipalities on 1 July 2006 and a consultant was appointed to value these assets. These values were used as a basis of recording infrastructure assets in the asset register and the annual financial statements. However, the consultant's working papers reflected estimated depreciated costs and not fair value as prescribed by GAMAP 17, hence the adverse opinion by the Auditor-General in the year 2006/2007. There were also other reasons for the adverse opinion, including inventory costs for housing projects that could not be accurately accounted for; no systems in place to identify and quantify unsold water; inaccurate data bases and billing systems; and no reporting of water services employee benefits who were absorbed by the ADM. As the Auditor-General, Mr S Ngqwala, indicated at the Council Meeting where the annual report was discussed, the ADM was bound to attract an adverse opinion in taking over these services as both a water service provider and as the water services authority.

In its efforts to address the 06/07 qualification audit report matters, ADM has inter alia:

- Appointed consulting engineers to re-perform the fair value calculation of the water infrastructure assets. The fair value of these assets has been corrected retrospectively in the 2007/08 financial year. The process to ensure that all water infrastructure assets are identified and recognized is still in progress. These consultants have also been tasked to determine the quantity of unsold water on hand at year end, for each scheme, based on the capacity of reservoirs and pipelines, assuming reservoirs to be 66% full. The water on hand at year end has been classified as own and purchased water. The annual financial statements disclose the value of unsold water on hand at year end.
- Reviewed all expenditure classified as repairs and maintenance for subsequent expenditure, relating to an item of property, plant and equipment already recognized, which should be capitalized instead of being recognized as an expense when incurred.
- Identified all housing units that have been completed and occupied by the beneficiaries and the relating expenditure incurred recognized in the Statement of Financial Performance.
- Implemented the use of inventory registers in order to improve controls over the movement of inventory, in addition, quarterly stock counts at each project site have been conducted.
- Adjusted the minimum salaries of former Local Municipalities' employees that were earning less than what the South African Local Bargaining Council (SALGBC) stipulated. The other staff that came from the Local Municipalities' earning above the minimum salary were brought onto the ADM's payroll system on scales that did not match the post grades/levels as recommended by the SALGBC Salary Scales. These employees have not been graded according to Task Grade System, therefore they were placed according to job titles backdated to November 2007, with implementation date in August 2008. It is expected that these posts will be graded after the final Outcomes Report is released for ADM and during the 2nd phase of job evaluations. Once this occurs, these employees will be able to be matched with the correct post level/task grade. Therefore all the employees will be placed onto the closest higher salary notch to their existing monthly salary.

The ADM found it extremely tough to provide both bulk water services and handling the reticulation part of the operations. Consequently, in an endeavour to ease the burden and to assist in the prevention of the consistent water outages in some parts of the district, the ADM entered into a memorandum of understanding with Amatola Water, where the latter would provide bulk water services to the urban areas such as Fort Beaufort, Butterworth, Alice and Gaga-Tyume, whilst the ADM remains responsible for all other areas as well as the reticulation and customer care. This partnership has already borne fruit in improved services in the Fort Beaufort area.

The ADM has also established Customer Care and Service Centres at all the local municipalities in the district and has also instituted a share call number where communities can report all their water outages and other emergencies, and where they can phone for billing queries and other information. Communities can pay their water accounts, register as indigents, lodge any query or complaint, or request information at any of the Customer Care & Service Centres.

The ADM has also endeavoured to meet with water consumers within the district to clear up outstanding billing queries, to answer their questions regarding the services rendered, and to explain future plans. This has gone a long way to create greater understanding and endorsement of the ADM's plans and has boosted the ADM's ability to raise revenue.

Currently, only about 29% of the ADM's target population enjoy RDP standard sanitation or higher. This poses a serious challenge for the ADM if we are to meet the target of sanitation to all by 2010. Also, as funding is needed for both water and sanitation projects, as well as other projects, such as Local Economic Development, the ADM took the step of inviting interested parties to come forward, who would assist the ADM in hunting for external funds. As a result of this process, Price Waterhouse Coopers were appointed, at no cost to the ADM, to assist in this process. The ADM has also instituted a new model or concept for accelerating sanitation programmes within the district, which should speed up the implementation process. Tenders have been invited from service providers, who will produce cement panels for VIP toilets on wheels that can be easily installed in a matter of minutes. One of the criteria is for the service provider to establish a factory within the district, to produce the materials locally, adding value to local economic development.

The ADM is also in the process of finalizing an institutional study which informs our new Establishment Plan and organograms and is now awaiting the grading of the municipality.

The shared financial services have successfully been rolled out to our local municipalities, including Nkonkobe, Amahlathi, Nxuba, Mbashe and Ngqushwa.

The ADM received a levies replacement grant from National Treasury in the amount of R1 46 314 000 over the past financial year.

The Municipal Infrastructure Grant allocation for 2007/08, amounting to R182 194 085 was fully spent. These projects are being implemented in a phased Programme.

On behalf of Council, I am proud to present the financial statements for 2007/08, which reflects our achievements over the past year. I would like to take this opportunity to thank all our officials for their hard work in making these successes possible. We look forward to a more productive year ahead and for all our officials and elected members to embrace the national theme of "Business unusual: all hands on deck to speed up change."

Sincerely

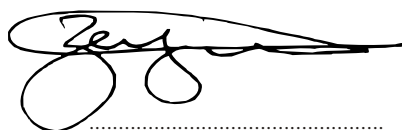


ALDERMAN SAKHUMZI SOMYO
EXECUTIVE MAYOR

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY

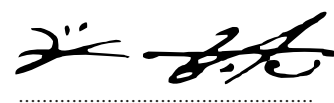
STATEMENT OF FINANCIAL POSITION
at 30 June 2008

MUNICIPALITY		ASSETS	Note	GROUP	
2007/08 R	2006/07 R			2007/08 R	2006/07 R
1,137,724,567	1,020,447,596	Non-current assets		1,137,936,282	1,020,678,110
1,136,298,222	1,019,678,211	Infrastructure, plant and equipment	1	1,136,510,937	1,019,909,726
1,089,512	176,253	Intangible assets	2	1,089,512	176,253
1,000	1,000	Investment in subsidiary	3.1	-	-
335,833	592,132	Long term receivables	4	335,833	592,132
714,167,436	583,118,512	Current assets		723,910,006	586,343,099
34,450,387	32,932,981	Inventory	5	34,450,387	32,932,981
32,279,555	(3,286,475)	Consumer receivables	6	32,279,555	(3,286,475)
16,156,113	6,127,195	Other receivables	7	16,193,204	6,247,091
94,710	164,301	Current portion of long-term receivables	4	94,710	164,301
17,544,195	17,896,695	VAT receivable	8	17,723,189	17,331,476
474,307,918	472,516,696	Financial assets	3.2	474,307,918	472,516,696
139,334,557	56,767,119	Bank balances and cash	9	148,861,042	60,437,030
1,851,892,003	1,603,566,107	Total Assets		1,861,846,288	1,607,021,209
		NET ASSETS AND LIABILITIES			
484,532,098	353,143,929	Non-current liabilities		484,559,482	353,162,027
10,627,856	11,905,026	Long-term loan: DBSA	10	10,627,856	11,905,026
473,206	804,912	Finance lease obligation	11	473,206	804,912
221,300	146,985	Operating lease liability	12	248,683	165,082
466,715,344	334,751,496	Deferred income	13	466,715,344	334,751,496
5,966,325	5,250,451	Leave accrual	16.1	5,966,325	5,250,451
528,067	285,060	Consumer deposits	15	528,067	285,060
310,290,522	259,884,459	Current liabilities		317,392,547	259,507,909
645,324	496,838	Finance lease obligation	11	645,324	496,838
924,965	850,201	Short term portion of loan: DBSA	10	924,965	850,201
108,331,769	83,834,913	Trade and other payables	16	113,499,721	83,365,196
694,744	702,247	Deferred income	13	694,744	702,247
-	-	Taxation	28	151,654	90,908
199,693,719	174,000,260	Unspent conditional grants and receipts	16	201,476,139	174,002,520
1,057,069,383	990,537,720	Net assets		1,059,894,259	994,351,273
7,817,133	8,524,341	Revaluation reserve		7,817,133	8,524,341
1,049,252,250	982,013,379	Accumulated surplus/(deficit)		1,052,077,126	985,826,932
1,851,892,003	1,603,566,107	Total Net Assets and Liabilities		1,861,846,288	1,607,021,209



ADV. M. Zenzile - MUNICIPAL MANAGER

Date: 31 August 2008


CERTIFIED AS CORRECT
Y. Zote - CHIEF FINANCIAL OFFICER

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2008

MUNICIPALITY ACTUALS				GROUP ACTUALS	
2007/08 R	2006/07 R	REVENUE	Note	2007/08 R	2006/07 R
76,641,036	34,226,015	Service charges		76,641,036	34,226,015
106,238	10,911,627	Regional service charges	17	106,238	10,911,627
179,960	147,923	Rental of facilities & equipment		179,960	147,923
17,859,594	18,811,646	Income for agency service	18.2	17,859,594	18,811,646
431,548,846	331,476,548	Government grants & subsidies	18	433,222,365	331,626,548
4,079,006	4,048,330	Other income	19	4,267,166	4,048,330
-	643,005,169	Gain on transfer of water infrastructure	20	-	643,005,169
235,748	63,400	Gains on disposal of PPE	21	235,748	65,071
-	-	Bad debts recovered		-	-
530,650,428	1,042,690,658	Total Revenue		532,512,107	1,042,842,329
		EXPENDITURE			
136,698,673	114,870,043	Employee related costs	22	140,735,872	118,125,477
9,840,841	141,314	Remuneration of councillors		9,926,526	224,120
16,870,978	61,472,868	Bad debt provision		16,870,978	61,472,868
3,639	837,658	Collection costs		3,639	837,658
41,552,268	32,386,858	Depreciation and amortisation	21	41,637,932	32,458,500
13,382,335	11,346,847	Repairs & maintenance		13,429,395	11,358,670
3,470,350	3,179,618	Grants & subsidies paid	26	6,072,303	3,179,618
24,111,842	35,895,881	Grants & subsidies paid: capital	26	24,111,842	35,895,881
266,567,122	202,673,951	General expenses- other		262,681,303	198,798,353
245,756	165,993	Loss on disposal of PPE	21	247,872	165,993
-	888,716	Internal Charges		-	888,716
512,743,805	463,859,748	Total Expenditure		515,717,663	463,405,855
17,906,623	578,830,910	OPERATING SURPLUS/(DEFICIT)		16,794,444	579,436,474
50,203,042	36,888,541	Investment income	30	50,373,750	36,973,640
870,794	1,602,467	Finance costs	31	870,794	1,602,467
67,238,871	614,116,984	SURPLUS/(DEFICIT) FOR THE YEAR		66,297,400	614,807,647
-	-	Less: Agency Taxation	28	(47,206)	(25,164)
67,238,871	614,116,984			66,250,194	614,782,483

Refer to Appendix E (1) for explanation of variances

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS
for the year ended 30 June 2008

	Capital Replacement Reserve	Government Grant Reserve	Revaluation Reserve	Accumulated Surplus/Deficit	TOTAL
Balance at 1 July 2006					
Opening balance as previously reported	-	-	8,998,708	402,118,531	411,117,239
Prior year adjustments	-	-	-	-34,222,136	(34,222,136)
Balance at 1 July 2006 as restated	-	-	8,998,708	367,896,395	376,895,103
Surplus for the year	-	-	-	614,116,984	614,116,984
Off-setting of depreciation	-	-	(474,367)	-	(474,367)
	-	-	(474,367)	614,116,984	613,642,617
Balance at 30 June 2007	-	-	8,524,341	982,013,379	990,537,720
Opening balance 1 July 2007	-	-	8,524,341	982,013,379	990,537,720
Surplus for the year	-	-	-	67,238,871	67,238,871
Off-setting of depreciation	-	-	(707,208)	-	(707,208)
	-	-	(707,208)	67,238,871	66,531,663
Balance at 30 June 2008	-	-	7,817,133	1,049,252,250	1,057,069,383

STATEMENT OF CHANGES IN NET ASSETS
for the year ended 30 June 2008 - GROUP

	Capital Replacement Reserve	Government Grant Reserve	Revaluation Reserve	Accumulated Surplus/Deficit	TOTAL
Balance at 1 July 2006					
Opening balance as previously reported	-	-	8,998,708	405,266,585	414,265,293
Prior year adjustments	-	-	-	-34,222,136	-34,222,136
Balance at 1 July 2006 as restated	-	-	8,998,708	371,044,449	380,043,157
Surplus for the year	-	-	-	614,782,483	614,782,483
Off-setting of depreciation	-	-	-474,367	-	-474,367
	-	-	-474,367	614,782,483	614,308,116
Balance at 30 June 2007	-	-	8,524,341	985,826,932	994,351,273
Opening balance 1 July 2007	-	-	8,524,341	985,826,932	994,351,273
Surplus for the year	-	-	-	66,250,194	66,250,194
Off-setting of depreciation	-	-	-707,208	-	-707,208
	-	-	-707,208	66,250,194	65,542,986
Balance at 30 June 2008	-	-	7,817,133	1,052,077,126	1,059,894,259

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY

CASH FLOW STATEMENT

for the year ended 30 June 2008

	Note	2007/08 R	2006/07 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other parties		625,598,732	681,866,999
Cash paid to suppliers and employees		(430,659,870)	(378,047,949)
Cash generated from operations	33	194,938,862	303,819,049
Finance costs	31	(870,794)	(1,602,467)
Investment income	30	50,203,042	36,888,541
NET CASH FROM OPERATING ACTIVITIES		244,271,111	339,105,123
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(159,331,469)	(331,087,017)
Proceeds on disposal of property, plant and equipment		235,748	70,055
Decrease in long term receivables		325,888	312,127
Purchase of equity investment		-	-
Purchase of financial assets		(1,791,222)	(7,065,147)
NET CASH FROM INVESTING ACTIVITIES		(160,561,055)	(337,769,982)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease payments		(183,220)	97,157
(Decrease)/Increase in long term loan		(1,202,406)	12,755,227
Proceeds from consumer deposits		243,007	285,060
NET CASH FROM FINANCING ACTIVITIES		(1,142,618)	13,137,444
NET CASH FLOW		82,567,437	14,472,584
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		82,567,437	14,472,584
Cash and cash equivalents at the beginning of year		56,767,120	42,294,536
Cash and cash equivalents at year end	9	139,334,557	56,767,120

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AMATHOLE DISTRICT MUNICIPALITY

CASH FLOW STATEMENT - GROUP

for the year ended 30 June 2008

	Note	2007/08 R	2006/07 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other parties		629,323,376	681,561,777
Cash paid to suppliers and employees		(428,643,204)	(377,488,531)
Cash generated from operations	33	200,680,172	304,073,246
Finance costs	31	(870,794)	(1,602,467)
Investment income	30	50,373,750	36,973,640
Income tax paid		13,539	-
NET CASH FROM OPERATING ACTIVITIES		250,196,667	339,444,419
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(159,400,450)	(331,148,767)
Proceeds on disposal of property, plant and equipment		235,748	96,094
Decrease in long term receivables		325,888	312,127
Purchase of equity investment		-	-
Purchase of financial assets		(1,791,222)	(7,065,147)
NET CASH FROM INVESTING ACTIVITIES		(160,630,036)	(337,805,693)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease payments		(183,220)	97,156
(Decrease)/Increase in long term loan		(1,202,406)	12,755,227
Proceeds from consumer deposits		243,007	285,060
NET CASH FROM FINANCING ACTIVITIES		(1,142,618)	13,137,443
NET CASH FLOW		88,424,012	14,776,168
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		88,424,012	14,776,168
Cash and cash equivalents at the beginning of year		60,437,030	45,660,862
Cash and cash equivalents at year end	9	148,861,042	60,437,030

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

ACCOUNTING POLICIES

APPLICATION OF ACCOUNTING STANDARDS AND AMENDMENT OF ACCOUNTING POLICIES

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

- The accounting policy of the comparative figures (2006/07) as well as the accounting policy used for the current financial year (2007/08), where applicable;
- Additional disclosures in the annual financial statements to assist users in understanding the implications on the current and comparative figures;
- The audit qualifications received in the prior year (2007/08) relating to the specific accounting policies.

1. BASIS OF PRESENTATION

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

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

These standards are summarised as follows:

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

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

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

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

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

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

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

Accounting Policies Continued

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

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

Significant areas of judgement and estimation uncertainty

In the process of applying the ADM accounting policy's, management has made the following judgements and estimates to amounts recognised in the financial statements

- residual values, useful lives and depreciation method of assets
- water stock on hand
- water infrastructure assets
- provision for doubtful debts
- impairment of assets

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

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

4. RESERVES

4.1 Revaluation Reserve

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

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

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

existing in the revaluation surplus in respect of that asset.

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

5. PROPERTY, PLANT AND EQUIPMENT

5.1 Property, plant and equipment is stated at cost, less accumulated depreciation except for land and buildings, which have been re-valued as indicated below.

5.2 The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

5.3 Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

5.4 Land and buildings are carried at the re-valued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the statement of financial position date. Land and buildings are re-valued every 3-5 years.

5.5 Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to equity in the revaluation reserve. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

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

5.7 The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

Accounting Policies Continued

- 5.8 Land is not depreciated as it is deemed to have an indefinite life.
- 5.9 Items purchased less than R5000 in value, are considered to be non capital in nature and are therefore expensed.
- 5.10 The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amounts of the assets given up.
- 5.11 Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:

Infrastructure	Years
Roads and paving	10 - 30
Pedestrian malls	20 - 30
Electricity	20 - 30
Water	15 - 20
Sewerage	15 - 20
Housing	30
Community	
Improvements	10 - 30
Recreational facilities	20
Security	3 - 5
Other	
Buildings	30
Specialist vehicles	3 - 20
Other vehicles	5
Office equipment	3 - 7
Furniture and fittings	7 - 10
Watercraft	15
Bins and containers	5
Specialised plant and equipment	10 - 15
Other items of plant and equipment	2 - 5

- 5.12 The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.
- 5.13 Assets are capitalised on the last day of the month of purchase.

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

5.15 Water infrastructure assets were transferred to the municipality on 1 July 2006 when the municipality assumed responsibility for the provision of water and sanitation services in its district in terms of Government Notice 849 issued in terms of section 84(3)(a) of the Municipal Structures Act, 1998 (Act No. 117 of 1998). These assets are recognised at fair value on the date of acquisition and depreciated to their estimated residual lives on the straight line basis over their estimated useful lives. A three year implementation plan for the identification and valuation of these water infrastructure assets inherited from the local municipalities has been approved by Council due to the lack of sufficient data pertaining to each scheme. The implementation plan will assist in the physical identification and condition analysis of all major components of each scheme. The identification of the water infrastructure assets is based upon assumptions and professional judgement applied by consulting engineers using best engineering practice and industry norms and standards.

Where a scheme layout or size are unknown, the infrastructure is estimated based on the population demand and settlement layout. Engineering best practice and accepted norms will be used to determine the size of bulk, trunk, reticulation and other infrastructure. For infrastructure where the condition is unknown, the remaining useful life is assumed to be the worst case scenario. Where the condition of the infrastructure is known, the remaining useful life will be a percentage of its useful life. The municipality has accepted the exemption granted in accordance with Government Gazette 30013 dated 29 June 2007 for the review of useful life, depreciation method and impairment.

5.16 Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

5.17 Assets held under finance leases are depreciated over the shorter of the lease term and the estimated useful lives of the assets.

Exemption

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

- Review of useful life of items of Property, plant and equipment recognised in the annual financial statements [paragraphs 14, 19 and 30-31]

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

Accounting Policies Continued

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

6. INVESTMENT PROPERTY

Exemption

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

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

7. INTANGIBLE ASSETS

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

Item	Useful life
Computer software - Application software	3 years

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

amortisation is provided on a straight line basis over their useful life.

Exemption

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

- The entire standard on Impairment of Assets has been exempted

8. IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

Exemption

In accordance with Government Gazette 30013 dated 29 June 2007 Amathole District Municipality accepted the following exemption paragraphs granted in terms of IAS 36/AC 128 Impairment of Assets:

- Impairment of cash and non-cash-generating assets [paragraphs 63-69 and 75(e)(v) - (vi)]
- IAS 36/AC 128 Impairment of Assets

9. INVESTMENT IN SUBSIDIARY

- 9.1 Investments in subsidiaries are carried at cost in the municipality's unconsolidated annual financial statements.
- 9.2 The cost of an investment in a subsidiary is the aggregate of:
- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments
 - issued by the company; plus any costs directly attributable to the purchase of the subsidiary.
- 9.3 An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

Exemption

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

- The entire standard on Impairment of Assets has been exempted



THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

Accounting Policies Continued

10. FINANCIAL INSTRUMENTS

10.1 Initial recognition

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

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

10.2 Loans to municipalities, municipal entities and employees

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

10.3 Loans from municipalities and the Development Bank of South Africa

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

10.4 Trade and other receivables

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

Such allowances are raised based on an assessment of debtor ageing, past experience or known customer circumstances.

10.5 Trade and other payables

Trade payables are initially and subsequently measured at face value.

10.6 Cash and cash equivalents

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

10.7 Investments

Financial Instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-

term deposits invested in registered commercial banks, are stated at cost.

10.8 Borrowings

Borrowings are initially and subsequently measured at face value.

Exemption

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

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

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

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

11. LEASES

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

11.1 Finance leases - lessee

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

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

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

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

Accounting Policies Continued

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

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

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- the lease term is for the major part of the economic life of the asset even if title is not transferred;
- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- the leased assets are of such a specialised nature that only the lessee can use them without major modifications;
- if the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
- gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (for example, in the form of a rent rebate equaling most of the sales proceeds at the end of the lease); and
- the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

11.2 Operating leases - lessor

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

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

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

11.3 Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. This asset or liability is not discounted.

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

12. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Exemption

In accordance with Government Gazette 30013 dated 29 June 2007 Amathole District Municipality accepted the following exemptions granted in terms of IFRS 5 Non-current assets held for sale and discontinued operations:

- Classification, measurement and disclosure of non-current assets held for sale (paragraph 6 - 14, 15 - 29 (in so far as it relates to non-current assets held for sale), 38 - 42)

13. BORROWING COSTS

Borrowing costs are recognised as an expense in the statement of financial performance.

14. INVENTORIES

Audit qualification

The disclosure in respect of inventory in the annual financial statements does not comply entirely with the requirements of GAMAP 12: Inventories. The most significant non-compliance noted is:

- The accounting policy for inventory does not disclose the valuation methods used for housing projects

14.1 Consumables stores, raw material, work-in-progress, settlements and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the first-in, first-out method.

14.2 Unsold properties and land used for housing are valued at the lower of cost or current replacement cost. Unsold properties and land used for housing are classified as inventory where there is an intention to develop such land and to sell or transfer it to a third party.

14.3 Housing development inventory is measured at cost on the first-in, first-out basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs. The carrying amount of these inventories held for distribution is recognised as an expense when beneficiaries take occupation of the houses. Housing development funding received is recognised as revenue and expenditure on the Statement of Financial Performance to the extent that the Municipality has complied with any of the criteria, obligations or conditions of the grant.

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

Accounting Policies Continued

14.4 When housing development is financed from government grants, an amount equal to the note is transferred from the accumulated surplus/ (deficit) in the Statement of Changes in Net Assets and is reflected as Work in Progress Housing projects. Completed and transferred houses will be offset against the accumulated surplus/ (deficit) in the Statement of Changes in Net Assets.

14.5 The cost of water purchased and own water not yet sold in the Statement of financial position comprises the purchase price, import duties, and other taxes and transport, handling and other costs attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the cost of purchase. The estimation of the water stock in the reservoirs and pipelines is based on an assumption of capacity being 66% full.

14.6 Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

15. EMPLOYMENT BENEFITS

15.1 Short-term employee benefits

15.1.1 The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

15.1.2 The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

15.1.3 The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

15.2 Defined contribution plans

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

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

15.3 Defined benefit plans

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

Exemption

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

- Defined benefit accounting as far as it relates to defined benefit plans accounted for as contribution plans and the defined benefit obligation disclosed by narrative information. IAS 19.29, 48 - 119 and 120A(c) - (q).

16. PROVISIONS

16.1 Provisions are recognised when:

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

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

16.3 Provisions are not recognised for future operating losses.

16.4 Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

17. CONDITIONAL GRANTS AND RECEIPTS

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

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

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

17.2 A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

Accounting Policies Continued

- 17.3 Government grants related to assets, including non-monetary grants at fair value, are presented in the Statement of Financial Position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.
- 17.4 Grants related to income are presented as a credit in the Statement of Financial Performance.
- 17.5 Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.
- 17.6 Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

18. REVENUE RECOGNITION

Audit qualification

Section 64 of the Municipal Finance Management Act, 2003 (Act No.56 of 2003) requires the municipal manager to ensure that effective revenue collection systems are in place.

- No estimated revenue was raised for the period between the last meter reading and the financial year end.

2007/08 Financial Year

- 18.1 When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the statement of financial position date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
 - it is probable that the economic benefits associated with the transaction will flow to the company;
 - the stage of completion of the transaction at the statement of financial position date can be measured reliably; and
 - the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

- 18.2 When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.
- 18.3 Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable services provided in the normal course of business, net of value added tax.
- 18.4 An estimate for revenue is raised for the period between the last meter reading and the financial year end.

Services

- 18.5 Service income is recognised on an invoice basis. Service charges from sewerage and sanitation are based on the number developed of sewerage connections on each property using the tariffs approved from Council and are levied monthly.

Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. The adjustments are recognised as revenue in the invoicing period.

Interest and rentals

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

Agency Services

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

Exemption

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

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

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

Accounting Policies Continued

19 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003) Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

20 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003) the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998). Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

21 FRUITLESS AND WASTEFUL EXPENDITURE

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

22 COMPARATIVE INFORMATION

22.1 Current year comparative:

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

22.2 Prior year comparatives:

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

23. NEW GRAP ACCOUNTING STANDARDS APPROVED BUT NOT YET EFFECTIVE

By way of Government Gazette No. 31021, dated 9 May 2008, The Minister of Finance in terms of Section 91 of the Public Finance Management Act, 1999 (Act No. 1 of 1999) prescribed the following Standards applicable to the to the municipality as set by the Accounting Standards Board in

terms of Section 89. These Standards are effective for periods beginning on or after 1 April 2009, however the implementation of these Standards for municipalities is subject to the provisions of Notice 552 issued in Government Gazette 30013 dated 29 June 2007.

- GRAP 9 Revenue from Exchange Transactions GAMAP 9 has been adopted in the preparation of the annual financial statements
- GRAP 12 Inventories - GAMAP 12 has been adopted in the preparation of the annual financial statements
- GRAP 13 Leases - IAS 17 (AC 105) has been adopted in the preparation of the annual financial statements
- GRAP 14 Events after the Reporting Date IAS 10 - has been adopted in the preparation of the annual financial statements
- GRAP 16 Investment Properties - IAS 40 (AC 135) has been adopted in the preparation of the annual financial statements
- GRAP 17 Property, plant & Equipment - GAMAP 17 has been adopted in the preparation of the annual financial statements
- GRAP 19 Provisions, Contingent Liabilities & Contingent Assets - IAS 37 has been adopted in the preparation of the annual financial statements
- GRAP 100 Non-current Assets Held for Sale & Discontinued Operations - IFRS 5 (AC 142) has been adopted in the preparation of the annual financial statements
- GRAP 102 Intangible Assets - IAS 38 (AC 129) has been adopted in the preparation of the annual financial statements

These standards are not expected to have a material impact for the municipality as the IFRS accounting standards have been adopted in the preparation of the annual financial statements.

24 SEGMENT INFORMATION

Exemption

In accordance with Government Gazette 30013 dated 29 June 2007 Amathole District Municipality accepted the following exemptions paragraphs granted in terms of IAS 14 /AC 115: Segment Reporting

- Entire standard

In accordance with Government Gazette 30013 dated 29 June 2007 Amathole District Municipality accepted the following exemptions paragraphs granted in terms of IFRS 8 /AC 109: Operating Segments

- Entire standard

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2008

1. INFRASTRUCTURE, PLANT AND EQUIPMENT

Reconciliation of Carrying Value	MUNICIPALITY					
	Investment Property	Infrastructure	Community	Heritage	Other	Total
	R	R	R	R	R	R
As at 1 July 2007	686,303	953,474,545	5,277,497	-	60,239,867	1,019,678,211
Cost	781,714	980,523,088	5,834,648	-	67,552,936	1,054,692,386
Revaluation	-	-	-	-	9,617,183	9,617,183
Transfer in/(out)	(75,255)	-	-	-	75,079	(176)
Accumulated depreciation	95,411	27,048,543	557,151	-	16,930,252	44,631,357
Acquisitions	-	141,457,886	-	-	16,860,032	158,317,918
Capital under Construction	-	-	-	-	-	-
Increases/decreases in revaluation	-	-	-	-	-	-
Depreciation	28,933	31,338,708	260,121	-	9,824,214	41,451,976
based on cost	28,933	31,338,708	260,121	-	9,824,214	41,451,976
based on revaluation	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	245,756	245,756
Cost/revaluation	-	-	-	-	586,969	586,969
Accumulated depreciation	-	-	-	-	341,213	341,213
Carrying values						
As at 30 June 2008	582,115	1,063,593,723	5,017,376	-	67,105,008	1,136,298,222
Cost	706,459	1,121,980,974	5,834,648	-	83,901,078	1,212,423,158
Revaluation	-	-	-	-	9,617,183	9,617,183
Accumulated depreciation	124,344	58,387,251	817,272	-	26,413,253	85,742,120
Cost	124,344	58,387,251	817,272	-	25,278,959	84,607,826
Revaluation	-	-	-	-	1,134,294	1,134,294

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

1. INFRASTRUCTURE, PLANT AND EQUIPMENT (Cont.)

MUNICIPALITY						
Reconciliation of Carrying Value	Investment Property	Infrastructure	Community	Heritage	Other	Total
	R	R	R	R	R	R
Carrying values						
As at 1 July 2006	684,305	12,764,080	4,596,073	-	54,301,686	72,346,133
Cost	742,772	13,232,090	4,909,080	-	55,671,650	74,555,592
Revaluation	-	-	-	-	9,692,262	9,692,262
Accumulated depreciation	58,467	468,010	313,007	-	11,062,226	11,901,721
Cost	58,478	468,010	313,007	-	11,062,226	11,901,721
Revaluation	-	-	-	-	-	-
Acquisition	-	636,752,513	925,568	-	12,128,765	649,806,846
Capital under construction	-	330,538,485	-	-	-	330,538,485
Transfers in/(out)	38,942	-	-	-	(75,079)	(36,137)
Increases/decreases in revaluation	-	-	-	-	-	-
Depreciation	36,933	26,580,533	244,144	-	5,942,861	32,804,471
based on cost	36,933	26,580,533	244,144	-	5,468,494	32,330,104
based on revaluation	-	-	-	-	474,367	474,367
Carrying value of disposals	-	-	-	-	172,644	172,644
Cost/revaluation	-	-	-	-	247,479	247,479
Accumulated depreciation	-	-	-	-	74,835	74,835
Impairment losses	-	-	-	-	-	-
Carrying values						
As at 30 June 2007	686,303	953,474,545	5,277,497	-	60,239,867	1,019,678,212
Cost	781,714	980,523,088	5,834,648	-	67,552,936	1,054,692,386
Revaluation	-	-	-	-	9,617,183	9,617,183
Accumulated depreciation	95,411	27,048,543	557,151	-	16,930,252	44,631,357
Cost	95,411	27,048,543	557,151	-	15,795,958	43,497,063
Revaluation	-	-	-	-	1,134,294	1,134,294

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2008

Reconciliation of Carrying Value	GROUP					
	Investment Property	Infrastructure	Community	Heritage	Other	Total
	R	R	R	R	R	R
As at 1 July 2007	686,303	953,474,545	5,277,497	-	60,471,381	1,019,909,726
Cost	781,714	980,523,088	5,834,648	-	67,886,382	1,055,025,832
Revaluation	-	-	-	-	9,617,183	9,617,183
Transfer in/(out)	(75,255)	-	-	-	75,079	(176)
Accumulated depreciation	95,411	27,048,543	557,151	-	17,032,184	44,733,289
Acquisitions	-	141,457,886	-	-	16,929,014	158,386,900
Capital under Construction	-	-	-	-	-	-
Increases/decreases in revaluation	-	-	-	-	-	-
Depreciation	28,933	31,338,708	260,121	-	9,909,879	41,537,641
based on cost	28,933	31,338,708	260,121	-	9,909,879	41,537,641
based on revaluation	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	247,872	247,872
Cost/revaluation	-	-	-	-	1,440,647	1,440,647
Accumulated depreciation	-	-	-	-	1,192,775	1,192,775
Carrying values						
As at 30 June 2008	582,115	1,063,593,723	5,017,376	-	67,317,723	1,136,510,937
Cost	706,459	1,121,980,974	5,834,648	-	83,449,828	1,211,971,909
Revaluation	-	-	-	-	9,617,183	9,617,183
Accumulated depreciation	124,344	58,387,251	817,272	-	25,749,288	85,078,155
Cost	124,344	58,387,251	817,272	-	24,614,994	83,943,861
Revaluation	-	-	-	-	1,134,294	1,134,294

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

GROUP						
Reconciliation of Carrying Value	Investment Property	Infrastructure	Community	Heritage	Other	Total
	R	R	R	R	R	R
Carrying values						
As at 1 July 2006	684,305	12,764,080	4,596,073	-	54,567,461	72,611,908
Cost	742,772	13,232,090	4,909,080	-	55,977,645	74,861,587
Revaluation	-	-	-	-	9,692,262	9,692,262
Accumulated depreciation	58,467	468,010	313,007	-	11,102,446	11,941,941
Cost	58,478	468,010	313,007	-	10,442,519	11,282,014
Revaluation	-	-	-	-	659,927	659,927
Acquisition	-	636,752,513	925,568	-	12,190,515	649,868,596
Capital under construction	-	330,538,485	-	-	-	330,538,485
Transfers in/(out)	38,942	-	-	-	(75,079)	(36,137)
Increases/decreases in revaluation	-	-	-	-	-	-
Depreciation	36,933	26,580,533	244,144	-	6,014,503	32,876,113
based on cost	36,933	26,580,533	244,144	-	5,540,136	32,401,746
based on revaluation	-	-	-	-	474,367	474,367
Carrying value of disposals	-	-	-	-	197,013	197,013
Cost/revaluation	-	-	-	-	281,778	281,778
Accumulated depreciation	-	-	-	-	84,765	84,765
Impairment losses	-	-	-	-	-	-
Carrying values						
As at 30 June 2007	686,303	953,474,545	5,277,497	-	60,471,381	1,019,909,726
Cost	781,714	980,523,088	5,834,648	-	67,886,382	1,055,025,832
Revaluation	-	-	-	-	9,617,183	9,617,183
Accumulated depreciation	95,411	27,048,543	557,151	-	17,032,184	44,733,289
Cost	95,411	27,048,543	557,151	-	15,897,890	43,598,995
Revaluation	-	-	-	-	1,134,294	1,134,294

In terms of Government Gazette 30013 dated 29 June 2007 the municipality has utilised the exemption under GAMAP 12 - Inventories. The municipality possibly has housing stock which has been recognised as infrastructure, plant and equipment. In terms of the Government Gazette, the municipality has been granted additional time to identify any items of Infrastructure, plant and equipment that should actually be recognised and disclosed as inventory.

