



CHRIS HANI
DISTRICT MUNICIPALITY
SUSTAINING GROWTH
THROUGH OUR PEOPLE

Annual Report

for the financial year



Annual Report

Cover: Vibrant Aloe Ferox plantation – typical to the Chris Hani district.
Mountain Zebra at Mountain Zebra National Park near Cradock. Mike Holmes

2007 / 2008

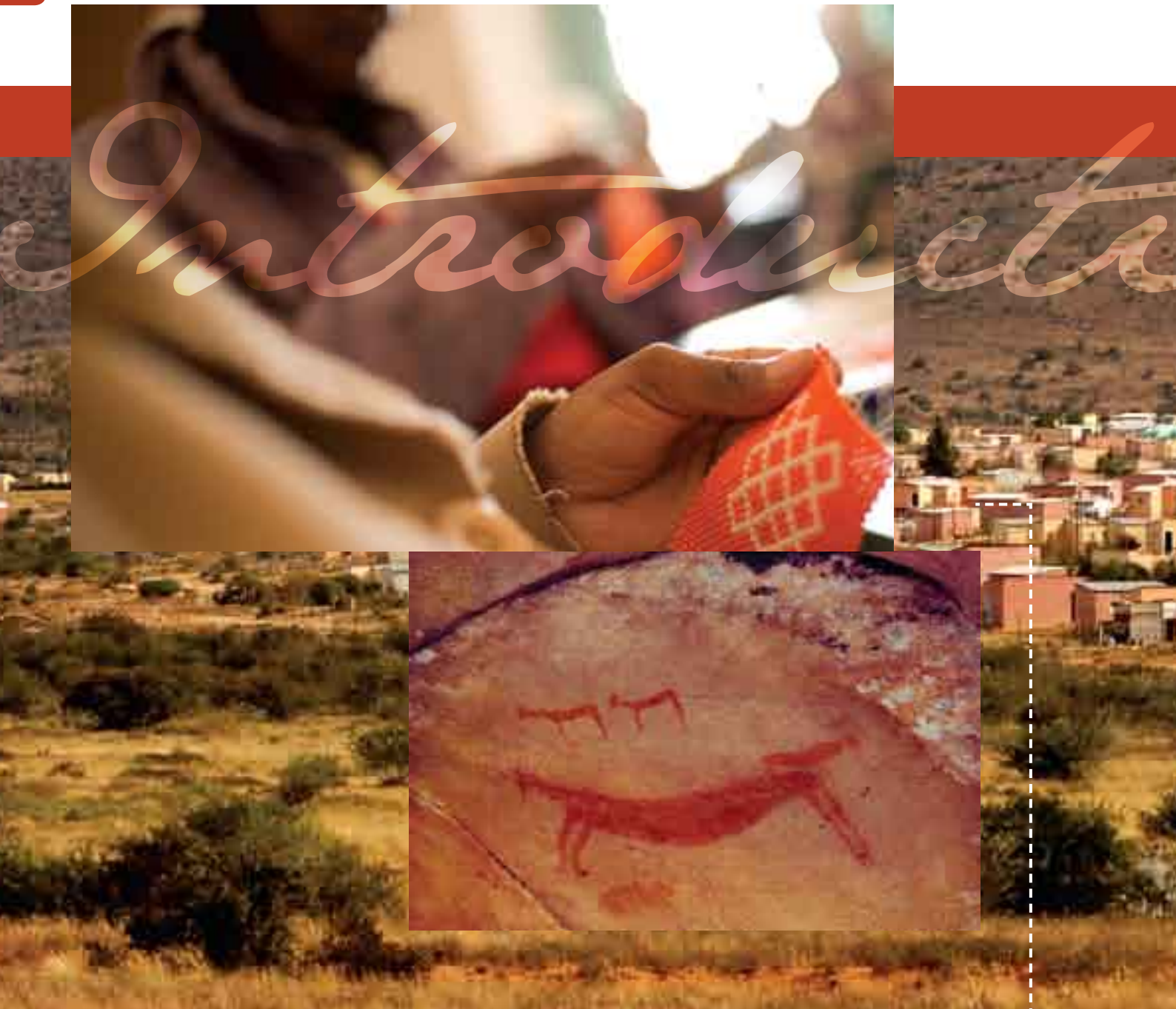
Acronyms

AG	- Auditor General	KAP	- Knowledge Attitude and Practices
CHDM	- Chris Hani District Municipality	KPA	- Key Performance Area
DAC	- District AIDS Council	LAC	- Local AIDS Council
DBSA	- Development Bank of Southern Africa	LAN	- Local Area Network
DFID	- Department for International Development	LED	- Local Economic Development
DM	- District Municipality	LLF	- Local Labour Forum
DPLG	- Department of Provincial and Local Government	LM	- Local Municipality
DRP	- Disaster Recovery Plan	M & E	- Monitoring and Evaluation
DWAF	- Department of Water Affairs and Forestry	MFMA	- Municipal Finance Management Act (56 of 2003)
ECAC	- Eastern Cape AIDS Council	MHS	- Municipal Health Services
ECDMA	- Eastern Cape District Management Area	MIG	- Municipal Infrastructure Grant
ECESCOC	- Eastern Cape Emergency Services Coordinating Committee	MSP	- Municipal Support Program
EHP	- Environmental Health Practitioner	PDR	- Project Definition Report
EPWP	- Expanded Public Works Programme	PHC	- Primary Health Care
EM	- Environmental Management	PMS	- Performance Management System
FHP	- Food Handling Premises	PMU	- Project Management Unit
GAMAP	- Generally Accepted Municipal Accounting Practice	RSC	- Regional Services Council
GDS	- Growth and Development Summit	SALGA	- South African Local Government Association
GRAP	- Generally Recognised Accounting Practices	SAN	- Storage Area Network
ICT	- Information Communication Technology	SCM	- Supply Chain Management
ICTSC	- Information Communication Technology Steering Committee	SDBIP	- Service Delivery and Budget Implementation Plan
IDP	- Integrated Development Plan	SHE	- Safety, Health and Environment
IMFO	- Institute for Municipal Finance Officers	SMME	- Small, Medium and Micro Enterprise
IMST	- Information Management Systems Technology	STI	- Sexually Transmitted Infection
ISDR	- International Strategy for Disaster Risk Reduction	UFH	- University of Fort Hare
ISDRP	- Integrated and Sustainable Rural Development Programme	WAC	- Ward AIDS Council
ITIL	- Information Technology Information Library	WAD	- World AIDS Day
IWMP	- Integrated Waste Management Plan	WAN	- Wide Area Network
		WMPF	- Website Management Procedures Framework
		WSA	- Water Services Authority
		WSDP	- Water Services Development Plan



Table of Contents	Page
CHAPTER 1 INTRODUCTION AND OVERVIEW	4
1.1 Foreword by the Executive Mayor	6
1.2 Executive Summary	10
1.3 Overview by the Municipal Manager/Accounting Officer	11
CHAPTER 2 PERFORMANCE	14
<i>Office of the Municipal Manager</i>	
2.1 Communications	16
2.2 Information Communication Technology	21
2.3 Internal Audit	23
2.4 Supply Chain Management	25
2.5 Disaster Management	27
<i>Directorates</i>	
2.6 Corporate Services	30
2.7 Budget and Treasury	33
2.8 Engineering Directorate	37
2.9 Health and Community Services	40
2.10 Integrated Planning and Economic Development	51
CHAPTER 3 ANNUAL FINANCIAL STATEMENTS	60
3.1 Statement of Financial Position	64
3.2 Statement of Financial Performance	65
3.3 Statement of Changes in Net Assets	66
3.4 Cash Flow Statement	67
3.5 Accounting Policies	68
3.6 Notes to the Annual Financial Statements	76
3.7 Appendices	87
CHAPTER 4 AUDITOR GENERAL'S REPORT	100

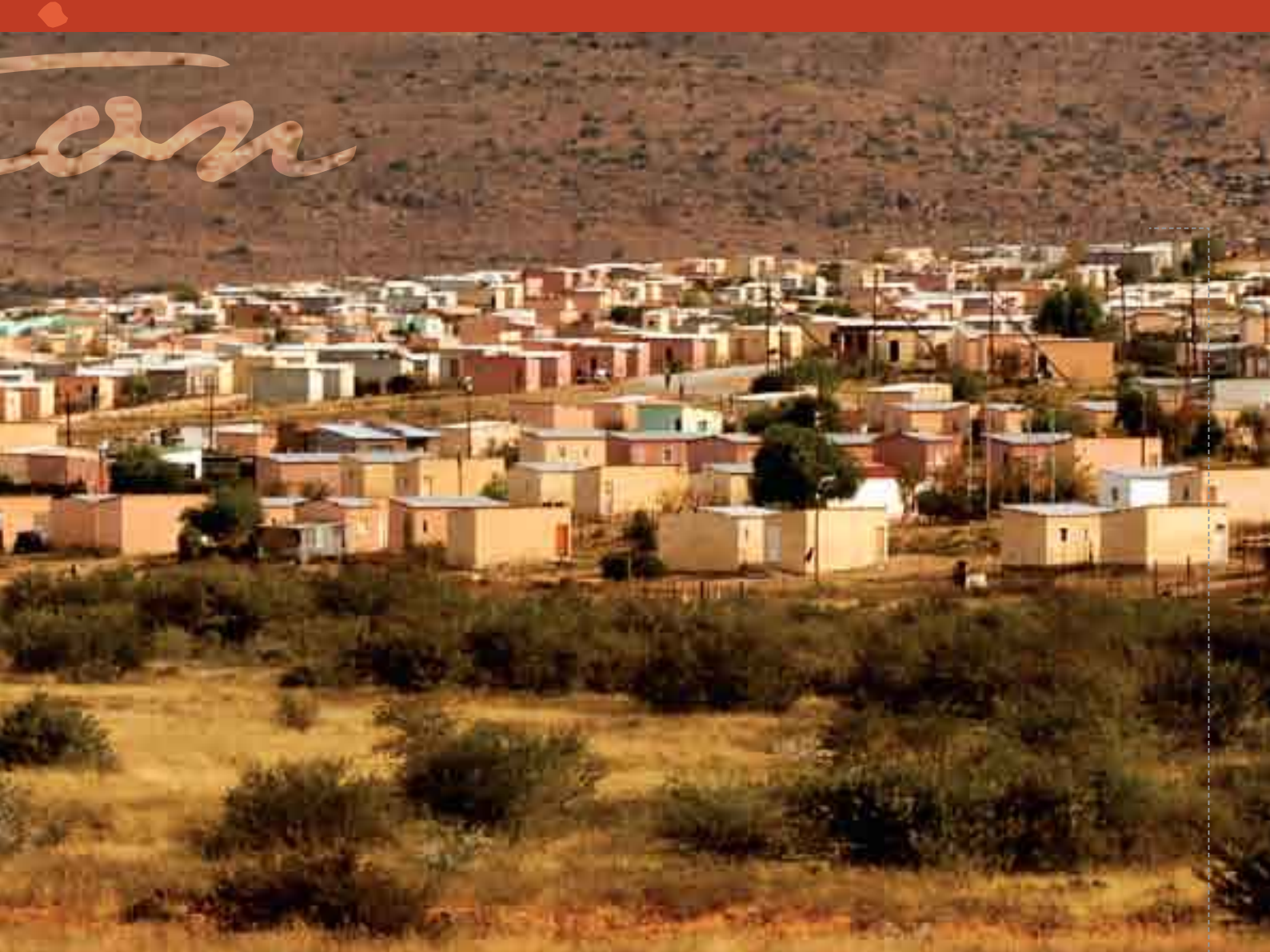
Introduction



*Above left: Intricate beadwork found at the Elliot Beaders & Crafters. Right: San rock art near Barkly East.
Main picture: Housing delivery near Cradock. Mike Holmes*

Chapter 1

Introduction and overview





Executive Mayor
Councilor Mafuza Sigabi

1.1 Foreword by the Executive Mayor

Looking back at some of our many achievements during the past year, our district municipality was the first to host a National Launch of the Liberation Heritage Route at Sabalele (which is the birth place of the late Chris Hani) in Intsika Yethu Local Municipality.

The 2007/08 annual report provides a comprehensive overview of the Chris Hani District Municipality's (CDHM) contribution to government programmes that are aimed at responding to the needs of our people. This includes provision of basic services such as water and sanitation, health and community services and local economic development initiatives.

Looking back at some of our many achievements during the past year, our district municipality was the first to host a National Launch of the Liberation Heritage Route at Sabalele (which is the birth place of the late Chris Hani) in Intsika Yethu Local Municipality. Launched in conjunction with the National Heritage Council and Nelson Mandela Museum, the project seeks to re-write the history of the liberation struggle in our country and beyond our borders.

The important occasion was honoured by political, government and public leadership. ANC Secretary-General Mr Gwede Mantashe gave the keynote address and the Premier of Mpumalanga, the Honourable Thabang Makwetla presented a memorial lecture in the evening. It was a moving and memorable event that also reminded us of the huge tasks that still lie ahead.

We also saw the launch of the Chris Hani Tourism Logo, which was held in Cradock in Inxuba Yethemba Local Municipality - the birthplace of struggle stalwart the Rev Canon Calata and the Cradock Four.

Also, the opening of Queens Casino in December 2007, followed by the Queen's hotel in March was a

welcome injection to the local economic development of the area. It is a huge development that has ensured growth within the district.

The visit by some of our members in June 2008 to Dielpholz District Municipality in Germany has begun to yield favourable results for our communities. We look forward to preparing for a return visit in the next financial year to formalise our partnership with a Memorandum of Agreement.

The past financial year also saw us enhancing community participation with the district municipality, through the heritage and logo launches, Izimbizo and radio talk shows such as Umhlobo Wenene, Tru FM and Vukani Community Radio Station (which has its offices in our district, in the town of Cala).

Looking at staff matters, most of our Section 57 managers' contracts came to an end during the past year. Nevertheless, most have retained their positions. We are confident that this augers well for the stability and continuity of our institution. The Chief Financial Officer's (CFO) position has not yet been filled though (after the resignation of the former CFO), due to the current skills shortage in South Africa. Although our institution is growing, we have had numerous resignations, mainly due to staff members getting more senior positions elsewhere.

Forward planning by our officials ensured that we managed to spend all our Municipal Infrastructure Grant (MIG) funding before the end of the financial



Aloe Ferox. Mike Holmes

year. Although we are still experiencing large backlogs with regards to water and sanitation, there has been gradual improvement through the implementation of the MIG. Our efforts to attend to backlogs as speedily as possible have been hindered in some areas that have been affected by drought conditions, which has had a negative impact on drinking water for humans and animals.

The roads function is still done on an agency basis because of the non-completion of the roads classification process.

With regards to health services, the devolution of municipal health services and 'provincialising' of Primary Health Care remains a challenge and we hope SALGA's intervention will bring about a favourable solution for all municipalities. A door to door HIV and Aids campaign was held in Emalahleni Local Municipality to create awareness.

After receiving bad audit reports from the Auditor-General, we hope that the Municipal Support Programme launched by the Department of Local Government and Traditional Affairs' MEC will assist us to achieve a good report.

Lastly, I would like to express my gratitude to our councilors and officials for their dedication and commitment to fulfilling our mandate to better the lives of all our people. We are also appreciative of our dedicated service providers, and, are grateful to our community for supporting our programmes.

The past financial year also saw us enhancing community participation with the district municipality, through the heritage and logo launches, Izimbizo and radio talk shows such as Umhlobo Wenene, Tru FM and Vukani Community Radio Station.

We wish to encourage our community to listen and participate in our radio talk shows that are usually conducted on Radio Vukani (on 90.6 mhz) and Umhlobo Wenene FM (on 92.2 – 93.0 mhz).

I trust that you will make full use of this report.