In terms of the Government Gazette 30013 dated 29 June 2007 the municipality has utilised the exemption under IAS 40 - Investment property. Included in community assets above are items that may meet the definition of investment property but have been included as infrastructure, plant and equipment because the municipality had not finalised the process of identifying investment property for reporting purposes. These items will be transferred to investment property once they have been identified as investment property, and that until this has been done the property has been included as infrastructure, plant and equipment in the annual financial statements. No restriction on title exists on any assets held.

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2008

In terms of the IMFO accounting framework used by the local municipalities they were not required to maintain complete fixed asset registers. The municipality took over the infrastructure assets as required by Government Notice 849 issued in terms of section 84(3)(a) of the Municipal Structures Act, 1998 (Act No. 117 of 1998) with effect 1 July 2006.

The municipality engaged the services of consulting engineers to identify and value the infrastructure assets taken over.

The municipality has a plan to identify, verify, value and reconcile the infrastructure assets to the fixed asset register.

REVALUATIONS

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

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

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

The valuation was performed using depreciated replacement values

Infrastructure, plant and equipment subjected to finance leases

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

Office equipment	2007/08	2006/07
	R	R
Cost	2,592,627	2,423,236
Accumulated depreciation	(1,870,126)	(1,311,853)
	722,501	1,111,383

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

2. INTANGIBLE ASSETS

	2008			2007		
	Cost	Accumulated Amortisation	Carrying value	Cost	Accumulated Amortisation	Carrying value
Computer software - Application software	2,031,763	(942,251)	1,089,512	1,018,212	(841,959)	176,253
License fees	59,604	(59,604)	-	59,604	(59,604)	-
TOTAL	2,091,367	(1,001,855)	1,089,512	1,077,816	(901,563)	176,253

Reconciliation of intangible assets - 2008

	Opening carrying amount	Additions	Disposals	Amortisation	Total R
Computer software - Application software	176,253	1,013,551	-	(100,292)	1,089,512
	176,253	1,013,551	-	(100,292)	1,089,512

Reconciliation of intangible assets - 2007

	Opening carrying amount	Additions	Disposals	Amortisation	Total R
Computer software - Application software	315,576	-	-	(139,323)	176,253
	315,576	-	-	(139,323)	176,253

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

MUNICIPALITY			GROUP	
2007/08	2006/07	3. INVESTMENTS	2007/08	2006/07
R	R		R	R
1000	1000	3.1 INVESTMENT IN SUBSIDIARY		
		Investments in Municipal Entity - cost	-	-
1000	1000	Total	-	-
		Council's valuation of unlisted Investments		
1000	1000	Investments in Municipal Entities	-	-
		Investments in Municipal Entities		
		Amathole Economic Development Agency (Pty) Ltd		
1000	1000	Issued Share Capital (1000 ordinary shares of R1,00 each)		
100%	100%	Percentage owned by Council		
		The Amathole Economic Development Agency was established 1 September 2005		
		Place of Incorporation: South Africa		
		Principal Activity: To promote local economic development in the Amathole Municipal District Area.		
		The account operates on a current account basis, i.e. the Agency's service providers are paid by the municipality on the Agency's behalf. No financial benefit accrues to the Agency or the District Municipality.		
		3.2 FINANCIAL ASSETS		
		Held to maturity financial assets		
		The following fixed deposit accounts have been classified as held to maturity financial assets in accordance with IAS 39: Financial Instruments. Maturity periods are fixed and range between 3-12 months.		
		In accordance with the Municipality's risk management policy deposits are only made with major banks with quality credit standing and limits exposure to any one counter party.		
		The financial assets disclosed in the note below have not been disclosed as cash and cash equivalents due to the fixed deposits not having a maturity period of 3 months or less as at Statement of Financial Position date.		
474,307,918	472,516,696	Call investment deposits	474,307,918	472,516,696
474,307,918	472,516,696	Total: Call Investment Deposits	474,307,918	472,516,696

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

MUNICIPALITY			GROUP	
2007/08	2006/07		2007/08	2006/07
R	R		R	R
		Call Investment Deposits		
		Institution Account No		
		STANDARD BANK		
7,348,466	7,353,145	346649	7,348,466	7,353,145
10,451,726	10,509,589	333072	10,451,726	10,509,589
10,327,342	10,327,671	356104	10,327,342	10,327,671
13,293,515	13,316,363	352921	13,293,515	13,316,363
11,429,995	11,441,929	355421	11,429,995	11,441,929
11,278,466	11,283,077	356101	11,278,466	11,283,077
10,130,137	10,132,778	353664	10,130,137	10,132,778
10,175,945	10,151,137	336439	10,175,945	10,151,137
10,337,123	10,375,411	334925	10,337,123	10,375,411
12,607,759	12,636,625	INVESTEC 1100-176303-450	12,607,759	12,636,625
13,398,334	13,362,985	1100-176303-450	13,398,334	13,362,985
10,432,219	10,430,945	1100-176303-450	10,432,219	10,430,945
10,457,644	10,517,644	1100-176303-450	10,457,644	10,517,644
10,413,151	10,430,945	1100-176303-450	10,413,151	10,430,945
10,176,658	10,208,219	1100-176303-450	10,176,658	10,208,219
7,232,103	7,230,616	1100-176303-450	7,232,103	7,230,616
10,090,411	10,116,507	1100-176303-450	10,090,411	10,116,507
10,330,164	10,372,192	1100-176303-450	10,330,164	10,372,192
13,172,936	13,171,315	ABSA 2057-092-476	13,172,936	13,171,315
10,479,863	10,519,233	2059-800-124	10,479,863	10,519,233
12,271,627	12,269,063	2057-067-401	12,271,627	12,269,063
15,138,904	15,150,658	2060-488-868	15,138,904	15,150,658
10,537,205	10,082,411	2062-856-304	10,537,205	10,082,411
10,370,247	10,407,452	2064-823-579	10,370,247	10,407,452
12,311,573	12,308,811	2065-364-471	12,311,573	12,308,811
10,427,890	10,424,247	2065-585-419	10,427,890	10,424,247
10,173,808	10,169,068	RAND MERCHANT BANK FD08K18003	10,173,808	10,169,068
10,343,233	10,370,233	FD08H29001	10,343,233	10,370,233
8,308,679	8,321,403	FD08H28003	8,308,679	8,321,403
12,364,537	12,389,260	FD08I26003	12,364,537	12,389,260
12,268,734	12,270,510	FD08K25007	12,268,734	12,270,510
12,509,721	12,505,973	FD08H28001	12,509,721	12,505,973
8,206,904	8,206,317	FD08J10001	8,206,904	8,206,317
10,089,384	10,100,438	FD08L10001	10,089,384	10,100,438
10,130,137	10,133,205	FD08K24005	10,130,137	10,133,205
12,649,332	12,099,209	NEDBANK 03/7881714026/000079	12,649,332	12,099,209
12,107,671	12,137,589	03/7881714026/000086	12,107,671	12,137,589
12,369,271	12,380,137	03/7881714026/000083	12,369,271	12,380,137
12,546,805	12,476,975	03/7881714026/000082	12,546,805	12,476,975
10,127,726	10,133,205	03/7881714026/000085	10,127,726	10,133,205
14,738,586	14,061,370	03/7881714026/000080	14,738,586	14,061,370
10,226,699	10,187,000	03/7881714026/000084	10,226,699	10,187,000
10,525,288	10,043,836	03/7881714026/000081	10,525,288	10,043,836
474,307,918	472,516,696		474,307,918	472,516,696



THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

MUNICIPALITY			GROUP	
2007/08	2006/07	4. LONG TERM RECEIVABLES	2007/08	2006/07
R	R		R	R
143,923	487,158	Car loans	143,923	487,158
249,459	226,459	Deposits	249,459	226,459
37,161	42,815	Loans to Local Municipalities	37,161	42,815
430,543	756,432		430,543	756,432
94,710	164,301	Less: Short term portion transferred to current assets	94,710	164,301
88,827	158,646	Car loans	88,827	158,646
5,883	5,655	Loans to Local Municipalities	5,883	5,655
335,833	592,132	Total	335,833	592,132

The car loans and loans to local municipalities have been recognised at its face value and not fair value due to the municipality utilising the exemption provided by the Government Gazette 30013 dated 29 June 2007 on IAS 39: Financial Instruments which exempts the municipality of accounting for financial assets and liabilities at fair value.

Car loans

Senior staff are entitled to car loans which attract interest at 8% per annum and which are payable over a maximum period of 6 years. These loans are expected to be redeemed in full by 30 June 2010.

Loans to local municipalities

The loans to the local municipalities represents loans to Winterstrand and Kei Road. The loans currently attracts interest at 4% per annum and is repayable over a period of 40 years.

		5. INVENTORY		
1,326,082	418,699	Consumable stores: at cost	1,326,082	418,699
6,213,128	6,025,607	Housing projects	6,213,128	6,025,607
26,410,207	26,410,207	Unsold properties held for resale: settlements	26,410,207	26,410,207
417,026	78,468	Water - purchased	417,026	78,468
83,944	-	Water - own	83,944	-
34,450,387	32,932,981	Total Inventory	34,450,387	32,932,981

Housing Projects

The cost incurred on completed housing units that are occupied by beneficiaries has been transferred to the Statement of Financial Performance.

Unsold properties held for resale: settlements

In accordance with GAMAP 12 land owned for housing, selling or other developments have to be transferred from PPE to inventory at the lower of cost and current replacement cost.

In accordance with Government Gazette 30013 dated 29 June 2007 the municipality has been granted additional time to identify any items of property, plant and equipment that should be recognised and disclosed as inventory. Infrastructure, plant and equipment may therefore include a component of Inventory that has not been disclosed under the Inventory note.

Water inventory

In accordance with GAMAP 12 unsold purchased water has been disclosed for the prior year. Correct meter readings at the beginning and end of the financial year could not be guaranteed and in addition many schemes do not have meters installed. Consulting engineers were thus appointed to determine the water on hand for each scheme based on the capacity of reservoirs and pipelines, assuming reservoirs to be 66% full.

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

MUNICIPALITY			GROUP	
2007/08	2006/07		2007/08	2006/07
R	R		R	R
		6. CONSUMER RECEIVABLES		
468,427	1,864,612	Levies	468,427	1,864,612
1,483,569 (1,015,142)	5,269,560 (3,404,949)	- Levies	1,483,569 (1,015,142)	5,269,560 (3,404,949)
		- Less: Provision for bad debts		
31,811,129	(5,151,087)	Water and sanitation	31,811,129	(5,151,087)
49,025,392	21,979,496	- Water	49,025,392	21,979,496
47,040,390	25,057,393	- Sanitation	47,040,390	25,057,393
12,504,006	6,166,483	- Interest on arrears component	12,504,006	6,166,483
108,569,788	53,203,372		108,569,788	53,203,372
(76,758,659)	(58,354,459)	Less : Provision for bad debts	(76,758,659)	(58,354,459)
32,279,555	(3,286,475)	Total consumer receivables	32,279,555	(3,286,475)
		The ageing of debtors are as follows:-		
		Levies		
		Current		1,972,046
		30 - 60 Days		248,225
		60 - 90 Days		108,399
		90 - 120 Days		83,776
		120 - 330 Days		565,303
1,483,569	5,269,560	+ 330 Days	1,483,569	2,291,811
1,483,569	5,269,560	Total	1,483,569	5,269,560
		RSC levies was abolished with effect from 1 July 2006.		
		The levies consumer receivable recognised above represents in accordance with paragraph 52 of GAMAP 9 the estimate of levies due where levy payers had not submitted declarations in the reporting period where payment was due.		
		Water and sanitation		
		Current	9,786,463	12,242,364
		30 - 60 Days	11,987,757	3,640,730
		60 - 90 Days	5,499,598	2,865,313
		90 - 120 Days	5,304,246	4,300,251
		120 - 330 Days	30,292,470	17,234,921
		+ 330 Days	45,167,284	19,071,601
108,037,819	59,355,180	Total	108,037,819	59,355,180



THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

Water and sanitation receivables balances relating to the take on of the water infrastructure assets from the local municipalities as at 1 July 2006, in accordance with legislation, have not been recognised. As these balances did not satisfy the recognition criteria in accordance with the accounting standards.

Refer note 34

The municipality was tasked with the responsibility of updating the debtors data bases received from the seven local municipalities. The municipality undertook to verify the data uploaded into the Venus system. The debtor's data base for the Mbashe Local Municipality was then amended with the information that could be supported by information from the Deeds Register, Trans-Union and Surveyor Generals Office.

The municipality has verified the stands within the seven local municipalities. The consolidated indigent's data base for the seven local municipalities was verified against the municipalities Venus debtors data base. The municipality has currently identified 2195 indigents. Of the 2195 indigents identified 333 have been written off in the current financial year R753,522 (2007: R Nil). A further 1375 indigents have been identified for write off subsequent to year end.

After a concerted campaign to verify the indigents the municipalities current indigent data base stands at 2,340.

The municipality is currently in the advanced stage of verifying and updating the remaining six local municipalities debtors data.

Bad Debt Provision

The bad debt provision is calculated on the ageing of debtors. Council's policy is to provide 100% on all debtors' balances which have been outstanding for period between 120 days and 330 days. All balances outstanding for more than 330 days are 100% provided for.

The municipality has recognised consumer debtors at its face value and not fair value. This is consistent with the Circular 9 and IAS 39 Financial Instruments exemptions provided by the Government Gazette 30013 dated 29 June 2007.

MUNICIPALITY			GROUP	
2007/08	2006/07		2007/08	2006/07
R	R		R	R
		7. OTHER RECEIVABLES		
16,856,754	8,077,183	Other receivables	16,893,845	8,197,079
16,856,754	8,077,183	Sundry receivables	16,893,845	8,197,079
(700,641)	(1,949,988)	Less: Provision for bad debtors	(700,641)	(1,949,988)
16,156,113	6,127,195	Total	16,193,204	6,247,091
		The municipality has recognised other receivables at its face value and not fair value.		
		This is consistent with the Circular 9 and IAS 39 Financial Instruments exemptions in terms of Government Gazette 30013 dated 29 June 2007.		

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

MUNICIPALITY			GROUP	
2007/08	2006/07		2007/08	2006/07
R	R		R	R
		8. VAT RECEIVABLE		
17,544,195	17,896,695	Vat receivable	17,723,189	17,331,475
17,544,195	17,896,695		17,723,189	17,331,475
		Amathole District Municipality is registered on the invoice basis for Value Added Tax		
		9. BANK BALANCES AND CASH		
		The cash position at financial year end was made up of the following:		
56,274,382	(4,035,405)	Current Account	58,752,967	(366,355)
80,910,171	60,492,555	Call Account	87,955,701	60,492,555
9,000	2,000	Imprest Account	11,370	2,861
2,141,004	307,970	Plus: Cancelled cheques	2,141,004	307,970
139,334,557	56,767,119	Total Cash Reserves	148,861,042	60,437,030
		SUPPLEMENTARY BANK ACCOUNT INFORMATION		
56,274,382	(4,035,405)	CURRENT ACCOUNTS TOTAL	58,752,967	(366,355)
55,429,828 (4,570,018)	(4,570,018) 12,142,043	MEEG BANK Closing Balance Opening Balance	57,908,413 (900,968)	(900,968) 15,507,257
		Account No 4063093498 East London 5200 Agency Account No 4064846723 East London 5200		
844,554 534,613	534,613 18,993	STANDARD BANK Closing Balance Opening Balance	844,554 534,613	534,613 18,993
		Account No 081093454 East London Main Branch		
80,910,171	60,492,555	CALL ACCOUNTS TOTAL	87,953,991	60,492,555
70,910,171 50,492,555	50,492,555 30,000,000	Call Account Closing Balance Opening Balance	70,910,171 50,492,555	50,492,555 30,000,000
		MEEG BANK Account No 9157439416		
10,000,000 10,000,000	10,000,000 -	Call Account Closing Balance Opening Balance	10,000,000 10,000,000	10,000,000 -
		STANDARD BANK Account No 88643816001		
-	-	Call Account Closing Balance Opening Balance	7,043,820 -	- -
		ABSA BANK LIMITED Account No 88643816001		

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MUNICIPALITY			GROUP	
2007/08	2006/07		2007/08	2006/07
R	R		R	R
		10. LONG TERM LOAN: DBSA		
11,552,821	12,755,227	Development Bank of South Africa Loan [Refer Appendix A]	11,552,821	12,755,227
11,552,821	12,755,227		11,552,821	12,755,227
10,627,856 924,965	11,905,026 850,201	Non current portion Current portion	10,627,856 924,965	11,905,026 850,201
11,552,821	12,755,227	The Development Bank of South Africa loans were taken over by Amathole District Municipality from the Local Municipalities effective 1 July 2006 when Amathole District Municipality effectively took over the water and sanitation function from the various Local Municipalities.	11,552,821	12,755,227
		DBSA loan - Nkonkobe		
		The DBSA loan was not serviced in prior years hence arrears interest was accumulated. To facilitate the process of the full transfer of the water function, the municipality is recognising the full liability relating to this loan. However, the municipality is the process of negotiating that the arrear interest be waived by DBSA upon full and final settlement thereof by the Amathole District Municipality.		
		11. FINANCE LEASE OBLIGATION		
		Minimum lease payments due		
781,642	635,315	• within one year	781,642	635,315
541,346	945,216	• in second to fifth year inclusive	541,346	945,216
-	-	• later than five years	-	-
1,322,988 (204,458)	1,580,531 (278,781)	Less: future finance charges	1,322,988 (204,458)	1,580,531 (278,781)
1,118,530	1,301,750	Present value of minimum lease payments	1,118,530	1,301,750
		Present value of minimum lease payments due		
645,324	496,838	• within one year	645,324	496,838
473,206	804,912	• in second to fifth year inclusive	473,206	804,912
-	-	• later than five years	-	-
1,118,530	1,301,750		1,118,530	1,301,750
473,206	804,912	Non current liabilities	473,206	804,912
645,324	496,838	Current liabilities	645,324	496,838
1,118,530	1,301,750	It is the municipality's policy to lease certain office equipment under finance leases.	1,118,530	1,301,750
		The average lease term was 5 years and the average effective borrowing rate was 12% (Prior Year: 12%). All leases have fixed repayment terms with no annual escalation rate, but varies with the changes in the prime interest rate. No arrangements have been entered into for contingent rent. The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.		

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

MUNICIPALITY			GROUP	
2007/08	2006/07		2007/08	2006/07
R	R		R	R
		12. OPERATING LEASE LIABILITY		
		In accordance with IAS 17/(AC 105), operating lease income and expenses have been recognised on a straight line basis over the lease term.		
		The effect of accounting for operating leases on the straight line basis had the following effect:		
221,300	146,985	Non current liabilities	248,683	165,083
		Operating lease accrual		
221,300	146,985		248,683	165,083
		13. DEFERRED INCOME		
		The deferred income relates to Government Grants related to assets which have been accounted for in accordance with IAS 20/(AC 134) Government grants.		
		The government grant funding that has been received has been set up as deferred income which is recognised as income on a systematic and rational basis over the useful life of the asset.		
462,147,590	329,496,501	Government grants related to the construction of water infrastructure assets	462,147,590	329,496,501
5,262,498	5,957,242	Government grants related to other assets	5,262,498	5,957,242
467,410,088	335,453,743		467,410,088	335,453,743
466,715,344	334,751,496	Non current liabilities	466,715,344	334,751,496
694,744	702,247	Current liabilities	694,744	702,247
467,410,088	335,453,743		467,410,088	335,453,743

14. POST EMPLOYMENT BENEFIT OBLIGATION

The Post Employment Health Care Benefit plan, of which the members are made up as follows:

• In-service (employee) members	445
• Continuation (retiree, widow/er and orphan) members	95
Total	540

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

On retirement of an employee Council has post retirement obligation to contribute 70% to the medical cost of the employee.

All Employees belong to one of the 6 defined contribution retirement funds, namely Cape Joint Retirement Fund, Cape Joint Pension Fund, SAMWU National Provident Fund, Eastern Cape Municipal Pension Fund, Eastern Cape Municipal Gratuity Fund and National Fund for Municipal Workers or one of the 2 defined benefit pension funds namely Government Pension Fund and South African Local Authorities.

The contributions made by Council in respect of the above defined benefit funds have been expensed. (Refer note 22). No plan asset or liability was recognized. The municipality has accepted the exemption provided by Government Gazette 30013 dated 29 June 2007 which states that defined benefit plans can be accounted for as if they were defined contribution plans.

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

MUNICIPALITY			GROUP	
2007/08	2006/07		2007/08	2006/07
R	R		R	R
		15. CONSUMER DEPOSITS		
528,067	285,060	Consumer deposits	528,067	285,060
528,067	285,060	The consumer deposits relate to the water and sanitation function. The deposits are considered to be of a long term nature.	528,067	285,060
		16. TRADE AND OTHER PAYABLES		
51,740,628	39,817,452	Trade payables	51,740,628	39,817,452
325,700	393,302	Payables - Local Municipalities	325,700	393,302
51,393,922	36,865,986	Other payables	51,738,321	36,885,892
-	40,442	RSC levies paid in advance	-	40,442
2,242,105	2,532,339	Amounts received in advance: Water and sanitation	2,242,105	2,532,339
52,171	45,911	Accrued leave pay	447,163	272,247
479,179	675,746	Accrued performance bonus	730,377	792,212
5,900,323	2,044,249	Accrued service bonus	5,900,323	2,044,249
199,693,719	174,000,261	Unspent Conditional Grants and Receipts (Refer annexure 1)	201,476,139	174,002,520
375,105	587,060	Equitable Share Projects	375,105	587,060
(4,177,363)	832,425	Indebtness to municipal entity: Amathole Economic Development Agency	(0)	-
308,025,488	257,835,174	Total	314,975,860	257,367,716
		The movement on the leave accrual balance as above for the 2008 financial year was as follows:		
		16.1 Staff Leave Pay		
5,296,362	2,664,718	Opening Balance	5,522,698	2,730,815
3,895,080	6,104,791	Plus: Contributions during the year	4,290,072	6,265,030
(3,172,947)	(3,473,147)	Leave sold during the year	(3,399,283)	(3,473,147)
6,018,495	5,296,362	Total leave accrual	6,413,488	5,522,698
5,966,325	5,250,451	Non current portion of leave accrual	5,966,325	5,250,451
52,171	45,911	Current portion of leave accrual	447,163	272,247
6,018,495	5,296,362	The municipality makes provision for staff leave pay based upon the basic salary scale for 2008/09. The short term portion of the provision is based on the number of accrued days versus the number of days sold.	6,413,488	5,522,698

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

MUNICIPALITY			GROUP	
2007/08	2006/07		2007/08	2006/07
R	R		R	R
		16.2 Performance Bonus		
675,746	824,782	Opening balance	792,212	866,711
136,656	675,746	Additional provision	271,388	750,283
(333,223)	(671,789)	Amounts utilized	(333,223)	(671,789)
-	(152,993)	Unused amounts reversed	-	(152,993)
479,179	675,746	Carrying amount at end of the year	730,377	792,212
		The accrual is calculated at 14% of the current total salary package.		
		16.3 Service Bonus		
2,044,249	2,044,249	Opening balance	2,044,249	2,044,249
5,900,323	-	Additional provision	5,900,323	-
	-	Amounts utilized		-
(2,044,249)	-	Unused amounts reversed	(2,044,249)	-
5,900,323	2,044,249	Carrying amount at end of the year	5,900,323	2,044,249
		The accrual calculation is based on the portion of the thirteenth cheque payable that falls due within the current financial year.		
		17. REGIONAL SERVICE CHARGES		
106,238	10,911,627	Levies	106,238	10,911,627
106,238	10,911,627	Total Service Charges	106,238	10,911,627
		RSC levies was abolished with effect from 1 July 2006. The RSC levies that has been disclosed in the Statement of Financial Performance represents RSC revenue received by the 20th of July 2006 for RSC levies from June 2006. This is in accordance with GAMAP 9 paragraph 52 which states a reliable measurement of levies can usually only be made on the due date of payment which was 20 July 2006.		
		18. GOVERNMENT GRANTS AND SUBSIDIES		
137,639,000	111,544,918	Equitable share	137,639,000	111,544,918
146,313,563	128,024,000	Levy replacement grant	146,313,563	128,024,000
147,596,283	91,205,178	Conditional Grants: Conditions met - transferred to revenue	149,269,802	91,355,178
-	702,453	Release of deferred income	-	702,453
431,548,846	331,476,549	Total Government Grant and Subsidies	433,222,365	331,626,549
		Based on the allocations set out in the Division of Revenue Act. Act 1 of 2005 significant changes in the level of government grant funding have materialised due to the allocation of the RSC levy replacement grant.		

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

MUNICIPALITY			GROUP	
2007/08	2006/07		2007/08	2006/07
R	R		R	R
		18.1 Equitable Share		
		This grant is used to subsidise the following functions: WSP WSA Engineering Services Disaster Management Health & Protection Services Fire service Building & Services Planning Municipal Manager PMU		
		18.2 Income for Agency Services		
1,300,678	2,490,489	Balance outstanding at beginning of year	1,300,678	2,490,489
17,864,055	17,693,769	Total Income	17,864,055	17,693,769
17,859,594	17,621,836	Subsidy received	17,859,594	17,621,836
4,462	71,934	Other income	4,462	71,934
(7,793,082)	(18,883,580)	Total Expenditure	(7,793,082)	(18,883,580)
(7,788,620)	(18,811,646)	Less: Expenditure subsidy	(7,788,620)	(18,811,646)
(4,462)	(71,934)	Less: Other expenditure relating to sundry income	(4,462)	(71,934)
11,371,651	1,300,678	Conditions still to be met- transferred to creditors	11,371,651	1,300,678
		The Municipality renders health services on behalf of the Provincial Government and is refunded 100% of the total expenditure incurred.		
		The conditions of the grant have been met. There was a delay in receiving the subsidy due to negotiations regarding the Service Level Agreement.		
		18.3 Conditional Grants		
169,361,519	181,708,293	Balance unspent at beginning of year	169,363,778	181,708,293
278,970,812	205,170,082	Current year receipts	282,424,492	205,170,082
15,951,768	7,513,715	Interest Received	15,951,768	7,513,715
(264,590,381)	(225,117,486)	Less: Expenditure	(266,263,901)	(225,117,486)
199,693,719	169,274,604	Condition still to be met-transferred to liabilities	201,476,138	169,274,604
		Refer to Annexure 1		
		19. OTHER INCOME		
3,843,742	3,013,150	Other income	4,031,902	3,013,150
235,264	1,035,180	Administration fees	235,264	1,035,180
4,079,006	4,048,330	Total Other Income	4,267,166	4,048,330

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20. GAIN ON TRANSFER OF WATER INFRASTRUCTURE

The provisions of Provincial notice 80 dated 27 September 2000, issued in terms of section 12 of the Local Government Municipal Structures Act, provides for the transfer of the Water Service Authority and Water Service Provider duties to the Amathole District Municipality, effective 01 July 2006, for the district municipality's areas excluding Buffalo city municipality. In terms of sub-paragraph 6(1) of Provincial notice 80 "The assets, liabilities and obligations of a disestablished municipality... (are) transferred to the new municipality...".

The ADM embarked on an asset verification program aimed at determining all immovable properties to be transferred from the local municipalities' financial records. Similarly, the ADM embarked on a process of third party confirmations and/or assessments of all consumer debtors, liabilities and obligations that were identified for transfer from the local municipalities.

Only immovable assets identified as per the ADM's verification exercise, the identified fleet currently being utilised within operations, and incumbent liabilities are incorporated into the financial records.

The financial records of the Amahlati Local Municipality was incorporated into the financial records of the ADM (Only municipality with un-disclaimed audited financial records) All unsubstantiated balances will remain within the local municipalities' financial records (Mbhashe LM, Mquma LM, Great Kei LM, Ngqushwa LM, Nkonkobe LM, Nxuba LM). The value of the water receivables of 6 local municipalities at 30 June 2007 were not recognised in the annual financial statements as the applicable recognition and measurement criteria were not met.

The incorporation of the financial records of Amathole LM and various balances from other municipalities resulted in gains in the financial records of the ADM.

The gains (excess of assets over liabilities) are recognised through the Statement of Financial Performance.

MUNICIPALITY	
2007/08	2006/07
R	R
-	643,005,169
-	643,005,169
31,482	43,738
-	376,000

Gain on transfer of other Local Municipality water infrastructure assets

GROUP	
2007/08	2006/07
R	R
-	643,005,169
-	643,005,169
31,482	43,738
-	376,000

21. OPERATING SURPLUS

Rental income

Rental income received for leased property

31,482

43,738

Repairs and maintenance leased property generating rental income

-

376,000

Operating surplus is stated after the following:

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MUNICIPALITY			GROUP	
2007/08	2006/07		2007/08	2006/07
R	R		R	R
		Operating lease charges		
4,181,910	3,056,532	Premises	4,481,743	3,056,532
7,253,782	1,251,854	• Contractual amounts	7,253,782	1,251,854
215,896	143,740	Motor vehicles	257,195	143,740
		• Contractual amounts		
11,651,588	4,452,127	Office Equipment	11,992,720	4,452,127
		• Contractual amounts		
		Cost of inventories		
658,947	12,000,545	Housing inventories	658,947	12,000,545
2,460,315	2,380,931	Stores and materials	2,460,315	2,380,931
27,466,853	24,833,263	Water purchases	27,466,853	24,833,263
30,586,114	39,214,739		30,586,114	39,214,739
(235,748)	(63,400)	Surplus on sale of infrastructure, plant and equipment	(235,748)	(65,071)
41,451,976	32,247,535	Depreciation on Infrastructure, plant and equipment	41,537,640	32,319,177
100,292	139,323	Amortisation on Intangible Assets	100,292	139,323
245,756	165,993	Loss on sale of assets	247,872	165,993
16,224,645	12,823,996	Amount expensed in respect of retirement benefit plans:	16,224,645	12,823,996
15,031,102	12,433,300	Defined contribution funds	15,031,102	12,433,300
1,193,543	390,696	Defined benefit funds	1,193,543	390,696
		22. EMPLOYEE RELATED COSTS PER THE PAYROLL		
89,586,316	77,342,596	Employee related costs- Salaries and Wages	93,623,515	80,598,030
18,733,490	15,363,840	Employee related costs- Contribution for UIF, pensions and medical aid.	18,733,490	15,363,840
4,940,276	8,347,947	Travel, motor car, accommodation, subsistence and other allowances	4,940,276	8,347,947
965,228	896,108	Housing benefits and allowances	965,228	896,108
4,361,543	2,867,735	Overtime payments	4,361,543	2,867,735
9,361,943	3,947,028	Bonus	9,361,943	3,947,028
8,749,878	6,104,789	Other benefits/allowances	8,749,878	6,104,789
136,698,673	114,870,043	Total Employee Related Costs	140,735,872	118,125,477



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MUNICIPALITY			GROUP	
2007/08	2006/07		2007/08	2006/07
R	R		R	R
		Remuneration of the Municipal Manager		
295,793	481,207	Annual Remuneration	295,793	481,207
0	110,573	Performance Bonus		110,573
56,959	-	Leave encashment	56,959	-
-	-	Acting Allowance	-	-
-	-	Cell Phone Allowance	-	-
99,905	172,861	Car Allowance	99,905	172,861
11,300	-	Back pay of remuneration	11,300	-
68,593	106,497	Contribution to UIF, Medical & Pension Fund	68,593	106,497
532,550	871,138	TOTAL	532,550	871,138
		Remuneration of the Chief Finance Officer		
191,772	378,136	Annual Remuneration	191,772	378,136
62,205	102,453	Performance Bonuses	62,205	102,453
-	-	Leave encashment	-	-
-	-	Acting Allowance	-	-
10,939	17,700	Cell Phone Allowance	10,939	17,700
61,330	135,469	Car Allowance	61,330	135,469
9,073	-	Back pay of remuneration	9,073	-
48,330	96,837	Contributions to UIF, Medical and Pension Funds	48,330	96,837
383,649	730,595	TOTAL	383,649	730,595
		The position of Chief Financial Officer was vacated on 31 October 2007		
		The position of Chief Financial Officer was filled on 1 May 2008		
		Remuneration of the Director: Administration		
211,459	387,564	Annual Remuneration	211,459	387,564
78,806	103,592	Performance Bonuses	78,806	103,592
60,985	-	Leave encashment	60,985	-
-	-	Acting Allowance	-	-
11,556	16,920	Cell Phone Allowance	11,556	16,920
53,929	129,406	Car Allowance	53,929	129,406
9,073	-	Back pay of remuneration	9,073	-
50,967	91,659	Contributions to UIF, Medical and Pension Fund	50,967	91,659
476,775	729,141	TOTAL	476,775	729,141
		Remuneration of the Director: Engineering		
406,924	380,368	Annual Remuneration	406,924	380,368
68,529	96,761	Performance Bonuses	68,529	96,761
30,492	-	Leave encashment	30,492	-
-	-	Acting Allowance	-	-
23,112	17,700	Cell Phone Allowance	23,112	17,700
133,180	135,658	Car Allowance	133,180	135,658
9,023	-	Back pay of remuneration	9,023	-
98,321	91,696	Contributions to UIF, Medical and Pension Fund	98,321	91,696
769,581	722,183	TOTAL	769,581	722,183



THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

MUNICIPALITY			GROUP	
2007/08	2006/07		2007/08	2006/07
R	R		R	R
		Remuneration of the Director: Strategic Management		
378,634	386,599	Annual Remuneration	378,634	386,599
49,683	70,578	Performance Bonuses	49,683	70,578
56,787	-	Leave encashment	56,787	-
-	-	Acting Allowance	-	-
23,278	5,010	Cell Phone Allowance	23,278	5,010
123,291	136,360	Car Allowance	123,291	136,360
9,073	-	Back pay of remuneration	9,073	-
89,134	87,509	Contributions to UIF, Medical and Pension Fund	89,134	87,509
729,880	686,056	TOTAL	729,880	686,056
		Remuneration of the Director: Human Resources		
408,236	386,995	Annual Remuneration	408,236	386,995
65,959	88,792	Performance Bonuses	65,959	88,792
32,142	-	Leave encashment	32,142	-
31,344	-	Acting Allowance	31,344	-
-	-	Cell Phone Allowance	-	-
135,271	136,528	Car Allowance	135,271	136,528
9,073	-	Back pay of remuneration	9,073	-
102,110	89,044	Contributions to UIF, Medical and Pension Fund	102,110	89,044
784,135	701,359	TOTAL	784,135	701,359
		Remuneration of the Director: Health & Protection		
414,389	388,830	Annual Remuneration	414,389	388,830
70,242	99,038	Performance Bonuses	70,242	99,038
-	-	Acting Allowance	-	-
23,112	17,700	Cell Phone Allowance	23,112	17,700
134,724	138,022	Car Allowance	134,724	138,022
9,073	-	Back pay of remuneration	9,073	-
90,444	83,615	Contributions to UIF, Medical and Pension Fund	90,444	83,615
741,984	727,205	TOTAL	741,984	727,205
		Remuneration of the Director: Executive support services		
379,682	60,273	Annual Remuneration	379,682	60,273
18,521	-	Performance Bonuses	18,521	-
-	-	Acting Allowance	-	-
7,344	1,108	Housing subsidy	7,344	1,108
23,112	3,600	Cell Phone Allowance	23,112	3,600
130,660	22,560	Car Allowance	130,660	22,560
9,073	-	Back pay of remuneration	9,073	-
96,803	12,781	Contributions to UIF, Medical and Pension Fund	96,803	12,781
665,195	100,322	TOTAL	665,195	100,322
		The position for Director: Executive Services was filled on 1 May 2007		



THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

MUNICIPALITY			GROUP	
2007/08	2006/07		2007/08	2006/07
R	R		R	R
		Remuneration of Agency Chief Executive Officer		
-	-	Salary	676,309	583,512
-	-	Allowances	142,313	133,068
-	-	Bonus	121,001	84,575
-	-	TOTAL	939,623	801,155
		Remuneration of Agency Chief Financial Officer		
-	-	Salary	518,057	478,056
-	-	Allowances	214,573	127,932
-	-	Bonus	101,320	70,066
-	-	TOTAL	833,950	676,054
		23. REMUNERATION OF COUNCILLORS		
585,222	547,282	Executive Mayor	585,222	547,282
448,960	428,979	Speaker	448,960	428,979
4,328,559	4,127,169	Mayoral Committee Members	4,328,559	4,127,169
4,360,345	4,100,766	Councillors	4,360,345	4,100,766
190,033	-	Councillors pension contribution	190,033	-
9,913,119	9,204,196	Total Councillors` Remuneration	9,913,119	9,204,196
		In-kind Benefits		
		The Executive Mayor, Speaker and Mayoral Committee Members are full time Each is provided with an office and secretarial support at the cost of the Council. Mayor has use of a 2 council owned vehicles for official duties. The Executive Mayor has two full-time driver/bodyguards		
		The salaries, allowances and benefits of the political office-bearers are within the upper limits of the framework as prescribed by section 219 of the Constitution		
		Agency Directors Remuneration		
-	-	ME Tom	10,000	12,500
-	-	S Kondlo	16,430	14,191
-	-	CV Kakana	16,755	23,492
-	-	YP Balfour	14,000	15,635
-	-	NEP Loyilane	20,303	16,237
-	-	Total Directors Remuneration	77,488	82,055

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

MUNICIPALITY			GROUP	
2007/08	2006/07	25. PENSION AND MEDICAL AID EDUCTIONS	2007/08	2006/07
R	R		R	R
-	-	Opening balances	-	-
28,357,837	16,917,393	Current year payroll deductions and Council Contributions	28,357,837	16,917,393
(28,357,837)	(16,917,393)	Amount paid-current year	(28,357,837)	(16,917,393)
-	-	Amount paid-previous year	-	-
-	-	Total	-	-
		The pension fund contributions disclosed above includes contributions to the defined benefit and defined contribution funds.		
		26. GRANTS AND SUBSIDIES PAID		
2,462,406	7,675,252	EC121	2,462,406	7,675,252
4,701,472	6,693,623	EC122	4,701,472	6,693,623
3,572,723	8,365,613	EC123	3,572,723	8,365,613
106,793	2,047,797	EC124	106,793	2,047,797
397,738	574,803	EC125	397,738	574,803
2,456,283	1,756,867	EC126	2,456,283	1,756,867
12,970,708	8,227,977	EC127	12,970,708	8,227,977
914,070	3,733,566	EC128	914,070	3,733,566
-	-	Projects - AEDA	2,601,953	-
27,582,193	39,075,499	Total Grants and Subsidies	30,184,146	39,075,499
		The grants paid to all Local Municipalities are in terms of the District Municipality's Integrated Development plan. The above grants relates to priority project allocation to local municipalities.		
		27. GRANTS AND SUBSIDIES OUTSTANDING		
2,127,515	1,531,289	EC121	2,127,515	1,531,289
11,575,811	7,566,473	EC122	11,575,811	7,566,473
2,818,726	5,522,890	EC123	2,818,726	5,522,890
90,507	197,300	EC124	90,507	197,300
571,625	969,364	EC125	571,625	969,364
1,244,200	1,503,606	EC126	1,244,200	1,503,606
14,253,763	9,731,793	EC127	14,253,763	9,731,793
7,337,108	1,133,220	EC128	7,337,108	1,133,220
40,019,255	28,155,934	Total Grants and Subsidies	40,019,256	28,155,934
		The above grants relates to priority project allocation to local municipalities.		

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

MUNICIPALITY			GROUP	
2007/08	2006/07		2007/08	2006/07
R	R		R	R
		28. TAXATION		
		28.1 South African normal tax		
-	-	Current tax	47,206	25,164
-	-	South African effective and nominal tax rate	28%	29%
		28.2 Taxation liability		
		- Amount payable at beginning of year	90,908	65,744
		- Current tax	47,206	25,164
		- Provision for interest and penalties	13,540	-
-	-	The Agency is of the opinion that its income should be exempt in terms of Section 10(1) (cA)(i) and (ii) of the Income Tax Act.	151,654	90,908
		As this matter has not yet been finalised with SARS, a provision for normal income tax at 28% has been made.		
		In addition provision for interest and penalties regarding the preceding year has been raised.		
		29. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
		29.1 Unauthorised expenditure		
		Reconciliation of unauthorised expenditure		
		Opening balance		
-	10,002,889	Unauthorised expenditure current year	-	10,002,889
-	-	Approved by Council or condoned	-	-
-	-	Transfer to receivables for recovery	-	-
-	(10,002,889)	Unauthorised expenditure awaiting authorisation	-	(10,002,889)
-	-		-	-
		The budget of the engineering services depreciation vote was exceeded due to unforeseen depreciation costs due to the take on of water assets, resulting in unauthorised expenditure of R10,002,889		



THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

MUNICIPALITY			GROUP	
2007/08	2006/07		2007/08	2006/07
R	R		R	R
		29.2 Fruitless and wasteful expenditure		
		Reconciliation of fruitless and wasteful expenditure		
-	-	Opening balance	-	-
-	-	Fruitless and wasteful expenditure current year	-	-
-	-	Condoned or written off by Council	-	-
-	-	To be recovered- contingent asset	-	-
-	-	Fruitless and wasteful expenditure awaiting condonement	-	-
-	-		-	-
		29.3 Irregular expenditure		
		Reconciliation of irregular expenditure		
		Opening balance		
7,578,487	470,456	Irregular expenditure current year	7,578,487	490,105
(46,285)	(470,456)	Condoned or written off by Council	(46,285)	(490,105)
-	-	Transfer to receivables for recovery - not yet condoned	-	-
-	-	Irregular expenditure awaiting condonement	-	-
7,532,202	-		7,532,202	-

The following are included in the R7.58 million;

- contract expenditure of R6.8million on contracts that have been extended beyond their termination dates. These contracts should not have been extended but rather been subjected to the procurement processes that are required by the municipality's supply chain policy.
- procurement procedures were not adhered to in respect of R378 918 incurred for an end of year staff function and R305 121 on office renovations, but were instead treated as emergency expenditure.
- municipal credit cards were used by the Mayor and Speaker to incur entertainment expenditure. The use of these credit cards was contrary to section 11(1) of the MFMA. This was reported in the 2006/07 audit report and the matter was immediately rectified after the issue of the 2006/07 audit report, however R36 120 had already been incurred, before the 2006/07 audit report had been issued, in the current year under review.
- also reported in the previous year, was expenditure of a private nature incurred by the then municipal manager and chief financial officer. An investigation was subsequently undertaken by the municipality and it was found that expenditure of R46 285 was incurred during the financial year under review. This amount has subsequently been recovered from the ex-officials.

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

MUNICIPALITY			GROUP	
2007/08	2006/07		2007/08	2006/07
R	R		R	R
		30. INVESTMENT INCOME		
		Interest revenue		
39,535,580	33,467,259	Unlisted financial assets	39,579,400	33,467,259
1,714,456	814,381	Current Account	1,841,344	899,480
26,102	56,247	Loans	26,102	56,247
8,926,904	2,550,655	Interest charged on trade and other receivables	8,926,904	2,550,655
50,203,042	36,888,541		50,373,750	36,973,640
		31. FINANCE COSTS		
151,560	192,659	Finance leases	151,560	192,659
719,233	1,409,808	External borrowings	719,233	1,409,808
870,793	1,602,467		870,793	1,602,467
		32. AUDIT FEES PAID		
1,544,148	1,159,472	Fees	1,544,148	1,159,472
1,544,148	1,159,472		1,544,148	1,159,472
		33. CASH GENERATED FROM OPERATIONS		
67,238,871	614,116,984	Surplus for the year	66,297,400	614,807,647
		Adjustments for:		
10,008	102,593	Disposal of property, plant and equipment	12,124	100,922
41,552,268	32,386,858	Depreciation and amortization	41,637,932	32,458,500
3,895,080	6,104,791	Contributions to provisions - current	4,290,072	6,265,030
16,870,978	61,472,868	Contribution to bad debt provision	16,870,978	61,472,868
-	(648,731,676)	Non cash flow: Gain on transfer of water infrastructure from local municipalities	-	(648,731,676)
(707,208)	-	Non cash flow: Revaluation reserve off setting of depreciation	(707,208)	-
(50,203,042)	(36,888,541)	Investment income	(50,373,750)	(36,973,640)
870,794	1,602,467	Interest paid	870,794	1,602,467
79,527,749	30,166,345	Operating surplus before working capital changes	78,898,342	31,002,119
(1,517,407)	(2,315,273)	Increase in inventories	(1,517,407)	(2,315,273)
(62,465,927)	(38,841,313)	Increase in consumer debtors	(62,383,122)	(39,191,534)
131,956,521	328,794,254	Increase in deferred income	131,956,521	328,794,254
25,693,458	(7,708,032)	Increase/(Decrease) in conditional grants and receipts	27,473,619	(7,813,032)
24,564,914	7,743,477	Increase in trade and other payables	30,043,215	6,900,459
(3,172,947)	(3,473,147)	Provisions paid	(3,399,283)	(3,473,147)
352,500	(10,547,262)	Increase in VAT receivable	(391,714)	(9,830,600)
194,938,862	303,819,049	Cash generated in operations	200,680,172	304,073,246



THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

MUNICIPALITY			GROUP	
2007/08	2006/07		2007/08	2006/07
R	R		R	R
		34. COMMITMENTS		
		Authorised capital expenditure		
491,314,950	224,130,816	• Approved and contracted for	491,314,950	224,130,816
491,314,950	216,045,594	Infrastructure	491,314,950	216,045,594
-	4,614,882	Community	-	4,614,882
-	-	Heritage	-	-
-	3,470,340	Other	-	3,470,340
-	-	Investment Properties	-	-
797,702,641	266,881,384	• Approved but not yet contracted for	797,702,641	266,881,384
770,767,873	249,518,415	Infrastructure	770,767,873	249,518,415
26,934,768	7,612,970	Community	26,934,768	7,612,970
-	-	Heritage	-	-
-	9,750,000	Other	-	9,750,000
-	-	Investment Properties	-	-
1,289,017,590	491,012,200	TOTAL	1,289,017,590	491,012,200
		This expenditure will be financed from:		
1,106,944,069	-	• External Loans	-	-
69,000,000	487,541,860	• District Council Grants	1,289,017,590	465,564,008
81,250,000	3,470,340	• Own resources	3,470,340	9,020,509
1,257,194,069	491,012,200		1,292,487,930	474,584,517
		Operating leases		
		Operating leases - as lessee (expense)		
		Minimum lease payments due		
3,498,734	2,414,998	• within one year	3,853,155	2,681,945
1,572,578	2,317,188	• in second to fifth year inclusive	1,694,533	2,720,632
-	-	• later than five years	-	-
5,071,312	4,732,185		5,547,688	5,402,577
		Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of 3 years and rentals escalate on average at 10% p.a. No contingent rent is payable.		
		Operating leases - as lessor (income)		
		Minimum lease payments due		
63,268	50,113	• within one year	63,268	50,113
32,744	40,091	• in second to fifth year inclusive	32,744	40,091
-	-	• later than five years	-	-
96,012	90,205		96,012	90,205
		Operating lease payments represent rentals receivable by the Municipality for certain of its properties situated in Stutterheim, Komga, Cathcart, Mount Pleasant and Macleantown.		
		Leases are negotiated for an average of 4 years and rentals escalate by an average of 12% annually.		

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

MUNICIPALITY			GROUP	
2007/08	2006/07		2007/08	2006/07
R	R		R	R
		35. CONTINGENT LIABILITIES		
		The following contingent liabilities have been disclosed and not recognised:		
-	93,588	Iliso Consulting	-	93,588
-	87,592	Nedbank Ltd	-	87,592
36,783	26,000	S Hololoshe	36,783	26,000
500,596	500,000	PAS: Status quo analysis	500,596	500,000
114,881	-	Tigana Group (1)	114,881	-
203,380	-	Tigana Group (2)	203,380	-
15,274,156	-	Consumer debtors - Advance payments	15,274,156	-
317,937	-	Consumer debtors - Deposits	317,937	-
16,447,733	707,179		16,447,733	707,179

Nedbank Ltd

Amathole District Municipality rented a photocopier machine from Canon. The contract was allegedly ceded to Nedbank Ltd, which now claims outstanding rental.

Discussions are currently in progress between Amathole District Municipality and the Provincial Government. Nedbank Ltd has threatened to issue summons.

PAS: Status quo analysis

PAS has sued for services rendered and damages out of breach of contract. PAS failed to carry out the full terms of the contract and breached its obligations which has resulted in termination of the contract. The matter is the throes of proceeding to trial.

Tigana Group (1)

The Plaintiff instituted action against the Municipality for services rendered on a particular contract in October 2006. An Appearance to Defend was filed and it was subsequently found that the money was payable. Payment of the moneys has been made and the outstanding issue relates to the costs and interest.

Tigana Group (2)

Tigana Group have sent letters of demand for payment of a further invoice in respect of the Ngqushwa Demand Management System, project number 8/2/5/6/2005. ADM are presently searching their records to ascertain whether payment has been made in this regard and instructions are awaited.

The Plaintiff has indicated that Summons will be issued shortly.

Consumer debtors - Advance payments and deposits

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

In terms of this notice, the water and sanitation function of seven local municipalities within the district were transferred. The transaction files of the consumer debtors could not be substantiated and hence were not recognised in the accounting records of the district municipality.

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

35.2 CONTINGENT ASSET

The following contingent asset has been disclosed and not recognised:

Give Ziyawa Construction
 Consumer debtors - Mbhashe
 Consumer debtors - Mnquma
 Consumer debtors - Great Kei
 Consumer debtors - Ngqushwa
 Consumer debtors - Nkonkobe
 Consumer debtors Nxuba

Give Ziyawa Construction

Contractor rendered a defective service in this water project. This constituted a breach of contract hence the contract was subsequently cancelled. It also transpired that the contractor had been overpaid and as such had been unjustly enriched.

Consumer debtors

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

In terms of this notice, the water and sanitation function of seven local municipalities within the district were transferred. The transaction files of the consumer debtors could not be substantiated and hence were not recognised in the accounting records of the district municipality. Furthermore no amount has been disclosed as a reliable estimate cannot be determined.

MUNICIPALITY			GROUP	
2007/08	2006/07		2007/08	2006/07
R	R		R	R
		36. RELATED PARTIES		
		Relationships		
		Subsidiary / Municipal entity Refer to Note 3.1		
		Related party balances		
		Owing (to) by		
		Amathole Economic Development Agency	-	-
		Related Party Transactions		
		<i>Funding provided to AEDA for the operations of the agency</i>	-	-
		The account operates on a current account basis, i.e. the Agency's service providers are paid by the municipality on the Agency's behalf. No financial benefit accrues to the Agency or the municipality.		
4,177,363	(832,425)			
5,000,000	5,000,000			



THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

37. PRIOR PERIOD ERRORS

Finance leases

Certain leases were not identified and classified as finance or operating leases in accordance with IAS 17 in the prior financial year. Leases were assessed against the criteria of IAS 17 in the current financial year. This resulted in the capitalisation of office equipment as well as recognising the corresponding liability. The prior period errors relating to leases have been corrected retrospectively.

Operating leases

The accrued rental calculated when straight lining the operating leases was incorrect in the prior year. The prior period error was corrected retrospectively.

Housing inventory

All expenditure incurred on the housing projects were capitalised as inventory. The annual financial statements did not reflect any adjustments in respect of the houses that were completed and occupied by the beneficiaries. The municipality has transferred all expenditure relating to completed and occupied houses to the Statement of Financial Performance. The error was corrected in the current financial year and was adjusted for retrospectively.

Payables - water

On 1 July 2006 the municipality assumed responsibility for the provision of water and sanitation services as required by Government Notice 849 issued in terms of section 84(3)(a) of the Municipal Structures Act, 1998 (Act No. 117 of 1998). No provision was recognised for claims in respect of unpaid water service costs that were outstanding at 1 July 2006, as no claims were submitted by the local municipalities. The municipality has recognised the payable. The error was corrected in the current financial year and was adjusted for retrospectively.

Water inventory

The unsold water on hand at year end was not disclosed as required by GAMAP 12. The municipality has quantified the water on hand at year end and disclosed the cost as part of inventory. The error was corrected in the current financial year and was adjusted for retrospectively.

Long term loans: DBSA

On 1 July 2006 the municipality assumed responsibility for the provision of water and sanitation services as required by Government Notice 849 issued in terms of section 84(3)(a) of the Municipal Structures Act, 1998 (Act No. 117 of 1998). The municipality took over the DBSA loans relating to the financing of water and sanitation infrastructure. Interest on these loans was incorrectly accrued. The error was corrected in the current financial year and was adjusted for retrospectively.

Consumer debtors

The municipality undertook a data cleansing exercise in which material errors were noted in the billing of consumer debtors. These errors were corrected in the current financial year and was adjusted retrospectively.

Other payables

Expenditure incurred on projects was incorrectly accounted for directly against the Statement of Financial Performance instead of against the accrual recognised for projects in the prior year. This error was corrected in the prior year and corrected retrospectively.

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

Property plant and equipment - Infrastructure assets

On 1 July 2006 the municipality assumed responsibility for the provision of water and sanitation services as required by Government Notice 849 issued in terms of section 84(3)(a) of the Municipal Structures Act, 1998 (Act No. 117 of 1998). GAMAP 17 prescribes that where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value at the date of acquisition. The water infrastructure assets were not recognised at fair value as at 1 July 2006. The municipality has recognised the water infrastructure assets at the depreciated replacement cost, being the fair value, in accordance with GAMAP 17. In addition the motor vehicles were taken over at the incorrect value. The municipality appointed an independent valuer to determine the value of the motor vehicles. The error was corrected in the current financial year and was adjusted for retrospectively.

MUNICIPALITY		The correction of the errors resulted in adjustments as follows:	GROUP	
2007/08	2006/07		2007/08	2006/07
R	R		R	R
		Finance leases		
		Statement of Financial Position		
	25,674	Adjustment against opening retained earnings 30 June 2006		25,674
	(469,698)	Increase in finance lease liability		(469,698)
	586,042	Increase in infrastructure, plant and equipment		586,042
	(166,489)	Increase in accumulated depreciation		(166,489)
	(6,977)	Increase in trade payables (Interest accrual)		(6,977)
	(31,447)			(31,447)
		Statement of Financial Performance		
	77,835	Increase in finance charges		77,835
	127,045	Increase in depreciation		127,045
	(173,433)	Decrease in leasing and hiring costs		(173,433)
	31,447			31,447
		Operating leases - Lessors and Lessees		
		Statement of Financial Performance		
	21,117	Increase in rental income		21,117
	21,117			21,117
		Statement of Financial Position		
	(21,177)	Increase in rental due		(21,177)
	(21,177)			(21,177)

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

MUNICIPALITY			GROUP	
2007/08	2006/07		2007/08	2006/07
R	R		R	R
	34,196,462	Housing inventory Adjustment against opening retained earnings 30 June 2006		34,196,462
	9,472,498	Statement of financial performance Increase cost of sales		9,472,498
	43,668,960			43,668,960
	(43,668,960)	Statement of financial position Decrease in inventory		(43,668,960)
	(43,668,960)			(43,668,960)
	393,332	Payables - water Statement of financial performance Decrease in gain on transfer of water infrastructure		393,332
	393,332			393,332
	(393,332)	Statement of financial position Increase in payables		(393,332)
	(393,332)			(393,332)
	(78,468)	Water inventory Statement of financial performance Decrease cost of sales		(78,468)
	(78,468)			(78,468)
	78,468	Statement of financial position Increase in inventory		78,468
	78,468			78,468
	340,726 5,726,507	Long term loans Statement of financial performance Increase in interest paid Decrease in gain on transfer of water assets		340,726 5,726,507
	6,067,233			6,067,233
	429,771 (644,512) (5,852,492)	Statement of financial position Increase in sundry debtors Increase in sundry creditors Increase in long term loans: DBSA		429,771 (644,512) (5,852,492)
	(6,067,233)			(6,067,233)

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

MUNICIPALITY			GROUP	
2007/08	2006/07		2007/08	2006/07
R	R		R	R
		Consumer Debtors		
		Statement of financial performance		
	5,049,736	Decrease in revenue - water		5,049,736
	(10,512)	Increase in revenue - sanitation		(10,512)
	111,863	Decrease in revenue - interest		111,863
	5,151,087			5,151,087
	(5,151,087)	Statement of financial position		(5,151,087)
	(5,151,087)	Decrease in consumer debtors		(5,151,087)
		Other Creditors		
		Statement of financial performance		
	(1,370,741)	Decrease expenditure		(1,370,741)
	(1,370,741)			(1,370,741)
	1,370,741	Statement of financial position		1,370,741
	1,370,741	Decrease in other payables - project accruals		1,370,741
		Property plant and equipment - Infrastructure assets		
		Statement of financial performance		
	(309,677,444)	Increase in gain on transfer of water infrastructure assets		(309,677,444)
	(5,764,903)	Decrease in depreciation		(5,764,903)
	(315,442,347)			(315,442,347)
	312,469,612	Statement of financial position		312,469,612
	(2,792,168)	Increase in property, plant and equipment - infrastructure		(2,792,168)
	5,764,903	Decrease in property plant and equipment - other		5,764,903
	315,442,347	Decrease in accumulated depreciation		315,442,347

38. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures have been reclassified.

Commitments

The comparative commitments pertaining to operating leases was restated as leases were identified and classified in accordance with IAS 17/(AC105) as operating leases.

The restatement has no effect on the statement of financial position or statement of financial performance, as the leases had no straight-lining effect.

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

39. RISK MANAGEMENT

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts and budgets are prepared and adequate utilised borrowing facilities are monitored.

Interest rate risk

Deposits and all call accounts attract interest at rates that vary with prime. The municipality's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on the surplus / deficit.

At year end, financial instruments exposed to interest rate risk were as follows: balances with banks, call accounts and current accounts. Surplus funds are invested with banks for fixed terms on fixed interest rates not exceeding one year. For details refer Note 3. Interest bearing external interest loans are detailed in Appendix A and note 11.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality manages credit risk in borrowing and investing activities by dealing with only A rated financial institutions and by spreading its exposure over a range of such institutions in accordance with its investment policies. Refer note 3.

Credit risk relating to consumer debtors is managed in accordance with the Municipality's credit control and debt collection policies. Adequate provision has been made for anticipated doubtful debts. Refer note 6.

Financial assets exposed to credit risk at year end were as follows: deposits with banks, staff loans and receivables

MUNICIPALITY			GROUP	
2007/08	2006/07		2007/08	2006/07
R	R		R	R
130,000	130,000	The municipality is exposed to the following guarantees:		
		Guarantees in lieu of Eskom and the Post office	130,000	130,000
130,000	130,000		130,000	130,000
		Market risk		
		The municipality is not exposed to potentially significant exposure to market risk.		



THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

40. NON-COMPLIANCE WITH SECTION 89(a) OF THE MUNICIPAL FINANCE MANAGEMENT ACT

The Municipality failed to adhere in determining the upper limits of the employee benefits and monitoring the cost of the managers of the Municipal Entity

41. NON-COMPLIANCE WITH SECTION 132(1) AND (2) OF THE MUNICIPAL FINANCE MANAGEMENT ACT

The 2006/07 annual report was not submitted to Provincial Legislature

42. NON-COMPLIANCE WITH SECTION 71(1) AND 54(1)(a) OF THE MUNICIPAL FINANCE MANAGEMENT ACT

The monthly budget statements were not submitted within 10 working days after month end to the Mayor. The monthly statements were submitted to the Provincial Treasury, but uncertainty surrounds compliance with the submission date.

43. NON-COMPLIANCE WITH SECTION 6(2)(a) AND 17(2) OF THE MUNICIPAL SUPPLY CHAIN MANAGEMENT REGULATIONS

The Municipality failed to submit a report, to Council, on the implementation of the supply chain management policy within 30 days of the financial year end. In addition reports on awards made based on less than three quotations were not submitted within three days of the end of each month

44. EVENTS AFTER THE REPORTING DATE AS AT 30 JUNE 2008

No events subsequent events have been identified subsequent to reporting date



THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY

SCHEDULE OF EXTERNAL LOANS

as at 30 June 2008

EXTERNAL LOANS	Loan Number	Interest Rate	Final Redemption Date	Balance at 01/07/2007	Corrections
LONG-TERM LOANS					
DBSA Loan - Nkonkobe	8237	11%	2014-09-30	3,744,200	5,657,623
DBSA Loan - Great Kei	10876	15%	2019-06-30	1,766,382	-
DBSA Loan - Nxuba	11416	17%	2009-06-30	78,201	-
Loan - Amahlathi	100001	4%	2009-06-30	1,082,676	-
Loan - Amahlathi	100001	4%	2009-06-30	294,964	-
Loan - Amahlathi	100001	4%	2009-06-30	113,758	-
Total long-term loans				7,080,181	5,657,623
CURRENT PORTION					
DBSA Loan - Amahlathi [In arrears]	11641	11%	2007-06-30	7,926	-
DBSA Loan - Nxuba	11240	16%	2010-12-31	9,497	-
Total short term loans				17,423	-
TOTAL EXTERNAL LOANS				7,097,604	5,657,623

APPENDIX A

Restated Balance	Corrections	Balance at 01/07/2007 Corrected	Received during the period	Redeemed written off during the period	Balance at 30/06/2008
9,401,823	-	9,401,823	-	336,031	9,065,792
1,766,382	(251,188)	1,515,194	-	39,036	1,476,158
78,201	-	78,201	-	78,201	-
1,082,676	108,636	1,191,311	-	404,062	787,249
294,964	(78,400)	216,564	-	81,567	134,997
113,758	(18,811)	94,947	-	10,515	84,431
12,737,804	(239,763)	12,498,041	-	949,414	11,548,627
7,926	-	7,926	-	3,732	4,194
9,497	-	9,497	-	9,497	0
					-
17,423	-	17,423	-	13,229	4,194
12,755,227	(239,763)	12,515,464	-	962,643	11,552,821



THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY

ANALYSIS OF PROPERTY PLANT & EQUIPMENT

as at 30 June 2008

Classification	COST / REVALUATION					
	Opening Balance	Transfer In / (Out)	New Opening Balance	Additions	Disposals	Closing Balance
INFRASTRUCTURE	620,668,652	359,854,436	980,523,088	141,457,886	-	1,121,980,974
Water						
Reservoirs & Tanks	170,888,093	58,259,396	229,147,489	752,611	-	229,900,101
Supply / Reticulation		172,069,067	172,069,067	74,100	-	172,143,167
Water - Other	3,884,897	238,067	4,122,964	103,258	-	4,226,221
Water Mains		504,533	504,533	-	-	504,533
Meters	1,446,800	16,400,883	17,847,683	73,168	-	17,920,851
Sanitation						
Purification works	23,235,282	36,664,355	59,899,637	-	-	59,899,637
Sewers	90,675,095	75,718,135	166,393,230	-	-	166,393,230
Work in Progress	-	-	-	-	-	-
Infrastructure under Construction	330,538,485	-	330,538,485	140,454,749	-	470,993,235
COMMUNITY	5,834,648	-	5,834,648	-	-	5,834,648
Clinics & Hospitals	1,983,692	-	1,983,692	-	-	1,983,692
Fire Stations	3,393	-	3,393	-	-	3,393
Museum & Art Galleries	3,792,852	-	3,792,852	-	-	3,792,852
Security System	54,712	-	54,712	-	-	54,712
INVESTMENT PROPERTIES	781,714	(75,255)	706,459	-	-	706,459
Administration	781,714	(75,255)	706,459	-	-	706,459
OTHER	79,333,118	(2,087,921)	77,245,196	16,860,033	1,435,417	92,669,813
LAND AND BUILDINGS	31,457,722	75,255	31,532,977	51,030	-	31,584,007
Administration	23,434,687	88,706	23,523,393	-	-	23,523,393
Housing Schemes	1,139,915	-	1,139,915	-	-	1,139,915
Workshops & Depots	4,678,685	-	4,678,685	51,030	-	4,729,715
Land	2,204,436	(13,451)	2,190,985	-	-	2,190,985
Office Equipment	12,841,541	602,535	13,444,076	2,253,570	661,696	15,035,949
Air Conditioners	53,019	-	53,019	-	-	53,019
Computer Hardware	9,870,111	586,041	10,456,152	1,961,618	331,602	12,086,168
Operating Software	103,683	-	103,683	202,534	-	306,217
Office Machines	2,814,727	16,494	2,831,221	89,418	330,094	2,590,545
Furniture and Fittings	2,246,262	(17,271)	2,228,991	1,959,008	8,290	4,179,709
Cabinets & Cupboards	833,493	28,210	861,702	311,240	2,276	1,170,667
Chairs	215,926	2,472	218,397	108,186	4,917	321,667
Furniture and Fittings : Other	511,201	(47,363)	463,837	1,068,523	1,097	1,531,262
Tables & Desks	685,642	(589)	685,054	471,060	(0)	1,156,113
Plant and Equipment	9,991,309	43,727	10,035,036	252,734	6,543	10,281,226
Ambulance Equipment	-	-	-	-	-	-
Compressors	5,070	-	5,070	-	-	5,070
Medical Equipment	21,933	(0)	21,933	-	-	21,933
Fire Equipment	197,078	-	197,078	-	-	197,078
Fire Arms	1,775	-	1,775	-	-	1,775
Laboratory Equipment	13,455	-	13,455	65,353	-	78,808
Lawnmowers	125,089	(1)	125,088	31,696	(1)	156,784
Plant & Equipment : General	407,357	42,951	450,308	155,686	(0)	605,994
Tractors	9,189,430	-	9,189,430	-	-	9,189,430
Radio Equipment	30,121	777	30,898	-	6,544	24,355
Telecommunication Equipment	-	-	-	-	-	-
Motor Vehicles	22,796,285	(2,792,167)	20,004,118	12,343,691	758,887	31,588,921
Motor Vehicles	2,355,292	1	2,355,293	389,328	424,224	2,320,397
Fire Engines	5,153,185	-	5,153,185	-	-	5,153,185
Trucks & Bakkies	15,287,807	(2,792,168)	12,495,639	11,954,363	334,663	24,115,338
TOTAL	706,618,132	357,691,259	1,064,309,391	158,317,919	1,435,417	1,221,191,893

APPENDIX B

ACCUMULATED DEPRECIATION						
Opening Balance	Transfer In / (Out)	New Opening Balance	Additions	Disposals	Closing Balance	Carrying Value
31,744,260	(4,695,719)	27,048,541	31,338,708	-	58,387,250	1,063,593,724
14,959,151	(311,427)	14,647,724	5,258,082	-	19,905,806	209,994,294
-	-	-	10,731,326	-	10,731,326	161,411,841
2,250,732	(1,281,356)	969,376	805,561	-	1,774,936	2,451,285
-	-	-	-	-	-	504,533
271,059	(177,736)	93,323	278,248	-	371,571	17,549,280
-	-	-	-	-	-	-
2,928,932	(369,000)	2,559,932	2,931,105	-	5,491,037	54,408,600
11,334,387	(2,556,200)	8,778,187	11,334,387	-	20,112,574	146,280,656
-	-	-	-	-	-	-
-	-	-	-	-	-	470,993,235
557,151	-	557,151	260,121	-	817,272	5,017,376
279,270	-	279,270	115,896	-	395,165	1,588,527
788	-	788	130	-	918	2,475
268,120	-	268,120	133,255	-	401,374	3,391,477
8,974	-	8,974	10,841	-	19,815	34,897
95,411	-	95,411	28,933	-	124,344	582,115
95,411.21	-	95,411	28,933.00	-	124,344	582,115
17,789,822	(859,571)	16,930,251	9,824,215	1,189,661	25,564,804	67,105,008
1,292,715	-	1,292,715	514,075	-	1,806,790	29,777,217
579,668	-	579,668	223,655	-	803,323	22,720,070
29,380	-	29,380	10,082	-	39,462	1,100,453
669,201	-	669,201	274,738	-	943,939	3,785,776
14,466.70	-	14,466.70	5,600	-	20,067	2,170,918
6,289,822	163,528	6,453,350	2,411,293	629,850	8,234,793	6,801,156
50,308	-	50,308	1,414	-	51,722	1,297
4,387,570	166,488	4,554,058	2,051,625	315,434	6,290,249	5,795,919
100,897	1	100,898	108,971	-	209,869	96,349
1,751,047	(2,961)	1,748,086	249,283	314,416	1,682,953	907,592
867,616	(22,688)	844,928	1,145,160	5,651	1,984,437	2,195,272
340,689	0	340,689	388,611	1,359	727,940	442,727
87,171	2,472	89,643	111,643	3,703	197,582	124,084
170,839	(25,159)	145,681	404,965	-	550,645	980,617
268,916	(0)	268,916	239,942	589	508,269	647,844
2,736,957	11,626	2,748,583	1,097,948	5,767	3,840,764	6,440,462
-	-	-	-	-	-	-
2,533	-	2,533	1,015	-	3,548	1,522
14,731	(0)	14,731	1,288	-	16,019	5,914
28,358	-	28,358	13,138	-	41,496	155,582
1,775	-	1,775	-	-	1,775	-
32,039	(19,900)	12,139	8,589	-	20,728	58,080
49,776	19,900	69,676	45,360	-	115,036	41,748
224,631	11,626	236,257	109,472	-	345,729	260,265
2,352,992	-	2,352,992	919,085	-	3,272,077	5,917,352
30,121	-	30,121	-	5,767	24,355	-
-	-	-	-	-	-	-
6,602,712	(1,012,038)	5,590,674	4,655,739	548,394	9,698,019	21,890,901
1,104,725	-	1,104,725	451,094	424,224	1,131,595	1,188,802
690,493	-	690,493	300,182	-	990,675	4,162,510
4,807,495	(1,012,038)	3,795,457	3,904,463	124,170	7,575,750	16,539,589
50,186,645	(5,555,290)	44,631,354	41,451,978	1,189,661	84,893,671	1,136,298,223