M S SIGABI
EXECUTIVE MAYOR

Mayoral Committee

Councilor Mafuza Sigabi
Executive Mayor



Councilor Nonceba Pasha
Speaker



Councilor Mxolisi Koyo
Integrated Planning and
Economic Development



**Councilor
Lindiwe Gunuza Nkwentsha**
Health and Community Services



Councilor Raymond Shweni
Chief Whip of Council and
Budget and Treasury



Councilor Nozithembiso Dzedze
Special Programmes Unit



Councilor Nonkosi Mvana
Infrastructure



Councilor Mthetheli Xuma
Governance and
Institutional Development



Directors

Mr Mpilo Mbambisa
Municipal Manager



Mr Danso-Poku Agyemang
Director of Integrated Planning
and Economic Development



Mr Makhaya Dungu
Director of Engineering Services



Ms Nokuthula Mgijima
Director of Health and
Community Services



Mr P T Pambaniso
Acting Chief Financial Officer



Ayanda Mdlaleni
Director of Corporate Services





MAP? chris hani

MAP? from Eastern Cape & South Africa

1.2 Executive Summary

Background

The Chris Hani District Municipality - established by a notice in terms of Section 12 of the Municipal Systems Act, 32 of 2000 - is a democratically elected Category C municipality. It is comprised of proportionally representative and nominated councilors from eight Category B municipalities under its jurisdiction.

The Council forms part of the local sphere of government, closely located to the people. The CHDM exercises its duties and functions through its constituent municipalities, which include:

Inxuba Yethemba LM - EC 131
Tsolwana LM - EC 132
Inkwanca LM - EC 133
Lukhanji LM - 134
Intsika Yethu LM - EC 135
Emalaheni LM - EC 136
Engcobo LM - EC 137
Sakhisizwe LM - EC 138 and
Mountain Zebra - ECDMA 13

The District Municipality covers an area of approximately 37 294 km², with a total population of 822 778 (Census 2001).

Vision

A well capacitated municipality, characterised by a good quality of life and a vibrant, self-sufficient economy driven by skilled communities living in a safe and healthy environment.

Mission

To provide affordable quality services, alleviate poverty and facilitate social and economic development of the area through integrated development planning, co-operative governance, skills development and sustainable utilisation of resources.

Values

- Respect and Diversity
- Achievement and Commitment
- Transparency, Integrity and Honesty
- Ubuntu
- Enjoyment
- Teamwork

Guiding Principles

A number of guiding principles are formulated and framed by national and provincial policy and legislation. CHDM's Integrated Development Plan (IDP) Representative Forum adopted the following principles:

- Focus on the previously disadvantaged rural and urban areas;
- Prioritise the primary economic sector through local economic development;
- Provide faster access to basic services;
- Provide skills, especially for women, youth and the disabled;
- Provide physical infrastructure;
- Ensure sustainability of projects;
- Link IDPs with the Performance Management System (PMS);
- Build capacity; and
- Develop Monitoring and Evaluation (M&E) mechanisms to control IDP-related activities.



Municipal Manager
Mr Mpilo Mbambisa

1.3 Overview by the Accounting Officer

Introduction

As we present the Annual Report for the 2007/08 financial year, it is imperative that we provide an overview of some of our successes and challenges in our endeavour to serve our people. The successes that we have gained during the 2007/08 financial year will be highlighted in terms of the five key areas of the local government strategic agenda, which are aligned to our scorecard as follows:-

- Municipal Transformation and Institutional Development
- Service Delivery and Infrastructure
- Local Economic Development
- Municipal Financial Viability and Management
- Good Governance and Public Participation

1. MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

1.1 Organisational Design

The framework was completed in November 2007 and consultation was done with Management, Labour and the Mayoral Committee. It was presented to Council in May 2008, which referred it to the Mayoral Committee for further refinement.

1.2 Human Resources

Various training programmes were undertaken for staff through the Training Plan. Two section 57 managers completed the Certificate Programme in Municipal Development, offered by Wits Business School. Some Councilors also attended various training programmes through SALGA. A successful wellness day was held for staff and councilors. A workplace HIV and AIDS day was held and awareness programmes were presented.

1.3 Employment Equity

The employment equity plan was updated and the report submitted to the department of Labour in September 2007. The employment equity targets have been achieved in middle management.

1.4 Workplace Skills Plan (WSP)

The WSP was compiled and submitted in June 2008. A training plan was drafted and training completed was reported through the quarterly reports.

1.5 Integrated Development Plan (IDP)

The IDP Framework Plan was approved in September 2007, and, the final plan was approved by Council in May 2008. The Service Delivery and Budget Implementation Plan was prepared based on the IDP and Budget. This was monitored through the quarterly reports.

1.6 Performance Management System

The Municipal Scorecard was drafted based on the Service Delivery and Budget Implementation Plan. Performance agreements were prepared and signed by all Section 57 managers. The annual performance assessments were done in line with the Performance Regulations.

1.7 Municipal Support

A draft report was presented by the University of Fort Hare on the assessment of Local Municipalities, towards the establishment of a Municipal Support Unit. This report will be finalised in the next financial year.

1.8 ICT

A service provider was appointed to set up the website, with information continuously being uploaded. A pilot site for intranet was developed and users were introduced to it. Another service provider was appointed for the Corporate GIS project.

1.9 Communication

The institution continues to communicate service delivery programmes through newsletters, radio talkshows, imbizos and the media etc. A corporate identity manual was produced and adopted by Council, which informs the branding of our institution.

1.10 Supply Chain Management

The bid committees are functioning well and meet regularly. 73% of tenders awarded were for Historically Disadvantaged Individuals.

1.11 Municipal Offices

The municipality has identified a site for the building of new offices. Service Providers have been appointed to design and monitor construction, on behalf of the municipality. The municipality is in the process of securing a loan to finance the development.

1.12 Partnerships

The German Development Agency facilitated a partnership between the CHDM and Diepholz District Municipality in Germany, around Local Economic Development. This resulted in a delegation from CHDM visiting Diepholz District Municipality. Areas of cooperation were identified during the visit, which will be formalised during the return visit.

2. SERVICE DELIVERY AND INFRASTRUCTURE

2.1 Water Services

There has been a gradual improvement in the eradication of backlog, with 76% and 55% of our population served with water and sanitation respectively. The Amatola Water Board was appointed as a Service Support Agent in the four rural local municipalities. Service Level Agreements were signed with municipalities that are Water Services Providers.

2.2 Eradication of Bucket System

Although a number of buckets were eradicated, the target for bucket eradication could not be met at Indwe and Tarkastad. These buckets will hopefully be eradicated in the next financial year.

2.3 Transport Planning

The Integrated Transport Plan has been developed and tabled to Council structures. This was achieved through support provided by the Department of Roads and Transport.

2.4 Roads and Storm-water

The Service Level Agreement signed with the Department of Roads and Transport has progressed very well - with R20 million (allocated in the programme in the financial year) having been spent.

2.5 Capital Projects

We spent all of the R207 million allocation for the Municipal Infrastructure Grant before the end of the financial year. Plans are in place to receive more funding to eradicate the backlog.

2.6 Municipal Health Services and Environmental Management

R3 million was spent on the eradication of Alien Plants (Lapesi) in areas around Lukhanji, Emalahleni and Intsika Yethu. We continued with the cleaning of our townships and about 840 jobs were created. 20 schools were identified in our School Greening Project, and, equipment was delivered to these schools.

2.7 HIV and AIDS Coordination

Externally, the door to door campaign that took place at Emalahleni Local Municipality was a success. While internally, we celebrated World AIDS Day with various activities.

2.8 Primary Health Care

Provincialisation was postponed to July 2008. However, SALGA intervened on behalf of the municipalities and the issue was discussed at provincial level.

2.9 Housing

Initially, the Department was going to capacitate District Municipalities to get accredited so that they could coordinate housing development. Although this process has not taken off, discussions are taking place with the Department.

2.10 Spatial, Urban and Rural Planning

The Spatial Development Framework was reviewed as part of the IDP process.

2.11 Disaster Management / Fire Fighting

The Disaster Risk Management Framework has been drafted and is awaiting Council approval. The framework was workshopped with the relevant stakeholders.

2.12 Expanded Public Works Programme (EPWP)

This programme is in its third year, with ten learner contractors appointed, with the aim of developing them to compete with established contractors. Good progress on their performance has been recorded and 619 jobs were created through their projects.

3 LOCAL ECONOMIC DEVELOPMENT (LED)

The Agricultural Strategy was completed, six tourism sector plans were completed in Local Municipalities and the SMME development strategy was completed. The LED strategy was delayed due to consultation that needed to take place across the district. The Reference Group for the Chris Hani Liberation Heritage Route was established. A



service provider was appointed (Rhodes University) and a concept document was developed. The project was successfully launched nationally.

A number of Nguni cattle were purchased and distributed to emerging farmers as part of our livestock development programme. Other key LED projects are included in areas of forestry, irrigation schemes, wool production, massive food production, high value cropping and tourism.

4 MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

A draft Investment Policy was developed and is awaiting Council's approval. The budget process plan, adjustment budget, draft budget and final budget were adopted within the stipulated time-frame. The Service Delivery and Budget Implementation Plan was developed, based on the approved budget. The 2007 Annual Financial Statements were submitted on 31 August 2007. The E-Venus Accounting System was rolled out to Intsika Yethu Local Municipality.

5 GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Agreements were reached with all Local Municipalities on the shared internal audit and Audit Committees. Risk assessments were conducted in some LMs, but there were delays in others due to funding. 16 policies were adopted in December 2007. Only the water services by-law was gazetted. The Delegation Framework was approved by Council and delegation letters were written to HODs.

The Powers and Functions were clarified through the DM's forum with LMs. An action plan for the Audit Report was developed, although the report was received late. Progress on the action plan was submitted quarterly. The District Manager's Forum sat quarterly and has a schedule of meetings to deal with issues of Intergovernmental Relations. The Imbizo Action Plan was prepared and is being monitored.

6 CHALLENGES

6.1 Staff turnover continues to be a problem. During this financial year, we lost a number of key managers e.g. Strategic Manager, Chief

Financial Officer, Communications Manager, PMU Manager, Water Services Manager, Water Services Planning Manager etc. Some of these posts have to be re-advertised because of scarce skills.

- 6.2 Incomplete job evaluation process caused some staff to leave for similar posts in other municipalities.
- 6.3 Huge backlogs on basic services that require a lot of funding.
- 6.4 Dilapidated infrastructure, especially in towns.
- 6.5 Adverse opinion received from the Audit Report.
- 6.6 Late completion of the Audit, resulting in non-compliance with the Annual Report and late preparation of the action plan.
- 6.7 Devolution of Municipal Health Services, without the necessary funding.
- 6.8 Postponement of provincialisation of Primary Health Care, which is still under discussion.
- 6.9 Appeals of unsuccessful service providers in the supply chain management process, resulting in delays on the implementation of projects.

7 CONCLUSION

It has been a busy year, with numerous activities. Although we still have many challenges, we firmly believe we are on track towards meeting our institution's strategic objectives.

Most disturbing was the adverse opinion received from the Auditor General in 2006/07, although it is not the year under review. However, it means that much work needs to be done to improve financial management and performance.

In recognising our achievements, I would like to acknowledge the leadership of our Executive Mayor and the whole Council. We also appreciate the support we continue to receive from the structures of Council. Furthermore, our partnerships with institutions such as DEDEA and others have yielded positive results. We are encouraged by their levels of commitment to partner with us.

The Managers and staff continue to put in every effort to ensure our organisation implements its mandate effectively and, that both individually and collectively, we are able to make a difference in our communities.

... our partnerships with institutions such as DEDEA and others have yielded positive results. We are encouraged by their levels of commitment to partner with us.



*Main picture: Agriculture forms the backbone of Chris Hani's economy.
Above: A sheep shearer at work.*

Chapter 2

Performance



2.1 Communications

OBJECTIVES

- Develop, implement and review CHDM Communications Strategy;
- Develop and implement CHDM's Marketing Strategy;
- Enhance working relations between the CHDM and its stakeholders;
- Advise the Council on the stakeholder needs and perceptions; and
- Create and maintain a good image of the institution;
- Encourage community participation

DESCRIPTION OF ACTIVITY

Communications is a cross-cutting function within the institution involving strategic management, while taking into account the political programmes.

The municipality's communications unit focuses on both external and internal communications.

Its functions include: media liaison; media production (newsletters, information booklets, leaflets and photography); upholding the corporate identity; organising promotional material; website management; consolidation and production of annual reports; dissemination of information; assistance during Izimbizo or outreach programmes; encouragement of community participation; and the establishment of communication structures etc.

The unit is comprised of a Communications and Media Relations Manager, a Communications Officer and a Website Content Author. Clearly, the unit is understaffed and the need for more capacity is imperative.

The communications function is a legislative requirement in terms of the Municipal Systems Act, 32 of 2000, and the Municipal Finance Management Act, 56 of 2003.

KEY FUNCTIONS FOR 2007/08

- Implementation of communications strategy (media liaison, media production, photography, information dissemination, upholding corporate identity)
- Marketing of CHDM;
- Production of Annual Report; and
- Website maintenance

CHALLENGES

- Unit is under-resourced (personnel and equipment);
- Non existence of a customer service desk;
- Mechanisms to encourage community participation are minimal;
- Events management and co-ordination is a challenge;
- Lack of co-ordination and integration of district activities;
- Communication among the three spheres of government needs to be strengthened; and
- Insufficient funding

Communications is a cross-cutting function within the institution, involving strategic management, while taking into account the political programmes.



ANC Secretary General Gwede Mantashe addressing the crowds at the National Liberation Heritage Route Launch.



Performance Report 2007/08

MEASURABLE OUTCOME	REVIEW OF 2007/08 COMMUNICATIONS STRATEGY	MEDIA PRODUCTION
Activities / Project Description	Workshops to strategise. Develop a communications plan. Implement communications strategy.	Develop and Produce newsletters (Uphuhliso and InnerView), the Mayoral Budget Speech and information booklets and leaflets. Collate relevant information. Translation of information to widely spoken language. Distribute productions. Photograph and video record CHDM projects and events.
Project Leader	Communications Manager	Communications Manager
Budget 2007/8	R2 000 000	R500 000
Key deliverables	Communications strategy with an informed communications plan. Keep public informed, especially on key priority areas. Communicate coherent messages.	Profile programs and events. Communicate CHDM's programs, achievements and challenges. Show case CHDM's activities.
Due date	June 2008	June 2008
Percent complete	100%	50%
Budget spent	R1 500 000	R200 000 000
Stakeholders / Partners	Government Communications and Information systems. Office of the Premier Local Municipalities Government departments	CHDM departments Service providers
Challenges	Lack of funds. Local municipalities that do not have communications personnel.	Inadequate staffing

MEASURABLE OUTCOME	MEDIA STRATEGY AND MONITORING	MARKETING AND BRANDING
Activities / Project Description	Radio talk shows and interviews with radio stations that have maximum coverage in the district Media statements. Maintain good relations with media houses. Media monitoring.	Purchase advertising space in various media Ensure district municipality is listed with various directory companies. Develop a branding manual. Ensure adherence to corporate identity. Develop customised stationery, promotional material, and, brand municipal vehicles.
Project Leader	Communications Manager	Communications manager
Budget 2007/8	R500 000 000	R500 000
Key deliverables	Collect information. Devise Media Plan. Secure radio talk show slots for the financial year. Organise and conduct radio interviews with political leadership. Issue media statements. Media monitoring. Maintain good relations with media houses. Profile programs and events. Communicate the CHDM's programmes, achievements and challenges. Showcase CHDM's activities.	A well recognised and reputed CHDM.
Due date	June 2008	Ongoing
Percent complete	100%	100%
Budget spent	R500 000 000	R500 000
Stakeholders / Partners	Media Houses	CHDM departments and sections. Service provider.
Challenges	Information is not always forthcoming from departments. Personnel shortages result in media statements not being issued regularly. Media is selective on what it publishes.	Funding



MEASURABLE OUTCOME	PRODUCE A COMPLIANT ANNUAL REPORT	DEVELOP A MANUAL AND COMPLY WITH PROMOTION OF ACCESS TO INFORMATION ACT
Activities / Project Description	Collate and compile information from departments and sections, mayor's office and speaker's office.	Consultation (stakeholder involvement). Consolidation and editing of comments. Produce reviewed manual. Council adopt manual.
Project Leader	Communications Manager	Communications Manager
Budget 2007/8	R200 000	R10 000
Key deliverables	Editing and consolidation of information. Finalisation of all annexures. Submission of report to relevant offices.	Research and publicise notice for review.
Due date	30 days after Council has approved AG report – annually.	June 2008
Percent complete	100%	0%
Budget spent	R150 000	0%
Stakeholders / Partners	CHDM departments Service provider	HODs Archives section General public
Challenges	Delay in finalisation of audits.	Project delayed due to shortage of staff.