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY

ANALYSIS OF PROPERTY PLANT & EQUIPMENT: GROUP
as at 30 June 2008

Classification	COST / REVALUATION					
	Opening Balance	Transfer In / (Out)	New Opening Balance	Additions	Disposals	Closing Balance
INFRASTRUCTURE	620,668,652	359,854,436	980,523,088	141,457,886	-	1,121,980,974
Water						
Reservoirs & Tanks	170,888,093	58,259,396	229,147,489	752,611	-	229,900,101
Supply / Reticulation		172,069,067	172,069,067	74,100	-	172,143,167
Water - Other	3,884,897	238,067	4,122,964	103,258	-	4,226,221
Water Mains		504,533	504,533	-	-	504,533
Meters	1,446,800	16,400,883	17,847,683	73,168	-	17,920,851
Sanitation						
Purification works	23,235,282	36,664,355	59,899,637	-	-	59,899,637
Sewers	90,675,095	75,718,135	166,393,230	-	-	166,393,230
Work in Progress	-	-	-	-	-	-
Infrastructure under Construction	330,538,485	-	330,538,485	140,454,749	-	470,993,235
COMMUNITY	5,834,648	-	5,834,648	-	-	5,834,648
Clinics & Hospitals	1,983,692	-	1,983,692	-	-	1,983,692
Fire Stations	3,393	-	3,393	-	-	3,393
Museum & Art Galleries	3,792,852	-	3,792,852	-	-	3,792,852
Security System	54,712	-	54,712	-	-	54,712
INVESTMENT PROPERTIES	781,714	(75,255)	706,459	-	-	706,459
Administration	781,714	(75,255)	706,459	-	-	706,459
OTHER	79,666,564	(2,087,921)	77,578,642	16,929,015	1,440,648	93,067,010
LAND AND BUILDINGS	31,457,722	75,255	31,532,977	51,030	-	31,584,007
Administration	23,434,687	88,706	23,523,393	-	-	23,523,393
Housing Schemes	1,139,915	-	1,139,915	-	-	1,139,915
Workshops & Depots	4,678,685	-	4,678,685	51,030	-	4,729,715
Land	2,204,436	(13,451)	2,190,985	-	-	2,190,985
Office Equipment	13,010,986	602,535	13,613,521	2,297,930	666,927	15,244,523
Air Conditioners	53,019	-	53,019	-	-	53,019
Computer Hardware	10,012,897	586,041	10,598,938	2,004,889	336,833	12,266,994
Operating Software	103,683	-	103,683	202,534	-	306,217
Office Machines	2,841,386	16,494	2,857,880	90,507	330,094	2,618,293
Furniture and Fittings	2,410,263	(17,271)	2,392,992	1,983,630	8,290	4,368,332
Cabinets & Cupboards	833,493	28,210	861,702	311,240	2,276	1,170,667
Chairs	215,926	2,472	218,397	108,186	4,917	321,667
Furniture and Fittings : Other	675,202	(47,363)	627,838	1,093,145	1,097	1,719,885
Tables & Desks	685,642	(589)	685,054	471,060	(0)	1,156,113
Plant and Equipment	9,991,309	43,727	10,035,036	252,734	6,543	10,281,226
Ambulance Equipment	-	-	-	-	-	-
Compressors	5,070	-	5,070	-	-	5,070
Medical Equipment	21,933	(0)	21,933	-	-	21,933
Fire Equipment	197,078	-	197,078	-	-	197,078
Fire Arms	1,775	-	1,775	-	-	1,775
Laboratory Equipment	13,455	-	13,455	65,353	-	78,808
Lawnmowers	125,089	(1)	125,088	31,696	-	156,784
Plant & Equipment : General	407,357	42,951	450,308	155,686	(0)	605,994
Tractors	9,189,430	-	9,189,430	-	-	9,189,430
Radio Equipment	30,121	777	30,898	-	6,544	24,355
Telecommunication Equipment	-	-	-	-	-	-
Motor Vehicles	22,796,285	(2,792,167)	20,004,118	12,343,691	758,887	31,588,921
Motor Vehicles	2,355,292	1	2,355,293	389,328	424,224	2,320,397
Fire Engines	5,153,185	-	5,153,185	-	-	5,153,185
Trucks & Bakkies	15,287,807	(2,792,168)	12,495,639	11,954,363	334,663	24,115,338
TOTAL	706,951,578	357,691,259	1,064,642,837	158,386,901	1,440,648	1,221,589,090

APPENDIX B

ACCUMULATED DEPRECIATION

Opening Balance	Transfer In / (Out)	New Opening Balance	Additions	Disposals	Closing Balance	Carrying Value
31,744,260	(4,695,719)	27,048,541	31,338,708	-	58,387,250	1,063,593,724
14,959,151	(311,427)	14,647,724	5,258,082	-	19,905,806	209,994,294
-	-	-	10,731,326	-	10,731,326	161,411,841
2,250,732	(1,281,356)	969,376	805,561	-	1,774,936	2,451,285
-	-	-	-	-	-	504,533
271,059	(177,736)	93,323	278,248	-	371,571	17,549,280
-	-	-	-	-	-	-
2,928,932	(369,000)	2,559,932	2,931,105	-	5,491,037	54,408,600
11,334,387	(2,556,200)	8,778,187	11,334,387	-	20,112,574	146,280,656
-	-	-	-	-	-	-
-	-	-	-	-	-	470,993,235
557,151	-	557,151	260,121	-	817,272	5,017,376
279,270	-	279,270	115,896	-	395,165	1,588,527
788	-	788	130	-	918	2,475
268,120	-	268,120	133,255	-	401,374	3,391,477
8,974	-	8,974	10,841	-	19,815	34,897
95,411	-	95,411	28,933	-	124,344	582,115
95,411.21	-	95,411	28,933.00	-	124,344	582,115
17,891,754	(859,571)	17,032,183	9,909,880	1,192,776	25,749,286	67,317,723
1,292,715	-	1,292,715	514,075	-	1,806,790	29,777,217
579,668	-	579,668	223,655	-	803,323	22,720,070
29,380	-	29,380	10,082	-	39,462	1,100,453
669,201	-	669,201	274,738	-	943,939	3,785,776
14,466.70	-	14,466.70	5,600	-	20,067	2,170,918
6,358,679	163,528	6,522,207	2,471,353	632,965	8,360,595	6,883,928
50,308	-	50,308	1,414	-	51,722	1,297
4,449,678	166,488	4,616,166	2,106,263	318,549	6,403,880	5,863,114
100,897	1	100,898	108,971	-	209,869	96,349
1,757,796	(2,961)	1,754,835	254,705	314,416	1,695,124	923,169
900,691	(22,688)	878,003	1,170,765	5,651	2,043,117	2,325,215
340,689	0	340,689	388,611	1,359	727,940	442,727
87,171	2,472	89,643	111,643	3,703	197,582	124,084
203,914	(25,159)	178,756	430,570	-	609,325	1,110,560
268,916	(0)	268,916	239,942	589	508,269	647,844
2,736,957	11,626	2,748,583	1,097,948	5,767	3,840,764	6,440,462
-	-	-	-	-	-	-
2,533	-	2,533	1,015	-	3,548	1,522
14,731	(0)	14,731	1,288	-	16,019	5,914
28,358	-	28,358	13,138	-	41,496	155,582
1,775	-	1,775	-	-	1,775	-
32,039	(19,900)	12,139	8,589	-	20,728	58,080
49,776	19,900	69,676	45,360	-	115,036	41,748
224,631	11,626	236,257	109,472	-	345,729	260,265
2,352,992	-	2,352,992	919,085	-	3,272,077	5,917,352
30,121	-	30,121	-	5,767	24,355	-
-	-	-	-	-	-	-
6,602,712	(1,012,038)	5,590,674	4,655,739	548,394	9,698,019	21,890,901
1,104,725	-	1,104,725	451,094	424,224	1,131,595	1,188,802
690,493	-	690,493	300,182	-	990,675	4,162,510
4,807,495	(1,012,038)	3,795,457	3,904,463	124,170	7,575,750	16,539,589
50,288,577	(5,555,290)	44,733,286	41,537,643	1,192,776	85,078,153	1,136,510,938

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY

SEGMENTAL ANALYSIS OF FIXED ASSETS PER DEPARTMENT
as at 30 June 2008

Department	COST / REVALUATION					
	Opening Balance	Transfer In / (Out)	Opening Balances	Transfer In / Out	Additions	Disposals
RATES AND GENERAL	706,618,133	47,963,517	754,581,650	309,720,394	158,325,268	1,435,417
Council General	183,635	-	183,635.24	-	38,674	-
Mayoral Committee	2,132,543	-	2,132,543	-	7,988	10,821
Executive Support Services	767,818	-	767,818	-	465,490	116,214
Municipal Manager	704,285	-	704,285	-	-	-
PIMMS	172,858	(0)	172,857	(172,857)	-	-
Internal Audit	406,361	-	406,361	-	1,486	8,400
Local Economic Development	9,502,575	-	9,502,575	-	152,858	22,757
Municipal Support Unit	279,783	-	279,783	172,857	10,962	43,301
Strategic Management unit	218,231	-	218,231	-	-	-
Information Com Technology	3,234,095	504,593	3,738,687	946,604	1,154,421	28,398
Administration	3,734,567	-	3,734,567	305,991	1,343,758	97,273
Land and Housing	28,093,105	-	28,093,105	-	10,647	4,896
Buildings	5,511,756	74,100.01	5,585,856	-	111,120	-
Calgary Museum	3,897,042	-	3,897,042	-	-	-
Supply Chain Management	47,327	-	47,327	(47,327)	-	-
Council Support & Auxiliary	535,631	-	535,631	(258,664)	(258,664)	-
Budget & Treasury Office	4,014,400	-	4,014,400	-	1,032,199	282,196
Human Resources	821,104	-	821,104	-	177,634	124,400
Engineering Services	1,807,510	-	1,807,510	(7,770)	4,522	305,774
Building and Services Planning	1,308,666	-	1,308,666	(198,728)	27,248	466
Management of WSP	1,029,345	-	1,029,345	(991,038)	-	-
Mbhashe EC 121	494,292	55,102,973	55,597,265	(1,170,374)	42,189	-
Mbhashe Ex LM Schemes	55,110,868	(55,102,973)	7,895	(7,895)	-	-
Mbhashe EX DWAF Schemes	2,326,891	-	2,326,891	(2,326,891)	-	-
Mnquma EC 122	427,357	63,193,921	63,621,278	(45,134,894)	132,268	-
Mnquma Ex LM Schemes	63,198,833	(63,193,921)	4,912	(4,912)	-	-
Mnquma EX DWAF Schemes	7,086,101	-	7,086,101	(7,086,101)	-	-
Great Kei EC 123	894,782	9,344,180	10,238,962	16,385,697	345,999	-
Great Kei Ex LM Schemes	9,382,271	(9,344,181)	38,090	(38,090)	-	-
Amahlathi EC 124	46,426	49,766,843	49,813,269	(23,440,930)	11,679	-
Amahlathi Ex LM Schemes	49,766,843	(49,766,843)	-	-	-	-
Amahlathi EX DWAF Schemes	208,303	0.40	208,304	(208,303)	-	-
Ngqushwa EC 126	412,117	11,573,664	11,985,782	24,085,969	-	-
Ngqushwa Ex LM Schemes	10,379,970	(10,371,338)	8,632	(8,632)	-	-
Ngqushwa EX DWAF Schemes	887,671	-	887,671	(887,671)	-	-
Nkonkobe EC 127	201,690	132,949,820	133,151,509	(49,425,683)	32,826	-
Nkonkobe Ex LM Schemes	86,778,216	(86,767,321)	10,895	(10,895)	-	-
Nkonkobe EX DWAF Schemes	3,452,678	-	3,452,678	(3,452,678)	-	-
Nxuba EC 128	43,389	7,328,974	7,372,363	26,873,506	34,158	-
Nxuba Ex LM Schemes	7,334,237	(7,328,974)	5,263	(5,263)	-	-
Water Service Authority	183,918	-	183,918	(1,708)	270,306	14,539
Shared Resources Water & Sanitation	-	-	-	9,037,206	11,414,563	233,882
Mbhashe Sewerage	-	-	-	7,025,068	-	-
Mnquma Sewerage	-	-	-	11,928,500	-	-
Great Kei Sewerage	-	-	-	-	-	-
Amahlathi Sewerage	-	-	-	57,512,514	-	-
Ngqushwa Sewerage	-	-	-	-	-	-
Nkonkobe Sewerage	-	-	-	29,266,195	-	-
Nxuba Sewerage	-	-	-	44,014,761	-	-
Borehole Schemes	-	-	-	217,052,833	142,981	-
VIP Sanitation	-	-	-	-	-	-
Project Management Unit	331,280,738	(0)	331,280,738	-	140,590,543	1,353
Health and Protection Services	536,379	-	536,379	-	-	56,012
Disaster Management	919,217	-	919,217	-	168,003	12,509
Municipal Health	1,003,027	-	1,003,027	-	846,936	72,226
Fire Services	5,859,282	-	5,859,282	-	12,474	-
Primary Health Care	-	-	-	-	-	-
SUBSIDISED SERVICES	-	-	-	-	-	-
ECONOMIC SERVICES	-	-	-	-	-	-
HOUSING SERVICES	-	-	-	-	-	-
TRADING SERVICES	-	-	-	-	-	-
TOTAL	706,618,133	47,963,517	754,581,650	309,720,394	158,325,268	1,435,417

APPENDIX C

ACCUMULATED DEPRECIATION

Closing Balance	New Opening Balances	Transfer In / Out	Additions	Disposals	Closing Balance	Carrying Value
1,221,191,896	50,229,770	(5,764,903)	41,618,465	1,189,661	84,893,671	1,136,298,225
222,309	364	-	53,245	-	53,609	168,700
2,129,710	1,058,916	-	308,755	10,821	1,356,850	772,860
1,117,094	474,937	-	190,475	110,241	555,170	561,924
704,285	435,950	-	92,993	-	528,943	175,342
-	70,541	(70,541)	-	-	0	(0)
399,447	168,159	-	79,839	8,400	239,598	159,848
9,632,676	2,512,964	-	991,689	22,757	3,481,896	6,150,780
420,302	123,791	70,541	86,214	36,091	244,455	175,847
218,231	158,809	-	18,668	-	177,477	40,754
5,811,314	984,543	(80,648)	824,907	28,398	1,700,406	4,110,909
5,287,043	1,318,786	27,173	805,991	94,718	2,057,232	3,229,811
28,098,856	960,738	-	441,916	3,980	1,398,674	26,700,182
5,696,976	705,795	-	290,510	-	996,305	4,700,671
3,897,042	422,353	-	233,831	-	656,184	3,240,858
-	4,582	(4,582)	-	-	-	-
18,303	198,613	(32,433)	27,697	-	193,877	(175,574)
4,764,402	1,792,423	-	1,028,662	278,528	2,542,556	2,221,846
874,338	501,544	-	197,191	115,860	582,875	291,464
1,498,489	1,443,376	(972)	205,026	305,774	1,341,657	156,832
1,136,720	576,597	(89,958)	178,782	466	664,955	471,765
38,307	348,124	(309,817)	-	-	38,307	(0)
54,469,080	4,078,971	(2,319,063)	1,761,358	-	3,521,266	50,947,814
-	439	(439)	-	-	-	-
-	581,723	(581,723)	-	-	-	-
18,618,652	8,128,669	(5,682,649)	2,458,066	-	4,904,086	13,714,566
-	1,228	(1,228)	-	-	-	-
-	790,420	(790,420)	-	-	-	-
26,970,658	1,365,019	369,216	498,795	-	2,233,030	24,737,628
-	5,821	(5,821)	-	-	-	-
26,384,018	6,295,595	(5,014,203)	1,281,392	-	2,562,785	23,821,233
-	-	-	-	-	-	-
0.40	52,076	(52,076)	-	-	-	0
36,071,751	1,422,142	(1,422,142)	2,415,596	-	2,415,596	33,656,155
-	792	(792)	-	-	-	-
-	221,918	(221,918)	-	-	-	-
83,758,652	8,548,867	(5,954,127)	1,815,467	-	4,410,207	79,348,445
-	908	(908)	-	-	-	-
-	787,121	(787,121)	-	-	-	-
34,280,027	1,007,322	1,407,217	779,273	-	3,193,811	31,086,216
-	585	(585)	-	-	-	-
437,977	131,045	(1,186)	42,116	14,539	157,436	280,542
20,217,887	-	2,087,619	3,300,711	23,388	5,364,942	14,852,945
7,025,068	-	210,901	210,901	-	421,803	6,603,265
11,928,500	-	1,494,039	3,081,139	-	4,575,178	7,353,322
-	-	-	-	-	-	-
57,512,514	-	3,392,379	3,392,379	-	6,784,757	50,727,756
-	-	-	-	-	-	-
29,266,195	-	3,658,274	3,658,274	-	7,316,549	21,949,646
44,014,761	-	54,045	437,954	-	492,000	43,522,762
217,195,814	-	4,889,042	9,452,507	-	14,341,549	202,854,264
-	-	-	-	-	-	-
471,869,928	363,580	-	103,970	579	466,971	471,402,957
480,367	372,302	-	48,171	55,446	365,026	115,341
1,074,711	429,362	-	158,787	11,160	576,990	497,721
1,777,737	570,778	-	243,042	68,514	745,306	1,032,431
5,871,756	811,182	-	422,175	-	1,233,358	4,638,399
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,221,191,896	50,229,770	(5,764,903)	41,618,465	1,189,661	84,893,671	1,136,298,225



THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY

SEGMENTAL ANALYSIS OF FIXED ASSETS PER DEPARTMENT: GROUP
as at 30 June 2008

Department	COST / REVALUATION					
	Opening Balance	Transfer In / (Out)	Opening Balances	Transfer In / Out	Additions	Disposals
RATES AND GENERAL	706,618,133	47,963,517	754,581,650	309,720,394	158,325,268	1,435,417
Council General	183,635	-	183,635.24	-	38,674	-
Mayoral Committee	2,132,543	-	2,132,543	-	7,988	10,821
Executive Support Services	767,818	-	767,818	-	465,490	116,214
Municipal Manager	704,285	-	704,285	-	-	-
PIMMS	172,858	(0)	172,857	(172,857)	-	-
Internal Audit	406,361	-	406,361	-	1,486	8,400
Local Economic Development	9,502,575	-	9,502,575	-	152,858	22,757
Municipal Support Unit	279,783	-	279,783	172,857	10,962	43,301
Strategic Management unit	218,231	-	218,231	-	-	-
Information Com Technology	3,234,095	504,593	3,738,687	946,604	1,154,421	28,398
Administration	3,734,567	-	3,734,567	305,991	1,343,758	97,273
Land and Housing	28,093,105	-	28,093,105	-	10,647	4,896
Buildings	5,511,756	74,100.01	5,585,856	-	111,120	-
Calgary Museum	3,897,042	-	3,897,042	-	-	-
Supply Chain Management	47,327	-	47,327	(47,327)	-	-
Council Support & Auxiliary	535,631	-	535,631	(258,664)	(258,664)	-
Budget & Treasury Office	4,014,400	-	4,014,400	-	1,032,199	282,196
Human Resources	821,104	-	821,104	-	177,634	124,400
Engineering Services	1,807,510	-	1,807,510	(7,770)	4,522	305,774
Building and Services Planning	1,308,666	-	1,308,666	(198,728)	27,248	466
Management of WSP	1,029,345	-	1,029,345	(991,038)	-	-
Mbhashe EC 121	494,292	55,102,973	55,597,265	(1,170,374)	42,189	-
Mbhashe Ex LM Schemes	55,110,868	(55,102,973)	7,895	(7,895)	-	-
Mbhashe EX DWAF Schemes	2,326,891	-	2,326,891	(2,326,891)	-	-
Mnquma EC 122	427,357	63,193,921	63,621,278	(45,134,894)	132,268	-
Mnquma Ex LM Schemes	63,198,833	(63,193,921)	4,912	(4,912)	-	-
Mnquma EX DWAF Schemes	7,086,101	-	7,086,101	(7,086,101)	-	-
Great Kei EC 123	894,782	9,344,180	10,238,962	16,385,697	345,999	-
Great Kei Ex LM Schemes	9,382,271	(9,344,181)	38,090	(38,090)	-	-
Amahlathi EC 124	46,426	49,766,843	49,813,269	(23,440,930)	11,679	-
Amahlathi Ex LM Schemes	49,766,843	(49,766,843)	-	-	-	-
Amahlathi EX DWAF Schemes	208,303	0.40	208,304	(208,303)	-	-
Ngqushwa EC 126	412,117	11,573,664	11,985,782	24,085,969	-	-
Ngqushwa Ex LM Schemes	10,379,970	(10,371,338)	8,632	(8,632)	-	-
Ngqushwa EX DWAF Schemes	887,671	-	887,671	(887,671)	-	-
Nkonkobe EC 127	201,690	132,949,820	133,151,509	(49,425,683)	32,826	-
Nkonkobe Ex LM Schemes	86,778,216	(86,767,321)	10,895	(10,895)	-	-
Nkonkobe EX DWAF Schemes	3,452,678	-	3,452,678	(3,452,678)	-	-
Nxuba EC 128	43,389	7,328,974	7,372,363	26,873,506	34,158	-
Nxuba Ex LM Schemes	7,334,237	(7,328,974)	5,263	(5,263)	-	-
Water Service Authority	183,918	-	183,918	(1,708)	270,306	14,539
Shared Resources Water & Sanitation	-	-	-	9,037,206	11,414,563	233,882
Mbhashe Sewerage	-	-	-	7,025,068	-	-
Mnquma Sewerage	-	-	-	11,928,500	-	-
Great Kei Sewerage	-	-	-	-	-	-
Amahlathi Sewerage	-	-	-	57,512,514	-	-
Ngqushwa Sewerage	-	-	-	-	-	-
Nkonkobe Sewerage	-	-	-	29,266,195	-	-
Nxuba Sewerage	-	-	-	44,014,761	-	-
Borehole Schemes	-	-	-	217,052,833	142,981	-
VIP Sanitation	-	-	-	-	-	-
Project Management Unit	331,280,738	(0)	331,280,738	-	140,590,543	1,353
Health and Protection Services	536,379	-	536,379	-	-	56,012
Disaster Management	919,217	-	919,217	-	168,003	12,509
Municipal Health	1,003,027	-	1,003,027	-	846,936	72,226
Fire Services	5,859,282	-	5,859,282	-	12,474	-
Primary Health Care	-	-	-	-	-	-
SUBSIDISED SERVICES	-	-	-	-	-	-
ECONOMIC SERVICES	-	-	-	-	-	-
HOUSING SERVICES	-	-	-	-	-	-
TRADING SERVICES	-	-	-	-	-	-
DEVELOPMENT AGENCY	333,446	-	333,446	-	68,982	5,231
	333,446	-	333,446	-	68,982	5,231
TOTAL	706,951,579	47,963,517	754,915,096	309,720,394	158,394,250	1,440,648

APPENDIX C

ACCUMULATED DEPRECIATION						
Closing Balance	New Opening Balances	Transfer In / Out	Additions	Disposals	Closing Balance	Carrying Value
1,221,191,896	50,229,770	(5,764,903)	41,618,465	1,189,661	84,893,671	1,136,298,225
222,309	364	-	53,245	-	53,609	168,700
2,129,710	1,058,916	-	308,755	10,821	1,356,850	772,860
1,117,094	474,937	-	190,475	110,241	555,170	561,924
704,285	435,950	-	92,993	-	528,943	175,342
-	70,541	(70,541)	-	-	0	(0)
399,447	168,159	-	79,839	8,400	239,598	159,848
9,632,676	2,512,964	-	991,689	22,757	3,481,896	6,150,780
420,302	123,791	70,541	86,214	36,091	244,455	175,847
218,231	158,809	-	18,668	-	177,477	40,754
5,811,314	984,543	(80,648)	824,907	28,398	1,700,406	4,110,909
5,287,043	1,318,786	27,173	805,991	94,718	2,057,232	3,229,811
28,098,856	960,738	-	441,916	3,980	1,398,674	26,700,182
5,696,976	705,795	-	290,510	-	996,305	4,700,671
3,897,042	422,353	-	233,831	-	656,184	3,240,858
-	4,582	(4,582)	-	-	-	-
18,303	198,613	(32,433)	27,697	-	193,877	(175,574)
4,764,402	1,792,423	-	1,028,662	278,528	2,542,556	2,221,846
874,338	501,544	-	197,191	115,860	582,875	291,464
1,498,489	1,443,376	(972)	205,026	305,774	1,341,657	156,832
1,136,720	576,597	(89,958)	178,782	466	664,955	471,765
38,307	348,124	(309,817)	-	-	38,307	(0)
54,469,080	4,078,971	(2,319,063)	1,761,358	-	3,521,266	50,947,814
-	439	(439)	-	-	-	-
-	581,723	(581,723)	-	-	-	-
18,618,652	8,128,669	(5,682,649)	2,458,066	-	4,904,086	13,714,566
-	1,228	(1,228)	-	-	-	-
-	790,420	(790,420)	-	-	-	-
26,970,658	1,365,019	369,216	498,795	-	2,233,030	24,737,628
-	5,821	(5,821)	-	-	-	-
26,384,018	6,295,595	(5,014,203)	1,281,392	-	2,562,785	23,821,233
-	-	-	-	-	-	-
0.40	52,076	(52,076)	-	-	-	0
36,071,751	1,422,142	(1,422,142)	2,415,596	-	2,415,596	33,656,155
-	792	(792)	-	-	-	-
-	221,918	(221,918)	-	-	-	-
83,758,652	8,548,867	(5,954,127)	1,815,467	-	4,410,207	79,348,445
-	908	(908)	-	-	-	-
-	787,121	(787,121)	-	-	-	-
34,280,027	1,007,322	1,407,217	779,273	-	3,193,811	31,086,216
-	585	(585)	-	-	-	-
437,977	131,045	(1,186)	42,116	14,539	157,436	280,542
20,217,887	-	2,087,619	3,300,711	23,388	5,364,942	14,852,945
7,025,068	-	210,901	210,901	-	421,803	6,603,265
11,928,500	-	1,494,039	3,081,139	-	4,575,178	7,353,322
-	-	-	-	-	-	-
57,512,514	-	3,392,379	3,392,379	-	6,784,757	50,727,756
-	-	-	-	-	-	-
29,266,195	-	3,658,274	3,658,274	-	7,316,549	21,949,646
44,014,761	-	54,045	437,954	-	492,000	43,522,762
217,195,814	-	4,889,042	9,452,507	-	14,341,549	202,854,264
-	-	-	-	-	-	-
471,869,928	363,580	-	103,970	579	466,971	471,402,957
480,367	372,302	-	48,171	55,446	365,026	115,341
1,074,711	429,362	-	158,787	11,160	576,990	497,721
1,777,737	570,778	-	243,042	68,514	745,306	1,032,431
5,871,756	811,182	-	422,175	-	1,233,358	4,638,399
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
397,197	101,932	-	85,665	3,115	184,482	212,715
397,197	101,932	-	85,665	3,115	184,482	212,715
1,221,589,093	50,331,702	(5,764,903)	41,704,130	1,192,776	85,078,153	1,136,510,940



THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE:
as at 30 June 2008

2006/07 Actual Income	2006/07 Actual Expenditure	2006/07 Surplus/ (Deficit)	
R	R	R	
1,079,579,199	465,462,215	614,116,984	RATE AND GENERAL SERVICES
1,070,200,098	456,083,114	614,116,984	Community Services
10,911,627	-	10,911,627	Levies
3,679	65,634,282	(65,630,603)	Council General
16,961	7,574,047	(7,557,086)	Mayor and Committee
-	300,061	(300,061)	Grants-in-aid
13,320	5,511,861	(5,498,541)	Executive Support Services
-	-	-	Speaker Support
166,312,884	7,889,280	158,423,604	Municipal Manager
10,008	1,087,835	(1,077,826)	PIMMS
20,439	2,383,353	(2,362,915)	Internal Audit
2,933,807	8,951,869	(6,018,061)	Local Economic Development
1,835,193	5,256,496	(3,421,303)	Municipal Support Manager
1,663	1,410,412	(1,408,749)	Strategic Manager
98,110	7,473,148	(7,375,038)	Information Com Technology
1,738,186	58,077,310	(56,339,124)	Projects
71,283	10,597,662	(10,526,379)	Administration
11,649,881	3,981,385	7,668,496	Land and Housing
3,620,387	5,322,645	(1,702,259)	Buildings
59,605	497,893	(438,288)	Calgary Museum
825	1,464,364	(1,463,539)	Supply Chain Management
19,131	6,287,787	(6,268,655)	Council Support and Auxiliary Services
1,384,557	18,355,577	(16,971,021)	Financial Services
941,532	941,532	-	Budget Reform
1,204,104	9,806,350	(8,602,246)	Human Resources
57,115,632	58,119,532	(1,003,900)	Engineering Services
5,546,690	4,828,521	718,169	Building and Services Planning
765,493,423	128,934,698	636,558,725	WSA
4,024,324	4,325,689	(301,365)	Water Services
4,904,673	4,852,246	52,427	Water Shared Services
5,145,667	4,347,456	798,211	Project Management Unit
3,694,196	3,137,245	556,951	Health and Protection Services
6,856,132	5,909,575	946,557	Disaster Management
14,572,179	12,823,002	1,749,177	Municipal Health Services ADM
9,379,101	9,379,101	0	Fire Services
9,379,101	9,379,101	0	Municipal Health services LM's
0	0	0	Subsidised Services
0	0	0	Ambulance and Rescue Services
0	0	0	Health Nursing Services
0	0	0	Economic Services
0	0	0	
0	0	0	HOUSING SERVICE
0	0	0	
0	0	0	TRADING SERVICES
0	0	0	
1,079,579,199	465,462,215	614,116,984	TOTAL



APPENDIX D

2007/08 Actual Income	2007/08 Actual Expenditure	2007/08 Actual Surplus/(Deficit)	2007/08 Budgeted Surplus/(Deficit)
R	R	R	R
580,853,470	513,614,600	67,238,870	(244,583,363)
572,944,175	505,821,517	67,122,658	(244,583,363)
106,238	-	106,238	-
8,759	8,071,704	(8,062,944)	(9,677,456)
730,387	7,447,258	(6,716,872)	(7,849,896)
-	157,058	(157,058)	(500,000)
18,037	8,613,276	(8,595,239)	(11,847,878)
-	7,865,654	(7,865,654)	-
221,901,429	8,112,366	213,789,063	(8,349,896)
-	4,947	(4,947)	-
34,051	2,955,608	(2,921,557)	(3,646,899)
4,286,814	10,785,357	(6,498,543)	(8,770,519)
7,344	4,786,622	(4,779,277)	(6,549,758)
3,336,930	4,962,341	(1,625,410)	(2,267,109)
10,282	15,179,181	(15,168,899)	(18,209,199)
16,871,211	38,422,337	(38,422,337)	(26,978,348)
(609,625)	14,084,099	2,787,112	(15,008,185)
103,088	18,828,209	(19,437,835)	(6,098,786)
82,450	2,910,761	(2,807,673)	(3,372,895)
-	554,821	(472,370)	(803,164)
-	-	-	-
-	-	-	-
6,711,523	21,373,051	(14,661,528)	(30,755,919)
501,280	422,954	78,326	(35,507)
3,651,770	14,620,399	(10,968,629)	(11,371,233)
98,854,151	100,629,611	(1,775,460)	(2,104,659)
38,660	5,083,766	(5,045,107)	(6,257,749)
1,474	2,051,445	(2,049,971)	-
196,592,129	110,957,380	85,634,749	8,716,382
986,334	59,503,677	(58,517,342)	(58,488,535)
2,982,396	4,790,296	(1,807,900)	5,745,153
151,457	4,119,664	(3,968,207)	(4,848,919)
3,143,529	5,095,398	(1,951,869)	(2,439,870)
732,451	4,082,939	(3,350,488)	(5,251,669)
1,463,286	7,490,971	(6,027,685)	(6,355,439)
10,246,340	11,858,367	(1,612,027)	(1,205,411)
7 909 295	7 793 083	116 212	0
7,909,295	7,793,083	116,212	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
580,853,470	513,614,600	67,238,870	(244,583,363)



THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE: GROUP
as at 30 June 2008

2006/07 Actual Income	2006/07 Actual Expenditure	2006/07 Surplus/ (Deficit)	
R	R	R	
1,079,579,199	460,462,215	619,116,984	RATE AND GENERAL SERVICES
1,070,200,098	451,083,114	619,116,984	Community Services
10,911,627	-	10,911,627	Levies
3,679	65,634,282	(65,630,603)	Council General
16,961	7,574,047	(7,557,086)	Mayoral Committee
-	300,061	(300,061)	Grants-in-aid
13,320	5,511,861	(5,498,541)	Executive Support Services
-	-	-	Speaker Support
166,312,884	2,889,280	163,423,604	Municipal Manager
10,008	1,087,835	(1,077,826)	PIMMS
20,439	2,383,353	(2,362,915)	Internal Audit
2,933,807	8,951,869	(6,018,061)	Local Economic Development
1,835,193	5,256,496	(3,421,303)	Municipal Support Manager
1,663	1,410,412	(1,408,749)	Strategic Manager
98,110	7,473,148	(7,375,038)	Information Com Technology
1,738,186	58,077,310	(56,339,124)	Projects
71,283	10,597,662	(10,526,379)	Administration
11,649,881	3,981,385	7,668,496	Land and Housing
3,620,387	5,322,645	(1,702,259)	Buildings
59,605	497,893	(438,288)	Calgary Museum
825	1,464,364	(1,463,539)	Supply Chain Management
19,131	6,287,787	(6,268,655)	Council Support and Auxiliary Services
1,384,557	18,355,577	(16,971,021)	Financial Services
941,532	941,532	-	Budget Reform
1,204,104	9,806,350	(8,602,246)	Human Resources
57,115,632	58,119,532	(1,003,900)	Engineering Services
5,546,690	4,828,521	718,169	Building and Services Planning
765,493,423	128,934,698	636,558,725	WSA
4,024,324	4,325,689	(301,365)	Water Services
4,904,673	4,852,246	52,427	Water Shared Services
5,145,667	4,347,456	798,211	Project Management Unit
3,694,196	3,137,245	556,951	Health and Protection Services
6,856,132	5,909,575	946,557	Disaster Management
14,572,179	12,823,002	1,749,177	Municipal Health Services ADM
9,379,101	9,379,101	0	Fire Services
9,379,101	9,379,101	0	Municipal Health services LM's
0	0	0	Subsidised Services
0	0	0	Ambulance and Rescue Services
0	0	0	Health Nursing Services
0	0	0	Economic Services
0	0	0	
0	0	0	HOUSING SERVICE
0	0	0	
0	0	0	TRADING SERVICES
0	0	0	
236 770	4 546 108	(4 309 338)	DEVELOPMENT AGENCY
236 770	4 546 108	(4 309 338)	
0	25 164	(25 164)	TAXATION - AGENCY
0	25 164	(25 164)	
1,079,815,969	465,033,487	614,782,482	TOTAL



APPENDIX D

2007/08 Actual Income	2007/08 Actual Expenditure	2007/08 Actual Surplus/(Deficit)	2007/08 Budgeted Surplus/(Deficit)
R	R	R	R
580,853,470	508,614,600	72,238,870	(244,583,363)
572,944,175	500,821,517	72,122,658	(244,583,363)
106,238	-	106,238	-
8,759	8,071,704	(8,062,944)	(9,677,456)
730,387	7,447,258	(6,716,872)	(7,849,896)
-	157,058	(157,058)	(500,000)
18,037	8,613,276	(8,595,239)	(11,847,878)
-	7,865,654	(7,865,654)	-
221,901,429	3,112,366	218,789,063	(8,349,896)
-	4,947	(4,947)	-
34,051	2,955,608	(2,921,557)	(3,646,899)
4,286,814	10,785,357	(6,498,543)	(8,770,519)
7,344	4,786,622	(4,779,277)	(6,549,758)
3,336,930	4,962,341	(1,625,410)	(2,267,109)
10,282	15,179,181	(15,168,899)	(18,209,199)
16,871,211	38,422,337	(38,422,337)	(26,978,348)
(609,625)	14,084,099	2,787,112	(15,008,185)
103,088	18,828,209	(19,437,835)	(6,098,786)
82,450	2,910,761	(2,807,673)	(3,372,895)
-	554,821	(472,370)	(803,164)
-	-	-	-
6,711,523	21,373,051	(14,661,528)	(30,755,919)
501,280	422,954	78,326	(35,507)
3,651,770	14,620,399	(10,968,629)	(11,371,233)
98,854,151	100,629,611	(1,775,460)	(2,104,659)
38,660	5,083,766	(5,045,107)	(6,257,749)
1,474	2,051,445	(2,049,971)	-
196,592,129	110,957,380	85,634,749	8,716,382
986,334	59,503,677	(58,517,342)	(58,488,535)
2,982,396	4,790,296	(1,807,900)	5,745,153
151,457	4,119,664	(3,968,207)	(4,848,919)
3,143,529	5,095,398	(1,951,869)	(2,439,870)
732,451	4,082,939	(3,350,488)	(5,251,669)
1,463,286	7,490,971	(6,027,685)	(6,355,439)
10,246,340	11,858,367	(1,612,027)	(1,205,411)
7 909 295	7 793 083	116 212	0
7,909,295	7,793,083	116,212	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
2 032 387	7 973 859	(5 941 472)	0
2 032 387	7 973 859	(5 941 472)	0
0	47 206	(47 206)	0
0	47 206	(47 206)	0
582,885,857	516,635,664	66,250,193	(244,583,363)



THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)
for the financial year ended 30 June 2008

	2007/08 Actual	2007/08 Budget	2007/08 Variance
	R	R	R
REVENUE			
Service Charges	76,641,036	86,916,868	(10,275,832)
Regional Service Charges	106,238		106,238
Rental of facilities & Equipment	179,960	123,767	56,193
Income for agency Service	17,859,594	14,355,951	3,503,643
Government grants & Subsidies	431,548,846	434,936,276	(3,387,430)
Other income	4,079,006	127,935,213	(123,856,207)
Gain on transfer of water infrastructure	-		-
Gains on disposal of PPE	235,748		235,748
Total Revenue	530,650,428	664,268,075	(133,617,647)
EXPENDITURE			
Employee related costs	136,698,673	159,577,063	(22,878,390)
Remuneration of Councillors	9,840,841	11,312,681	(1,471,840)
Bad Debt provision	16,870,978	39,036,211	(22,165,233)
Collection Costs	3,639	830,461	(826,822)
Depreciation	41,552,268	70,561,591	(29,009,323)
Repairs & Maintenance	13,382,335	17,277,835	(3,895,500)
Grants & Subsidies Paid	3,470,350	8,361,039	(4,890,689)
Grants & Subsidies Paid: Capital	24,111,842	59,216,513	(35,104,671)
General expenses- other	266,567,122	210,907,541	55,659,581
Loss on disposal of PPE	245,756	-	245,756
Internal charges	-	-	-
Total Expenditure	512,743,805	577,080,935	(64,337,130)
OPERATING SURPLUS/ (DEFICIT)	17,906,622	87,187,140	(69,280,518)
Investment income	50,203,042	3,083,782	47,119,260
Finance costs	870,794	2,968,282	(2,097,488)
NET SURPLUS/(DEFICIT) FOR THE YEAR	67,238,871	87,302,640	(20,063,770)

APPENDIX E1

	2007/08 Variance	Explanation for Significant Variances greater than 10% vs Budget
	%	
	-12%	Incompleteness of the records of the Local Municipalities consumers
	100%	Abolishment of RSC levies with effect 1 July 2006
	45%	Calgary conference facility rented out internally and externally
	24%	PDOH subsidy exceeded budget
	-1%	
	-97%	Operating income from previous years included in budget
	0%	
	100%	
	-20%	
	-14%	Database cleansing exercise & improved credit control
	-13%	Abolishment of RSC levies with effect 1 July 2006
	-57%	Estimated depreciation corrected due to correct valuation of water assets
	-100%	Effective water maintenance and management
	-41%	Low levels of spending vs expected level
	-23%	Low levels of spending vs expected level
	-58%	Low levels of spending vs expected level
	-59%	Low levels of spending vs expected level
	26%	Conditional grants-conditions met
	100%	
	100%	Allocation of vehicle cost to water function
	-11%	
	1528%	Low levels of expenditure on projects vs investments
	-71%	Capitalisation of finance leases and LM water and sanitation loans taken over



THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) - GROUP
for the financial year ended 30 June 2008

	2007/08 Actual	2007/08 Budget	2007/08 Variance
	R	R	R
REVENUE			
Service Charges	76,641,036	86,916,868	(10,275,832)
Regional Service Charges	106,238		106,238
Rental of facilities & Equipment	179,960	123,767	56,193
Income for agency Service	17,859,594	14,355,951	3,503,643
Government grants & Subsidies	433,222,365	434,936,276	(1,713,911)
Other income	4,267,166	127,935,213	(123,668,047)
Gain on transfer of water infrastructure	-	-	-
Gains on disposal of PPE	235,748	-	235,748
Total Revenue	532,512,107	664,268,075	(131,755,968)
EXPENDITURE			
Employee related costs	140,735,872	159,577,063	(18,841,191)
Remuneration of Councillors	9,926,526	11,312,681	(1,386,155)
Bad Debt provision	16,870,978	39,036,211	(22,165,233)
Collection Costs	3,639	830,461	(826,822)
Depreciation	41,637,932	70,561,591	(28,923,659)
Repairs & Maintenance	13,429,395	17,277,835	(3,848,440)
Grants & Subsidies Paid	6,072,303	8,361,039	(2,288,736)
Grants & Subsidies Paid: Capital	24,111,842	59,216,513	(35,104,671)
General expenses- other	262,681,303	210,907,541	51,773,762
Loss on disposal of PPE	247,872	-	247,872
Total Expenditure	515,717,663	577,080,935	(61,363,272)
OPERATING SURPLUS/ (DEFICIT)	16,794,444	87,187,140	(70,392,697)
Investment income	50,373,750	3,083,782	47,289,968
Finance costs	870,794	2,968,282	(2,097,488)
SURPLUS/(DEFICIT) BEFORE TAX	66,297,400	87,302,640	(21,005,240)
Less: Agency taxation	(47,206)	0	(47,206)
NET SURPLUS/(DEFICIT) FOR THE YEAR	66,250,194	87,302,640	(21,052,446)

APPENDIX E1

	2007/08 Variance	Explanation for Significant Variances greater than 10% vs Budget
	%	
	-12%	Incompleteness of the records of the Local Municipalities consumers
	100%	Abolishment of RSC levies with effect 1 July 2006
	45%	Calgary conference facility rented out internally and externally
	24%	PDOH subsidy exceeded budget
	0%	
	-97%	Operating income from previous years included in budget
	0%	
	100%	
	-20%	
	-12%	
	-12%	
	-57%	Database cleansing exercise & improved credit control
	-100%	Abolishment of RSC levies with effect 1 July 2006
	-41%	Estimated depreciation corrected due to correct valuation of water assets
	-22%	Effective water maintenance and management
	-27%	Low levels of spending vs expected level
	-59%	Low levels of spending vs expected level
	25%	Conditional grants-conditions met
	100%	
	-11%	
	1534%	Low levels of expenditure on projects vs investments
	-71%	Capitalisation of finance leases and LM water and sanitation loans taken over



THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY

ACTUAL VERSUS BUDGET
(ACQUISITION OF PROPERTY PLANT AND EQUIPMENT):
for the financial year ended 30 June 2008

	2007/08 Actual	2007/08 Budget	2007/08 Variance
	R	R	R
LAND AND BUILDINGS			
Administration	9,090,592	10,547,422	(1,456,830)
Housing Schemes	-	-	-
Workshops & Depots	51,030	-	51,030
Work in progress - water	131,364,157	131,364,157	(0)
	140,505,779	141,911,579	(1,405,800)
INFRASTRUCTURE			
Reservoirs & Tanks	752,611	-	-
Water - Other	177,358	-	-
Meters	73,168	-	-
Plant and equipment - General	155,686	1,199,404	56,468
Laboratory equipment	65,353	-	-
Sewers	31,696	-	-
	1,255,872	1,199,404	56,468
COMMUNITY			
Clinics & Hospitals	-	-	-
Fire Stations	-	-	-
Museum & Art Galleries	-	-	-
Security System	-	-	-
INVESTMENT PROPERTIES			
	-	-	-
OTHER			
Air Conditioners	-	-	-
Computer Hardware	1,961,618	4,523,481	(2,359,329)
Computer Software	202,534	-	-
Office Machines	89,418	-	-
Cabinets & Cupboards	311,240	-	-
Chairs	108,186	-	-
Furniture and Fittings : Other	1,068,523	2,116,694	(68,267)
Tables & Desks	471,060	-	-
Motor Vehicles	389,328	-	-
Tractors	-	-	-
Trucks & Bakkies	11,954,363	15,361,105	(3,017,414)
	16,556,270	22,001,280	(5,445,010)
TOTAL	158,317,921	165,112,263	(6,794,342)

APPENDIX E2

	2007/08 Variance	Explanation for Significant Variances greater than 10% vs Budget
	%	
	-14%	Calgary Museum project in progress
	0%	
	NA	Combined with Buildings Administration
	0%	
	NA	Combined with Plant & Equipment: General
	NA	Combined with Plant & Equipment: General
	NA	Combined with Plant & Equipment: General
	100%	Combined with Plant & Equipment: General
	NA	Combined with Plant & Equipment: General
	NA	Combined with Plant & Equipment: General
	0%	
	0%	
	0%	
	0%	
	0%	
	0%	
	-52%	Combined with Computer Software
	NA	Combined with Computer Hardware
	NA	Combined with Furniture and fittings: other
	NA	Combined with Furniture and fittings: other
	NA	Combined with Furniture and fittings: other
	-3%	Combined with Furniture and fittings: other
	NA	Combined with Furniture and fittings: other
	NA	Combined with Furniture and fittings: other
	0%	Combined with Trucks and Bakkies
	-20%	Combined with Motor Vehicles
	-25%	
	-4%	



THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY

ACTUAL VERSUS BUDGET
(ACQUISITION OF PROPERTY PLANT AND EQUIPMENT): GROUP
for the financial year ended 30 June 2008

	2007/08 Actual	2007/08 Budget	2007/08 Variance
	R	R	R
LAND AND BUILDINGS			
Administration	9,090,592	10,547,422	(1,456,830)
Housing Schemes	-	-	-
Workshops & Depots	51,030	-	51,030
Work in progress - water	131,364,157	131,364,157	(0)
	140,505,779	141,911,579	(1,405,800)
INFRASTRUCTURE			
Reservoirs & Tanks	752,611	-	-
Water - Other	177,358	-	-
Meters	73,168	-	-
Plant and equipment - General	155,686	1,199,404	56,468
Laboratory equipment	65,353	-	-
Sewers	31,696	-	-
	1,255,872	1,199,404	56,468
COMMUNITY			
Clinics & Hospitals	-	-	-
Fire Stations	-	-	-
Museum & Art Galleries	-	-	-
Security System	-	-	-
INVESTMENT PROPERTIES			
	-	-	-
OTHER			
Air Conditioners	-	-	-
Computer Hardware	2,004,889	4,523,481	(2,316,058)
Computer Software	202,534	-	-
Office Machines	90,507	-	-
Cabinets & Cupboards	311,240	-	-
Chairs	108,186	-	-
Furniture and Fittings : Other	1,093,145	2,116,694	(42,556)
Tables & Desks	471,060	-	-
Motor Vehicles	389,328	-	-
Tractors	-	-	-
Trucks & Bakkies	11,954,363	15,361,105	(3,017,414)
	16,625,252	22,001,280	(5,376,028)
TOTAL	158,386,903	165,112,263	(6,725,360)

APPENDIX E2

	2007/08 Variance	Explanation for Significant Variances greater than 10% vs Budget
	%	
	-14%	Calgary Museum project in progress
	0%	
	NA	Combined with Buildings Administration
	0%	
	NA	Combined with Plant & Equipment: General
	NA	Combined with Plant & Equipment: General
	NA	Combined with Plant & Equipment: General
	100%	Combined with Plant & Equipment: General
	NA	Combined with Plant & Equipment: General
	NA	Combined with Plant & Equipment: General
	0%	
	0%	
	0%	
	0%	
	0%	
	0%	Combined with Computer Software
	-51%	Combined with Computer Hardware
	NA	Combined with Furniture and fittings: other
	NA	Combined with Furniture and fittings: other
	NA	Combined with Furniture and fittings: other
	NA	Combined with Furniture and fittings: other
	-2%	Combined with Furniture and fittings: other
	NA	Combined with Trucks and Bakkies
	NA	
	0%	Combined with Motor Vehicles
	-20%	Combined with Motor Vehicles
	-24%	
	-4%	



THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AMATHOLE DISTRICT MUNICIPALITY

DISCLOSURE OF GRANTS & SUBSIDIES IN TERMS OF MFMA as at 30 June 2008

Name of Grant	Name of Organ of State	QUARTERLY RECEIPTS						
		March 07	June 07	Sept 07	Dec 07	March 08	March 07	June 07
MSIG	HLG&TA	477,524					324,075	
Reviewed IDP	HLG&TA		100,000		350,000		(199,597)	-
Budget Reform	NT						88,586	
MSP Project Management	DHLG&TA						193,902	
Performance Management	DHLG&TA				150,000		131,530	40,232
Seta	LGW Seta						1,145,882	25,666
MSIG:Road Management System	DHLG&TA		400,000					-
Community Develop Program	DHLG&TA							
Disaster Management Funds	DHLG&TA		2,000,000			990,000		445,595
HIV/AIDS Funds	Dep Health							
LED Strategy	DHLG&TA	818,000						
Development Craft centre	DEDEA			3,000,000				
PHP Funds	DHLG&TA	12,995,334					5,193,896	2,154,110
Nkonkobe Drought Relief	DWAF						58,508	
Land Reform & Settle Plan Proj	DLA	159,953					78,561	23,060
Development-BNG	HLG&TA			386,290	350,000	44,500	45,594	144,193
ECDOT Funds	ECDOT	462,181		10,500,000	3,000,000	7,500,000		157,693
Bucket Eradication	HLG&TA	3,207,932						3,187,778
CMIP	HLG&TA	31,919,298	42,000,000	58,731,401	68,838,386	44,695,000	41,693,059	30,064,952
DWAF	DWAF						4,240,128	648,628

APPENDIX F

QUARTERLY EXPENDITURE			GRANTS & SUBSIDIES DELAYED/WITHHELD					Reason for delay/ withheld	Compliance with DORA	Reason for non- compliance
Sept 07	Dec 07	March 08	March 07	June 07	Sept 07	Dec 07	March 08			
-			N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
72,751	22,711	52,952	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
			N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
			N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
	109,355	56,261	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
59,971	2,138	2,632	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
41,175			N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
		715,960	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
829,253	1,004,587	855,647	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
		98,628	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
			N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
1,080	-	-	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
2,345,171	1,542,991	4,470,577	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
			N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
-	63,698	-	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
250,051	87,239	17,492	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
467,638	208,026	39,040	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
2,310,774	6,642,196	2,845,668	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
52,648,584	47,269,829	71,009,869	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A
2,869,380	(1,227,118)	711,653	N/A	N/A	N/A	N/A	N/A	N/A	yes	N/A

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY AND GROUP

GRANT FUNDING

for the financial year ended 30 June 2008

CONDITIONAL GRANTS AND RECEIPTS	Balance at 01/07/2007	Contributions during the Year
Performance Management	311,592	-
Reviewed IDP	-	(240,000)
Gama Implementation	400,000	-
MSIG Interest	62,566	37,322
MSIG Performance management for LM's	-	-
Operations & Maintenance Systems	369,553	16,610
Establishment Plans Renewals	40,720	-
Ward Com Participation	34,372	-
MSIG:Road Management System		-
MSIG : Mnquma	62,558	-
MSIG :Nkonkobe	9,186	-
MSIG :Nxuba	60,021	-
PMS: Mbashe	16,258	(17,640)
PMS :Mnquma	31,883	(34,592)
PMS:Great Kei	13,683	(8,675)
PMS:Amahlathi	37,426	(40,607)
PMS:Buffalo City	50,508	(7,659)
PMS:Ngqushwa	50,508	(12,837)
PMS:Nkonkobe	49,180	-
PMS:Nxuba	50,537	(5,318)
PMS:Amathole	280,595	127,328
Mbashe:IDP	86,264	-
Mnquma:IDP	71,350	-
Great Kei: IDP	70,600	-
Amahlathi:IDP	73,956	-
Buffalo City:IDP	160,416	-
Ngqushwa:IDP	9,829	-
Nkonkobe:IDP	109,557	-
Nxuba:IDP	115,950	-
ADM:IDP	-	-
IDP-Road Shows		240,000
Budget Reform	1,295,676	-

ANNEXURE 1

Other Income	Interest on Investments	Expenditure during the Year	Balance at 30/06/2008
-	-	205,848	105,744
450,000	-	148,414	61,586
-	-	65,905	334,095
-	151,466	155,656	95,699
150,000	-	-	150,000
-	-	258,093	128,070
-	-	21,053	19,667
-	-	28,800	5,572
400,000	-	-	400,000
-	-	-	62,558
-	-	-	9,186
-	-	45,697	14,324
-	1,382	-	0
-	2,710	-	0
-	862	5,870	0
-	3,181	-	0
-	890	43,739	0
-	1,263	38,935	0
-	668	49,848	0
-	721	45,939	0
750,000	68,682	512,959	713,646
139,000	17,060	181,469	60,854
139,000	9,629	204,746	15,233
139,000	11,107	215,119	5,589
139,000	12,592	139,807	85,740
139,000	15,894	218,982	96,327
139,000	9,855	-	158,684
139,000	11,655	136,020	124,192
139,000	10,491	196,347	69,093
250,000	12,630	176,250	86,380
-	1,433	241,433	0
-	37,838	1,094,993	238,521

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY AND GROUP

GRANT FUNDING

for the financial year ended 30 June 2008 Continued

CONDITIONAL GRANTS AND RECEIPTS	Balance at 01/07/2007	Contributions during the Year
SETA: Implementation	88,162	-
Dev Inter-Gov Framework	142,936	-
Skilling Retrenched Staff	11,943	-
By-Laws	46,770	-
Identify M/Com Response	31,178	-
Info financial statements at Nxuba	16,610	(16,610)
DWAF Once off Training	920,407	-
LG SETA MSU	35,775	(37,322)
Training-Councillors		-
Learnership SETA	-	-
Land use Management	365,669	-
Development of Libraries for LMS	4,717,566	-
Vuna Awards-PMS	147,067	-
Capacity Building for councillors	69,652	-
Free Basic Services Strategy Development	334,276	-
Community Development Program	709,787	-
Effective D/M Framework	32,967	(35,768)
Disaster Management Plans	18,020	5,409
Disaster: Management Centre	142,899	35,768
Disaster : Rebuild Fund	4,876,457	-
Disaster Management Forums	22,106	-
Disaster Risk Assessment 05/06	4,985	(5,409)
Contingency Fund For incidents	621,619	-
Capacity Building 05/06	20,050	-
Capacitate and Resources Center	381,834	-
Institutional Capacity Building	506,156	-
DIMS Capacity Building	110,992	-
Mainstream Dis.man.	31,712	-
Conduct Awareness Programme	2,750	-
Training Equipment	205,298	-
Stipends	509,354	(427,208)

Other Income	Interest on Investments	Expenditure during the Year	Balance at 30/06/2008
-	2,896	90,407	652
8,629	14,094	-	165,659
-	1,126	-	13,068
-	348	42,677	4,440
-	2,939	-	34,117
-	-	-	0
-	75,083	279,026	716,464
-	1,548	-	0
2,100,000	17,262	1,990,003	127,260
1,206,089	9,974	1,211,659	4,404
-	33,852	6,528	392,993
4,085,000	539,022	796,469	8,545,119
-	13,012	1,000	159,079
-	55,654	4,418	120,888
-	31,508	-	365,784
-	61,125	715,960	54,952
-	2,802	-	0
-	1,336	7,718	17,047
-	11,092	77,497	112,263
-	410,554	1,120,605	4,166,407
-	536	21,800	842
-	424	-	0
1,230,000	76,138	935,175.46	992,581
580,000	21,115	359,644	261,522
680,000	82,820	138,611	1,006,043
-	35,182	250,344	290,995
-	4,293	84,043	31,242
-	2,159	26,019	7,852
500,000	11,882	118,583	396,048
756,100	38,981	376,117	624,262
1,209,600	72,677	558,660	805,763

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY AND GROUP

GRANT FUNDING

for the financial year ended 30 June 2008 Continued

CONDITIONAL GRANTS AND RECEIPTS	Balance at 01/07/2007	Contributions during the Year
Protective Clothing	98,538	-
DPLG Operational costs	40,887	-
Fire Services Bakkies for Nxuba and Nkonkobe		427,208
HIV/AIDS NGO's	2,962,012	-
HIV/AIDS Laboratory Services	62,025	-
District Aids Council	2,232	-
Tertiary Institutional Training	33,221	-
ECSECC HIV/AIDS	81,436	-
Section 78 Assessment	-	-
Paprika project-Healdtown/Lamyeni Spring Water	264,435	-
Gcaleka Cultural Village	2,776,283	-
Youth Fund	56,963	-
Dube Communal Veg Garden	276,956	-
Printing Project Mdantsane Art Centre	22,902	-
MK Veterans	353,847	-
Hamburg Heritage initiative	94,203	-
Heritage Jazz Festival	27,467	-
Development Craft centre	-	-
Capacity Building for LM's	557	-
District Advisory Forum		-
District Economic Forum	13,558	-
Ngingwane Lencane Community	1,970	-
Beekeeping Project	214,944	-
Mini Maize Project	48,600	-
Rabbit Production	381,026	-
Duncan Village Youth Project	152,649.88	-
Ludiza Irrigation Scheme-Vuna Awards	422,057	-
Skills Development Centre	2,805,844	-
Balfour Sawmills	303,888	-
Highlands Resort	202,592	-
Peddie Brick Making	202,592	-

Other Income	Interest on Investments	Expenditure during the Year	Balance at 30/06/2008
399,000	17,285	262,534	252,288
458,634	19,412	265,936	252,997
-	-	-	427,208
-	278,350	98,628	3,141,734
-	5,846	-	67,872
-	210	-	2,442
-	3,131	-	36,353
-	7,238	51,299	37,374
280,000	2,392	-	282,392
-	19,157	77,109	206,482
-	120,127	2,896,409	0
-	3,328	53,083	7,207
-	25,334	18,300	283,990
-	1,819	11,349	13,371
-	31,682	65,199	320,330
-	8,879	-	103,082
-	-	-	27,467
3,000,000	169,700	1,080	3,168,620
280,000	4,664	4,501	280,720
122,755	2,054	-	124,809
-	597	5,520	8,636
-	28	1,999	0
-	5,705	193,260	27,390
-	1,009	49,609	0
-	34,392	24,150	391,268
-	5,528	112,254	45,924
-	34,017	81,411	374,664
-	259,063	75,132	2,989,775
-	28,644	-	332,531
-	19,096	-	221,687
-	19,056	121,714	99,933

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY AND GROUP

GRANT FUNDING

for the financial year ended 30 June 2008 Continued

CONDITIONAL GRANTS AND RECEIPTS	Balance at 01/07/2007	Contributions during the Year
Mooiplaas Brickyard	202,592	-
Elliotdale Brick making	202,592	-
Inkuthalo Hydroponics	202,592	-
Inxuba Furniture Making	101,296	-
LED Strategy	735,081	-
Co-operatives specialist		-
Tourism Survey	-	-
Butterworth Cleaning Campaign		-
Cizela Tractor		-
Komanshini	60,778	-
Teko Springs	661	-
Needs Camp	151,797	-
Hogsback	333,855	-
Haga Haga	250,391	-
Willowvale	443,145	418,000
Elliotdale	298,683	-
Lower Blinkwater	259,044	-
Symon (Etandsburgh)	215,876	-
Ndevana	43,358	-
Kwaseven	333,855	(362,229)
New rest	292,240	(317,077)
Eskiet	50,078	(54,334)
Nqamakwe	166,927	(181,115)
Msobomvu	333,855	-
Xujwa	166,927	(181,115)
Hertzog	166,927	-
Great kei Planning Funds	111,425	-
Mnquma Planning Funds	111,428	-
Ngqushwa Planning Funds	182,330	-
Nkonkobe Planning Funds	127,632	-
Great kei Survey	102,306	-

Other Income	Interest on Investments	Expenditure during the Year	Balance at 30/06/2008
-	19,096	-	221,687
-	20,701	-	223,292
-	17,491	-	220,083
-	9,548	-	110,844
-	69,965	-	805,046
400,000	25,694	-	425,694
318,000	17,644	52,713	282,931
500,000	13,874	432,849	81,025
100,000	-	-	100,000
-	4,783	-	65,561
-	117	-	778
-	14,254	-	166,051
-	23,966	140,351	217,470
-	23,601	-	273,992
-	37,587	109,545	789,187
-	27,478	27,001	299,161
-	24,417	-	283,461
-	20,348	-	236,223
-	3,685	-	47,043
-	28,374	-	0
-	24,837	-	0
-	4,256	-	0
-	14,187	-	0
-	31,468	-	365,323
-	14,187	-	0
-	15,695	-	182,623
-	10,503	-	121,928
-	10,591	-	122,020
-	16,125	-	198,455
-	11,774	48,625	90,781
-	9,545	-	111,851

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AMATHOLE DISTRICT MUNICIPALITY AND GROUP

GRANT FUNDING

for the financial year ended 30 June 2008 Continued

CONDITIONAL GRANTS AND RECEIPTS	Balance at 01/07/2007	Contributions during the Year
Mnquma Survey	25,324	-
Ngquswha Survey Funds	222,843	-
Nkonkobe Survey	155,989	-
Lewis Survey	-	315,250
Layout Plan : Bolo	-	495,250
Prudoe Eng Design	32,441	-
Dongwe Eng Design	38,661	-
Macleantown Infra	4,159	-
Kubusie Establishment Grant	208,077	-
Ndlovini Establishment Grant	17,059	-
Ducats Establishment Grant	114,105	-
Maclean/t Estab Grant	20,329	-
Prudoe Estab Grant	84,670	-
Dongwe Prudoe Estab Grant	107,632	-
Teko Springs Estab Grant	63,274	-
Needs Camp Estab Grant	101,541	-
Teko Springs Top Structure	4,813,873	-
Prudoe Top Structure	2,274,952	-
Dongwe Top Structure	3,126,589	-
Needscamp Top Structure	926,695	-
Ducats Top Struc Subsidy	2,454,222	-
Kubusi Top Structure	11,982,009	-
Macleantown Top Structure	1,002,878	-
Ndlovini Top Structure	60,992	-
Lilyvale Kayb Establishment Grant	3,411	-
Kaysers beach Housing Project	513,040	-
Lilyvale Top Structure	1,874,292	-
Lilyvale Eng Designs	-	-
Fingoland Regional Authority	216,920	-
Mngqesha Great Place	1,211	-
Nqadu Great Place	22,569	-

Other Income	Interest on Investments	Expenditure during the Year	Balance at 30/06/2008
-	2,649	-	27,973
-	18,695	42,490	199,049
-	12,664	37,800	130,853
-	2,693	-	317,943
-	4,230	-	499,480
-	3,058	-	35,499
-	3,644	-	42,305
-	392	-	4,551
-	17,413	47,707	177,783
-	1,348	2,990	15,416
-	10,712	530	124,287
-	1,916	-	22,245
-	7,866	3,624	88,913
-	9,890	5,094	112,428
-	5,808	2,755	66,328
-	9,571	-	111,112
-	400,790	936,994	4,277,668
-	203,704	406,050	2,072,607
-	258,723	739,488	2,645,824
116,600	74,182	257,831	859,645
143,392	171,484	1,062,099	1,706,999
293,775	866,490	6,944,935	6,197,339
-	94,529	-	1,097,407
-	4,671	15,297	50,366
-	322	-	3,733
58,560	52,119	-	623,719
-	176,666	-	2,050,958
23,760	382	17,820	6,322
-	20,446	-	237,366
-	114	-	1,325
-	1,800	12,122	12,247

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AMATHOLE DISTRICT MUNICIPALITY AND GROUP

GRANT FUNDING

for the financial year ended 30 June 2008 Continued

CONDITIONAL GRANTS AND RECEIPTS	Balance at 01/07/2007	Contributions during the Year
Line Mapping	96,549	-
Nkonkobe Drought Relief	191,368	-
Nkonkobe Drought Relief dplg	1,095,689	-
Ngqushwa Drought relief	1,034,495	-
DWAF Once Of Accommodation	524,605	-
Dwarf Refurbishment	2,359,557	-
Qhingqala Access Road	550,961	-
Rural Access Roads	758,779	-
Chanta Development Fund	5,525,779	-
Dwesa Cwebe Restitutional	9,403,888	-
DBSA Support to DM	37,400	-
Planning Grant dla	2,687,860	-
Restitution Award dla	52,023,297	-
Sanitation Projects	1,554,088	-
Development Planning-BNG	375,851	-
Beneficiary Administration-BNG	192,914	-
Geo-Technical Investigation-BNG	322,073	-
Environmental Impact Assessment	1,306,264	-
Geo Hydrology	1,456,955	-
Elliotdate BNG Houses		-
Grants in aid 2006/2007	2,377,516	-
Land Reform & Settle Plan Proj	433,354	30,000
CMIP VAT Savings	747,918	-
Ndlovini (CMIP VAT)	54,036	-
EDOT Funds	3,711,342	-
Dept Sport 2003/04	17,950	-
Sports fields	5,269	-
6 Village Green Projects	128,973	-
Peddie Sport Facility	347,931	-
Dept Sport 2004/05	2,371,319	-
H&LG Survey Funds	1,097,828	-

Other Income	Interest on Investments	Expenditure during the Year	Balance at 30/06/2008
-	5,264	57,663	44,150
-	9,296	121,429	79,234
-	67,282	569,792	593,179
-	95,052	28,241	1,101,306
-	49,448	-	574,053
1,178,000	188,843	629,413	3,096,987
-	-	-	550,961
-	41,976	520,383	280,372
-	453,032	1,681,136	4,297,675
-	883,004	325,889	9,961,002
-	3,525	-	40,925
-	243,676	141,826	2,789,710
-	4,901,357	218,455	56,706,199
-	146,485	-	1,700,573
350,000	35,996	213,964	547,883
-	16,714	17,867	191,760
-	12,134	267,145	67,062
-	123,125	-	1,429,390
-	131,537	-	1,588,492
430,790	13,833	301,447	143,176
-	187,816	722,645	1,842,687
-	39,750	86,758	416,346
-	62,870	-	810,787
-	-	49,672	4,363
21,000,000	1,392,261	872,396	25,231,207
-	1,692	-	19,642
-	497	-	5,766
-	11,462	27,800	112,634
-	32,750	915	379,766
-	188,441	1,298,169	1,261,590
-	73,542	529,880	641,490

THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
AMATHOLE DISTRICT MUNICIPALITY AND GROUP

GRANT FUNDING

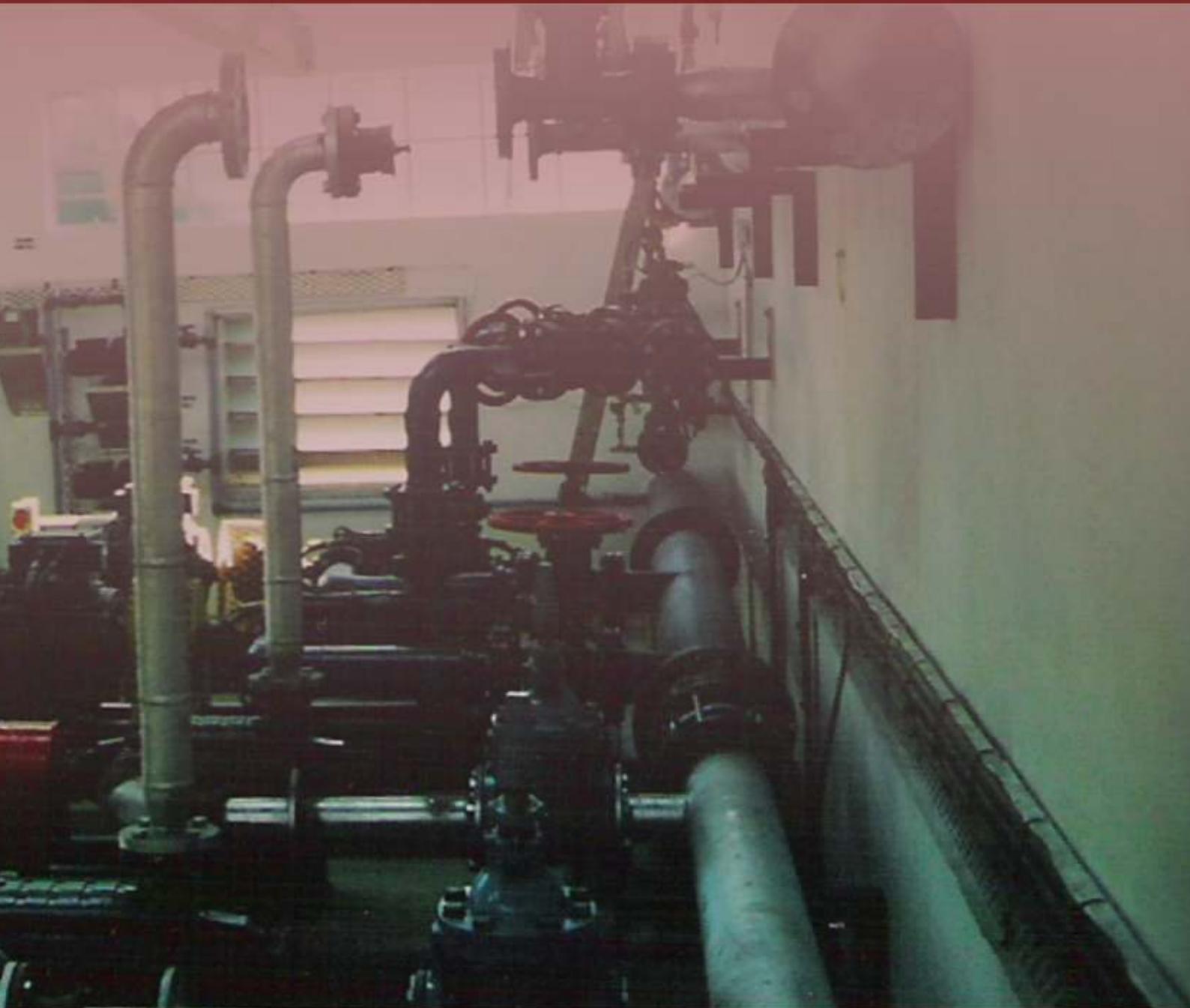
for the financial year ended 30 June 2008 Continued

CONDITIONAL GRANTS AND RECEIPTS	Balance at 01/07/2007	Contributions during the Year
H&LG Development Planning	816,459	(132,630)
DWAF Interest		1,162,329
CMIP interest	3,357,674	224,503
Bucket Eradication	7,069,919	-
DWAF-Bulk water Supply Scheme		-
DWAF	2,893,551	-
CMIP	(4,638,744)	(25,296)
TOTAL MUNICIPALITY	169,361,519	1,391,535
Industrial Development Corporation	2,259	2,500,000
Eastern Cape development Bank	-	285,789
European Union	-	615,259
Development Bank of South Africa	-	52,632
TOTAL AEDA	2,259	3,453,680
TOTAL: GROUP GRANTS & RECEIPTS	169,363,778	4,845,215

Other Income	Interest on Investments	Expenditure during the Year	Balance at 30/06/2008
-	72,256	67,843	688,242
-	8,233	790,891	379,672
102,806	1,996	2,915,516	771,463
8,491,000	530,732	14,986,416	1,105,236
9,800,000	283,618	2,907,976	7,175,642
-	(1,112,174)	3,002,543	-1,221,165
214,264,787	608,502	201,774,241	8,435,008
277,579,277	15,951,768	264,590,381	199,693,719
		1,209,991	1,292,268
		285,789	0
		177,740	437,519
		-	52,632
0	0	1,673,520	1,782,419
277,579,277	15,951,768	266,263,901	201,476,138







CHAPTER 5

In this chapter:

Functional Area Service Delivery Reporting ◀

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

Each function has been reported on in terms of:

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

Under the Engineering Services, the ADM has the following functions in respect of service delivery:

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

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

Performance Highlights

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

Water Services

Divisional Function Overview

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

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

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

The Water Services Planning and Construction Division has experienced historical challenges in the areas of the provision

and supply of water services. In 2005 all schools and clinics were supposed to have gained access to water. By December 2007 the bucket system should be eradicated; in 2008 all people should have access to basic water [due to funding limitations ADM adopted a strategy to supply safe water to all especially risk areas by December 2008] and by 2010 all people should have access to basic sanitation.