Cradock.



School children in Steynsburg.

MEASURABLE OUTCOME	DEVELOP A SUSTAINABLE BRAND FOR THE INSTITUTION	DEVELOP A CHDM MARKETING STRATEGY AND IMPLEMENT MARKETING PROGRAMMES
Activities / Project Description	Production of branded corporate material (e.g. corporate wear). Development of corporate identity manual and implementation. Research Consultation	Develop marketing strategy and implementation thereof.
Project Leader	Communications Manager	Communications Manager
Budget 2007/8	R300 000	R250 000
Key deliverables	Production of corporate identity manual. Roll out rebranding of institution per plan.	Go to tender for development of marketing strategy. Develop marketing strategy with programme of action.
Due date	On going	June 2008
Percent complete	70%	0%
Budget spent		0%
Stakeholders / Partners	Service providers	Service providers, IPED, CHARTO, business
Challenges / Comments	Completed branding manual adopted by Council. Branding roll out plan prepared. Insufficient funding for plan to be fully implemented this financial year. Supply chain processes.	Project delayed – unit understaffed



2.2 Information Communication Technology Unit

OVERVIEW AND BACKGROUND

The mandate of the Information Communication Technology (ICT) Unit is to provide an information and communication technology service and support to the CHDM. In addition, the unit also provides a secure, reliable and consistent platform for information accessibility.

The unit is responsible for driving technological innovations, aligning ICT to the organisational strategic plan (IDP) and supplying and supporting ICT infrastructure for approximately 190 computers in five remote sites.

DESCRIPTION OF ACTIVITY

The ICT unit is a co-sourced support function reporting to the Municipal Manager. Information systems are in-house, while the infrastructure is supported internally with second line support from an external service provider (through a service level agreement between the CHDM and service provider).

The unit's services rendered include (but are not limited to), the following:

Service delivery: Management of ICT services to Council, management and other staff users.

Service delivery involves:

- Service level management
- Capacity management
- Availability management
- Security management

Service support: Specification, implementation and support of hardware and software infrastructure including:

- Desktop support (computers, printers, laptops and other ICT equipment)
- Server support
- Network support (WAN, LAN, network equipment)
- ICT systems security
- Systems / Application
- Email and internet
- Service desk (helpdesk and consumable provisioning)
- Problem management (fault monitoring, recovery, problem analysis)
- Configuration management
- ICT assets management

Strategic Objectives

- Enable effective operation of the municipality's service delivery functions by ensuring development, implementation and maintenance of appropriate systems
- Provide crucial, secure and sustainable infrastructure based on the most appropriate technology
- Ensure constant access to accurate and timely information for executive and management decision support
- Increase efficiency and effectiveness through continual assessment, quality improvement and accountability to stakeholders
- Ensure development of an ICT Strategy, linked with Local Municipalities' ICT strategies
- Ensure effective and efficient electronic communication
- Formulate and implement ICT policies
- Ensure availability of electronic communication systems (internet and email)



Mountain Zebra National Park. Mike Holmes

Performance Report 2007/08

MEASURABLE OUTCOME	DEVELOPMENT OF CHDM WEBSITE	DEVELOPMENT OF CHDM INTRANET
Activities / Project Description	Budget Supply chain processes and appointment of service provider. Meet with SP to discuss project plan and design. Website domain registration. Website design.	Budget Internal development of a pilot site. Administration of intranet.
Project Leader	T. Somtombo	T. Somtombo
Budget 2007/8	R100 000	R0
Key deliverables	Website domain registration. Template design and acceptance. Coding and development. Testing and uploading on hosting server.	Develop a pilot site internally for CHDM intranet. Introduce intranet to CHDM users.
Due date	21 December 2007	September 2007
Percent complete	100%	100%
Budget spent	R67 830.00	R0
Stakeholders / Partners	CHDM Communications Unit	CHDM Communications Unit
Challenges	Collection of information required for the website.	Knowledge of SharePoint portal by ICT staff and users.
Measurable outcome	DEVELOPMENT OF DISTRICT INFORMATION MANAGEMENT SYSTEM (DIMS)	ENSURE ALL CHDM SOFTWARE IS LICENSED
Activities / Project Description	SCM processes and appointment of service provider. Gather organisational reporting needs (interviews with management). Information gathering.	Appointment of large account reseller through SCM processes. Budget
Project Leader	T. Somtombo	T. Somtombo
Budget 2007/8	R2 million	R500 000
Key deliverables	Development and implementation of DIMS.	Appointment of large account reseller through SCM processes. Software audit. Purchasing of licenses.
Due date	31 November 2007	31 December 2007
Percent complete	0%	95%
Budget spent	R0	R0
Stakeholders / Partners	CHDM	CHDM
Challenges	Project moved to next financial year during budget review process, due to budget constraints.	Delay in SCM processes (no response to the initial tender advert, tender had to be re-advertised).



2.3 CHDM Internal Audit Unit 2007/08

OVERVIEW

The CHDM Internal Audit Unit is an independent, objective assurance and consulting activity designed to add value and improve CHDM's operations.

It is aimed at evaluating and improving the effectiveness of the Risk Management and Internal Control and governance processes.

The Internal Audit Unit, established in 2002, falls under the Municipal Manager's office. The unit reports directly to the Municipal Manager on administrative issues, and, reports functionally to both the Audit Committee and Performance Audit Committee.

The unit has a staff complement of three, with the Senior Internal Auditor operating as a Chief Audit Executive. The internal audit team are professionally qualified and affiliated with the Institute of Internal Auditors. An amount of R140 000 that the CHDM budgeted towards continued professional development was utilised effectively.

The Audit Committee and Performance Audit Committees comprise of members who are neither Councilors nor officials of the CHDM.

STRATEGIC OBJECTIVES

The Internal Audit function will normally include, but not be restricted to, reviewing, appraising and reporting on the following:

- Systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations, which could have a significant impact on operations and reports, and, determine whether the CHDM is in compliance;
- Operations or programs to ascertain whether results are consistent with established objectives and goals, and, whether operations or programmes are being carried out as planned;
- Reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- Economy and efficiency with which CHDM resources are employed and identify opportunities to improve operating performance;
- Means of safeguarding assets, and, as appropriate, verifying the existence of assets.



Mountain Zebra National Park. Mike Holmes

Performance Report

INTERNAL AUDIT FOR THE YEAR ENDING JUNE 2008

Measurable outcome	ESTABLISHMENT OF INTERNAL AUDIT UNITS AND AUDIT COMMITTEES ON A SHARED BASIS
Activities / Project Description	Establishment of Internal Audit Units in local municipalities. Establishment of Audit Committees. Training of Audit Committees. Development of Internal Audit infrastructure. Training of internal audit staff at local level.
Project Leader	Mrs. V. Dusubana
Budget 2007/8	R569 430.00
Key deliverables	Performance of risk assessments to all LM's and CHDM. Establishment and training of Audit Committees in LM's. Development of Internal Audit infrastructure i.e. Internal Audit Charter for each LM. Internal Audit Plans for each LM.
Due date	June 08
Percent complete	99%
Budget spent	R567 064.28
Stakeholders / Partners	PWC Local municipalities
Challenges	Local municipalities not adhering to deadlines.
Measurable outcome	To evaluate and improve the effectiveness of Risk Management, Internal Control and governance processes
Completed audit projects as per the audit plan	Clinics and medicine dispensing. LED projects Human Resources Payroll Follow up on prior year audit findings. Asset verification

CONCLUSION

The Unit was found to be partially compliant in the review on the attribute standards by the Office of the Accountant General. An action plan was drawn up in order to improve performance.



2.4 Supply Chain Management

OVERVIEW AND BACKGROUND

At the outset of the procurement reform process in 1995 it was recognised that a consistent legislative framework would be required to give effect to government's procurement reform policy objectives. It was recognised that procurement reforms would have to be limited to those measures that could be implemented within the ambit of existing legislation.

Strategic Objectives

- Regulate the functioning of operational activities by way of a sufficient and uninterrupted flow of goods and services to CHDM.
- Purchase goods and services of the required quality to get maximum value for money.
- Continually find and develop reliable alternative sources of supply.

- Ensure lasting good relations with reliable suppliers.
- Keep losses and the investment in inventory at a minimum, while taking into account safety and economic considerations.
- Achieve healthy co-operation and co-ordination with different departments within CHDM.
- Develop policy procedures and systems that will ensure that administrative costs of supply are kept to a minimum.

PROJECTS AWARDED IN 2007/2008

Projects awarded in construction

- R162 670 029.00

Percentage awarded to HDI's

- 72.99%

Premium paid to promote empowerment goals

- R26 268 394.42

Measurable outcome	DEVELOPMENT AND MAINTENANCE OF SUPPLIER DATABASE	ACQUISITION OF GOODS AND SERVICES
Activities / Project Description	Advertise Categorise Verification and qualification Allocate Implement Monitor	Acquire goods and services in a manner that is within the policy and legislation.
Project Leader	Ms N Fumbeza	Ms N Fumbeza
Budget 2007/8	R550 0000	Operational and Capital Budget
Key deliverables	To establish a compliant database in order to ensure supplier rotation and equitable sharing of opportunities.	Spend 90% of the allocated funds by June 2008.
Due date	Sept 08	June 2008
Percent complete	75%	
Budget spent	R40 750	
Stakeholders / Partners	BEE online (consultant) Service providers	Service Providers
Challenges	Time frames not met . Service Level Agreement delayed. Limited co-operation from user departments.	Late / non delivery of goods and services. Limited expenditure planning by user departments. Limited monitoring of expenditure.

... achieve healthy co-operation and co-ordination with different departments within CHDM.

Measurable outcome	POLICY DEVELOPMENT	FORMATION OF DISPOSAL COMMITTEE AND POLICY
Activities / Project Description	Review SCM Policy Establish a policy that is within the legislative framework, which will assist Council deliver on its objectives .	Establish an effective disposal committee. Formulate a disposal strategy.
Project Leader	Ms N Fumbeza	Ms N Fumbeza
Budget 2007/8	R30 000	R0
Key deliverables	Invite comments on stakeholders Consolidate Conduct workshops Legal testing Adoption Implementation and monitoring	Appointment of members Training Draft disposal strategy Implementation of strategy and reporting
Due date	June 2008	June 2008
Percent complete		10%
Budget spent	R15 000	
Stakeholders / Partners	Service providers Public institutions and departments	Service Providers
Challenges	Inputs not submitted on time	Disposal Committee not appointed

Measurable outcome	SCM PERFORMANCE REPORTING
Activities / Project Description	Compile monthly report Compile annual reports on SCM Performance
Project Leader	Ms N Fumbeza
Budget 2007/8	R0
Key deliverables	Compile monthly performance reports Compile quarterly performance reports Compile annual performance reports
Due date	Monthly, quarterly and annually
Percent complete	75%
Budget spent	
Stakeholders / Partners	
Challenges	Database not complete to report on operational activities.

Challenges for 2007/2008

Targets on development of SMME's were not clearly defined in the SCM Policy - which would ensure evaluation of the SCM Unit.

Staff shortages at the SCM Unit (with a staff compliment of only five people), has posed numerous challenges and pressures. The Council however is in the process of rectifying the situation.

Accommodation is also a big challenge - this is evident when it comes to deliveries, inventory controls, contract management and archiving. A long term strategy is also in place to deal with this challenge.



2.5 Establishment of Disaster Management Section

The Disaster Management Section (DMS) was established in 2001 to deal with all disaster related incidents, after the function became the responsibility of the district municipalities.

The closure of the Regional Office of the Department of Local Government in Queenstown, which worked hand in hand with the CHDM in dealing with disasters in the region, brought about many challenges. The Civil Protection Act enabled the CHDM to deal with disasters - although it was more responsive than proactive.

The passing of the Disaster Management Bill by parliament brought about some relief as it enabled DMS to deal effectively with disasters prevalent in our area. The DMS used the Bill and the White Paper as a guiding policy on Disaster Management.

The challenges faced by the DMS were enormous though, due to a lack of funding and manpower. However, the situation improved after the promulgation of the Disaster Management Act, 57 of 2002, which led to the appointment of a Chief Disaster Manager and Senior Disaster Management Officer to deal with all disaster management issues.

6. PREVALENT HAZARDS OF THE AREA

- Tornados (Engcobo, Emalahleni, Intsika Yethu, Lukhanji, Sakhisizwe and to some extent Inxuba Yethemba municipalities)
- Gale force winds ((Engcobo, Emalahleni, Intsika Yethu, Lukhanji, Sakhisizwe and Inkwanca municipalities)
- Floods (Emalahleni and Tsolwana municipalities)
- Veld fires (Sakhisizwe, Emalahleni, Intsika Yethu and Inkwanca municipalities)
- Lightning storms (Engcobo, Emalahleni, Sakhisizwe and Intsika Yethu municipalities)
- Snow (Sakhisizwe, Inkwanca and Inxuba Yethemba municipalities)

The DMS has to deal with natural seasonal disasters on a yearly basis, because of the susceptibility of poor and vulnerable communities within most of the district's municipalities.

7. PLANS TO COMPLY WITH THE ACT

Establishment of the Disaster Management Centre

The process of establishing a centre in terms of Section 43 of the Disaster Management Act, 57 of 2002 started in December 2004. The structure was built through financial assistance from the province. It was completed in September 2006 and officially opened on 12 October 2006 by the former Honourable Premier of the Eastern Cape, Mrs Nosimo Balindlela.

Establishment of Disaster Management Satellite Centres

For easy co-ordination of our programmes, six Satellite Centres were established in the following six municipalities:

- Engcobo
- Sakhisizwe
- Emalahleni
- Intsika Yethu
- Tsolwana and
- Inxuba Yethemba

The 'Satellite Centres' in these municipalities are used as offices as well. The above municipalities are still to provide the DMS with suitable buildings to be utilized as satellite centres. The necessary equipment for the Satellite Centres to be fully operational has been bought and is being dispatched by the DMS.

Equipment

Response vehicles used to attend to disasters include one 4X4 Isuzu Double Cab, two 4X4 Toyota Double Cabs and a 1.8 Toyota Corolla. The vehicles are fully equipped with green and red beacon lights, sirens and PA systems.

Response Teams

The employment of two contractual field workers and one receptionist to man each satellite centre is working fairly well. Additional posts will be advertised and filled as soon as budgetary constraints have been addressed.

The field workers - who are multi-skilled, having received training in various areas - assist the DMS in responding to reported incidents and completing damage assessments.

The passing of the Disaster Management Bill by parliament brought about some relief as it enabled CHDM to deal effectively with disasters prevalent in our area

Using field workers has had its own problems, as there is a shortage of response vehicles in the local municipalities.

Disaster management is everybody's responsibility. It is imperative that we have sound relations with municipalities in our area as some are of the view that disaster management is not their function and have difficulty in releasing their resources.

8. CAPACITY BUILDING PROGRAMMES

During the period under review, CHDM personnel received certificates after being trained on the Fundamentals of Disaster Risk Management (SBS) for volunteers.

9. INTER GOVERNMENTAL RELATIONS

9.1 Disaster Management Advisory Forum

Our Disaster Management Advisory Forum established in terms of Section 51 of the Disaster Management Act, 2002, is functional. Meetings are being held on a monthly basis, until such time that Task Teams/ Technical Committees have been established.

Once the committees have been established, meetings will be held quarterly. Sector departments, NGO and community based organisations are co-operating fairly well.

The DMS is also part of the following structures:

- Eastern Cape Emergency Services Coordinating Committee (ECESCOC)
- Disaster Management Institute of Southern Africa (DMISA)
- Provincial Disaster Management Advisory Forum

10. DISASTER MANAGEMENT FRAMEWORK

The DMS contracted a service provider to assist with the development of a Disaster Management Framework, which in terms of Section 42, each municipality must establish and implement. The framework is in the final stages of being developed.

11. DISASTER MANAGEMENT PLANS

The service provider has been appointed to conduct a Scientific Risk Assessment of the CHDM Disaster Management Plan.

12. INCIDENTS DURING 2007/08

- December 2007 – 12 houses were destroyed and 21 partially damaged at Tsolwana Municipality.
- 5 November 2007 – fifteen houses partially damaged in ward 8, 9 and 12 of Engcobo Municipality.
- 27 July 2007 and 21 September 2007 – two houses destroyed by fire at Cwecweni Location in Intsika Yethu Municipality.



Storm damaged houses in Engcobo Local Municipality.





- 10 November 2007 – a house fire at Ngqwarhu Location.
- 29 November 2007 - strong winds at Maduma Location destroyed 31 houses and left 31 partially damaged.
- 2 December 2007 - strong winds at Magwala Location destroyed 9 houses.
- 21 December 2007 – 7 houses destroyed by strong winds at Ncora Location and 5 destroyed at Ngcaca location.
- 1 February 2008 – a house at Holi Location destroyed by fire.
- 2 February 2008 – lightning struck livestock and nine houses at Mcambalala Location.
- 26 February 2008 – a shack burnt down in ward 9.
- 13 March 2008 - lightning and wind affected houses and livestock at Cofimvaba, Mcambalala and Ngcongcolorha villages.
- 12 May 2008 - a hut was destroyed at Mhlahlane Location in ward 11.
- July 2007 - 7 houses in Emalahleni Municipality were destroyed and 7 partially destroyed by heavy rain at Ezingqoleni, Kavala and Maqhashu villages.
- December 2007 - heavy rains and strong winds partially destroyed 138 houses at Qugqwaru, Helushe, Entini, Ngonyama, Upper Ngonyama, Lower Vaalbank, Kundulu, Gando, Gqebanya, Holani, Mxhiki, Sokolani, Nkenkulu and Emangweni.

14. BEST PRACTISE

14.1 Education and Awareness Programme

In our aim to educate learners and educators on Disaster Management, DMS planned to visit all schools in the district to present our Education and Awareness programme, which forms part of our disaster prevention strategy.

After considering our capacity and the vastness of our district, DMS resolved instead to initiate a Drama, Visual Arts and Choral Music competition that would include all schools. The successful programme, which started in 2005, saw CHDM hosting the national ISDR programme supported by the national and provincial Disaster Management Centres.

The competition stipulates that:

- The message focuses on disaster risk management.
- The categories address: awareness, preventative strategies, mitigation and reconstruction and rehabilitation.
- A financial incentive to winning schools is aimed at addressing vulnerabilities of the school concerned.
- The performance be held at municipal level.
- All primary and high schools be allowed to participate.
- Local Municipality winners compete at the ISDR day, at which district winners are chosen.



DMS hosting the national ISDR programme.

13. APPOINTMENTS

In order to strengthen the Disaster Centre and establish fire services, the DMS appointed a Senior Disaster Management Officer for Planning, an Administrator and a Fire Chief Officer on a two year contract.

15. CONCLUSION

Despite staff shortages, the Disaster Management Centre is coping relatively well. The Education and Awareness programme has proved to be very successful. Of great benefit is that the school youths involved in the programme, in turn educate their family members at home.



Director Corporate Services
Mr Ayanda Mdleleni

Directorates

2.6 Corporate Services Directorate

Overview

The main function of the Corporate Services Directorate (CSD) is to be a support function to the service delivery arm of the institution. The CSD's operations are based on the strategies and objectives as outlined in the institution's Integrated Development Plan. The CSD is responsible for the following components: Human Resources, Administration, Legal Services and Fleet Management Services.

HUMAN RESOURCES (HR) SECTION

The various strategic objectives entailed in human resources include:

PERSONNEL ADMINISTRATION

The year under review has been characterised by many organisational changes and challenges, including the transfer of 108 Department of Water Affairs employees to the District. The HR section is still busy with the comprehensive process of re-looking at the organisation's structure, in order to cater for the increased staff complement. Numerous factors, as well as legal requirements have to be taken into consideration.

The District also had to face the challenge of a high staff turn-over. As a result, a Scarce Skills Strategy intervention was implemented in an attempt to retain scarce and critical skills within the institution.

The table below depicts the number of employees that terminated their service and those that commenced employment. It is with deep sadness to note that employees who were adding great value to the municipality and community at large, have since passed away.

TRAINING PROGRAMMES IMPLEMENTED

The District has adopted and implemented the workplace skill plan for the 2007/08 financial year, in compliance with relevant legislation and regulations from the Local Government SETA. Training programmes were informed by the needs of both Councilors and officials, in alignment with the institution's business objectives.

TRAINING INTERVENTIONS DURING 2007/08

Some training interventions are inclusive of local municipalities within the district. It must be noted that other training was facilitated through SALGA and provincial government.

EXPERIENTIAL TRAINING AND INTERNSHIP PROGRAMME

An ongoing, three-month experiential training programme is in place, which seeks to expose learners to the working environment, in order to bridge the gap between theory and practice. A total of 23 learners have been given the opportunity to gain practical experience within the IPED, Supply Chain, Environmental Health and Corporate Services. There is only one intern for Budget and Treasury, through assistance from Provincial Treasury.

COMPLIANCE WITH OCCUPATIONAL HEALTH AND SAFETY LEGISLATION

The Human Resources unit is responsible for implementing the requirements of the OHSA and the Compensation for Injuries and Disease Act. In so doing, the safety related policies and plans have been adopted for implementation by Council.

During the 2007/08 financial year, six employees were injured on duty. All necessary administrative measures were completed. As depicted above in training and

APPOINTMENTS	RESIGNATIONS	RETIREMENTS	DEATHS
62	34	16	2

TRAINING AND DEVELOPMENT

The function encompasses equipping employees and Councilors with the necessary skills and knowledge to deliver on IDP objectives or render quality services to the community. Furthermore, it also encompasses the National Skills Development Strategy through the provisioning of ABET, internship and learnerships.



No	Training Course	No of Councilors	No of Officials
1.	Business Writing Skills		16
2.	Health and Safety training and Incident Investigation	-	27
3.	Basic Computer Course	11	-
4.	Conflict Management	45	
5.	Code 10 Drivers Course		4
6.	MLDP (emotional intelligence, effective communication, problem solving and analytical thinking skills programme)	42	-
7.	Project Management	-	20
8.	Practical Office Skills	-	1
9.	Practical Administration	-	5
10.	Arc Welding	-	11
11.	Pipe Laying	-	15

Level of Employment	Target	Actual	Variance
Percentage of black employees in three highest levels of management	70%	76%	6%
Percentage of female employees in three highest levels of management	50%	29%	-21%
Percentage of disabled employees in three highest levels of management	5%	0.1	

development, there has been progress in improving the health and safety of employees within the workplace. A SHE Plan is also being implemented on a District and Local level, to ensure compliance.

Racial Profile

AFRICAN	WHITES	COLOUREDS	INDIANS
84%	11%	5%	0

COMPLIANCE WITH EMPLOYMENT EQUITY LEGISLATION

In line with the Employment Equity Act 55 of 1998, the District has adopted the Employment Equity Plan for a period of five years, ending 2011. However, it is in the process of being reviewed due to changes in circumstances and representivity, and, due to imbalances within the workplace. For the year under review, the Employment Equity Profile in the three levels is as follows:

Out of the above, males constitute 58% of the workforce and females 42%. In senior management males are represented at 71%. There is therefore an under representativity of female employees.

The District has further complied with Section 21 of the Employment Equity Act 55 of 1998 in that the Employment Equity Report [EEA2] and Income Differential Statement [EEA4] were submitted to the Department of Labour on 30 September 2008.

FORMULATION AND IMPLEMENTATION OF POLICIES

The Council adopted many policies in December 2007 to ensure compliance with legislation, alignment with strategic objectives and to address operational issues and drive corporate governance. The policies were inducted to employees (314 attended the induction programme).

The list of policies include:

- Asset Management Policy
- Credit Control and Debt Collection Policy
- Employee Assistance Programme Policy
- Induction Policy
- Leave Encashment Policy
- Smoking Policy
- Telephone Policy
- Bereavement Policy
- Fleet Management Policy
- Recruitment and Selection Policy
- Corruption and Fraud Policy
- Sexual Harassment Policy

PROGRESS ON JOB EVALUATION

The Job Evaluation process is guided by the SALGBC TASK Collective Agreement, which was due to end in November 2008. It has, however, since been extended for six months, ending June 2009. The first Final Outcome Report has been received from the National Moderation Committee. However, some outstanding job descriptions are still to be completed and graded before the expiry of the Collective Agreement.

ADMINISTRATION AND LEGAL SERVICES

Administration and legal service is responsible for providing secretariat support to the Council Committee and administrative support to the entire institution.

The five Council committees are comprised as follows:

- Finance and Fiscal Committee
- Integrated Planning and Development Committee
- Governance and Institutional Development
- Health and Community Service
- Infrastructure Committee

Four vehicles were purchased during 2007/08, as shown below:

TYPE OF VEHICLE	REGISTRATION	COST
Toyota D/Cab 4X4	DXL 784 EC	R295 931.47
Toyota Corolla	DXL 787 EC	wR188 200.02
Toyota D/Cab 4 X 4	DXL 748 EC	R295 931.47
Toyota Hilux LDV	DYL 723 EC	R205 587.60

Accident reports were compiled and submitted for the following accidents reported during 2007/08:

15 June 2007	Isuzu D/Cab	DBT 195 EC	R11 890-30
15 June 2007	Ford Focus	DRS 523 EC	R10 697-47
30 July 2007	Kia Pregio Mini/Bus	DBY 603 EC	R2 280-00
15 November 2007	Mazda Drifter D/Cab	DPM 135 EC	R1 762-57
09 December 2007	Kia Mini/Bus	DBY 603 EC	R2 668-63
19 June 2008	Kia Cerato	DTW 636 EC	R2 470-95
17 June 2008	Toyota LDV	DYL 723 EC	R1 185-61

DISPOSAL OF VEHICLES

No vehicles were sold.

CONTROL

Fleet Management is currently in a good state. Various control measures are in place, including: a daily booking register, a daily checklist, a maintenance register, a driver's license register, accident reports, speeding reports, and, some vehicles are fitted with tracking devices.

MAYORAL COMMITTEE AND DISTRICT COUNCIL MEETING

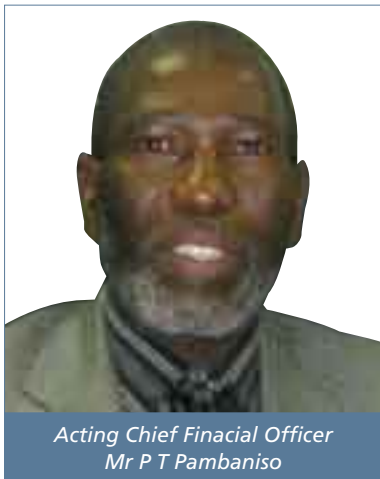
The above committees sit bi-monthly as per the Municipal Calendar to discuss Council business, or, as and when required, depending on matters to be considered.

The administration unit also provides secretariat support to: the Performance Audit Committee, Head of Department meetings, Bid Committee meetings and management meetings.

The administration unit also upgraded telephone systems during the year, to help improve effectiveness.

FLEET MANAGEMENT SECTION

The section provides fleet management services for the municipality and is guided by the Fleet Management Policy. Council vehicles are centralised and managed within the unit, with the exception of Primary Health Care.



Acting Chief Financial Officer
Mr P T Pambaniso

2.7 Budget and Treasury

Overview and background

For the financial year 1 July 2007 to 30 June 2008, the Budget and Treasury Office has been a hive of activity, providing financial support services to the other Directorates and sections of Council.

The Budget and Treasury Office had to manage a total operational budget of R167 393 581 for the financial year under review. In addition to this, it also had to manage the Capital Budget, amounting to R245 774 375.

STRATEGIC OBJECTIVES

- Ensure continued compliance with all accounting, statutory and legal requirements, including the implementation of MFMA and GAMAP/GRAP standards.
- Implement revenue generating strategies and lobby for additional equitable share from National Revenue to replace the abolished RSC Levies.
- Recover outstanding monies owed by the provincial government in respect of Agency Function subsidies and other liabilities.
- Provide support to other internal Directorates and Local Municipalities.
- Implementation of financial control in respect of Water Services.

DESCRIPTION OF ACTIVITY

The financial management function within the municipality is administered by the Budget and Treasury Office. Services are rendered to Council with an approved staff compliment of 34 members, who are grouped together in the following functional sections:

- Accounting System Administration
- Budget Control and General Administration
- Financial Accounting and Financial Management, further divided as follows:
 - Income
 - Levy Income / Water Services
 - Project Funding
 - Expenditure
 - Creditors
 - Salaries
 - Project Payments

The functional services rendered include, but are not limited to, the following:

- Provision of relevant, accurate and reliable financial information to all users, including Councillors, managers, levy payers and other stakeholders - to facilitate informed decision making.

- Provision, maintenance and implementation of sound financial management policies, controls and systems.
- Ongoing introduction of budgetary and accounting reforms in line with the requirements of MFMA and GAMAP/GRAP.
- Production of annual budget and GRAP compliant financial statements.
- Maintenance of an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds. All efforts are made to pay monies due to suppliers and service providers within 30 days of receiving a valid invoice or statement, unless other arrangements have been agreed upon.
- Provision of financial advice to Council and all other Council structures, including Mayoral and Portfolio Committees.
- Administration of the investment and insurance portfolios of Council.
- Management of conditional grants.
- Asset Management.
- Revenue Collection.
- Capacity building by way of training of interns, Councillors and officials.

KEY ISSUES FOR 2007/08

In addition to managing the day-to-day functions related to financial and cash management, as well as focusing on the achievement of the Key Performance Targets as set out below, the following activities were undertaken:

During the first quarter, the Annual Financial Statements had to be prepared and submitted to the Office of the Auditor General. Although some difficulties were experienced in the preparation of these statements, great progress was made in capacitating more staff in the process. The financial statements were submitted timeously to the office of the Auditor General, on 31 August 2007.



During the second quarter, the Office of the Auditor General had to be accommodated in order to perform the statutory audit of the financial statements for the year ended 30 June 2007. The actual audit commenced during September 2007, shortly after the submission of the annual financial statements.

During the third quarter, the Office of the Auditor General completed the audit processes in respect of the 2007 financial year, but failed to produce the final management letter and audit report before the end of the quarter. The adjustment budget was prepared, tabled and adopted during January 2008. The draft budget processes were started and the draft budget was adopted by Council immediately thereafter on 26 March 2008.

During the fourth quarter, the Office of the Auditor General produced the final management (report) letter and audit report, in respect of which an action plan was prepared and tabled before Council in conjunction with the audit report. The year end action

plan towards the preparation of annual financial statements was also prepared, and, the planned processes were commenced with. The final draft budget was completed, tabled and adopted by Council on 28 May 2008.

PERFORMANCE REPORT

In line with the Council's Performance Management System for the Section 57 Heads of Departments, the Department set itself some Key Performance Indicators and Targets to be reached during the year under review.

These Indicators and Targets were grouped under the following Performance Areas:

- Sound Financial Management
- Accounting and Reporting
- Financial Sustainability
- Internal Institutional Capacity
- External Institutional Capacity

MEASURABLE OUTCOME	FINANCIAL SUSTAINABILITY	INTERNAL INSTITUTIONAL CAPACITY
Activities / Project Description	Transform from RSC Levy collection to WSA / WSP.	Fill existing vacancies and new ones as they arise. Provide MFMA training to core staff compliment.
Project Leader	Mr. Pambaniso, Mr. Silangwe, Ms. Myataza	Mr. Vorster , Mr Pambaniso
Budget 2007/8	N/A	N/A
Key deliverables	All outstanding RSC Levies identified and collected. Billing to all billable consumers in rural areas.	65% of vacancies advertised but not yet filled. Some HOD's loaded on MFMA learning module.
Due date	June 2008	June 2008
Percent complete	20%	10%
Budget spent	In house – collected R719 757 at end June 2008	In house
Stakeholders / Partners	Technical services, DWAF and affected LMs	Corporate Services and National Treasury
Challenges	Identification and collection of all outstanding RSC Levies. Identification of all unknown deposits to Council bank account. Identification of suitable revenue source to replace levies. Implementation of billing processes in rural areas for water.	Internal recruitment process delaying rather than assisting. No adequately trained staff employed to fill critical positions. Employee attitudes towards work and inability/reluctance to institute remedial Council processes. Problems experienced with link to install training material.