Water Services Development Plan

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

In terms of Section 3(3) of the Municipal Systems Act, a WSDP should provide for measures to realise each citizen's rights to basic water supply and basic sanitation. The principles and planning, control and review cycle as described in the Municipal Systems Act envisages that a WSDP should, as part of the IDP process, identify priorities, objectives, key performance indicators and targets for water services within the area of jurisdiction of the municipality for which the plan is prepared. This should form part of an overall performance management system for the municipality.



The WSDP is reviewed annually. In the 2006/2007 financial year, ADM developed a new WSDP for the period of 2006 to year 2011. The 2009/10 review is anticipated to be significant to account for the gaps that were identified by DWAF and eagerness of Council to use WSDP as a decision making tool especially when it comes to project prioritisation, as well as the declaration of national targets in respect of water and sanitation services delivery to be aligned to Millennium Developmental Goals target of 2014.

The ADM faces enormous challenges in this sector. Estimates reveal that, to meet national government's targets of providing water and sanitation to all by 2014, funding of R1, 78 billion is required. Funding confirmed in the next three (3) year capital programme amounts to R550 million, leaving the required funding allocation in the future years up to 2014 of R1, 2 billion.

The safe or interim water supply programme was a new strategy that was identified during the last year's WSDP process. The grant funding from the Municipal Infrastructure Grant is not sufficient to eradicate both water and sanitation targets, thus the strategy seeks to ensure that to those areas which have not received water supply at RDP standards by 2008, a safe or interim water supply would be provided, however the system would be less than RDP standard.

Water Services Feasibility Studies

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

Feasibility studies have been undertaken in most parts of these municipalities including, most recently, Great Kei River Basin Water Supply Scheme Detailed Feasibility Study, completed during the 2007/08 financial year.

The Department of Water Affairs and Forestry allocated some funding towards updating the existing feasibility studies through its Bulk Infrastructure Grant (BIG) especially on project that required bulk infrastructure implementation. Investigations during these studies will include examining surface water and ground water potentials, sustainable sanitation solutions based on DWAF ground water protocol standards, capital costs, operating and maintenance costs, water resources, bulk distribution, scheme boundaries and proposed phased implementation.

Drought Relief Programme

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

According to the Government Gazette Volume 474 of December 2004 (No. 27124) emergency funding was allocated in terms of the Division of Revenue Act (DoRA) No. 5 of 2004. In the ADM, the Amahlathi, Mbhashe and Mquma Municipalities were the first to be identified as areas affected by drought and later Ngqushwa and Nkonkobe Municipalities followed suit. Projects addressing the situation have been implemented since 2005 throughout the affected areas. Recently Ngqushwa and Nkonkobe Municipalities Drought Relief Programmes were completed but in most cases water quality has been failing to meet human consumption standards.

Safe Water Supply Programme

In January 2007, ADM took a resolution to deliver safe water to all by 2008, i.e. to ensure that every village does have a safe water source. Initially safe water provision was based on equipping existing/new boreholes in the village but now further technologies such as spring protections, stream capture etc. have been identified. Delivery of safe water

Elliotdale Weir



Dwesa Weir





Cwebe Weir

supply is less than RDP standard i.e. water carting distance is more than 200m. The Safe Water Supply Programme cost estimate is approximately R38 million and the available funding is R9 million, leaving a shortfall of R29 million. Approximately 27 550 people have now been served with safe water supply in almost 88 villages in both Mbashe and Mquma Local Municipalities.

Water Services Authority Capacity Building Business Plan

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

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

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

- Identify the status quo of existing WSA capacity;
- Identify gaps and problems to be addressed for the municipality to efficiently and effectively fulfil its WSA responsibilities;
- Set out the objectives formulated to address WSA capacity gaps identified;
- Set out the strategies developed to achieve these objectives;

- Set out the ADM's Implementation Plan, including actions, programmes and projects to give effect to strategies developed to achieve the objectives; and
- Set out an overall budget.

Implementation of the Action Plan was completed in 2005. However, most outstanding issues, namely the adoption of the Water Services Policy, Differentiation between WSA and WSP roles and responsibility, Infrastructure Safety Plan, Customer Charter, Water Information Management System and Sanitation Plan, will be carried over to a new Water Services Business Plan which was developed during the 2006/07 and 2007/08 financial years. Department of Water Affairs and Forestry made a promise of allocating funding of approximately R18 million.

BoTT Programme

The BoTT programme is a three-year R60 million contract programme dealing with both urban and rural water services (i.e. water and sanitation) implemented in the Mbashe and Mquma Municipalities, which started in January 2004. In February 2006, a decision was taken to implement some projects outside the BoTT contract, so as not to exceed the ceiling amount of R60 million, by calling for individual competitive construction bids.

The latter part of the 2006/07 financial year has been a major challenge to the Joint Venture service provider with the demise of the construction partner and the repercussion is still evident as it has resulted in delaying the completion of the programme.

During the 2007/08 financial year, R2.43 million was spent in the BoTT programme servicing another 3 villages (pop 12060) with water and 4 villages (pop 3316) with double pit urine diversion toilets. It is expected that when this programme comes to an end a total of 61,800 people would have benefited directly. The BoTT Programme has also provided bulk mains designed to extend most of the water systems to other villages in the areas for future projects.

Operations and Maintenance

After the ADM successfully concluded an assessment of Water Services Provisioning options in terms of Section 78 of the MSA, it took an informed decision in August 2006 to adopt an internal model of water service delivery. Furthermore, in areas where there were capacity problems, organs of state would be contracted to fill these gaps. In this regard, in June 2007, the ADM took transfer of all water and sanitation infrastructure as well as operating staff, from seven local municipalities; namely Mbashe, Mquma, Great Kei, Amahlathi, Nqushwa, Nkonkobe and Nxuba. In addition to the transfer of local municipality staff and infrastructure the



ADM also took transfer of DWAF water infrastructure and staff.

The operations and maintenance (O&M) division has faced many challenges related to the transfer of water and sanitation assets as well as operating staff. Much of the water and sanitation infrastructure was very old and in a poor operating condition and the division is still building its capacity to effectively deal with the maintenance backlogs. There have also been numerous challenges integrating former local municipality staff and DWAF staff into a consolidated operations and maintenance team. This has now been completed, however, and the O&M division has since embarked on the difficult task of recruiting staff to fill critical vacant posts. With the current skills shortage in the water sector, this exercise is proving challenging.

Despite the many challenges the O&M division has had to overcome it has managed to:

- Implement its Water Management Information system (WMIS), which amongst other things will enable the division to better manage and account for its assets.
- Implement water conservation and demand management initiatives, whereby non-revenue water is now calculated monthly and steps can now be taken to reduce these losses.
- Divide the area into regions and areas and appoint regional and area managers. This will help to improve service delivery.
- Implement a refurbishment plan to improve the state of water and sanitation bulk infrastructure.
- Implement a dam monitoring programme
- Engage the services of the Amatola Water Board to operate key water and waste water treatment facilities.
- Successfully implement emergency strategies to overcome the effects of drought and limited water resource planning in the past.

Land and Housing

BNG Comprehensive Plan Pilot Project

Elliotdale Rural Sustainable Human Settlement Pilot Project

Since ADM was appointed as an implementing agent with regard to this pilot project being aimed at poverty alleviation the following key result areas have since been set for the attainment of the set goal :

The project will on completion result in the following:

Area 1:

- The poverty and vulnerability of residents in the target area will be reduced and their level of economic and social improvement enhanced.
- Residents housed in habitable, healthy, safe and affordable houses will secure tenure and access to affordable and reliable basic services.
- Residents live in a safe and a secure public environment with access to good quality, educational, transportation, recreational and cultural facilities.
- Individual and household livelihood and coping strategies have been strengthened through the provision of affordable, efficient and effective educational, health, welfare security and emergency services.
- The economic circumstances of residents have been enhanced through improved positioning within the labour market and increased local enterprise start-ups, resulting in survival growth.

Area 2:

- Improving rural productivity and efficiency in an equitable and inclusive manner which improves the access for the poor, and for the benefit and growth of the Elliotdale area.
- Public transport, service efficiency and equity is improved through the promotion of compact development and the integration of the targeted areas into Mbashe Local Municipality transportation systems
- Commercial development in town and surrounding areas has been enhanced through skills transfer and number of people trained
- The number of households living in informal housing development in the Elliotdale area has been reduced.
- Water and energy efficiency has been secured through appropriate measures.



Area 3:

- The enhancement of the capacity of National Provincial and Local Government to execute integrated and sustainable settlement at large scale and requisite speed.
- National, Provincial and Local policy on informal settlement upgrading and integrated settlement development has been tested and lessons incorporated into policy review processes.
- Working models for inter-governmental co-operation and the mobilizations of the private and public sectors have been developed and disseminated
- The skills, technologies, systems and procedures appropriate to settlement upgrading at scale have been developed and extended

The following achievements have been made since then;

- A clear Social Contract agreement has been attained with regard to mobilization of communities in terms of participation in the project.
- A broad Project Steering Committee represented by 2 Community members per each (13) village, including the Traditional Leaders of each village and the Ward Councillors as ex-officio members is in place.
- A Co-operative Agreement between structures of government has been entered into, and was signed by the National Minister, Provincial MEC, Mayors of ADM and Mbhashe and the Traditional Leader of AmaBomvana Tribal Authority.
- The process of Sales Administration has commenced with a total of more than 3000 beneficiaries have been screened and passed the system.
- Since the process involves a development planning approach, a Service Provider is in place currently drafting an integrated development plan for the area, wherein clear development opportunities will be pronounced for the area.

This approach will be running parallel to the identification of short term projects which will be the selection of infrastructure projects for immediate implementation as soon as the situational analysis is complete.

- The process of Land Rights Enquiry in terms of the Interim Protection of land Rights Act, read with Communal Land Rights Act have been concluded, with certificates secured from the communities, awaiting the final approval of the National Minister of Land Affairs.
- Appointment of professionals to deal with geotechnical investigation and environmental impact assessment are on site
- Fostering of relations with DBSA on their Programme of "Building Sustainable Communities" on "SIYENZA MANJE" Programme.
- Solicit support of the Mbhashe Local Council on implementation of the project

Therefore with this pilot project encompassing the vision for Elliotdale, as a home for all who live and work there, means transforming the deepening social challenges to improve the lives of the community.

Therefore vigorous efforts to address such social and economic issues related to poverty will be set in place, with key strategies and mechanisms to take forward the area of Elliotdale through the "BNG" approach.

Restitution at Catha, Dwesa-Cwebe

The process of implementing identified projects within the development plans of these areas is progressing well.

To cite a few examples of development progress in the area the following have since been completed to the satisfaction of the communities:

Catha R6m

- Afforestation: The development of a Wattle Forest is nearing completion, with assistance from the KZN companies, through a private public partnership approach, where communities have benefited with skills transfer. The Pine Forest has also commenced.
- Agriculture: The development of 7 hectares for irrigation is progressing well; the environmental assessment on grazing land is also completed; community gardens for food security is also commencing.
- LED: The development of a community museum for the area has since been completed, aimed as a tourism attraction; Spring Water studies have been done with assistance from University of Fort Hare.
- Infrastructure : The resurfacing of internal roads and school fencing have since commenced and completed respectively.
- Community Development: The registration of the community into a trust through Community Property Association has been completed

DWESA - CWEBE : R12m

Various projects have since been achieved in the area and some of these include:

- Electrification
- Planning and surveying
- Haven Hotel upgrading
- Resource Centres
- Agriculture : Commercial & Community Gardens
- CPA Registration

Betterment Restitution for 9 Keiskammahoek villages : R 45m



The following achievements have been registered thus far:

- A clear Social Contract agreement has been attained with regard to mobilization of communities in terms of participation in the development approach of the programme.
- A broad Project Steering Committee represented by 2 Community members per each (13) village, and the Ward Councillors as ex-officio members is in place.
- Since the process involves a development planning approach, a Service Provider is in place currently drafting an integrated development plan for the area, wherein clear development opportunities will be pronounced for the area.
- This approach will be running concurrent / parallel to the identification of short term projects which will be the selection of infrastructure projects for immediate implementation as soon as identified in the situational analysis phase.

Municipal Health Services

Amathole District Municipality is constantly trying to expand the Municipal Health Services delivery to ensure that all areas including the rural areas which previously did not have access to these services are covered.

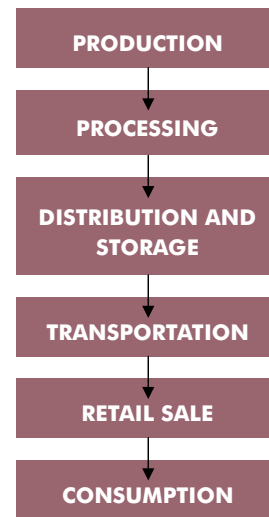
Food Control

Food Control in respect of acceptable microbiological and chemical standards and quality of all food for human consumption and optimal hygiene control throughout the food supply chain from point of origin, to the point of consumption was monitored. Food inspections were carried out at production distribution and consumption points. Informal street trading is also monitored. The promotion of safe handling of meat and meat products was carried out in all known butcheries in the area including abattoir inspections where there are no meat inspectors. Those that are not known were encouraged to come forward through various food hygiene campaigns to come and register so that they can be inspected and be issued with a Certificate of Acceptability which they are required to have by law.

During 2007/08 the Inspection of food handling premises was undertaken. The aim was to ensure that food handling premises complied with relevant legislation namely Foodstuffs, Cosmetics and Disinfectants Act no 54 of 1978. The food caterers' registration and training programme continued throughout the year. Approximately 60 food caterers were trained in health and hygiene related issues. The training was in the form of workshops and issuing of food handling preparation and handling guidelines. The training targeted all the food caterers in the Amathole District Municipality database (ADM) with one of the aims to encourage those that are not registered to come forward. As

part of the food monitoring programme a total of 20 food samples were taken for testing. The test results showed an 80% compliance with food legislation. A follow-up was made on all those that did not comply.

The food and milk control programme which was up and running throughout 07/08 focused on the following:



The inspection of dairy farms and sampling of raw milk continued throughout 2007/08. Raw milk samples taken showed a slight improvement in compliance compared with the compliance trend of the previous year. There are 60 dairy farms in the Amathole District Municipality area selling milk to the general public. Two hundred and ninety five (295) raw milk samples were taken during 2007/08 and out of the 295 samples taken, 238 raw milk samples complied with regulations relating to milk and dairy products promulgated under Foodstuffs, Cosmetics and Disinfectants Act No. 54 of 1972. Of the 57 raw milk samples which did not comply with legislation, re-sampling was done. Contamination of raw milk normally takes place during the milking period, therefore in all the cases of non-compliance, health and hygiene awareness programmes were carried out focusing on milkers and milking parlour management.

During 2007/08 the proliferation of sour milk vendors continued. The selling of sour milk has become a popular means of generating income especially in rural areas. In trying to reduce the risk of sour milk contamination, workshops were conducted targeting sour milk vendors and suppliers. The workshops focused mainly on the following:

- Transportation of milk/sour milk
- Supply to vendors
- Sour milk containers
- Decanting
- Storage
- Labelling

Surveillance and Prevention of Communicable Diseases

During 2007/08 health and hygiene promotion campaigns continued. The campaign was aimed at prevention of communicable diseases. The focus areas were around Mbashe and Mquma Municipalities especially the villages and the emphasis was on waterborne diseases. An assessment of the situation revealed that the lack of clean drinking water is still a challenge in the villages. Lack of sanitation (toilets) also contributes towards the risk of communicable diseases outbreaks in certain areas. The campaign covering these areas during 2007/08 applied the Participatory Hygiene and Sanitation Training (PHAST) approach. Health education was conducted to families and school children. Among the topics that were covered during the health talks in those areas were the following:

- Disinfecting water using bleach or boiling it
- Washing hands before the handling of food
- Washing hands with soap after visiting the toilet or relieving themselves

Water Quality Monitoring

The monitoring of water quality and availability including mapping of water sources continued during 2007/08. The aim was to ensure that drinking water is accessible and safe. There are 72 sampling sites in the Amathole District Municipality area. The analysis of water covers bacteriological and chemical parameters.

During the period of 2007/08 a total number of nine hundred and sixty one (961) samples were taken from fixed sampling points as well as random samples, 824 water samples complied with SANS 241:2006.

The compliance for the year was 85.5%; remedial measures were taken for the 14.5% non-complying sites. The Amathole District Municipality water quality monitoring programme is linked with the Department of Water Affairs and Forestry electronic water quality monitoring reporting system on website (e-wqms). This is to facilitate the provision of information on the status of water quality to a wide range of stakeholders.

Disposal of the Dead

During 2007/08 our activities focused on the control, restriction or prohibition of businesses of undertakers, mortuaries and other places or facilities for the storage of dead bodies. Regular inspections were carried out throughout the year. Other activities included the control and monitoring of exhumations and reburials of human remains.

During 2007/08 a total of 84 funeral parlours were inspected to assess compliance with relevant legislation. Fifty (50) funeral parlours complied with legislation and 34 did not comply, indicating 60% compliance. The purpose of the inspection of funeral parlours and hygienic disposal of human remains is to prevent and control the spread of communicable diseases. Burial of 12 paupers was coordinated by the Amathole District Municipality.

Waste Management

A clean-up campaign was done in Nxuba, Nkonkobe and Great Kei. These areas were targeted because there was an increase in illegal dumping. The illegal dumping sites were cleaned and "NO DUMPING" signs were mounted. A workshop was also conducted in Nkonkobe and Nxuba targeting nursing and general staff on health care waste. Waste generators have been slow in familiarising themselves with sorting and recycling of waste.

Environmental Pollution

Most of the environmental pollution in this region is as a result of poor waste management practices. This has a negative impact on air, land and water in terms of illegal burning of refuse, illegal disposal of waste water as well as illegal dumping of domestic waste. Regional waste disposal sites covering the Amathole District Municipality area were also inspected.

HIV and AIDS

The district HIV prevalence rate on tested women that visited clinics for ante-natal care for the year was 28.3%. Out of 223 health facilities, 217 are offering Voluntary Counselling and Testing (VCT) and undertaking the Prevention of Mother to Child Transmission programme.



Post Test Club launch
at Stutterheim

There were nineteen accredited ARV sites and 14,563 clients on treatment as at end June 2008. Awareness of VTC has been created and all health facilities are providing VCT to ensure accessibility of antiretroviral treatment to existing twenty sites, and these are; East London Hospital Complex [Cecilia Makiwane and Frere hospitals], Bisho Hospital, Grey Hospital, Nompumelelo Hospital, Stutterheim State Aided Hospital, S S Gida Hospital, Butterworth Hospital, Ngqamakhwe Community Health Centre, Tafalofefe Hospital, Victoria Hospital, Middledrift Community Health Centre, Elliotdale Health Centre, Dutywa Health Centre, Willovale Health Centre and NGO (PEPFAR) owned sites, such as Qumra Hospital in Great Kei, Hamburg (Ngqushwa), Masibambane (Amahlathi), Sophumelela and Ikhwezi Lokusa in Buffalo City.

ADM's partnership with Uganda Kampala Central Division has led to the establishment of Post Test Clubs at Amahlathi, Buffalo City and Great Kei municipalities, which will be rolled out to other municipalities.

Fire Services

The aim of fire services is to reduce the number of fires through awareness and educational campaigns and to reduce the loss of life and property due to fires, and any other life threatening incident.

ADM Fire Services rendered in Mbhashe, Mquma, Great Kei and Ngqushwa Municipalities attended to fires as per the table below.

Date	Mbhashe			Mquma			Great Kei			Ngqushwa			Total
	Fires	MVA	S/S	Fires	MVA	S/S	Fires	MVA	S/S	Fires	MVA	S/S	
January 07	12	6	0	14	4	0	8	2	0	7	3	0	56
February 07	7	2	0	11	5	0	6	1	0	5	2	2	41
March 07	12	4	1	17	3	0	11	2	0	8	3	0	61
April 07	10	2	0	14	4	0	10	2	1	9	2	0	54
May 07	10	5	1	21	7	0	9	4	0	11	1	0	69
June 07	12	4	1	20	4	0	11	5	0	10	2	0	69
July 07	27	5	2	50	5	2	46	5	2	17	4	2	167
August 07	22	8	3	18	3	0	34	5	0	30	4	0	127
Sept 07	16	4	1	26	11	1	8	4	0	26	3	2	102
October 07	5	16	3	6	2	1	4	5	0	8	0	1	51
November 07	1	18	7	4	11	2	7	7	0	30	1	0	88
December 07	3	19	12	5	5	0	3	5	2	2	3	3	62
TOTAL 2007	137	93	31	206	64	6	157	47	5	163	28	10	947



Date	Mbhashe			Mnquma			Great Kei			Ngqushwa			Total
	Fires	MVA	S/S	Fires	MVA	S/S	Fires	MVA	S/S	Fires	MVA	S/S	
January 08	5	10	2	4	5	2	6	6	4	3	0	2	49
February 08	2	8	2	4	4	0	1	5	2	3	1	0	32
March 08	3	7	4	6	22	2	1	6	2	4	2	0	59
April 08	2	3	0	9	5	0	1	5	1	8	0	2	36
May 08	10	5	1	21	7	0	9	4	0	11	1	0	68
June 08	15	9	0	7	6	2	4	3	0	11	5	0	62
July 08	22	4	3	21	2	2	11	3	0	15	5	0	88
August 08	10	4	4	4	0	0	20	0	1	21	2	0	66
Sept 08	8	4	1	19	3	0	23	2	1	15	1	1	78
October 08	2	3	0	9	3	0	5	7	1	3	0	0	33
November 08													
December 08													
TOTAL 2008	61	49	12	81	54	8	38	39	10	58	14	4	572

Key: Fires = All types of fires [vegetation, formal and informal structures]
 MVA = Motor vehicle accidents attended to
 S/S = Special Services which include e.g. Motor Vehicle Accident Cleanups and attending to hazardous material spills

Community Safety Services

The Mayor's Cup games at Mnquma were attended by seven local municipalities who participated in the final event. The event was attended by more than 500 youth. The programme seeks to engage the youth in sport activities and thus to deter criminal activities.

Amathole District Municipality is taking part in the provision of tourism safety along the coastal areas during the Easter and summer holidays. During the Easter of 2008, 32 Tourism Safety Monitors were trained for the Great Kei coastal area.

Solid Waste

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

The ADM's responsibility to support and monitor local municipalities, as well as developing partnerships with other

spheres of government and the private sector in pursuing the objectives of the National Waste Management Strategy remains vital.

The ADM has just completed review of the district Integrated Waste Management Plan in accordance with the National Waste Management Strategy. The transfer station facilities that go with the Eastern Regional Waste site are in the pipeline.

Construction of the Eastern Regional Solid Waste project, which serve Mnquma and Mbhashe municipalities, has been completed and is due to come into operation during the 2007/08 financial year.

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

The establishment of a waste transfer station in Fort Beaufort is nearing completion. The successful implementation of this project will result in closure of a (prohibited) landfill site in Fort Beaufort. The ADM is moving away from the development of small and unnecessary waste sites, which are uneconomical to manage or operate.



The ADM recently upgraded the Komga Solid Waste Site in Great Kei Municipality. The Elliotdale solid waste disposal site in Mbhashe Municipality is at the design stage.

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

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

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

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

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

All municipalities in the district dispose of their waste in landfill sites. In terms of the Environmental Conservation Act, sites are required to be engineered and operated under license issued by DEAT. The number of licensed or permitted sites has increased from seven (7) in 2002 to 15 sites in 2008, out of 27 operational sites in the district.

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

Local Economic Development

The white paper on local economic development and Constitution of the Republic spells out that a district municipality has a responsibility of promoting local economic development in the areas under its jurisdiction. This is done in a number of ways which include: creating a conducive environment for businesses to thrive, attract investors to its area of jurisdiction, getting involved and promote specific sectors, reducing costs of doing business amongst other issues, providing technical advice in different sectors. The LED within the Amathole District Municipality involves the heritage, agriculture, tourism, manufacturing environment management

Tourism

In terms of the Constitution of the Republic of South Africa, local government has a mandate to promote social and economic development. One of the means of achieving this goal is tourism development. This issue is also highlighted in the ADM IDP. Assisting SMME's involved in tourism is also seen as crucial in achieving this objective.

ADM has developed a Tourism Master Plan which identifies tourism development areas within the district. The following are the community projects that have been implemented by the ADM;

- Bawa Falls project:- community based project, accommodation establishment and conference centre, assisting the project with operations while they are awaiting for the appointment of a private partner.
- Catha Chalets:- development of a business plan for the construction of chalets, the actual construction and furnishing of the chalets.
- Craft Centres:- assisted local crafters in attending the Grahamstown Festival and MACUFE Festival, to sell their craft products.
- Local Tourism organization; assisted 6 LM's with establishments of LTO offices, and development of the Friendly N6 brochures.

Annual Tourism Events

The ADM, as part of a marketing strategy, assists local tourism events financially. It also co-hosts the following events.

- Port Festival - March
- Hamburg Beach Festival - March
- Wild Coast Wet 'n Wild Sports Festival - June
- Xmas in July - July
- ADM Mayors Challenge - September
- Craft Mania - September
- Bedford Garden Festival - October
- Mquma Jazz and Arts Festival - December

The ADM has recently developed the Tourism Master Plan which is the guiding document that identifies the tourism potential within the district.

Development of SMMEs

The ADM is supporting a number of SMMEs in skills development and the marketing of their products. The following support has been provided to our emerging tourism product owners;

- Development of brochures e.g. Umngeni B&B based in Mdantsane
- Assisted with the attendance of the Tourism Festivals to market their products e.g. Umgwali Cultural Village in Amahlathi LM; Livo Tour Operator in Buffalo City LM; Ilifa Local Tourism in Nxuba LM; and assisted SMMEs to attend the Tourism Indaba held in Durban on 10-12 May 2008.
- Linking SMMEs with other tourism stakeholders to give them exposure in the tourism field e.g. through District Tourism Organisation which provides a networking platform for the emerging tourism product owners.
- Assisting in terms of developing business plans and linking the SMME's with relevant institutions that deal with developing business plans e.g. SEDA, TEP and the ECTB
- Assist with financial and technical support e.g. assisted Imonti Tours on World Travel Show held in London, assisted 5 crafters to market their wares at the Grahamstown Arts Festival
- Linking SMME's with other government tourism stakeholders

Marketing & Exhibitions

The ADM also participates in a number of exhibitions to market Amathole as a tourism destination. These include the following;

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

Crafters at Grahamstown





Business Unlimited Expo

The ADM exhibition stall which showcases district tourism attractions was developed and the promotional material such as DVDs and tourism brochures were also developed and distributed to the exhibition shows. ADM has also featured in different magazines e.g. Sawubana Magazine, Amathole coffee table booklet, Madiba Action etc.

Heritage

In 2007/08 financial year, one heritage site, Dr. John Know Bokwe memorial grave, was rehabilitated as part of the Heritage Sites Rehabilitation Project. The project covers the following:

- Consists of 1 (one) km road access;
- Installation of signage;
- Erection of the interpretation board; and
- The actual site rehabilitation
- After the site rehabilitation, the project becomes a viable springboard for economic development and becomes a tourism site.

Prof D Swartz at the Early African Intellectuals Book Launch



A pictorial portable exhibition that depicts the life histories of the identified individuals that formed the first phase of the Early Modern African Intellectuals Heritage Trail Project was mounted. This pictorial exhibition has been housed in various heritage institutions including the Bartholomeu Dias Museum in Mossel Bay and Queenstown Museum in Queenstown; while the other version of the exhibition was displayed in different cultural places in the district. A booklet about the life histories of these individuals (Ntsikana, Rev. T. Soga, Dr. W.B.M Rubusana, J.T, Jabavu and S.E.K. Mqhayi) was published and distributed throughout the country.

As part of heritage awareness campaign and capacity building initiative in local municipalities and communities, the Unit undertook workshops and other initiatives for different targeted groups. The Amathole Teachers Heritage Challenge which targeted both educators and learners was undertaken as an integral part of an awareness initiative. The Challenge promoted two of the four heritage routes.

In September, cleaning of identified heritage sites was undertaken as part of heritage month. Due to financial constraints and availability of community members, the sites that were cleaned were in Buffalo City Municipality. In line with heritage sites cleaning campaigns, two visitors Information Centres were officially opened, and handed over to the Local Municipalities. .

Environment

The rehabilitation projects such as Let's Keep Mquma Clean, alien vegetation removal and Pelargonium were implemented with the assistance from various stakeholders. The Butterworth cleaning up project received funding to the value of R500,000 from the Department of Economic Development and Environmental Affairs (DEDEA) which was spent in full during the projects' operations. Forty recruited individuals were involved, working in the Mquma Local Municipality's urban centres.

Launch of African Heritage Rally



The alien vegetation project for the Keiskammahoek area was assisted through contributions from the Border Rural Committee (BRC). R280,000 was spent in full for the clearing and spacing of wattle in the area and ADM contributed by developing a business plan for the project. 67 Individuals were recruited for the project and a lot of areas along water courses were cleared of alien invaders. Spacing was done in areas whereby this economically important plant is targeted for propagation and maintenance. Partnerships were established with Natal Timber Enterprise (NTE), South African Pulp and Paper Industry (SAPPI) in order to ensure that a business is established from the operations of the community.

The pelargonium project operated for the greater part of the year without funding being availed to it. The commitment of the communities involved ensured that the project continued despite the lack of funding and 40 volunteers were involved in the preparation of the land for propagation. Some vegetables were planted by those involved for subsistence purposes. A business plan for the project was developed which indicated that the project has a bankable business case.

A number of awareness sessions were hosted in order to build capacity for ADM's local municipalities. The main focus was on the environmental legislations and ADM environmental management policy. The institution participated in a number of cooperative governance initiatives and engaged authorising agents on a number of EIA initiatives undertaken by the institution. The Environmental Management Forum also sat regularly and it provides a platform for environmental role players to discuss issues that are affecting their region.

A number of stakeholder awareness sessions were also hosted around water issues, Arbour Week celebrations and cleaning up of our environment. These initiatives were hosted in collaboration with other stakeholders such as government departments and non-governmental organisations that are operational within ADM's area of jurisdiction.

Agriculture

The unit undertook the following projects during the year under review:

- Training for the bee-keeping project beneficiaries was undertaken.
- Construction of a vegetable tunnel for seven youths from Mbashe Municipality was started.
- The installation of irrigation equipment in a five-hectare garden at Zintukwini village in Ngqamakhwe was started.
- The unit organised two information days during the financial year and these included beef information day at Dabane and maize production information day at Elliotdale.
- The unit also provided technical advice to various projects.
- Facilitated continuation of the food security programme through the service of the mechanization machinery.

Highlights of ASPIRE - Amathole Beyond Limits:

- Small-town regeneration concepts are developed for 40% of Amathole's small towns.
- Utilising a strategic branding process, the agency is redefined to become "Aspire: Amathole beyond limits".
- Successful advocacy was made to National Treasury of Aspire's small-town regeneration programme.
- Funding of R300-million was secured for stimulation of small-town economies in Amathole.
- Aspire actively participates in the drawing up of national guidelines for the establishment of development agencies in South Africa.
- The agency hosted the second Small Towns Conference in September 2007, igniting debate on small towns among national participants.
- Strengthened relationships with local municipalities resulted in diminished mistrust of the agency and the small-town concept.
- Reciprocal partnerships were formed with key partners in development, such as ECDC, DBSA and the Border-Kei Chamber of Business.
- Interventions that will anchor economic development in each corridor are now ready to enter the implementation stage.



Tractor handover at Chizela



Information Technology

ADM has deployed networks and systems in order to respond to the information technology (IT) requirements for council to operate. The objective is to improve and enhance communication within the district by establishing video conference facilities. This will facilitate meetings between municipalities, provincial and national government. Also, it will facilitate public addresses to the communities. The establishment is currently deployed at the head office of the municipality thus enabling Amathole District Municipality for video conferencing.

The governance of IT is done through a Master Strategic Plan, which is a strategy and systems plan where IT needs to be aligned to the business strategic objectives. This assists the municipality with sound electronic information systems development and deployment.

Disaster recovery of information systems is managed by a Disaster Recovery Plan which has been developed for ADM. This includes the business continuity aspects in case a disaster happens affecting information systems and network infrastructure. This will enable the municipality to continue carrying out its operations when disaster happens.

The GIS system is used for planning and is integrated with other information systems such as DIMS (District Information Management System) and WMIS (Water Management Information System). This is mostly used for generating maps with data for planning purposes. This has been extended for land use management to other local municipalities within the district for town planning. This puts reliance on the local municipalities to update the system with current and latest cadastral data.

Supply Chain Management (SCM)

Supply Chain Management in the ADM is rendered through the Administration Department. Compliance with the SCM policy is monitored by the Assistant Director of the Supply Chain Management Unit of the municipality. The SCM Unit offers support to tenderers through its helpdesk and ensures that Historically Disadvantaged Companies are favoured when awarding contracts. Contracts/tenders above R200,000 are adjudicated by the ADM Bid Adjudication Committee. The SCM Unit advises and provides secretariat support to the Bid Specification, Bid Evaluation, and Bid Adjudication Committees. For the procurement of goods and services below R200,000 ADM has established a supplier/service provider database where historically disadvantaged suppliers/service providers are given preference. The approval of minor contracts is within the Municipal Manager's delegated authority and this approval is regulated through a process where the recommendations by the departments to appoint service providers/contract suppliers is verified by the SCM Unit.

Details of tender/procurement activities:

• Total number of times that tender committee met during the past year	19
• Total number of tenders considered	87
• Total number of tenders approved	87
• Average time taken from tender advertisement to award of tender	8 weeks

Details of bid adjudication committee:

1.	Mr Y Zote : Chief Financial Officer (Chairperson)
2.	Mr X Nondwangu : Acting Director : Administration
3.	Mr N Jonker : Director : Engineering Services
4.	Ms N Solomon : Director : Health and Protection Services
5.	Ms A Dabula : Acting Director : Human Resources
6.	Mr. A. Fani/Mr M. Mapuma: Strategic Manager
7.	Mr Z Sam : Director : Office of the Speaker
8.	Ms N Venter : Deputy Director : BTO (Additional Member)
9.	Vacant : Deputy Director : Transport : Building and Services Planning (Additional Member)
10.	Ms S Taleni : Deputy Director : Health and Protection Services (Additional Member)
11.	Mr M Mapuma : Agricultural manager (Additional Member)
12.	Ms M Kerr : Assistant Director : Finance (Additional Member)

Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current	Target
1. Capital Projects over R1 million allocated to 100% HDI owned Companies	93.24%	50.00%
2. Capital Projects less than R1 million allocated to HDI's	94.70%	70.00%
3. Non-Capital Projects allocated to HDI's - Target Achieved.	87.82%	60.00%
4. Overall performance of Council. Total allocation to HDI's = 78.60%	89.36%	60.00%

Communications

Communication Strategy

The ADM Communications Strategy for 2007-2012 was adopted by Council in February 2008 and was again reviewed at a stakeholder workshop on 31 July 2008. This document is reviewed annually and contains an annual communications cycle that serves as a guiding framework for communication activities and programmes in the municipality.

Interface between Council, Staff and the community

The ADM publishes a community newsletter twice a year, viz in December and June, as a supplement to the Daily Dispatch. These newsletters contain articles of the ADM's achievements and reflect on projects from various ADM departments. The June community newsletter contains the Executive Mayor's State of the District Address (SODA) which serves as a public record of the ADM's achievements, performance and activities over the past financial year, and also summarises IDP projects and programmes for the new financial year.

An HIV and Aids community newsletter is also printed as a supplement to the Daily Dispatch. It is also distributed throughout the district and is used as a medium for discussion amongst the broader community of the district to report on new developments regarding Aids, conferences, research, and provides information about where people can obtain medical assistance etc. The feedback has been very positive and increasingly we are getting contributions from more and more community members for the newsletter.

The ADM is mindful of the main languages utilized within the district and both the community newsletter and the HIV/Aids newsletters are printed in English and isiXhosa.

Customer Care and Service Centres have been established at the ADM headquarters at 40 Cambridge Street in East London as well as all local municipalities. As the Water Services Authority for 7 local municipalities since July 2006, the ADM has centralised billing services for water and sanitation and hence it thus makes sense to combine customer care services with the billing services. Community members are able to pay for their water and sanitation accounts, query their accounts, register as indigents, lodge any query or complaint and obtain any ADM and Government information from these centres. All Customer Care Assistants have received training in frontline communications. It is intended to further expand this training to include information sharing of government services and their criteria as well as the customer care reporting system that is currently being developed.

The communications unit has also fulfilled the mandate of the SALGA National Conference for Local Government Communicators in facilitating the establishment of Local Communicator Forums (LCF) at all local municipalities within the district, with the exception of Buffalo City. The LCFs serve as an interfacing platform between local government and communities (as members of ward committees, CDWs, and representatives of community structures and government departments are invited to attend) where programmes and projects are coordinated and any information or other needs of local communities are brought to the table for discussion and resolution.

The head office staff of the ADM received training in Batho Pele principles in June 2007 as part of the first phase of the roll out plan. It is planned to roll out the training to field workers during the 2008-2009 financial year.

Staff members are regularly briefed via email on upcoming events and happenings within the institution; and include details on promotions, new employees, deaths, marriages, births, sporting events, lifestyle and health issues etc. An intranet service is shortly due to be implemented. An internal editorial committee with representatives from each department has been established to assist in gathering stories and information and to update website information.

Public Place Where Municipal Documents Are Available To The Public

In accordance with the Promotion of Access to Information Act No 2 of 2000, the ADM has published a manual in 3 official languages (isiXhosa, English and Afrikaans) which details how members of the public can access records of the ADM. The ADM has embarked upon an electronic document



management system and files are scanned and archived in accordance with the standards set by the National Archives. Currently, members of the public can register an application for records and submit same to the Accounting Officer, which is also the Municipal Manager. Records are kept by the Administration Department, 12th floor, Caxton House, Cnr Cambridge and Caxton Streets, East London.

Public Participation

Imbizo events are held in April and October every year. The dates for the National Imbizo Focus Weeks are set by Cabinet and provide an opportunity for all spheres of government to go out and meet the local communities and to talk about government services that are available for the public. These meetings also provide the local communities with an opportunity to meet their political leaders and to voice their comments, needs, and issues in an unmediated fashion.

The ADM collaborates with local municipalities in hosting the National Imbizo Events and the details are sent to and collated by the Office of the Premier and Government Information Management System for the deployment of Ministers and MECs. This past year, imbizos were held at Pikoli in Ngqushwa on 22 October 2007, at Centane in Mquma Municipality on 23 October 2007, and at Nothenga in Amahlathi Municipality on 24 October 2007.

In accordance with the Local Government Municipal Systems Act, the ADM holds regular Integrated Development Plan (IDP)

Representative Forum meetings in drafting its IDP. At the beginning of the planning cycle, advertisements are placed in the local newspaper calling for interested parties to contact the ADM.

Once the IDP and budget have been drafted, the ADM further embarks upon IDP and Budget Roadshows to the communities at all local municipalities. This is done in conjunction with the support and assistance of the local municipalities who assist the ADM's Community Liaison Officers, through their Ward Councillors, to mobilize the ward community members to attend the roadshow events. The Draft IDP is summarized and presented to communities in English and isiXhosa for comment and discussion. Records of these meetings are kept and a Q&A document is drafted to keep track of the responses and to disseminate to other government departments for follow up and actioning, where necessary, through intergovernmental forum meetings. Once all the comments and discussions have been taken into consideration towards an amended IDP and Budget, the above process is followed up by a Council Open Day, where ward committees and members of the community are invited and where the amended/Draft IDP and Budget is again presented for the last time before it is submitted to Council for adoption. Council procedures are relaxed for the Council Open Day to allow the communities to speak and voice their comments after the presentations have been made. These comments are again collated into a question and answer (Q&A) document.

The roadshow schedule for the review of the Draft IDP/Budget of 2007-2008 was as follows:

Date	Time	Venue	Municipality/Community
14 April 2008	10h00	Lutheran Hall, Stutterheim	Amahlathi Municipality
14 April 2008	14h00	Lutheran Hall, Stutterheim	Amahlathi Ratepayers
15 April 2008	10h00	Dutywa Town Hall	Mbhashe Municipality
17 April 2008	10h00	Happy Rest Hall, Alice	Nkonkobe Municipality
17 April 2008	14h00	Happy Rest Hall, Alice	Nkonkobe Ratepayers
18 April 2008	10h00	Adelaide Town Hall	Nxuba Municipality
22 April 2008	10h00	Nqadu Great Place	Nqadu Great Place
23 April 2008	10h00	Mngqesha Great Place	Mngqesha Great Place
24 April 2008	10h00	Peddie Town Hall	Ngqushwa Municipality
25 April 2008	07h30	Hemingways Hotel	Business Breakfast
29 April 2008	10h00	Komga Town Hall	Great Kei Municipality
29 April 2008	14h00	Komga Town Hall	Great Kei Municipality Ratepayers
30 April 2008	10h00	Msobomvu Hall, Butterworth	Mquma Municipality **
30 April 2008	14h00	Msobomvu Hall, Butterworth	Mquma Ratepayers**
13 May 2008	10h00	Calgary Conference Centre	Council Open Day

In addition to the above, a number of forum meetings are hosted where communities actively participate in the decision-making process of Council. These include Gender Forums, Youth Forums, the Disability Forum, the District Aids Council, the Disaster Management Forum, the Community Safety Forum, the Heritage Reference Group, LED Forum etc.

The ADM also assists the Government Communication Information System and the Office of the Premier in the live televising of the State of the Nation Address (SONA) and the State of the Province Address (SOPA) which are usually held at different locations within the district. The purpose of these televised events is to bring government to the local communities. The speeches are usually translated where necessary and the communities are presented with an opportunity to voice their concerns, needs and issues and to ask questions relating to the speech. This year the SONA was televised live to the community at Kwelerha on 8 February 2008 and the SOPA was televised live at Dutywa on 14 February 2008.

The Executive Mayor also presents the State of the District Address at the final Council meeting of the financial year (usually in May annually). The speech reflects upon the achievements and performance of the ADM over the past financial year and highlights programmes and projects of the IDP in the new financial year. Numerous stakeholders, including business, Non-Governmental Organisations, Civil Based Organisations, Faith-Based Organisations, IDP Representative Forum members, Ward Committees and members of the community are invited to attend the Council meeting. This past year, the Council meeting was held on 30 May 2008 and the Executive Mayor's State of the District Address was published as a community newsletter in June 2008 and distributed as a supplement to the Daily Dispatch newspaper.

The ADM also engages volunteers within the community in a wide range of activities, including community health care, disaster management, community water forums etc. Training is provided where necessary (eg first aid, fire fighting etc).

Competitions have been held at schools eg on Disaster Management and the communities are also engaged in a number of other activities such as drama, choral singing, display of crafts at exhibitions etc.

Launch of Childrens Advisory Council



SPU Mens Forum Launch Nkonkobe



A range of promotional activities are held throughout the year, as per the communications cycle, including health awareness programmes, Water Week, Sanitation Week, Heritage and Tourism Month, 16 Days of Activism of no violence against women and children, Youth Month, Women's Month, etc, which also serve to promote the interests of special groups such as the youth, gender, disabled etc.

The ADM assists local municipalities in coordinating information and service delivery days. These are usually held at clustered ward meetings at local municipalities during the course of the year, to promote and ensure greater access to government services for local community members which serve to help improve their lives.

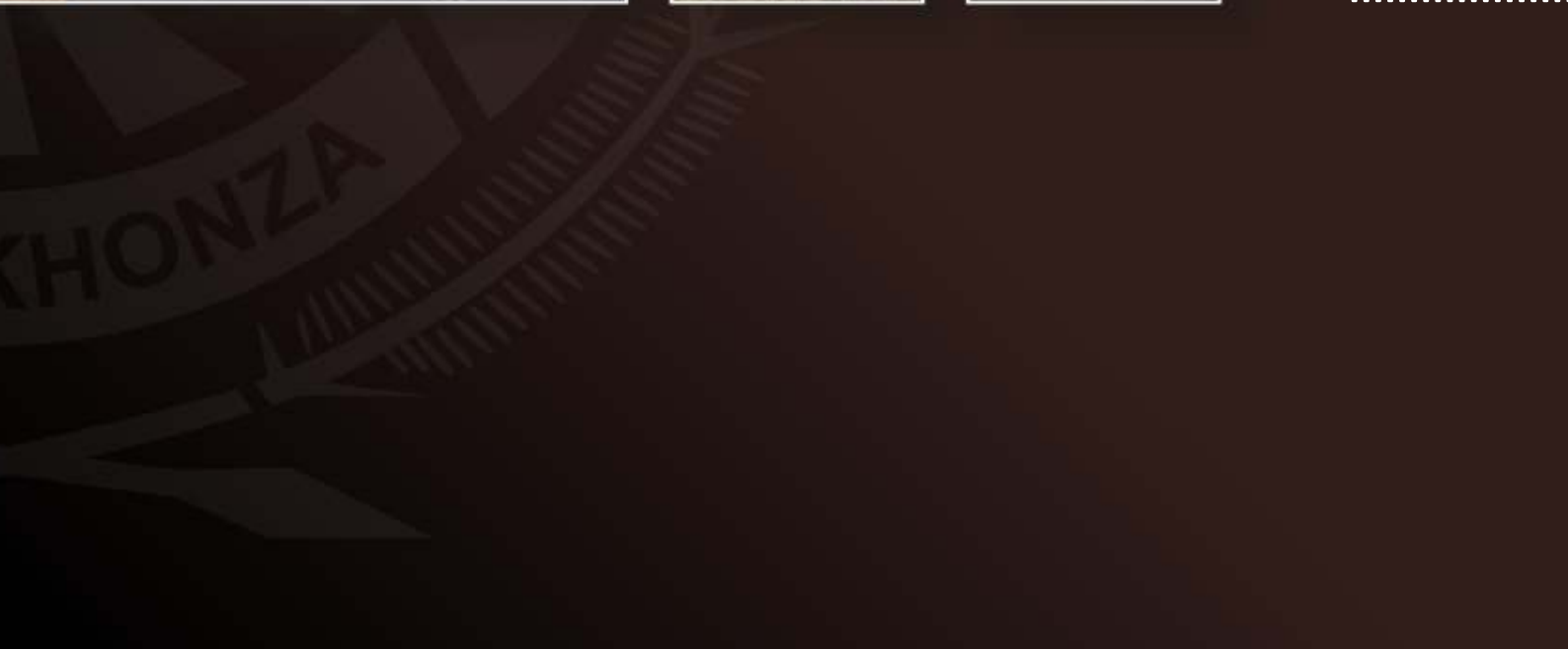
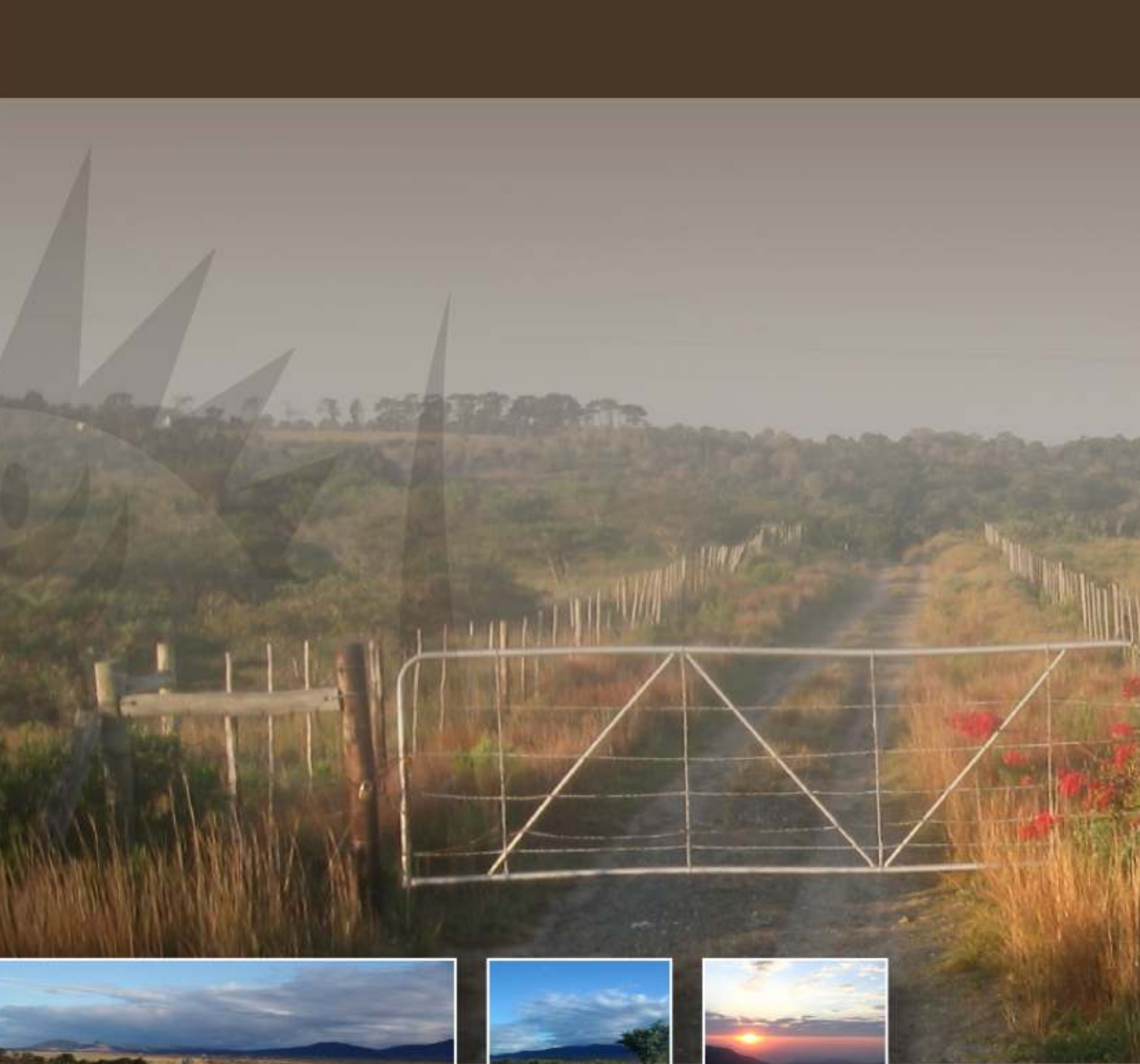


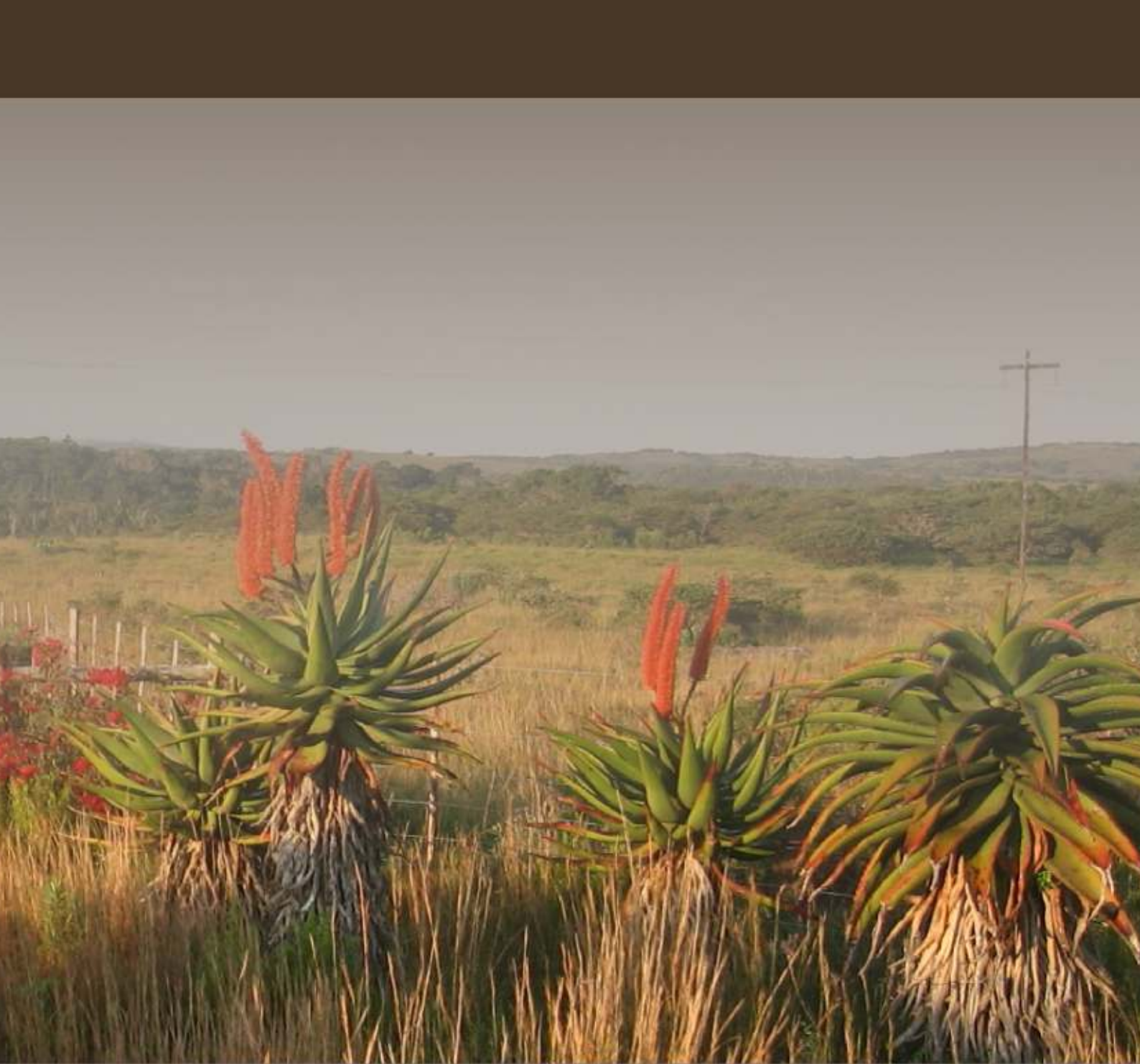
Womens Month Roleplaying



Womens Month door to door campaign







CHAPTER 6

In this chapter:

- Performance Audit Committee's Review on Performance Results and Systems ◀
- Municipal Scorecard ◀

Amathole District Municipality Performance Audit Committee Review of Performance Results and Systems for the year ended 30 June 2008

1. Introduction

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

In terms of the Government Gazette, dated 1 August 2006, substantial changes were envisaged in terms of the performance management system in place in Municipalities. For the financial year ending 30 June 2008, there has been no compliance with the legislation. It is within context that this report has been prepared for consideration.

2. Summary of Meetings held during the 2008 financial year ended 30 June 2008

The committee met four times during the 2008 financial year on the following dates; 20 July 2007, 5 October 2007 and 2 April 2008. The review of the 31 December 2007 scorecards did not take place and the review of the 30 June 2008 scorecards took place during January 2009. The primary reasons for the delay in completing the reviews are due to the fact that the Internal Audit Department did not adequately function in terms of providing support to the Committee in respect to the verification of information.

3. Committee Members

The Committee consisted of the following voting members during the 2007/2008 financial year.

- Ms L Smith (Chairperson), CA(SA)
- Mr J Goldberg (resigned 23 September 2008)
- Mr M Sibarn (resigned 18 March 2008)
- Mr C Ramoo, CA(SA)
- Mr D Sonamzi (appointed 18 March 2008)

For the purpose of the performing the 30 June 2008 reviews, Ms T Mqweta (Chairperson of the Audit Committee), was in attendance.

In terms of the Government Gazette No29089 dated 1st August 2006, the committee responsible for evaluating the performance of the managers reporting to the Municipal Manager should be constituted as follows:

- Municipal Manager
- Chairperson of the Performance Audit Committee or audit Committee in the absence of a Performance Audit Committee
- Member of the Mayoral or Executive Committee
- Municipal Manager from another Municipality

For purposes of evaluating the annual performance of the municipal manager, an evaluation panel constituted of the following persons must be established -

- Executive Mayor or Mayor;
- Chairperson of the performance audit committee or the audit committee;
- Member of the mayoral or executive committee or in respect of a plenary type municipality, another member of council;
- Mayor and/or municipal manager from another municipality; and
- Member of a ward committee as nominated by the Executive Mayor or Mayor

In terms of the above, it is clear that current composition of the committee tasked with evaluating the performance of managers reporting to the Municipal Manager and the Municipal Manager is not in compliance with the Gazette.

It was the understanding of the Committee that the review of the current system would take place and this would include the composition of the committee to ensure compliance. Since 2006, the Committee is not aware of any such review taking place around the system. In March 2008, the Committee was re-appointed and requested to continue with the evaluation process as in prior years.



4. Evaluation process followed

We would like to highlight the process that is followed in the evaluation of the Managers and Municipal Manager:-

Description	Expected Timing	Responsible	Status
Completion and sign off of performance contracts	July annually	Municipal Manager and Executive Mayor	Completed Engineering Human Resources Health and protection Administration Municipal Managers Not completed/no evidence Budget and Treasury Strategic Management Office of the speaker
Quarterly reviews (1st and third -verbal) and 2nd and 4th quarter formal	Quarterly	Municipal Manager and Executive Mayor	Unknown
Internal audit of the 1st and 2nd quarter scorecards	January - February annually	Internal Audit Department	Not completed timeously
Submission of six monthly review for the period ended 31 December 2007	March - April annually	Performance Audit Committee	Not completed by the time that the Committee required the information to report when they met on 2 April 2008
Internal audit of the 3rd and 4th quarter scorecards	July - August Annually	Internal Audit Department	Completed in January 2009
Submission of annual review for the year ended 30 June 2008	October - December annually	Performance Audit Committee	Completed in January 2009

The non-adherence and non-functioning of the performance management system has resulted in the integrity of the process being questionable and has a direct impact on staff morale and will have a direct impact on the overall performance of the Municipality in terms of its strategic objectives.

terms of the previous performance management system. In addition, we would like to report that our committee is not constituted in terms of the Government Gazette regulations and will have to be reviewed for the 30 June 2009 year.

5. Findings of the Committee

During the course of the evaluation process the Committee identified a number of short comings and would like to highlight the following: -

5.1 Lack of compliance with the Government Gazette issued 1 August 2006

Our previous reports for the year ended 30 June 2006, for the six month report ended 31 December 2006 and the report issued for the 30 June 2007 referred to the Government Gazette issued on 1 August 2006 relating to the Performance Management System of a Municipality. Our report therefore has been based on the information presented to us, i.e. in

5.2 Role of internal audit

The entire evaluation process is dependent on the verification of data provided by relevant managers. This evidence of performance is subject to verification by the Internal Audit Department and forms the basis of interaction between the Committee and the relevant managers and ultimately determines the final performance score.

During the review process, the Committee noted a number of targets that have been verified as been met, but upon closer scrutiny revealed that these targets had indeed not been met or inadequately verified. Based on the engagement during the review process the Committee is of the view that limited reliance can be place on the work of the Internal Audit Department. This seriously compromises the process.

5.3 Proper Supporting documentation for the Performance Measures

As previously reported, proper assumptions supporting the various performance measures were not adequately documented resulting in varying interpretations of the measures by the relevant manager, Performance Audit Committee Members and the Municipal Manager.

5.4 Policy regarding the payment of performance bonuses

A number of Senior Management (Section 57 employees) have left the employ of ADM during the year. Positions were not filled timeously and this has resulted in employees acting in these positions. There is no policy regarding whether those who acted in the positions will be entitled to a performance bonus.

There also exists a policy vacuum in terms of the payment of bonuses to staff exiting the municipality during the financial year and/or after the end of the financial year. Furthermore, within the performance contracts, not all contracts stated that a maximum of 14% of the annual remuneration of the employee would be paid as a bonus. This is the requirement in terms of the Government Gazette dated 1 August 2006.

5.5 Performance measures not adequately prepared

The committee is of the view that certain targets set by Departments are not "stretch targets", which minimizes the impact of the performance management system in terms of improving service delivery and contributes to mediocre performance. Council and the Municipal Manager should properly review the scorecards to ensure that the targets are aimed at driving exceptional performance. Furthermore, certain targets are not "outcome based", e.g. a target is rather having a workshop, rather than measuring the impact of the objective. Targets should be specific, measurable, relevant and time based.

Certain targets have the incorrect assumptions, e.g. the % of portable water, assumes that the population does not grow and the same figure is used in the denominator of this calculation.

5.6 Duplication of performance measure

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

5.7 Adjustments to the scorecard during the year

Where performance measures are adjusted during the year and this has been agreed with the Municipal Manager (Departmental Scorecards) or the Executive Mayor (District Scorecard), this should be properly documented.

Certain adjustments were made and agreed between the relevant manager and Municipal Manager in the third quarter, however no evidence of the Municipal Managers reasoning for agreeing with these adjustments was provided. There was also no replacement of performance targets where targets were removed.

5.8 Lack of adequate review

The quarterly district and departmental scorecards should be properly signed and dated by the Departmental Head and Municipal Manager / Executive Mayor. There was no evidence that the Municipal Manager had met with each Head of Department nor that the Municipal Manager met with the Executive Mayor on a quarterly basis.

There is also no evidence that all the Managers met to review performance against the District Scorecard as a Management Team and this again reduces the effectiveness of the performance management system.

5.9 Numbering of indicators

Key performance indicators are not adequately numbered and this makes it difficult to review them from an audit perspective. The scorecards should firstly be on excel and then each indicator should be numbered and in addition, a summary should be prepared for the front of the quarterly report.

5.10 Adjustments to the District Scorecard

It was found that the District Scorecard initially given to us to review did not agree to the District Scorecards used by the Department Heads and Municipal Managers. Although the differences were of a minor nature, there should be no adjustment to the district scorecard (as per the performance agreement of the Municipal Manager) without the written consent of the Mayor.

6. The performance of the head of departments and municipal manager

As a result of the evaluation that took place on the 16th January 2009 using the evidence provided by the Internal Audit Department and review of the scorecards, the following final scores were determined:

Department	2005 Combined Targets Met	2007 Combined Targets Met	2008 Targets Met	2008 Combined Targets Met
Municipal Manager Only district	78%	89%	65%	65%
BTO (Finance) Departmental District	90%	95%	68% 25%	47%
Engineering Departmental District	85%	85%	89% 89%	89%
Administration Departmental District	91%	97%	53% 86%	70%
Health Protection Departmental District	87%	87%	85% 100%	93%
Human Resources Departmental District	78%	82%	62% 47%	55%
Strategic Department Departmental District	62%	63%	29% 46%	38%

It should be noted that there is no scorecard for the Office of the Speaker. The above scores are based on the evaluation process followed by the Performance Audit Committee, however due to our findings; we cannot verify the above scores.

Furthermore, the External Audit Report for the year ended 30 June 2008, states that key performance indicators and targets were not always consistent with those reflected in the annual performance report, In addition, as well as that the external auditors could not obtain sufficient evidence to confirm the stated performance.

7. Conclusion

Given our findings as detailed in this report, the Committee is not in a position to recommend to the Council the payment of performance bonuses for the financial year ended 30 June 2008. The Committee wishes to indicate that the reason for not recommending payment is based entirely on the fact that the performance management system has not functioned effectively throughout the period under review and the verification process followed does not provide us with sufficient comfort that the final scores are correct. We believe that the way forward is to procure the services of qualified auditors to verify the scores as per the relevant scorecards or for Council to make a decision on what payment is made. Furthermore, Council will have to implement a policy regarding the payment of performance bonuses for Acting Managers as well as Management who leave the employ of the Municipality at year end / during the year and after year end (i.e. when the evaluation process has not been completed).



L SMITH (CHAIRPERSON)
on behalf of the Performance Audit Committee
20 January 2009

Municipal Scorecard Financial Year: 2007/08

DEVELOPMENT IMPACT PERSPECTIVE

Priority Area	Objective	Objective Code	Indicator	Indicator Code	Measurement Source and Frequency	Base-line
Economic Growth, Poverty alleviation and Job Creation	Increase tourists arrivals and expenditure in the district	MS DEVP OBJ 1	Tourism survey [research study]	MS DEVP OBJ 1 IND 1	Annual survey	0
	To create favourable environment for film making	MS DEVP OBJ 2	Established film resource centre	MS DEVP OBJ 2 IND 1	Bi annual	0
	To develop, conserve and promote heritage resources	MS DEVP OBJ 3	No. of projects implemented as per heritage resource management strategy	MS DEVP OBJ 3 IND 1	Quarterly reports	0
	To promote and support the development of small towns renewal	MS DEVP OBJ 4	Adopted Small Towns Development Strategy	MS DEVP OBJ 4 IND 3	Quarterly reports	0
	To facilitate development of a vibrant and sustainable agricultural sector	MS DEVP OBJ 5	Number of partnerships established with commercial farmers	MS DEVP OBJ 5 IND 1	Quarterly reports	2
Institutional Capacity and co-ordination Environmental Management	To improve Co-ordination between ADM and other stakeholders for effective service delivery	MS DEVP OBJ 6	No. of partnerships with key economic development partners.	MS DEVP OBJ 6 IND 1	Quarterly reports	4
	District-wide co-ordination and enhancement of environmental management related activities	MS DEVP OBJ 7	No. of awareness sessions conducted	MS DEVP OBJ 7 IND 1	Quarterly reports	10
			No. of rehabilitation initiatives undertaken	MS DEVP OBJ 7 IND 2	Quarterly reports	10

	30 Sept	ACTUAL	31 Dec	ACTUAL	31 March	ACTUAL		30 June	ACTUAL	Internal Audit	Indicator Custodian
	-	N/A	-	N/A	-	N/A		Research Complete	Not met		Strategic Manager
	-	N/A	Agreement with Eastern Cape IT Initiative	Not Achieved	-	N/A		Established Film Resource Centre	Not met		Strategic Manager
	-	N/A	2	Not Achieved	3	Not Achieved		3	3		Strategic Manager
	-	N/A	-	N/A	-	N/A		Final strategy Adopted	Not met		Strategic Manager
	-	N/A	-	N/A	-	N/A		1	Not achieved		Strategic Manager
	-	N/A	2	Not Achieved	-	N/A		2	Not Achieved		Strategic Manager
	1	1	1	1	1	4		1	1		Strategic Manager
	-	N/A	-	N/A	-	N/A		10	10		Strategic Manager



Priority Area	Objective	Objective Code	Indicator	Indicator Code	Measurement Source and Frequency	Base-line
HIV & AIDS	Contribute towards improvement of outcomes of HIV and Aids by 2014	MS DEVP OBJ 8	No. of support groups established	MS DEVP OBJ 8 IND 1	Quarterly Reports	4
			No of VCT programmes undertaken	MS DEVP OBJ 8 IND 2	Quarterly Reports	0
	Maintain a fully functional home based care programme	MS DEVP OBJ 9	No. of Home Based Care Programmes implemented	MS DEVP OBJ 9 IND 1	Quarterly Reports	0
Disaster Management	Enhance effective management of disasters within the district	MS DEVP OBJ 10	No. of Awareness Campaigns/training held	MS DEVP OBJ 10 IND 1	Quarterly Reports	8
			No of programmes towards mitigation of disasters	MS DEVP OBJ 10 IND 2	Quarterly Reports	0
Health Services	Reduce the outbreak of diseases by 20% in 2009	MS DEVP OBJ 11	No of Health Promotion Activities undertaken	MS DEVP OBJ 11 IND 1	Quarterly Reports	3
			Diseases surveillance programme undertaken	MS DEVP OBJ 11 IND 2	Quarterly reports	0
Fire Services	To reduce fire incidents by 10% in 2010	MS DEVP OBJ 12	No of reported fire incidents	MS DEVP OBJ 12 IND 1	Quarterly reports	480
			No of community awareness campaigns	MS DEVP OBJ 12 IND 2	Quarterly reports	16
			No of training programs conducted per year	MS DEVP OBJ 12 IND 3	Quarterly reports	16
Community safety services	Contribute to the reduction of social crime by 2010	MS DEVP OBJ 13	No of Community Safety programs implemented	MS DEVP OBJ 13 IND 1	Quarterly Reports	1
Solid Waste	To ensure reduction in waste disposal by 50% in 2012	MS DEVP OBJ 14	Operationalize recycling processes at ERSWS and quantify the reduction of waste disposal at ERSWS	MS DEVP OBJ 14 IND1	Quarterly reports	5% waste reduction already covered throughout district as per report 06/07

	30 Sept	ACTUAL	31 Dec	ACTUAL	31 March	ACTUAL	Internal Audit	30 June	ACTUAL	Internal Audit	Indicator Custodian
	1	4	1	1	1	4		1	1		Dir: Health & Protection Services
	1	1	1	3	1	1		1	4		Dir: Health & Protection Services
	1	1	1	2	1	1		1	2		Dir: Health & Protection Services
	4	4	4	4	4	5		4	9		Dir: Health & Protection Services
	1	1	1	2	1	1		1	1		Dir: Health & Protection Services
	2	2	2	3	2	2		2	2		Dir: Health & Protection Services
	-	-	-	-		N/A		Disease Surveillance Plan completed	Disease Surveillance Plan completed		Dir: Health & Protection Services
	476	320	472	65	468	140		464	166		Dir: Health & Protection Services
	4	27	4	32	4	41		4	35		Dir: Health & Protection Services
	4	21	4	19	4	15		4	22		Dir: Health & Protection Services
	1	1	1	1	1	1		1	6		Dir: Health & Protection Services
	Expression of interest called for CBO operator for ERSWS recycle centre	Expressions of interest called for CBO operator for ERSWS recycle centre. (Being adjudicated)	Contract in place with CBO to operate ERSWS recycle centre	Contract not in place. Still awaiting approval by ADM Committee	Tender to appoint CBO - Operator has closed	Tender to appoint CBO - Operator has closed and was discussed at HOD's on 13 March 2008		Site hand over to Operator and contract signed with ADM	Site not handed over to Operator. Still at BAC. Contract not signed with ADM		Dir: Engineering Services