MEASURABLE OUTCOME	SOUND FINANCIAL MANAGEMENT	ACCOUNTING AND REPORTING
Activities / Project Description	Convert to an electronic, fully integrated asset register. Put annual budget process plan in place. Adhere to the MTEF budget time frame. Address prior audit report issues and prepare for current audit.	Submit financial statements to Auditor General. Prepare in-year reports on time.
Project Leader	Mr. Vorster, Mr. Pambaniso, Mr. Lolwana	Mr. Vorster, Mr. Pambaniso
Budget 2007/8	R300 000 for Asset Register	N/A
Key deliverables	Asset identification and bar-coding are continuously underway, awaiting final report on identified asset register software. IDP / Budget process plan developed. Approved budget captured and monitored. Action plan to address audit issues developed and audit working papers prepared. Attending to audit issues in terms of the action plan.	2007 financial statements submitted on 31 August 2007. Information for Annual Report submitted. Monthly reports distributed to all HODs. Quarterly and monthly compliance reports submitted electronically to national and provincial state departments.
Due date	June 2008	June 2008
Percent complete	80%	80% as at end June 2008
Budget spent	R336 494 as at end June 2008	In house
Stakeholders / Partners	Service provider to assist with Asset register.	National and provincial state departments
Challenges	Ensuring continued compliance with legislative requirements. Acquisition and implementation of identified system.	Continued monitoring of and updating in terms of GAMAP /GRAP and other regulations. Timely release of Annual Report due to delay in Audit Report. Delays in finalising monthly bank reconciliations due to internal capacity arrangements.

MEASURABLE OUTCOME	EXTERNAL INSTITUTIONAL CAPACITY
Activities / Project Description	Roll e-Venus accounting system out to willing LM's. Ensure smooth running of the last two implementing LM's.
Project Leader	Mr. Vorster, Mr Pambaniso Mr. Silangwe
Budget 2007/8	R1 750 000
Key deliverables	Complete implementation at Intsika Yethu LM. Proceed to implement at next LM. Presentation made to Inxuba Yethemba LM in the absence of any progress with Tsolwana LM.
Due date	June 2008
Percent complete	25%
Budget spent	R443 887 as at end June 2008
Stakeholders / Partners	Accounting system service provider and LMs.
Challenges	Next LM (Tsolwana) showed new interest in proceeding with the implementation, but failed to honour arranged meeting.

CHALLENGES

In attempting to achieve the desired outcomes for the above mentioned Key Performance Areas, the following challenges were identified for each:

SOUND FINANCIAL MANAGEMENT

- Poor communication of newly acquired assets or assets to be written off or disposed of by the originating Directorates to the Budget and Treasury Office.
- Late receipt of the 2006/07 management report/ letter and audit report from the Office of the Auditor General - needed in order to utilise the recommendations to improve on the existing internal control measures.

ACCOUNTING AND REPORTING

- Staff shortage in the reporting unit to cope with the strenuous schedule of reporting requirements.
- Reporting template received from Treasury needs to be continuously monitored for changes, which must be incorporated into the accounting system in order to generate the required information in a more effective manner.

FINANCIAL SUSTAINABILITY

- The abolishment of the RSC Levies continues to make it difficult to improve on the cost coverage ratio achieved for 2006. This is further compounded by the fact that the ring-fenced portion within the

Equitable Share allocation that has to compensate for the loss of levy income - is actually less than the levy income that has been lost.

- The implementation of the billing process to directly bill rural consumers (previously done by DWAF) has not been done due to a lack of available information.

INTERNAL INSTITUTIONAL CAPACITY

- Appointment of staff needs to be speeded up, in order to comply with the timeframes laid down during the budget processes.

EXTERNAL INSTITUTIONAL CAPACITY

- Roll-out of the accounting system to the LMs must be closely monitored to avoid any delays and implementation setbacks.
- The possible rescheduling/timing of the roll-out to the various LMs should also be considered. LMs must ensure that the new system is put to use on all available modules.
- A meeting has been scheduled with Tsolwana LM, in an attempt to revitalise the roll-out of the accounting system.

CONCLUSION

Overall, the Budget and Treasury Office performed well in its attempt to achieve the Key Performance Areas set out at the start of the year. Although some targets were not met, there were valid reasons as to why they were not achieved.



Engineering Directorate
Mr Makhaya Dunga

2.8 Engineering Directorate

Introduction

A very large allocation of the CHDM capital budget is being managed by the Directorate. The high demand from communities to have access to basic services, means that the Directorate must ensure it manages and delivers services within the stipulated times.

As a Directorate, it has to ensure these funds benefit the community as a whole, through good governance, accountability and transparency.

The Directorate is pivotal in the fight against unemployment and poverty, with contracts awarded that benefit communities, small entrepreneurs and private sector. The CHDM's economic growth is sustained mainly by the construction industry, which in turn is supported by funds through programmes from different sector departments. As a Directorate, it has to ensure these funds benefit the community as a whole, through good governance, accountability and transparency. Achieving the millennium development goals still remains our biggest challenge.

Objectives

- Eliminate backlog on water and sanitation.
- Operate and maintain water service schemes.
- Provide transport plan.
- Maximise job creation through Expanded Public Works Programme.
- Provide bulk infrastructure.

DOMESTIC WATER AND SANITATION PROVISION

Interventions under taken:

- EPWP (Expanded Public Works Programme).
- Provision of Infrastructure - Municipal Infrastructure Grant (MIG).
- Water Service Provision (Operation and Maintenance).
- Road Maintenance.

EPWP (EXPANDED PUBLIC WORKS PROGRAMME)

The Expanded Public Works Programme is a national programme that aims to draw a significant number of the unemployed into productive work. It involves creating temporary work opportunities for the unemployed, while ensuring workers gain skills and training on the job, to help increase their capacity to earn a living in the future.

The programme is one out of an array of CHDM's initiatives that seek to bridge the gap between the growing economy and the large numbers of unskilled and unemployed people who have not yet enjoyed the benefits of economic development. The fundamental strategies to increase employment opportunities in the economy are aimed at increasing economic growth, so that the number of net new jobs being created start to exceed the number of new entrants into the labour market. These strategies are also focused on improving the education system and access to training, in a way that better equips the workforce to take up work opportunities that economic growth will generate.

The programme is in its third year, with ten learner contractors appointed. The aim is to help develop them, so that they can compete with established contractors. Projects the learner contractors are involved in include the provision of water reticulation to the surrounding areas of Engcobo and Engcobo. Good progress with respect to their performance has been recorded and the projects are due for completion by November 2008. A total of 619 jobs were created through these projects.

MUNICIPAL INFRASTRUCTURE GRANT (MIG)

The CHDM is involved in the Implementation of Capital Projects throughout its area of jurisdiction, through MIG funds made available by the Department of Housing and Local Government (DPLG). The District spent its entire R208 million allocation for the 2007/2008 financial year. Engineering staff successfully managed all 108 projects in the District's Integrated Development Plan. 13 of the projects were completed this year. The remaining projects will carry forward into the next two to three financial years, due to magnitude, duration and funding constraints. Listed below are projects that were completed in the 2007/2008 financial year.

PERFORMANCE REPORT

Project Name	Local Municipality	Project Type	Project Budget	People Benefited
EPWP Contract 1	Engcobo	Water provision	983 732.18	744
EPWP Contract 2	Engcobo	Water provision	1 012 160.29	2172
EPWP Contract 3	Engcobo	Water provision	1 147 052.25	1284
EPWP Contract 4	Engcobo	Water provision	983 272.72	1164
EPWP Contract 5	Engcobo	Water provision	1 552 795.70	444

Cofimvaba Sewer reticulation Phase 1	Intsika Yethu	Sewer reticulation	4 567 298.15	13060
Cofimvaba Sewer reticulation Phase 2	Intsika Yethu	Sewer reticulation	9 242 202.80	2235
Ward 11 and 13 (St Marks)	Intsika Yethu	Water Provision	7 180 992.67	1233
Ward 11 (Ntshingeni)	Intsika Yethu	Water Provision	3346282.00	642
Molteno Roads and Stormwater	Inkwanca	Roads	12 454 088	6564
Sterkstroom Roads and Stormwater	Inkwanca	Roads	3 517 790	2632
Hewu RA60 Phase 1 and 2	Lukhanji	Water	24 413 665	100 000
Sada Sanitation and Sewers	Lukhanji	Sanitation	25 159 780.9	2050
Lingelihle Access Road Phase 2	Inxuba Yethemba	Road	3 767 594	5609
Kleinbulhoek Sanitation Project	Tsolwana	Sanitation	22 246 963.2	2701
Whittlesea Extension 2	Lukhanji	Sanitation	7 846 600	450
Qoqodala Acces Road		Road	1 334 212.25	8400
Indwe - Roads and Stormwater - Phase 1 (EPWP)	Emalahleni	Road	3 224 564	16044
Lady Frere Taxi Rank	Emalahleni	Taxi Rank	2 348 799.54	11700
Bozwana footbridge	Emalahleni	Bridge	3 605 488.41	6000
Thembelihle Ward 12 Water Supply	Emalahleni	Water	13 513 110.00	15929
Nyalasa sanitation	Sakhisizwe	Sanitation	16 985 628.04	10800
Mahlungulu Water Supply	Sakhisizwe	Water	1 269 348.99	318
Rhaleni Water Supply	Sakhisizwe	Water	1 498 823.72	360

WATER SERVICES PROVISION

A year has passed since the appointment of the Amatola Water Board, which assisted CHDM with the provision of water in certain parts of the district. The programme started on a very high note, with challenges faced during the changeover from previous service providers having been overcome very speedily. This resulted in water service disruptions being kept to a minimum. The year under review saw an additional 72 538 people benefiting from clean drinking water.

The programme also ensured that village water committees and small emerging contractors benefited

throughout the district. This contributed immensely in the fight against unemployment and poverty.

Incidents of theft were reported in some parts of the district where diesel generators supplying water to communities were stolen, denying those communities from access to clean water.

External economic factors affected operations significantly, as the high price of crude oil had a direct effect on the operations budget. The year also saw high fuel prices and maintenance parts costs, due to unstable world markets. The year ahead promises to be even tougher if the situation continues.



ROADS

The CHDM successfully secured a three year Service Level Agreement (roads maintenance contract) with the Department of Roads and Transport (DOT), which started in the beginning of April 2007. The contract is limited to proclaimed roads within Middleburg and Cradock. An amount of R20 million, which was made available in the first year of the contract was spent in full. The Department of Roads and Transport commended road staff for their professional implementation of the programme. The high standard

of the roads that were maintained are on par with work by private sector service providers. Talks have already begun between the CHDM and Department of Transport with regards to extending the contract beyond the third year.

The municipalities that are not part of the Service Level Agreement are serviced by the Department of Roads and Transport. The extension of the area wide maintenance programme to these municipalities is the biggest contribution by the Department of Roads and Transport.

PERFORMANCE REPORT

Measurable outcome	ROADS AND STORMWATER
Activities / Project Description	Routine roads maintenance function on Provincial Roads network located in Inxuba Yethemba LMA, for a period of three years, with an option to extend.
Project Leader	Mr M Dungu
Budget 2007/8	R 20 000 000.00
Key deliverables	Full spectrum of routine road maintenance activities (mainly re-gravelling, re-construction and blading). Blading – 2148km / re-gravelling (minimum of 70km p/year). Three year Service Level Agreement (1 April 2007 – 31 March 2010). Fixed budget of R66 million for the three years.
Due date	March 2008
Percent complete	100 %
Budget spent	R 20 000 000.00
Stakeholders / Partners	Department of Roads and Transport
Challenges	Option to extend this agreement.



School learners, educators and Environmental Health Service support staff at the Water Week celebrations.



Director Health and Community Services Ms Nokuthula Mgijima

2.9 Health and Community Services

Overview

The Health and Community Services directorate is charged with:

- Municipal Health Services and Environmental Management
- Primary Health Care Services
- HIV and AIDS Coordination

Each section has programmes and projects that cover the entire CHDM area of jurisdiction.

STRATEGIC OBJECTIVES

- Ensure provision of comprehensive Primary Health Care Services within the CHDM area of jurisdiction
- Provide Municipal Health Care Services and Environmental Management to all eight Local Municipalities
- Ensure proper coordination of HIV and AIDS within the CHDM area of operation
- Provide internal HIV and AIDS support to all CHDM employees and Councilors

- Food Control / Security
- Environmental Control (Environmental Management)
- Control of Communicable Diseases (Epidemiology)
- Waste Management (co-ordination)
- Chemical Safety and Noise Control
- Disposal of the dead (funeral undertakers, exhumations etc)
- Vector and Pest Control
- Complaints Investigation with regard to all the above
- Health Education (awareness campaigns)

DESCRIPTION OF ACTIVITY AS PER THE KPA'S

MUNICIPAL HEALTH SERVICES AND ENVIRONMENTAL MANAGEMENT

Municipal Health Service (MHS) has been defined by the New National Health Act No. 61 of 2003 as a function of the District Municipality (except for Malaria Control, Port Health and Control of Hazardous Substances, which remained the functions of the Provincial Department of Health).

MHS are rendered by the District to all eight Local Municipalities within its jurisdiction.

Services are currently rendered to all the District's inhabitants and controlled centrally by the CHDM MHS office. This is augmented by having collective MHS District meetings with provincial Environmental Health practitioners, who are involved in most of the programs implemented in their respective areas. Through this forum, reports are discussed and submitted to the MHS Assistant Manager at the CHDM level.

MHS performs the following functions:

- Water Quality monitoring

CHDM was privileged to host the provincial World Environmental Week on 5 June, in partnership with the provincial Department of Economic Development and Environmental Affairs (DEDEA). DEDEA assisted both financially and with manpower support at the event. The honourable MEC Sogoni was the guest speaker.

HIV AND AIDS COORDINATION (INTERNAL AND EXTERNAL PROGRAMME)

The section has an external and internal HIV and AIDS coordinator, coordinating HIV and AIDS programmes. An internal HIV and AIDS programme has been extended to the Local Municipalities within the CHDM area of jurisdiction. This is being achieved and is making progress, through technical support given to the Local Municipalities, by initiating workplace programmes and the development of a HIV and AIDS Workplace Policy. In an effort to mainstream HIV and AIDS within the directorates - peer educators, inclusive of elected Councilors, have been elected and trained in each directorate.

External coordination is progressing well. Ward AIDS councils are in the process of being established at Emalaheni LM, in an endeavor to strengthen the Local AIDS Councils (which feed the District AIDS Council).



Ward AIDS committees or forums have been established at Inkwanca Local Municipality. The involvement of all stakeholders in District Aids Council programmes is both commendable and acknowledged by CHDM.

PRIMARY HEALTH CARE SERVICES

Primary Health Care Services includes the following activities in the entire CHDM area of jurisdiction:

Maternal and Child Health Programmes:

- Anti and Post Natal Care
- Family Planning
- Growth Monitoring and Immunisation
- Nutrition Programmes

Communicable diseases

- TB Programmes
- Measles
- Cholera and Typhoid
- School Health
- Mental Health
- Health Promotion
- Chronic Diseases e.g. diabetes, hypertension
- Minor Ailments and Injuries
- Sexual Transmitted Infections (STI) and HIV and AIDS Programme e.g. Voluntary Counseling and Testing(VCT), Prevention of Mother to Child Transmission (PMCT) and Antiretroviral Therapy.
- Circumcision Programme i.e. coordination of circumcision activities in the CHDM, in attempt to

comply with legislation that governs circumcision within the province.

- Other Services: maintenance of clinic buildings; purchasing of new equipment utilised at clinics; and control of medical waste disposal coordinated in collaboration with Environmental Health practitioners.

It is of cardinal importance to mention that, for the sustainability of PHC services, the CHDM plays a critical role in addressing issues that the provincial Department of Health does not accommodate in its' financial allocation to the district.

In addition, coupled with the rendering of PHC services, functional integration plays an important role towards provision of better services to CHDM communities. This department is proud to mention that functional integration does assist in areas where there are shortages of staff to provide PHC Services - with specific reference to Inxuba Yethemba Sub-district.

KEY ISSUES FOR 2007/08

An amount of R6, 617,000.00 was allocated by council to undertake and implement projects under MHS/EM. An amount of R1, 075,849.00 was allocated for the HIV and AIDS programmes - for internal, as well as external coordination, under equitable share funding.

The following projects and programmes were undertaken within the three sections, (except for PHC, as there was no capital budget allocated for these services).

MEASURABLE OUTCOME	FOOD SAFETY (for Formal Food Handling Premises and Informal Food Handlers i.e. hawkers)
Activities / Project Description	Booklet developed 26% (48) Food Handling Premises participated. Assessment completed on competition entrants. Prize giving done
Project Leader	Ms Ngidana and Mr Vellem
Budget 2007/8	
Key deliverables	To develop the booklet and launch the project. 20% (162) of businesses to take part in the competition and be given the booklet. Assessment of premises Prize giving
Due date	30 June 2007
Percent complete	100 %
Budget spent	R187 000. 90
Stakeholders / Partners	Equitable share
Challenges	Delays by procurement, discussed with them in procuring hawker's equipment. Delay in delivery and handing over of equipment from SP. Not all food handling premises participated in the competition, as it was voluntary.

MEASURABLE OUTCOME	WASTE MANAGEMENT	ERADICATION OF ALIEN PLANTS (LAPESI)
Activities / Project Description	Workshop to review and plan project Launch project Project implementation and closure	Determine number of hectares and LMs to be cleared. Start implementation and quarterly report. Monitoring and closure.
Project Leader	Ms A Matoti	Mr Shasha (Ms A Ntengenyana)
Budget 2007/8	R3 million	R3 million
Key deliverables	Workshop conducted. Visits to city of Cape Town and Drakenstein Municipality, as well as Namibia - one of the cleanest municipalities in Africa. Project implemented and finalized.	The Department of Agriculture assisted the DM in determining areas infested with Lapesi and the number of hectares that needed clearing. Project implemented in three LM's i.e. Lukhanji, Emalahleni and Intsika Yethu Jobs created – 2448 Hectares cleared - 2430 (in three LMs)
Due date	March 2008	March 2008
Percent complete	100%	100%
Budget spent	R1 845 743.45 Jobs created: 840	R2.8 million
Stakeholders / Partners	Equitable Share LM as partners	Equitable Share Department of Agriculture provided for technical assistance.
Challenges	Non submission of claims. Lack of proper coordination. Lack of assistance from coordinators. Non adherence to business plans. Meeting with LM'S to discuss above areas of concern. Limited dedicated officials to coordinate project at LM level.	Delays in project implementation by one ward at Emalahleni and Intsika Yethu. More funds needed for the eradication of Lapesi within the CHDM area of jurisdiction.
MEASURABLE OUTCOME	HEALTH EDUCATION AND AWARENESS UNIT	
Activities / Project Description	Needs analysis. Identification of material needed and office space. Procurement and development of material. Awareness and education and dissemination of information. Evaluation of the impact.	
Project Leader	Ms Ntengenyana	
Budget 2007/8	R100 000	
Key deliverables	Equipment procured and posters developed	
Due date	June 2008	
Percent complete	100%	
Budget spent	100%	
Stakeholders / Partners	Equitable Share	
Challenges	Cost of equipment. Training of staff on new programmes and equipment.	



MEASURABLE OUTCOME	SCHOOL GREENING
Activities / Project Description	Criteria for selection of 20 schools. Identification of school needs and procurement process. Delivery, plant and launch of the project. Monitoring progress.
Project Leader	Mr A Ngxoxo
Budget 2007/8	R350 000
Key deliverables	Criteria developed with Department of Education. School needs identified. Procurement processes completed. Equipment delivered to all schools. Project implemented in 20 schools.
Due date	June 2008
Percent complete	100%
Budget spent	R350 000
Stakeholders / Partners	Equitable Share
Challenges	Delivery of equipment to schools

MEASURABLE OUTCOME	OBSERVATION OF ENVIRONMENTAL DAYS	COMMUNITY GARDENS
Activities / Project Description	Arbor day preparation and observation. Water week prep and observation. Environment Day prep and observation.	Establish a PSC with the school. Identify needs for the project. Procurement of identified needs. Implementation of the project. Monitoring and evaluation of the project.
Project Leader	Ms Dlulane	Ms Ndaku / Z.Zakhe/ T. Rittles
Budget 2007/8	R100 000	R300 000
Key deliverables	Observation of Arbor Day at Masikhule Primary School in Emalahleni Local Municipality, with support from DWAF. Water week observed with all schools involved in the school greening project - in collaboration with DWAF, WSSA and Amatola Water. Two day provincial event held on Environmental Day at Lukhanji LM, in collaboration with DEDEA. Total expenditure: R340 000 – with R240 000 allocation from DEDEA.	Implementation of the project i.e. installation of poly tunnels at Inkwanca. Home based care for vegetable garden. Eco circles installed at JJ Surfontein and at Hopewell Health Centre.
Due date	June 2008	June 2008
Percent complete	100%	100%
Budget spent	100%	R 300 000.00
Stakeholders / Partners	Equitable Share, DEDEA, DWAF, DoE and other sponsors.	Equitable Share
Challenges	Limited HR to maintain high level of events and fulfill functions of MHS. Limited Financial resources.	Delays in getting quotes from procurement Poor attendance by beneficiaries at meeting.

MEASURABLE OUTCOME	FOOD SAFETY	IMPLEMENTATION OF WORKPLACE PROGRAMME
Activities / Project Description	480 samples to be taken per annum.	Appointment of peer educators by all the directorates. Training of peer educators. Conduct awareness and establish psycho-social support within the council. Establish VCT Site. Establish referral support for the affected and infected staff.
Project Leader	A Ngxoxo and S Wellem	Ms Sojola
Budget 2007/8		R60 000
Key deliverables	Water: 386 Food: 101 Milk: 265 Total: 752	Two peer educators were appointed from all directorates. Peer educators trained. Awareness done during the events such as STI week, Candle Light, Wellness and World AIDS Day. VCT sites have been deliberately delayed as Primary Health Care staff are assisting in the programme. Referrals sent to public institutions e.g. Frontier Hospital.
Due date	June 2008	June 2008
Percent complete	100%	90%
Budget spent	Operating budget	R20 000 (for training of peer educators)
Stakeholders / Partners	Equitable Share	Equitable Share
Challenges	Sample equipment Cost of samples Lack of HR to focus on all sampled areas.	Budget not used as no specialist referral used - except for the public institutions.



Sakhisizwe IDP



MEASURABLE OUTCOME	AWARENESS ON HIV AND AIDS TO CHDM STAFF	MAINSTREAMING OF HIV AND AIDS BY ALL DIRECTORATES
Activities / Project Description	Coordination of health awareness month for CHDM. World AIDS day observation. STIs and condom awareness programme. CHDM candlelight and wellness month.	Workshop on mainstreaming. Peer educators to assist in HIV and AIDS mainstreaming. Include HIV and AIDS logo and message in all CHDM documents. Strengthen HIV and AIDS communication strategy with ICT Communication. Monitoring and evaluation of project.
Project Leader	Ms Sojola	Ms Sojola
Budget 2007/8	R220 000	R45 449.00
Key deliverables	World Aids Day was commemorated in December with all CHDM employees and directly elected Councilors. KAP done during STI and condom week, to gauge awareness. Educational awareness conducted. Candlelight and Wellness Day held with support from Bonitas, LA health, FNB, Fischer's Dairy, Amatola Water, the LM'S and sector departments.	Workshop on mainstreaming by GTZ conducted, but not well attended. Development of a mainstreaming framework, adopted by Council. Messages developed and placed in the Council assets e.g. vehicles Use of intranet and the communication office improved greatly. Each directorate has summarised version of the policy displayed.
Due date	June 2008	June 2008
Percent complete	100%	98%
Budget spent	R220 000	R32 000
Stakeholders / Partners	Equitable Share Business sector donations e.g. Bonitas, SAMWUMED, FNB, Crickley Dairy, LA Health, etc.	Equitable Share
Challenges	Lack of participation from the LM'S.	Mainstreaming is still a challenge within the directorates. HOD'S and Portfoplio Councilors have to be workshopped - to fully mainstream HIV and AIDS within their directorates.

MEASURABLE OUTCOME	TECHNICAL SUPPORT IN TWO (2) LM'S	ESTABLISHMENT OF WARD AIDS COUNCIL AND FORUMS
Activities / Project Description	Two LMs to develop HIV and AIDS workplace policies. Workplace committee, and, clear TORs. Workplace programmes formulated. Implementation of workplace programmes.	Conduct general meetings for the establishment of WACs. Preparations for induction of WACs. Launch and training of WACs. Established, functioning WACs.
Project Leader	Ms Sojola	Mrs Kolo
Budget 2007/8	Operational budget.	R80 000
Key deliverables	Inkwanca LM Council has developed and adopted a HIV and AIDS policy. HIV and AIDS committee in place at Inkwanca LM. STI's programme done in collaboration with CHDM. Approached Lukhanji and Inxuba Yethemba LMs and introduced workplace programme support to be implemented in next financial year.	WACs established at Inkwanca LM. (Termed WACs as municipality has no wards) Only four out of 16 wards established at Emalahleni LM.
Due date	June 2008	June 2008
Percent complete	100%	50%
Budget spent	Operating	R40 000
Stakeholders / Partners	LM'S	Inkwanca and Emalahleni LM
Challenges	No budget set aside for the workplace programmes at LM level. No dedicated person who deals with HIV and AIDS and implementation thereof. Continuous support is needed.	Lack of cooperation by the LMs. Out of 16 wards only four were established by Emalahleni LM. Improper coordination. Delays in inducting the established WAC'S at Emalahleni LM.
MEASURABLE OUTCOME	OBSERVATION OF HIV AND AIDS DAYS	
Activities / Project Description	Conduct a district World AIDS day. Observe STI and condom week. Observe candlelight month and have a district day.	
Project Leader	Mrs Kolo	
Budget 2007/8	R130 000	
Key deliverables	Door to door programme conducted at Emalahleni LM on World AIDS day, in collaboration with all District AIDS Council stakeholders. District was privileged to host provincial World AIDS Day. Observation of STI and condom week done by District Department of Health. Candlelight was done at Tsolwana LM in a three phased approach, with all DAC stakeholders gathered at Tsolwana for three days.	
Due date	May 2008	
Percent complete	100%	
Budget spent	R130 000	
Stakeholders / Partners	DAC, Tsolwana LAC and its Stakeholders.	
Challenges		



MEASURABLE OUTCOME	STRENGTHENING OF WAC'S
Activities / Project Description	Conduct workshops at Sakhisizwe LM to WACs. Conduct workshops at Inkwanca LM Ward AIDS Forums. Conduct workshop at Emalahleni LM WAC's.
Project Leader	Mrs Kolo
Budget 2007/8	R36 000
Key deliverables	Training conducted in both municipalities Sakhisizwe and Inkwanca LM. No induction done at Emalahleni LM as there were only four Ward AIDS Councils established out of 16 wards.
Due date	June 2008
Percent complete	100%
Budget spent	R10 000
Stakeholders / Partners	Equitable Share
Challenges	Non-cooperation from Emalahleni LM – with no progress. Matter taken to the Emalahleni LM Council to instill a sense of commitment from the Ward Councilors, in assisting with the programme.

MEASURABLE OUTCOME	LOCAL AIDS COUNCIL (LAC) ASSISTANCE OR SUPPORT	FUNCTIONING OF DISTRICT AIDS COUNCIL
Activities / Project Description	LACs to submit their plans. Plans assessed and approved. Transfer of funds to LACs. Implementation of LAC plans and reports submitted to DAC. Monitor implementation of funds.	DAC quarterly meetings and subcommittee meetings
Project Leader	Mrs Kolo	Mrs Kolo
Budget 2007/8	R90 000	R60 000
Key deliverables	Three LM's submitted plans i.e. Engcobo, Inkwanca and Inxuba Yethemba LM's. Emalahleni LM was excluded due to its' door to door campaign. Tsolwana LM used the allocation during the candlelight programme.	Quarterly meetings and Technical Task Team and Sub-committees.
Due date	June 2008	June 2008
Percent complete	70%	100%
Budget spent	R64 285	R40 000
Stakeholders / Partners	Equitable Share	Equitable Share
Challenges	Non submission of reports by other three LM's i.e. Intsika Yethu, Lukhanji and Sakhisizwe. Matter discussed at last DAC meeting and LM's promised to cooperate during next financial year.	None

MEASURABLE OUTCOME	STRENGTHENING OF NGO'S THAT DEAL WITH HIV AND AIDS PROGRAMMES.	DOOR TO DOOR VOLUNTEER PROGRAMME
Activities / Project Description	Identify number of NGOs from all three LACs. Information sharing session with identified NGOs. Quarterly meetings with NGOs.	Training of ground diggers at Inkwanca and Emalahleni LM, and, door to door continued. Monitoring and evaluation of Inkwanca and Emalahleni LM programmes.
Project Leader	Mrs Kolo	Mrs Kolo
Budget 2007/8	R20 000	R104,400
Key deliverables	NGO'S identified at Sakhisizwe, Inkwanca, and Tsolwana LMs. NGO'S such as Masihlanganeni, TAC, and NAPWA contacted to discuss collaboration between them, as they deal with HIV and AIDS issues at district level.	Training of ground diggers for Inkwanca and Emalahleni LM done. Door to door campaign continued smoothly in both municipalities for a period of three months. Information captured for further processing in the next financial year.
Due date	June 2008	June 2008
Percent complete	60%	100%
Budget spent	R5000	R104 400
Stakeholders / Partners (source of funding)	Equitable Share, LAC	LM'S
Challenges	Lack of coordination at LAC level. LAC'S need strengthening to be able to deal with their NGO's, to ensure proper coordination.	Providing accommodation for volunteers receiving training. This has been catered for in next financial year.



Measurable outcome	ESTABLISH PARTNERSHIPS WITH BUSINESS SECTOR	STAFF MANAGEMENT
Activities / Project Description	Meet with both Chambers of Business i.e. NAFCOC and Border Kei Chamber of Business. Implementation plan of programme approved by all parties. Project implemented by relevant parties.	Management of staff performing their duties. Staff development. Relation building among staff.
Project Leader	Mrs Kolo	Ms Mgijima
Budget 2007/8	R20 000	R0.00
Key deliverables	Adhoc interaction exists with business sector, through its support of our programmes. No formal meetings were held with the Chambers of Business.	Committed staff. Diligent and motivated staff. Good working relations.
Due date	June 2008	Ongoing
Percent complete	0%	Ongoing
Budget spent	0%	Funding from skills levy.
Stakeholders / Partners (source of funding)	LM'S	Outside service provider for training facilitated by Skills Development. Facilitator.
Challenges	Staff shortage due to personnel having other commitments.	Struggle to recruit staff in this part of the region. Retention of existing staff. Absence of promotion policy. A staff retention and promotion policy needs to be in place.



CONCLUSION

The Directorate is currently faced with challenges that are beyond its control. For instance, the finalising of Municipal Health Services devolution processes is hampering the rendering of these services within the CHDM. A political intervention as a way forward has to be fast tracked to devolve provincial staff to the District (with clear funding streams). DEDEA 's support of CHDM programmes linked to Environmental Management is appreciated. Collaboration in certain projects is noted by the District.

The introduction of Occupation Specific Dispensation by the Department of Health has impacted heavily on the provision of Primary Health Care Services within the council. Staff retention and recruitment remains a challenge, due to the fact that province offers more attractive packages than the CHDM. In addition, the non-finalisation of the provincialising of Primary Health Care Services has created uncertainty among staff.