Priority Area	Objective	Objective Code	Indicator	Indicator Code	Measurement Source and Frequency	Base-line
Transport	To reduce the walking distance to public transport facilities and services to within 2KM of all residential settlements by 2022	MS DEVP OBJ 15	Focused attention at Mngquma [only LM with PTSP] in 2007/8 to further reduce walking distances of villages > 2 km	MS DEVP OBJ 15 IND 1	Quarterly Report	78.3% already covered throughout district as per report 06/07
District Spatial Development Framework	Ensure a coherent strategic spatial development framework for the district	MS DEVP OBJ 16	Key milestones towards a revised district spatial Development Framework	MS DEVP OBJ 16 IND 1	Quarterly Reports	SDF in place
Human Settlements	To facilitate the development of sustainable and viable settlements within the district by 2014	MS DEVP OBJ 18	Review of the Housing Strategy	MS DEVP OBJ 18 IND 1	Quarterly Reports	Sector Plan in place
			Review of the Land Reform and Settlement Plan	MS DEVP OBJ 18 IND 2	Quarterly Reports	Sector Plan in place

SERVICE DELIVERY PERSPECTIVE

Water	To provide adequate potable water to all by 2008	MS SEVP OBJ 1	% households, businesses and institutions with access to adequate water supplies	MS SEVP OBJ 1 IND 1	Quarterly Reports	75.15%
	To provide adequate sanitation to all by 2010	MS SEVP OBJ 2	% households, businesses and institutions with access to adequate sanitation services	MS SEVP OBJ 2 IND 1	Quarterly Reports	25.63%
	Eradication of Bucket System by Dec 2007	MS SEVP OBJ 3	No. of households in the DM area with Bucket toilets	MS SEVP OBJ 3 IND 1	Quarterly Reports	5789
Transport	To ensure adequate transport systems for the efficient movement of people and goods through proper planning and consistent implementation	MS SEVP OBJ 4	Key milestones towards adequate transport planning at local and district level [ITP = Integrated Transport Plan] [PTSP = Public Transport Services Plan]	MS SEVP OBJ 4 IND 1	Quarterly Reports	1 ITP & 1 PTSP (Mngquma)
Institutional Land & Housing	To ensure that category B municipalities are fully capacitated to fulfil their roles and functions with regard to Land & Housing function by 2010	MS SEVP OBJ 5	No of LMs that are adequately undertaking Land Housing responsibilities	MS SEVP OBJ 5 IND 1	Quarterly Reports	5 LMs undertaking land & housing function



	30 Sept	ACTUAL	31 Dec	ACTUAL	31 March	ACTUAL	Internal Audit	30 June	ACTUAL	Internal Audit	Indicator Custodian
	Identify areas of immediate intervention in Mngquma through PTSP	Priorities identified to increase coverage in Mngquma from PTSP	Develop action plan for Mngquma to deal with problem areas	Action plan for Mngquma developed to deal with problem areas	Quantify and cost interventions for funding applications	Quantified and cost interventions for funding applications done		Funding application submitted to Dot for prioritised interventions	Funding application submitted to Dot for prioritised interventions		Dir: Engineering Services
	No reporting	Not Achieved	Draft Situational Analysis	Achieved	Key Objectives and Strategies	Achieved		Reviewed District Spatial Dev. Framework	Achieved		Dir: Admin
	No reporting	Not Achieved	Draft Situational Analysis	Achieved	Key Objectives and Strategies	Key Objectives and Strategies		Reviewed Housing Strategy	Achieved		Dir: Admin
	No reporting	Achieved	Draft Situational Analysis	Achieved	Key Objectives and Strategies	Achieved		Reviewed Land Reform and Settlement Plan	Not achieved		Dir: Admin
	76.89%	76.74%	81.83%	76.75%	81.56%	80.14%		83.09%	83.09%		Dir: Engineering Services
	27.95%	25.68%	29.20%	27.71%	29.12%	29.00%		29.14%	29.20%		Dir: Engineering Services
	4052	5 703	0	2463	0	296		0	0		Dir: Engineering Services
	ITP Gap analysis & 2 PTSP Status Quo Analysis	ITP Gap analysis & 1 PTSP - Mbashe re-advertised due to non-responsive bids	Complete ITP Analysis & PTSP analysis	ITP Analysis completed - draft report submitted and 1 PTSP analysis completed	Motility strategies phase to Nkonkobe PTSP	Motility strategies phase to Nkonkobe PTSP prepared		3 PTSP (Nkonkobe PTSP). Advertise Mbashe PTSP consultant bid	3 PTSP (Nkonkobe PTSP). Mbashe PTSP advertised/consultants appointed		Dir: Engineering Services
	-		-	Achieved	-	Achieved		7	7		Dir: Admin



Priority Area	Objective	Objective Code	Indicator	Indicator Code	Measurement Source and Frequency	Base-line
Solid Waste	Ensure that all eligible residents have access to safe and legal waste services in the District by 2014	MS SEVP OBJ 6	Key milestones to provision of one additional legal waste landfill site in the district	MS SEVP OBJ 6 IND 1	Quarterly Reports	4 LMs use permitted sites only (Ngqushwa, Nkonkobe, BCM & Nxuba)
Local Amenities	All households to have access to basic social amenities within 2 - 10km walking distance by 2022	MS SEVP OBJ 7	Progress in sourcing funds to further improve access to basic social amenities	MS SEVP OBJ 7 IND 1	Quarterly Reports	Community facility information System developed
Support to local municipalities	To provide technical support to local municipalities and to improve service delivery	MS SEVP OBJ 8	Operating manuals for relevant Engineering services developed	MS SEVP OBJ 8 IND 1	Quarterly Reports	No LMs with guidelines on rendering services
	To ensure that local municipalities submit their financial statements	MS SEVP OBJ 9	No. of financial statements submitted to AG	MS SEVP OBJ 9 IND 1	Quarterly Reports	6
	To ensure legislative compliance by all local municipalities	MS SEVP OBJ 10	No. of legislative compliance checklist submitted	MS SEVP OBJ 10 IND 1	Quarterly Reports	1
	To ensure learning and sharing within the district	MS SEVP OBJ 11	No. of DIMAFO meetings	MS SERVP OBJ 11 IND 1	Quarterly Reports	0
	Provide IT technical support to local municipalities	MS SEVP OBJ 12	No support initiatives	MS DEVP OBJ 12 IND 1	Quarterly Reports	0
Fire Services	Enhance provision and standardization of fire services within the District	MS SEVP OBJ 13	No. of Training Programs conducted	MS SEVP OBJ 13 IND1	Quarterly Training Reports	8
			Regulatory framework developed to ensure compliance	MS SEVP OBJ 13 IND 2	Quarterly Reports	Norms and standards in place



	30 Sept	ACTUAL	31 Dec	ACTUAL	31 March	ACTUAL	Internal Audit	30 June	ACTUAL	Internal Audit	Indicator Custodian
	Report prepared identifying challenges in Amahlathi / Great Kei Municipality	Achieved Report in place and action plan for Great Kei / Amahlathi in place	Develop an action Plan for Great Kei/ Amahlathi to eliminate illegal waste disposal	Develop an action plan for Amahlathi to eliminate illegal waste disposal	Approval of Action Plan by Great Kei/ Amahlathi Council	Action plan submitted but not yet approved due to postponement of Amahlathi Council meeting		1 additional municipality to have a permitted legal waste site	Application for Great Kei submitted to DEAET on 3 September 2007 - response received		Dir: Engineering Services
	Identify potential sources of funds for development of a Sector Plan	Department of Sport letter written. SASSA and Social Development also contracted	Lobby for funding and identify partners	Potential funders approached such as Dept of Social Dev and Dept of Sport	Submit funding application for sector plan	Funding available on provisional budget		A response letter received from the targeted Funder	Appears on ADM IDP - 30 May 2008		Dir: Engineering Services
	Process Plan submitted and commence with assessment at 7 Lms	Process Plan submitted and commence with assessment at 7 LMs	Status Quo assessment done at LMs - report submitted	Assessment done at LMs - findings built into Operating Systems and Manuals	Generic Manuals prepared	Generic Manuals prepared		Customised Manuals for each LM prepared	Customised Manuals for each LM prepared		Dir: Engineering Services
	-	N/A	-	N/A	-	N/A		6	7		Strategic Manager
	-	N/A	1 per functional area	1 per functional area	-	N/A		1 per functional area	1 per functional area		Strategic Manager
	1	1	1	0	1	0		1	1		Strategic Manager
	-	N/A	-	N/A	-	N/A		7	0		Strategic Manager
	2	21	2	19	2	15		2	22		Dir: Health & Protection Services
	-	-	-	-	-	N/A		By-Laws developed	By-Laws developed		Dir: Health & Protection Services



Priority Area	Objective	Objective Code	Indicator	Indicator Code	Measurement Source and Frequency	Base-line
Health Services	Provide municipal health services to ensure compliance with the National Health Act	MS SEVP OBJ 14	No. of programs implemented	MS SEVP OBJ 14 IND 1	Quarterly Reports	3
			Regulatory framework developed to ensure compliance	MS SEVP OBJ 14 IND 2	Quarterly Reports	By- law [crematoria & cemetery] in place
Economic Growth, Poverty Alleviation and Job Creation	To rehabilitate the identified heritage sites	MS SEVP OBJ 15	No. of sites rehabilitated and maintained	MS SEVP OBJ 15 IND 1	Quarterly reports	5

RESOURCE MANAGEMENT PERSPECTIVE

Service Delivery Model: cross cutting	To ensure that designated groups are adequately integrated into ADM's plans and activities	MS RESP OBJ 1	% impact of ADM plans and activities on the designated groups	MS RESP OBJ 1 IND 1	Quarterly Reports	30%
			% compliance with the legislative framework	MS RESP OBJ 1 IND 2	Quarterly Reports	32%
	Positioning ADM as a model of excellency through learning and sharing	MS RESP OBJ 2	No. of information sharing interactions held between ADM and external partners	MS RESP OBJ 2 IND 1	Quarterly Reports	0
Co-ordination and Integration	To provide enhanced communication within the District	MS RESP OBJ 3	No. of District Communication Forums	MS RESP OBJ 3 IND 1	Quarterly reports	4
	To develop and review the institutional strategic document	MS RESP OBJ 4	Adopted Integrated Development Plan	MS RESP OBJ 4 IND 1	Quarterly report	0
Maximising Internal Governance Systems	To create a healthy working environment within ADM	MS RESP OBJ 5	% person days lost to absenteeism	MS RESP OBJ 5 IND 1	Quarterly reports	1,58%
			% Staff turnover	MS RESP OBJ 5 IND 2	Quarterly reports	0,0143%
			% of employees utilising the EAP	MS RESP OBJ 5 IND 3	Quarterly reports	16%
			Reduction in number of labour disputes	MS RESP OBJ 5 IND 4	Quarterly reports	0
			Reduction of disputes referred to CCMA and Bargaining Council	MS RESP OBJ 5 IND 5	Quarterly reports	1



	30 Sept	ACTUAL	31 Dec	ACTUAL	31 March	ACTUAL	Internal Audit	30 June	ACTUAL	Internal Audit	Indicator Custodian
	1	1	1	1	1	1		1	2		Dir: Health & Protection Services
	-	-	-	-	-	N/A		By-Laws developed	By-Laws developed		Dir: Health & Protection Services
	0	N/A	1	0	2	0		2	0		Strategic Manager

	1%	2%	5%	5%	10%	10%		15%	36%		Strategic Manager
	-	N/A	-	N/A	-	N/A		40%	66.7%		Strategic Manager
	2		2	1	2	0		2	Not met		Strategic Manager
	1	1	1	1	1	Target could not be met - no quorum		1	2		Strategic Manager
	Adopted process plan	Adopted process plan	Situational analysis report	Situational analysis report	Draft IDP	Adopted draft IDP		Final IDP adopted	Final IDP adopted		Strategic Manager
	2%	0.02	2%	0.02	2%	0.02		2%	0.02%		Dir: Human Resources
	3%	0.7%	3%	1.12%	3%	0.46%		3%	0.91%		Dir: Human Resources
	20%	55.4%	7%	13%	9%	15%		12%	14%		Dir: Human Resources
	1	0	1	0	1	0		1	0		Dir: Human Resources
	1	0	3	0	2	0		2	0		Dir: Human Resources



Priority Area	Objective	Objective Code	Indicator	Indicator Code	Measurement Source and Frequency	Base-line
Maximising Internal Governance Systems	To create a healthy working environment within ADM	MS RESP OBJ 5	Reduction in number of disciplinary hearings	MS RESP OBJ 5 IND 6	Quarterly reports	3
			Reduction in number of grievances received	MS RESP OBJ 5 IND 7	Quarterly reports	1
			Reduction in No. of Occupational injuries	MS RESP OBJ 5 IND 8	Quarterly Reports	18
	Ensure compliance with the employment equity	MS RESP OBJ 6	% increase of black employees in levels 1-3	MS RESP OBJ 6 IND 1	Quarterly reports	74%
			% increase of black employees in levels 1-6	MS RESP OBJ 6 IND 2	Quarterly reports	83%
			Maintain the % of black employees in all levels	MS RESP OBJ 6 IND 3	Quarterly reports	93%
			% increase of female employees in levels 1-3	MS RESP OBJ 6 IND 4	Quarterly reports	22%
			% increase of female employees in levels 1-6	MS RESP OBJ 6 IND 5	Quarterly reports	38%
			% increase of female employees in all levels	MS RESP OBJ 2 IND 6	Quarterly reports	27%
			Maintain the % of disabled employees	MS RESP OBJ 6 IND 7	Quarterly reports	0.15%
	To meet the HDI targets set for capital and non-capital projects as per SCM policy	MS RESP OBJ 7	% of procurement on non-capital projects from companies that are HDI	MS RESP OBJ 7 IND 1	Quarterly reports	60%
			% of procurement on capital projects with a value less than R1 million that is from companies that are HDI	MS RESP OBJ 7 IND 2	Quarterly report	70%
			% of procurement on capital projects with a value of R1 million and more that is from companies that are HDI	MS RESP OBJ 7 IND 3	Quarterly reports	50%
			Overall Performance of the Council	MS RESP OBJ 7 IND 4	Quarterly reports	60%



	30 Sept	ACTUAL	31 Dec	ACTUAL	31 March	ACTUAL	Internal Audit	30 June	ACTUAL	Internal Audit	Indicator Custodian
	5	4	4	1	3	3		3	0		Dir: Human Resources
	3	0	2	0	2	1		2	0		Dir: Human Resources
	10	6	8	8	7	1		6	0		Dir: Human Resources
	N/A	N/A	N/A	N/A	-	N/A		80%	73%		Dir: Human Resources
	N/A	N/A	N/A	N/A	-	N/A		87%	82%		Dir: Human Resources
	N/A	N/A	N/A	N/A	-	N/A		70%	94%		Dir: Human Resources
	N/A	N/A	N/A	N/A	-	N/A		35%	31%		Dir: Human Resources
	N/A	N/A	N/A	N/A	-	N/A		45%	46%		Dir: Human Resources
	N/A	N/A	N/A	N/A	-	N/A		35%	33%		Dir: Human Resources
	N/A	N/A	N/A	N/A	-	N/A		2%	0.1%		Dir: Human Resources
	60%	Achieved 92.20	60%	Achieved 87.70%	60%	Achieved 86.74%		60%	Achieved		Dir: Admin
	70%	Achieved 97.77	70%	Achieved	70%	Achieved 81.25%		70%	Achieved		Dir: Admin
	50%	Achieved 92.67	50%	Achieved	50%	Achieved		50%	Achieved		Dir: Admin
	60%	Achieved 89.57	60%	Achieved	60%	Achieved 89.57%		60%	Achieved		Dir: Admin



Priority Area	Objective	Objective Code	Indicator	Indicator Code	Measurement Source and Frequency	Base-line
	Alignment of IT Strategy to ADM Business Strategy	MS RESP OBJ 8	No. of initiatives implemented as per IT strategy	MS RESP OBJ 8 IND 1	Quarterly Reports	0
	Business Continuity	MS RESP OBJ 9	Adopted Disaster Recovery Plan	MS RESP OBJ 9 IND 1	Quarterly Reports	0
	Improve financial management in line with financial management requirements	MS RESP OBJ 10	Number of programmes to improve financial management	MS RESP OBJ 10 IND 1	Annual financial report	2
	Address all matters associated with audit report	MS RESP OBJ 11	% of material exceptions addressed	MS RESP OBJ 11 IND 1	06/07 audit plan/ annual	100%
Maximise financial viability	Ensure 100% receipt of funds registered in the DoRA	MS RESP OBJ 12	% gazetted funds received versus the Gazetted amount	MS RESP OBJ 12 IND 1	Annual/ Financial records	100%
	To ensure that ADM remains financially viable	MS RESP OBJ 13	Positive working capital	MS RESP OBJ 13 IND 1	Quarterly Financial Report	1:1

GOVERNANCE PERSPECTIVE

Service Delivery model: co-ordination and integration	Form strategic partnerships with service providers, parastatals and government departments involved in delivery of services within ADM	MS GOVP OBJ 1	No of partnerships formed	MS GOVP OBJ 1 IND 1	Quarterly Reports	2
Service Delivery model: Cross cutting	To ensure establishment of national and international partnerships	MS GOVP OBJ 2	No of established national partnerships	MS GOVP OBJ 2 IND 1	Quarterly Reports	6
			No of established international partnerships	MS GOVP OBJ 2 IND 2	Quarterly Reports	4
Building Partnerships and Participation	To ensure integration of communication strategy in all ADM programmes by 2007/08	MS GOVP OBJ 3	% progress in the integration of communication strategy in all ADM programmes	MS GOVP OBJ 3 IND 1	Quarterly Report	0
			Reviewal of the Communication strategy	MS GOVP OBJ 3 IND 2	Quarterly Report	Strategy in place
	To ensure public participation in ADM programmes	MS GOVP OBJ 4	Adopted public participation policy	MS GOVP OBJ 4 IND 1	Quarterly reports	0



	30 Sept	ACTUAL	31 Dec	ACTUAL	31 March	ACTUAL	Internal Audit	30 June	ACTUAL	Internal Audit	Indicator Custodian
	-	N/A	-	N/A	-	N/A		7	4		Strategic Manager
	ToR for Disaster Recovery Plan	Terms of Reference drafted	Appoint Service Provider	Not Appointed	Draft Disaster Recovery Plan	No draft Disaster Recovery Plan		Adopted Disaster Recovery Plan	DRP not adopted		Strategic Manager
	-	N/A	-	N/A	-	N/A		2	0		Chief Finance Officer
	-	N/A	-	N/A	-	N/A		100%	Not met		Chief Finance Officer
	-	N/A	-	N/A	-	N/A		100%	100%		Chief Finance Officer
	1:1	1:1	1:1	3:1	1:1	4:1		1:1	3:1		Chief Finance Officer
	-	N/A	-	N/A	-	N/A		1	1		Strategic Manager
	1		1	0	1	0		1	Not met		Strategic Manager
	-	N/A	1	0	-	N/A		1	Not met		Strategic Manager
	2%	Not met	5%	10%	10%	15%		15%	20%		Strategic Manager
	-	N/A	Adopted communication strategy	Strategy not adopted	-	Strategy adopted by Council on 28/3/08		-	Strategy adopted by Council on 28/3/08		Strategic Manager
	-	N/A	-	N/A	-	N/A		Adopted policy	Partly met - Council noted policy as "work in progress"		Strategic Manager







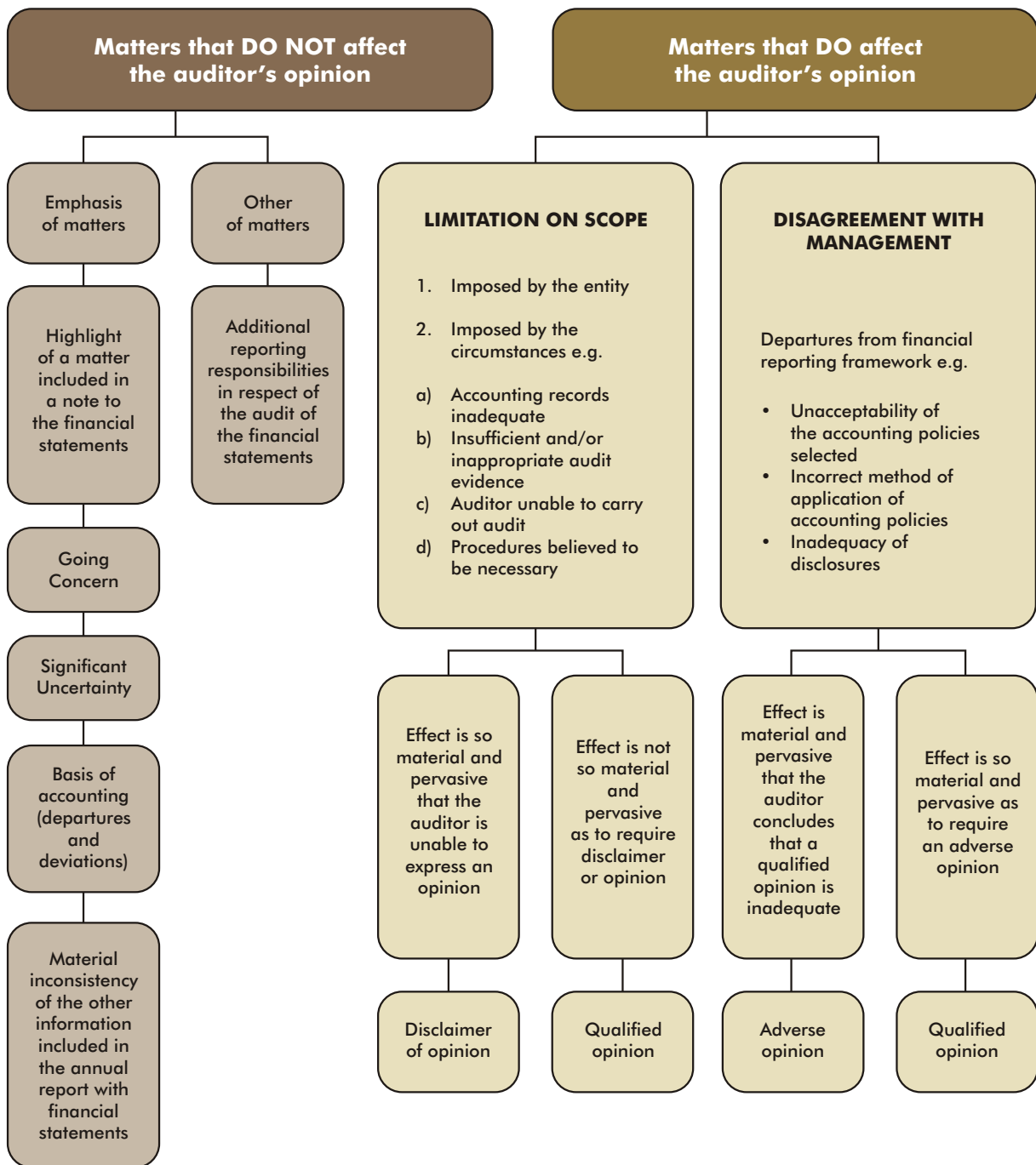
Annexures

In this Chapter

- ▶ Modification of the Audit Opinion
- ▶ Communication in the Audit Process
- ▶ Glossary of Terms
- ▶ ADDENDUM A - Public comments on the ADM's annual report

Modification of the Audit Opinion

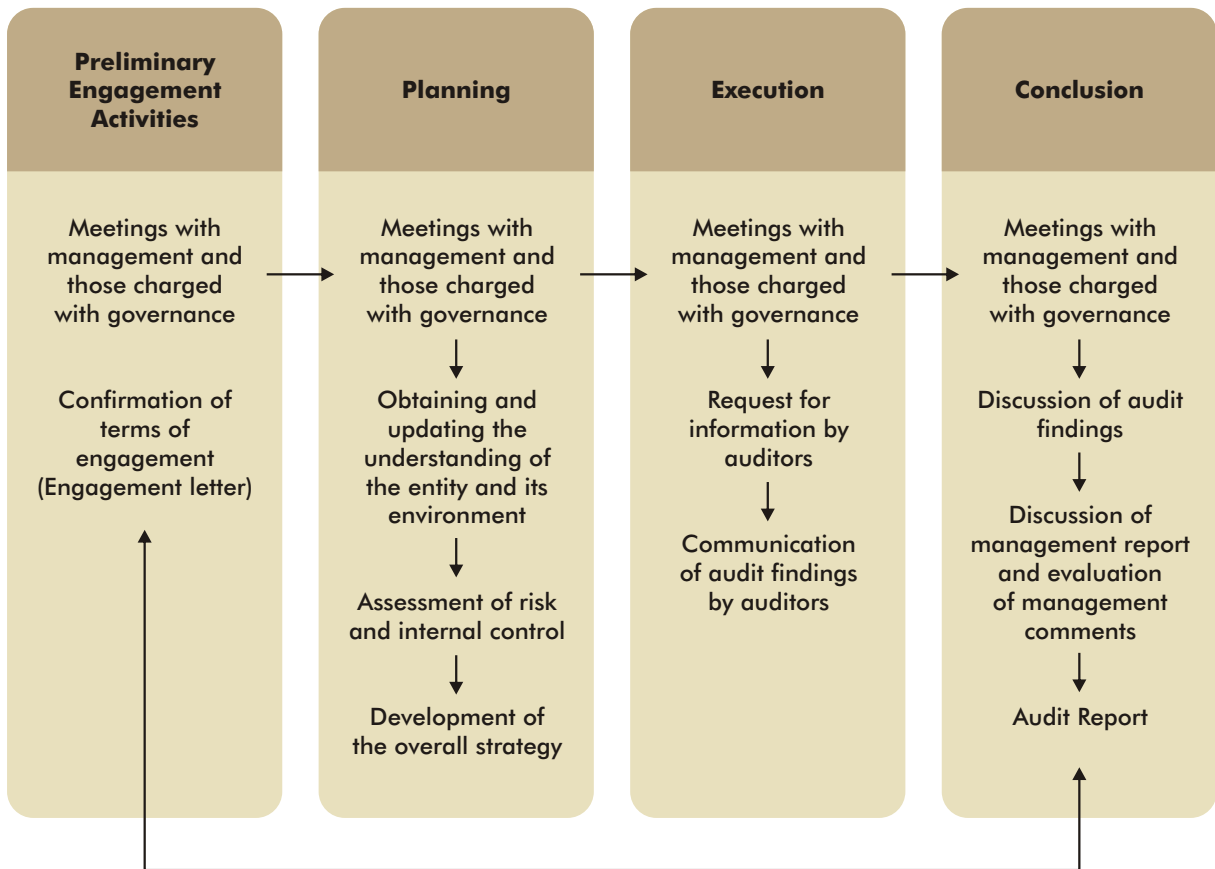
This decision tree illustrates the circumstances under which the audit report would be modified.



Communication in the Audit Process



KEY COMMUNICATION PHASES



Glossary of Terms

A

Adverse Opinion - An Adverse opinion is expressed when the effect of a disagreement with management regarding departures from the financial reporting framework is so material and pervasive to the financial statements that the auditor concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements.

Audit Evidence - All of the information used by the auditor in arriving at the conclusions on which the audit opinion is based. Audit evidence includes the information contained in the accounting records underlying the financial statements and other information.

Audit matters of governance interest - those matters that arise from the audit of financial statements and, in the opinion of the auditor, are both charged with governance in overseeing the financial reporting and disclosure process. Audit matters of governance interest include only those matters that have come to the attention of the auditor as a result of the performance of the audit.

Audit of the financial statements - The objective of the audit of the financial statements is to enable the auditor to express an opinion whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework.

C

Comprehensive basis of accounting - comprehensive basis of accounting comprises a set of criteria used in preparing financial statements which applies to all material items and which has substantial support.

Control activities - those policies and procedures that ensure that management directives are carried out. Control activities are a component of internal control. (See Internal Control)

Control environment - includes the governance and management functions and the attitudes, awareness and actions of those charged with governance and management concerning the entity's internal control and its importance in the entity. The control environment is a component of internal control (See Internal Control)

D

Disclaimer of Opinion - A disclaimer of opinion is expressed when the possible effect of a limitation on scope is so material and pervasive that the auditor has not been able to obtain sufficient appropriate audit evidence to form an opinion on the financial statements.

Documentation - The material (working papers) prepared by and for, or obtained and retained by the auditor in connection with the performance of the audit. Working papers may be in the form of data stored on paper, film, electronic media or other media.

E

Emphasis of matter paragraph(s) - An auditor's report may be modified by adding an emphasis of matter paragraph(s) to highlight a matter affecting the financial statements which is included in a note to the financial statements that more extensively discusses the matter. The addition of such an emphasis of matter paragraph(s) does not affect the auditor's opinion on whether the financial statements are fairly presented. The auditor may also modify the auditor's report by using an emphasis of matter paragraph(s) to report matters other than those affecting the financial statements, such as material inconsistency of other information included in the annual report.

G

Governance - Describes the role of persons entrusted with the supervision, control and direction of the entity. Those charged with governance ordinarily are accountable for ensuring that the entity achieves its objectives, financial reporting, and reporting to interested parties. Those charged with governance include management only when it performs such functions.



I

Information system relevant to financial reporting - A component of internal control that includes the financial reporting system, and consists of the procedures and records established to initiate, record, process and report entity transactions (as well as events and conditions) and to maintain accountability for the related assets, liabilities and equity.

Internal Control - The internal control system is the whole system of financial and other controls, including the organizational structure, methods, procedures and internal audit, established by those charged with governance, management and other personnel to:

- assist in conducting the business of the audited entity in a regular economic, efficient and effective manner
- ensure adherence to management policies
- ensure compliance with applicable laws and regulations
- safeguard assets and resources
- secure the accuracy and completeness of accounting records
- produce timely and reliable financial and management information

It provides framework for considering how different aspects of an entity's internal control may affect the audit. The auditor's primary consideration is whether, and how, a specific control prevents or detects and corrects material misstatements in classes of transactions, account balances, or disclosures, and their related assertions.

Internal control consists of the following components

- (a) The control environment. The control environment includes the governance and management functions and the attitudes, awareness, and actions of those charged with governance and management concerning the entity's internal control and its importance in the entity. The control environment sets the tone of an organization, influencing the control consciousness of its staff. It is the foundation for all other components of internal control, providing discipline and structure.

Elements of the control environment are:

- Communication and enforcement of integrity and ethical values through policy statements, codes of conduct and by example.
- Commitment to competence
- The "tone at the top", management's philosophy and operating style
- Organisational structure
- Human resource policies and practices
- Assignment of authority and responsibility
- Participation by those charged with governance

- (b) Risk assessment process. Risk assessment is the process of identifying and analyzing relevant risks from internal and external sources to the achievement of the entity's objectives, as identified in the strategic plan, and determining how the risks should be managed.

Risk assessment implies:

- risk identification
- risk evaluation
- assessment of the risk appetite of the organization
- development of responses to the risk profile

- (c) The information system, including the related business processes, relevant to financial reporting, and communication, relevant and reliable information, both financial and non-financial, and the communication of this information are essential to realizing all internal control objectives. In order to ensure the quality of information and reporting, carry out the internal control activities and responsibilities and make monitoring more effective and efficient, the internal control system should be fully and clearly documented and should be available for examination.

- (d) Control activities. Control activities are the policies, procedures, techniques and mechanisms established to address/mitigate risks and to achieve the entity's objectives. They are an integral part of the entity's planning, implementing, reviewing and accountability for stewardship of government resources and achieving effective results.



Control activities include a range of detective and preventative control activities as diverse as, e.g.

- authorization and approval procedures
 - segregation of duties
 - access restrictions to and accountability for resources and records
 - verifications
 - reconciliations
 - reviews by management of performance
 - controls over information processing (application controls)
 - general IT controls
 - proper execution of transactions and events
 - accurate and timely recording of transactions and internal control
 - appropriate documentation of transactions and internal control
 - reviews of operations and processes
 - establishment and review of performance measures and indicators
 - supervision
 - human capital management
- e) **Monitoring of controls.** Internal control systems should be monitored to assess the quality of the systems' performance over time. Monitoring is accomplished through routine activities, separate evaluations, or a combination of both. It involves assessment by appropriate personnel of the design and operation of controls on a suitable timely basis and the taking of necessary actions. It includes regular management and supervisory comparisons, reconciliations and actions.

Ongoing Monitoring

- Ongoing monitoring of internal control should be built into the normal, recurring operating activities of an entity. It includes regular management and supervisory activities, and other actions personnel take in performing their duties.
- Ongoing monitoring activities cover each of the internal control components and involve action against irregular, unethical, uneconomical, inefficient and ineffective internal control systems.

Separate Evaluations

- The scope and frequency of separate evaluations will depend primarily on the assessment of risks and the effectiveness of ongoing monitoring procedures.
- Separate evaluations may take the form of self-assessments as well as reviews by internal and external auditors of control design and the direct testing of internal control.

L

Limitation on scope. A limitation on the scope of the auditor's work may sometimes be imposed by the entity (for example, when the terms of the engagement specify that the auditor will not carry out an audit procedure that the auditor believes is necessary). A scope limitation may be imposed by circumstances (for example, when the timing of the auditor's appointment is such that the auditor is unable to observe the counting of physical inventories). It may also arise when, in the opinion of the auditor, the entities accounting records are inadequate or when the auditor is unable to carry out an audit procedure believed desirable.

M

Management Fraud. Fraud involving one or more members of management or those charged with governance.

Material Inconsistency. Exists when other information contradicts information contained in the audited financial statements. A material inconsistency may raise doubt about the audit conclusions drawn from audit evidence previously obtained and, possibly, about the basis for the auditor's opinion on the financial statements.

Material Misstatement of Fact. Exists in other information when such information, not related to matters appearing in the audited financial statements, is incorrectly stated or presented.



Material Weakness. A weakness in internal control that could have a material effect on the financial statements.

Materiality. Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather.

Misstatement. A misstatement of the financial statements that can arise from fraud or error (also see Fraud).

Modified Auditor's Report. An auditor's report is considered to be modified if either an emphasis of matter paragraph(s) is added to the report or if the opinion is other than unqualified.

N

Non-compliance. Refers to acts of omission or commission by the entity being audited, either intentional or unintentional, that are contrary to the prevailing laws or regulations.

O

Opinion. The auditor's report contains a clear written expression of opinion on the financial statements as a whole. An unqualified opinion is expressed when the auditor concludes that the financial statements give a true and fair view (or are presented fairly, in all material respects) in accordance with the applicable financial reporting framework (also see Modified auditor's report).

Other information / Other matters. Financial or non-financial information (other than the financial statements or the auditor's report thereon) included - either by law or custom - in the annual report.

P

Planning. Involves establishing the overall audit strategy for the engagement and developing an audit plan, in order to reduce audit risk to an acceptably low level.

Q

Qualified Opinion. A qualified opinion is expressed when the auditor concludes that an unqualified opinion cannot be expressed but that the effect of any disagreement with management regarding departures from financial reporting framework, or limitation on scope is not so material and pervasive as to require an adverse opinion or a disclaimer of opinion.



ADDENDUM A

No public comments on the annual report were received.





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