Strides made by the HIV and AIDS coordination unit are commendable. However, there is a need to increase staff capacity within this unit to; strengthen the proper functioning of LMs; and provide coaching and mentoring from CHDM staff when implementing workplace programmes at the eight LM's.

The support from District AIDS Council stakeholders is much appreciated. The need for this support cannot be over emphasised, especially with regard to the implementing of HIV and AIDS programmes within the district in a more coordinated and collaborated manner between all sector departments, NGO's and LM's.

The Eastern Cape AIDS Council continues to support the DAC and its LAC's by offering assistance with the appointment of HIV and AIDS coordinators from other municipalities. It also continues to show willingness to support municipalities that are financially challenged.

The introduction of Occupation Specific Dispensation by the Department of Health has impacted heavily on the provision of Primary Health Care Services within the council.



Director of Integrated Planning and Economic Development
Mr Danso-Poku Agyemang

2.10 Integrated Planning and Economic Development

Introduction

The Directorate of Integrated Planning and Economic Development is responsible for Integrated Development Planning (IDP), Housing, Town and Regional Planning, Performance Management System (PMS), Geographical Information System (GIS) and Local Economic Development (LED). LED comprises Agriculture, Tourism and Small, Micro and Medium Enterprises (SMMEs).

PURPOSE

This report is presented, first and foremost, as a compliance issue in terms of the Municipal Finance Management Act. The report also serves to demonstrate the Directorate's achievements and challenges – including how these challenges are addressed to improve any negative impact on service delivery. Finally, the report assists in demonstrating the Department's contribution towards the attainment of the overall goal of transforming the local economy, in ensuring a better life for all.

INTEGRATED DEVELOPMENT PLAN

OVERVIEW

The department is responsible for the crafting of the District's IDP, and, further ensures the integration and alignment of the eight LM's within the district. Again, the development of the IDP is a compliance issue, requiring a clearly defined consultative process to ensure that community needs and aspirations are addressed. While the IDP process requires consultation it must be emphasised that participation by sector departments has been discouraging and tantamount

to non participation. Communities feel that continuous planning and 'participation fatigue' is hampering service delivery.

The District has made tremendous strides with regard to the Geographical Information System (GIS). It is currently finalising its' corporate GIS, to ensure all its projects and programmes are captured and accessible for easy reference.

The implementation of the organisational Performance Management System (PMS) has not gone beyond section 57 managers, which is of concern to senior management. All efforts are geared to address this in the forthcoming financial year. The department, however, managed to ensure the alignment of the Integrated Development Plan (IDP), Service Delivery and Budget Implementation Plan (SDBIP), Performance Management System (PMS) and the five year local government strategic agenda.

The emphasis regarding local economic development has been around livestock improvement, with Nguni cattle having been introduced to all eight LMs.



IDP/Budget Road show



Executive Mayor Mavuzi Sigabi hands over the keys to a tractor.

The district sees tourism as having great potential. It is exploring the possibility of investing in the Liberation Heritage Route, which was successfully launched in April. It would continue to invest both human and capital resource into the heritage sector, in partnership with other stakeholders.

The department secured a partner to operate the Cala abattoir, where a biogas project is being considered for construction. When completed, it is expected that the waste generated could be processed for fertiliser and other by-products for power generation.



NCOP service delivery imbizo



Tourism attraction display by indigenous women

The revitalisation of the irrigation schemes continues unabated. The approach has however shifted from small scale farming by communities to partnership arrangements with private investors. Thus, the focus has been the provision of infrastructure to attract private partners. This has yielded positive results as a private partner has been secured for the Shiloh irrigation scheme.

The district sees tourism as having great potential. It is exploring the possibility of investing in the Liberation Heritage Route, which was successfully launched in April.



PERFORMANCE REPORT	IDP
Measurable outcome	Legal Compliance Implementation of Local Government Strategic Plan Satisfy community needs
Activities / Project Description	Approved IDP
Project Leader	Mz. B.Viedge
Budget 2007/8	
Key deliverables	Approved IDP
Due date	June 2008
Percent complete	100%
Budget spent	R297 000.00
Stakeholders / Partners	LM and DM officials • All sector departments Community members
Challenges	Insufficient co-operation from stakeholders.
PERFORMANCE REPORT	PMS
Measurable outcome	Legal Compliance Implementation of Local Government Strategic Plan Improved service delivery
Activities / Project Description	Accountability agreements completed and signed by middle management.
Project Leader	Mr. D-P.Agyemang
Budget 2007/8	
Key deliverables	Approved and implemented PMS.
Due date	June 2008
Percent complete	50%
Budget spent	
Stakeholders / Partners	DM Officials • Community members Labour / Unions
Challenges	Insufficient co-operation from stakeholders. Resistance from staff members and trade unions.



Crop farming at Nonkqubela, Queenstown.

PERFORMANCE REPORT	HOUSING	SPATIAL, URBAN AND RURAL PLANNING
Measurable outcome	Access to housing improves quality of life. Reducing time and costs of traveling by staff, enhances performance.	Proper land use management to ensure orderly development. Proper monitoring of project implementation and easy access to corporate information. Compliance with legislation.
Activities / Project Description	Regular reporting and coordination on sector plans and housing delivery.	Quarterly progress report. Corporate GIS developed. Approximately 80% of the District's IDP projects are mapped. Approval of detailed SDF alongside IDP. Implementation
Project Leader	Mr. D-P.Agyemang	Mr. D-P.Agyemang
Budget 2007/8	None	R400,000.00
Key deliverables	Housing manager appointed or provincial official dedicated to the DM for coordination. Land for housing identified. Developer identified for housing delivery. Housing sector plans completed.	Housing manager appointed or provincial official dedicated to the DM for coordination. Land for Housing identified. Developer identified for housing delivery.
Due date	June 2008	June 2008
Percent complete	50%	60%
Budget spent	None	
Stakeholders / Partners	Department of Housing LM Housing Officials Community members	Department of Housing LM Housing Officials Community members
Challenges	Clarity on the DMs role in housing delivery. Accreditation pilot exercise ongoing.	



PERFORMANCE REPORT	SMME STRATEGY	AGRICULTURAL STRATEGY
Measurable outcome	Well capacitated SMMEs	Agricultural Strategy Developed
Activities / Project Description	Draft copy circulated for comments Document adopted	Finalisation of strategy Workshop of document
Project Leader	P. Tokota	M. Daweti
Budget 2007/8	R297 000.00	R300 000.00
Key deliverables	SMME strategy developed	Developed agricultural strategy
Due date	End September 2007	30 September 2007
Percent complete	100%	100%
Budget spent	R297 000.00	R300 000.00
Stakeholders / Partners	SMMEs, BKCOB, LED officers	Farmers Union, traditional leadership, established farmers.
Challenges	None	None
PERFORMANCE REPORT	NGUNI LIVESTOCK IMPROVEMENT	GOAT PROJECT
Measurable outcome	Improved nutritional values - better livestock produced	Improved nutritional value, job creation
Activities / Project Description	Hold Nguni Indaba. Deliver Nguni to four LMs.	Fact finding visits, concept development
Project Leader	M. Daweti	M. Daweti
Budget 2007/8	R5.2 million	R1.5 million
Key deliverables	12 Nguni cattle delivered to each LM	Visit to Alfred Nzo goat project. (1) Concept document. (2) Goat pen construction. (3)
Due date	31 March 2007	End August 2007 (1) End November 2008 (2) End April 2008 (3)
Percent complete	50%	20%
Budget spent	R2 368 170.80	0%
Stakeholders Partners	Univ. of Fort Hare, commercial farmers, communities and LMs.	LMs, farming community
Challenges	Delays from Univ. of Fort Hare. Appointment of new service provider. Difficulty in getting quality Nguni cattle	Delay in procurement processes. Delay by service provider.

PERFORMANCE REPORT	WOOL PROGRAMME (SHEARING SHEDS)	FORESTRY DEVELOPMENT
Measurable outcome	Storage facility constructed High grade wool produced	Job creation, poverty alleviation
Activities / Project Description	Construction sites identification.	Appointment of service provider. Delivery of equipment. Plant assembled.
Project Leader	M.Daweti / T.Mashologu	M. Daweti
Budget 2007/8	R1 million	R1.5 million
Key deliverables	One shearing shed constructed at Sibonile.	Pole treatment plant and sawmill constructed.
Due date	End December 2007	End March 2008
Percent complete	100%	50%
Budget spent	R276 317.60	R586,905.17
Stakeholders / Partners	NWGA, Lukhanji LM, community.	LM, sawmillers, community.
Challenges	None	Further studies indicate saw mill factory not viable due to limited plantation to feed the factory.
PERFORMANCE REPORT	MASSIVE FOOD PRODUCTION	HIGH VALUE CROPPING
Measurable outcome	Job Creation , poverty alleviation	Job creation, poverty alleviation
Activities / Project Description	Purchase of equipment and seedlings.	Feasibility studies Tunnels identification Sourcing of seedlings
Project Leader	M. Daweti	M. Daweti
Budget 2007/8	R1.5 million	R1.250 million
Key deliverables	Increased crop harvested.	Tunnels constructed.
Due date	End December 2007.	End September.
Percent complete	70%	100%
Budget spent	R998 510.51	R298 676.73. Partnership with DoA reduced cost drastically.
Stakeholders / Partners	DoA, LM, community.	DoA, LM, community.
Challenges	Lack of cooperation from LMs.	Delays by DoA.



PERFORMANCE REPORT	TOURISM	LUBISI DAM RESORT DEVELOPMENT
Measurable outcome	Economic development, job creation, poverty alleviation	Completed renovations. Feasibility studies conducted.
Activities / Project Description	Establishment of PSC. Development of concept document.	Appointment of service providers.
Project Leader	M. Mongezi	M. Mongezi
Budget 2007/8	R1.2 million	R500 000.00
Key deliverables	PSC established. Concept document developed. Appointment of service provider.	Feasibility report. Building renovations.
Due date	End January 2008	End June
Percent complete	100%	100%
Budget spent	R1.2 million	R419 162.20
Stakeholders / Partners	Rhodes Univ, Sabele community, LM.	DEDEA, LM, CHDM, community, ECDC and Tourism Board.
Challenges	None	None
PERFORMANCE REPORT	TOURISM INFRASTRUCTURE	MASIZAKHE GAME FARM
Measurable outcome	Lubisi Dam renovations Masizakhe Game Farm equipment	Renovation and Upgrade
Activities / Project Description	Purchase of equipment. Appointment of service providers. Tendering processes.	Purchase of equipment. Appointment of service provider. Tendering processes.
Project Leader	M. Mongezi	M. Mongezi
Budget 2007/8	R765 970	R200 000.00
Key deliverables	Equipment purchased. Renovation work completed.	Completed renovations. Upgrade of infrastructure.
Due date	End May 2008	End June 2008
Percent complete	100%	100%
Budget spent	R 755 970	R148 511.20
Stakeholders / Partners	Masizakhe Game Management, LM, and community	LM, community, farm management.
Challenges	None	None

PERFORMANCE REPORT	CABINET LEKGOTLA REPORT	MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT
Measurable outcome	Timeous submission of report	Sound Financial Management
Activities / Project Description	Calling of inputs from stakeholders.	Regular interaction with Finance. Regular feedback to management.
Project Leader	T. Mashologu	Director, IPED
Budget 2007/8	None	None
Key deliverables	Quality report	Financial Statements understood.
Due date	End June	Ongoing.
Percent complete	100%	70%
Budget spent	None	None
Stakeholders / Partners	Sector Depts, Provincial Gov DPLG, LMs, mcommunities and civil society.	CFO, Finance staff, IPED staff.
Challenges	None/late submission of reports by sector departments. Difficulty in getting departmental budgets.	Limited time. High staff turnover of Finance staff.
PERFORMANCE REPORT	CALA ABATTOIR • BIO DIGESTER CONSTRUCTED	REGIONAL / LED STRATEGY
Measurable outcome	Private partner secured and agreement signed	Improved local economy.
Activities / Project Description	Advertised for expression of interest.	Tender processes. Appointment of service providers. Hold workshop.
Project Leader	T. Mashologu	T. Mashologu
Budget 2007/8	R801 965.71	R583 000.00
Key deliverables	Private partner secured.	LED strategy developed.
Due date	End December 2007	End June 2008
Percent complete	50%	90%
Budget spent	R22 420.08	R524 700.00
Stakeholders / Partners	CSE Consulting, Ntinga Ntaka Farms and Sakhizwe LM.	Traditional leadership, civil society, communities, LMs, sector depts, Farmers Union, business community.
Challenges	Death of private partner. Investigation of bio-digester not finalised.	None



PERFORMANCE REPORT	IRRIGATION SCHEMES - CROP PRODUCTION
Measurable outcome	Improved harvesting
Activities / Project Description	Purchasing and delivery of seedlings.
Project Leader	M.Daweti
Budget 2007/8	R3 million.
Key deliverables	Seedling delivery. Capacity building.
Due date	End June 2008
Percent complete	90%
Budget spent	R1.7 million
Stakeholders / Partners	DoA, LM, community
Challenges	Delay by DoA

CONCLUSION

The directorate has performed extremely well, considering the number of challenges it faced during the past financial year.

One such challenge was that project implementation had to be scaled down due to limited funding, which resulted in reduced job creation.

Also, the implementation of the Performance Management System (PMS), with regards to managers who fall below section 57 managers, remains a challenge, due to a lack of cooperation by union representatives.

The completion of housing sector plans by LMs will provide more clarity on the role CHDM can play in housing delivery.

Lastly, the pole treatment plant and sawmill project could not be completed due to Environmental Impact Assessment (EIA) compliance issues. This was compounded by poor performance by the service provider, culminating in the eventual cancellation of their appointment. The sawmill project was eventually abandoned as subsequent studies showed that there was insufficient plantation to supply the factory, rendering it unviable.



A rural landscape near Elliot.

The finalisation of the Regional and Local Economic Development Strategy (RLEDS) - if adopted by Council - will pave the way for coordinated implementation and monitoring of LED projects.

Sector departments and other stakeholders - in particular the business community - are called on to partner with the CHDM to address the many challenges faced by its communities.

Despite numerous challenges faced, the directorate has instituted systems that facilitate stakeholder and resource mobilisation, ensuring coordinated service delivery and a better life for all.



The powerful Flame of Hope and Liberation memorial to the Cradock Four struggle heroes.



Chapter 3

Annual Financial Statements



The Cradock house once occupied by Olive Schreiner - renowned author of Story of an African Farm – is now a museum, commemorating her life and work.



Rural huts outside Cradock.



*M S Mbambisa
Municipal Manager*

Annual Financial Statements for the year ended 30 June 2008

I am responsible for the preparation of these financial statements, which are set out on pages 1 to 46, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councilors as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

M S MBAMBISA
Municipal Manager



Index

	Page
1 STATEMENT OF FINANCIAL POSITION	64
2 STATEMENT OF FINANCIAL PERFORMANCE	65
3 STATEMENT OF CHANGES IN NET ASSETS	66
4 CASH FLOW STATEMENT	67
5 ACCOUNTING POLICIES	68 - 75
6 NOTES TO THE ANNUAL FINANCIAL STATEMENTS	76 - 86
7 APPENDICES :	
A. SCHEDULE OF EXTERNAL LOANS	87
B. ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT	88 - 91
C. SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT	92
D. SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE	93
E. ACTUAL VERSUS BUDGET	94
F. DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT	95 - 98
AUDIT ADJUSTMENTS	99

3.1 STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008

	Note	2008 R	2007 R
NET ASSETS AND LIABILITIES			
Net assets		98,533,236	85,305,486
Capital replacement reserve		33,041,227	21,019,029
Government grant reserve		-	-
Unappropriated Surplus/(accumulated Deficit)		65,492,009	64,286,457
Non-current Liabilities		21,235,624	22,766,391
Long term loans	2	8,626,447	9,553,861
Deferred income	3	12,609,177	13,212,530
Non-current provisions	4	-	-
Current Liabilities		167,257,550	157,251,327
Provisions	4	7,055,416	3,299,130
Creditors	6	38,788,661	14,729,694
Unspent conditional grants and receipts	7	120,366,962	138,693,336
Current portion of long-term loans		1,046,511	529,167
Total Net Assets and Liabilities		287,026,410	265,323,204
ASSETS			
Non-Current Assets		23,000,321	25,400,014
Property, Plant and Equipment	9	20,680,401	23,748,613
Intangible assets	9	2,312,225	1,591,895
Long-term receivables	11	7,695	59,506
Current Assets		264,026,088	239,923,190
Consumer debtors	13	-	5,580,325
Other debtors	14	34,474,294	49,402,771
Current portion of long-term debtors	11	110,029	115,639
VAT	8	6,493,750	5,047,963
Cash		4,540	4,542
Bank	15	222,943,475	179,771,949
Total Assets		287,026,409	265,323,204
		(0)	0

3.2 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008



		Budget				Actual	
2007	2008	2007	2008	Note	2008	2007	
R	R	R	R		R	R	
REVENUE							
3,000,000	300,000						
		Regional Services Levy - Turnover			-	3,650,635	
2,000,000	200,000	Regional Services Levy - Remuneration			-	2,278,878	
72,000	72,000	Rental			68,941	59,591	
1,250,000	8,000,000	Investment interest			9,544,281	7,669,947	
180,000	100,000	Other Interest			352,193	212,406	
21,963,800	27,998,229	Income for agency services			31,830,356	14,465,184	
122,966,800	145,970,414	Government grants and subsidies			139,383,160	129,215,770	
-	-	Tariffs and Charges			-	-	
128,000	5,150,000	Other income		19	349,653	258,679	
-	-	Gains on disposal of property, plant and equipment			-	365	
151 560 600	187 790 643	Recovered from Non Conditional grant			181 528 583	157 811 456	
	27 708 849	Recovered from Conditional grants		18	27 708 849	0	
168 685 874	238 317 477	Total Income			459 682 775	350 039 803	
320 246 474	453 816 969	EXPENDITURE					
54,066,994	64,329,274	Employee related costs		20	63,504,390	51,535,376	
4,375,279	4,607,265	Remuneration of Councilors		21	4,626,095	4,447,418	
-	-	Bad debts		22	1,439,981	3,084,822	
506,400	520,000	Collection costs			6,679	298,365	
2,825,000	3,084,800	Depreciation		9	4,733,308	3,565,801	
850,657	1,059,115	Repairs and maintenance			988,916	795,071	
-	483,500	Interest paid		23	831,894	306,573	
129,400	123,200	Contracted services			63,444	39,991	
252,200	252,200	Grants and subsidies paid		25	135,290	177,739	
75,853,070	103,040,282	General expenses - other		38	101,677,220	57,244,938	
		Loss on disposal of property, plant and equipment			19,559	-	
469,900	469,900	Contributions to provisions			4,060,442	665,115	
12,231,700	3,321,107	Contribution to Asset Finance Reserve			1 229 091	1 831 941	
151 560 600	181 290 643	General expenses - Non Conditional Grant			183 316 308	123 993 150	
0	27,708,849	General expenses - Conditional Grants		18	26 553 170	-	
168,685,874	244,817,477	Total Expenditure			460 314 821	322 835 215	
320 246 474	453 816 969	Nett Surplus / (Deficit) for the year					
0	0				(632 047)	27 204 589	

3.3 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

	Capital replacement reserve (CRR)	Capitalisation reserve	Government grant reserve	Public donations and contributions reserve	Accumulated surplus	Total
2007	R	R	R	R	R	R
Balance at 1 July 2006	10 373 495	0	6 261 714	0	45 260 913	61 896 122
Transactions current year 2006 / 2007	-	-	-	-	(534 529)	(534 529)
Transactions previous years to 2005 / 2006	-	-	0	-	10 881 752	10 881 752
Change in accounting policy (Note 27)	-	-	0	-	-	0
Restated balance	10 373 495	0	6 261 714	0	55 608 136	72 243 345
Net Surplus for the year	10 000 000	-	-	-	27 204 589	27 204 589
Transfer to / (from) CRR	645 534	-	361 222	-	(10 000 000)	0
Transfer of interest earned to CRR / GGR	-	-	-	-	(1 006 756)	0
Transfer of interest earned to unutilised grants	-	-	-	-	(5 631 917)	(5 631 917)
Transfer to unutilised conditional grants	-	-	-	-	(6 718 215)	(6 718 215)
Adjustment to accum depreciation	-	-	-	-	1 257 776	1 257 776
Grants / Revenue used to purchase PPE	-	-	8 330 497	-	1 831 941	10 162 438
Offsetting of depreciation	-	-	(1 379 681)	-	1 379 681	0
Balance at 30 June 2007	21 019 029	0	13 573 752	0	63 925 235	98 518 016
2008						
Corrections (Note 37)	-	-	-	-	361 222	0
Change in accounting policy (Note 27)	-	-	(361 222)	-	-	(13 212 530)
Restated balance at 1 July 2007	21 019 029	0	0	0	64 286 457	85 305 486
Net Surplus for the year	-	-	-	-	(632 047)	(632 047)
Transactions previous year	-	-	-	-	10 851 460	10 851 460
Transfer to CRR	10 000 000	-	-	-	(10 000 000)	0
Transfer of interest earned to CRR	2 022 198	-	-	-	(2 022 198)	0
Grants / Revenue used to purchase PPE	-	-	-	-	1 229 091	1 229 091
Deferred income realised	-	-	0	-	1 779 246	1 779 246
Balance at 30 June 2008	33 041 227	0	0	0	65 492 009	98 533 236

2007
Balance at 1 July 2006
Transactions current year 2006 / 2007
Transactions previous years to 2005 / 2006
Change in accounting policy (Note 27)
Restated balance
Net Surplus for the year
Transfer to / (from) CRR
Transfer of interest earned to CRR / GGR
Transfer of interest earned to unutilised grants
Transfer to unutilised conditional grants
Adjustment to accum depreciation
Grants / Revenue used to purchase PPE
Offsetting of depreciation
Balance at 30 June 2007

2008
Corrections (Note 37)
Change in accounting policy (Note 27)
Restated balance at 1 July 2007
Net Surplus for the year
Transactions previous year
Transfer to CRR
Transfer of interest earned to CRR
Grants / Revenue used to purchase PPE
Deferred income realised
Balance at 30 June 2008



3.4 CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

		2008 R	2007 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
		459,682,775	335,661,884
Government grants	18	449,367,707	328,057,835
Interest received		9,896,474	7,882,354
Other receipts		418,594	(278,304)
Payments			
		414,158,077	297,143,886
Employee costs		68,130,485	55,982,794
Suppliers		345,060,409	240,676,780
Interest paid		831,894	306,573
Other payments		135,290	177,739
		45,524,697	38,517,998
Net cash flows from operating activities	28	45,524,697	38,517,998
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment.		(2,404,984)	(7,781,484)
Proceeds on disposal of fixed assets.		-	70,000
(Increases)/Decreases in non-current receivables		51,811	(59,506)
(Increases)/Decreases in call investment deposits			21,773
Net cash flows from investing activities		(2,353,174)	(7,749,217)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans raised / (repaid)		-	10,000,000
Non-Operating expenditure charged against Provisions		-	463,511
Net cash flows from financing activities		-	10,463,511
Net increase / (decrease) in cash and cash equivalents	29	43,171,523	41,232,292
Cash and cash equivalents at the beginning of the year		179,776,491	142,953,313
Cash and cash equivalents at the end of the year		222,948,015	179,776,491

3.6 ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1. BASIS OF PREPARATION

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

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The 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 Asset

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

Accounting Policies for material transactions, events or conditions not covered by the above GRAP and 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 (SA GAAP), including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General Notice 522 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 Financial Statements.

The municipality has elected to adopt the following requirement(s) in GRAP, GAMAP or SA GAAP, which were exempted in terms of General notice 522 of 2007:

Standard no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s), exempted in terms of General notice 522 of 2007, that have been early adopted
IAS 20 (AC 134)	Accounting for government grants and disclosure	Entire standard excluding paragraphs 24 and 26, replaced by GAMAP 12.8, GAMAP 17.25 and GAMAP 9.42 – 46.

Accounting Policies have been consistently applied, except for the following:

The municipality made certain retrospective changes to its application of one accounting standard. The change was:

- The municipality has adopted IAS 20. As a result, capital grants and receipts relating to the creation of fixed assets are included in non-current liabilities as deferred income and are credited to the Statement of Financial Performance on a straight-line basis over the expected useful lives of the related asset. In terms of the MFMA Circular 18, the municipality previously recognised the full extent of conditional

grants and receipts related to capital as revenue in the Statement of Financial Performance once the criteria, conditions or obligations embodied in the agreement have been met. An amount of R12 609 177(2007: R13 573 752) has been reclassified from reserves to non-current liabilities. Further details are given in Notes.

The following are the critical judgements, apart from those involving estimations (see paragraph 1.3 below), that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:



1.1 Revenue Recognition

Accounting Policy clause 11.1 on Revenue from Exchange Transactions and Accounting Policy clause 11.2 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making its judgement, management considered the detailed criteria for the recognition of revenue as set out in GAMAP 9: Revenue, and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when service is rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2 Key Assumptions

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the Statement of Financial Position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

1.2.1 Useful lives of Property, Plant and Equipment

As described in Accounting Policy clause 6.2, the municipality depreciates its property, plant and equipment over the estimated useful lives of the assets, which is determined when the assets are brought into use. As mentioned in the said policy, the estimated useful life of the assets and depreciation methods of the assets were however not reviewed during the current or prior financial years.

A summary of the significant accounting policies, which have been consistently applied are disclosed below.

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. OFFSETTING

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

5. ACCUMULATED SURPLUS

Included in the accumulated surplus of the municipality are the following reserves that are maintained in terms of specific requirements:

5.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. These transfers may only be made if they are backed by cash. The cash backing up the CRR is invested until utilised and can only be utilised to finance items of property, plant and equipment. Interest earned on the CRR investment is recorded as interest earned in the Statement of Financial Performance and may be appropriated to the CRR in accordance with Council policy. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount whenever the amounts in the CRR are utilised through the Statement of changes in Net Assets.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects.

6. PROPERTY, PLANT AND EQUIPMENT

Measurement

Property, plant and equipment is stated at cost, less accumulated depreciation.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

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 amount of the asset given up.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed. Examples of subsequent expenditure that should be capitalised are the enhancement of an existing asset so that its use is expanded, or the further development of an asset so that its original life is extended.

Depreciation

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

	Years		Years
Infrastructure		Other	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist Vehicles	10
Electricity	20-30	Other Vehicles	5
Water	15-20	Office Equipment	3-7
Sewerage	15-20	Furniture and Fittings	7-10
Housing	30	Watercraft	15
		Bins and Containers	5
Community		Specialised Plant and	
Improvements	30	Equipment	10-15
Recreational Facilities	20-30	Other Plant and	
Security	5	Equipment	2-5

The estimated useful lives and the depreciation method was not reviewed in the previous and current financial years as required by GAMAP 17, as these requirements were exempted in terms of General Notice 522 of 2007.

Land

Land is not depreciated as it is regarded as having an infinite life.

Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is commissioned into use.

Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost are not depreciated owing to uncertainty regarding to their estimated useful lives.

Disposal of property, plant and equipment

The book values of assets are written off on disposal. The difference between the net book value of assets (cost less accumulated depreciation) and the sales proceeds is reflected as a gain or loss in the Statement of Financial Performance.

Impairment

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance. The municipality assesses at each reporting date whether there is any indication that any items of PPE may be impaired by reviewing external and internal sources of information, which indicates that impairments may have occurred. However for the current and the prior financial year, the municipality did not perform impairment testing on its assets as is required by GAMAP 17 and IAS 36/AC128, as these requirements have been exempted in terms of General notice 522 of 2007.

7. INTANGIBLE ASSETS

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged on a straight-line basis over their useful lives, which is estimated to be three years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Intangible assets are annually tested for impairment.

Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

The estimated useful life and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

However, for the current and prior financial year, the municipality did not capitalise Intangible Assets other than website costs and software, as is required by IAS38/AC129, as these requirements have been exempted in terms of General notice 522 of 2007.

8. INVESTMENT PROPERTY

Land and/or buildings that meet the 'investment property' definition have, in the current and prior years, been accounted for in accordance with GAMAP 17. The requirements of IAS40/AC135 have been exempted in terms of General notice 522 of 2007.

9. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.



9.1 Financial Assets

A financial asset is any asset that is a cash or contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Receivables
- Consumer Debtors
- Other Debtors
- Short-term Investment Deposits
- Bank Balances and Cash

In accordance with IAS 39.09, the Financial Assets of the municipality are classified as follows into the four categories allowed by this standard:

Type of Financial Asset	Classification in terms of IAS 39.09
Short-term Investment Deposits – Call	Available for sale
Bank Balances and Cash	Available for sale
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- they are classified as held for trading; or
- upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and Receivables;
- Held-to-Maturity Investments; or
- Financial Assets at fair value through the Statement of Financial Performance.

Loans and Receivables are financial assets that are created by providing money, goods or services directly to a debtor.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity, where the municipality has the positive intent and ability to hold the investment to maturity.

9.2 Financial Liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Provisions

- Creditors
- Unspent Conditional Grants and Receipts
- Current Portion of Long-term Liabilities
- VAT

There are two main categories of Financial Liabilities - classified on how they are measured. Financial liabilities may be measured at:

- (i) Fair value through profit or loss; or
- (ii) Not at fair value through profit or loss ('other financial liabilities')

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives). Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities should be classified as financial liabilities that are not measured at fair value through profit or loss are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

In accordance with IAS 39.09, the Financial Liabilities of the municipality are all classified as financial liabilities that are not measured at fair value through profit or loss.

Creditors
Creditors and Other Payables are stated at their fair value.

9.3 Measurement

Financial Instruments are in the current and prior years recognised and measured at cost. The requirements of IAS 39.43, AG 64, AG 65, AG 79 and SAICA Circular 9 that financial instruments should initially be measured at fair value have been exempted in terms of General Notice 522 of 2007.

9.4 Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets. If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of

all outstanding amounts at year-end. Bad debts are written off the year in which they are identified, as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Consumer Debtors are stated at cost less a provision for bad debts. The provision is made in accordance with IAS 39.64, whereby the recoverability of Consumer Debtors is assessed collectively after grouping the assets in financial assets with similar credit risks characteristics. Government accounts are not provided for as such accounts are regarded as payable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance. That is - to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been, had the impairment not been recognised.

In respect of Available-for-Sale equity securities, impairment losses previously recognised through profit or loss are not reversed through the Statement of Financial performance. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Loans and Receivables are non-derivative Financial Assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

9.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

9.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or expire.

10 RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

Risks and exposure are disclosed as follows:

Credit Risk

- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral is specified.

Liquidity Risk

- A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.
- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure cash flow requirements are met.

The entire IFRS 7 / IAS 144 has been exempted in terms of General notice 522 of 2007. However, according to the afore-mentioned General notice, this standard is 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. Thus the old



IAS 32/ (AC 125) is still applicable. The requirements of the latter standard have been applied for both the previous and current financial years. This accounting policy is in accordance with the exemptions stated in the above-mentioned General notice.

11 REVENUE RECOGNITION

Revenue for the current and prior financial year was initially recognised at cost. The requirement of GAMAP 9.12 and SAICA circular 9/06 that the initial measurement of revenue be recognised at fair value through discounting all future receipts using an imputed rate of return have been exempted in terms of General notice 522 of 2007.

11.1 Revenue from Exchange Transactions

11.1.1 Interest Earned

Interest and rentals are recognised on a time proportion basis.

11.1.2 Dividends and Royalties

Dividends and royalties are recognised on the date that the Municipality becomes entitled to receive the dividend or royalty in accordance with the substance of the relevant agreement, where applicable.

11.1.3 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

11.1.4 Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

11.1.5 Sale of Goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

11.2 Revenue from Non-exchange Transactions

11.2.1 Levies

Revenue from Regional Levies, both those based on turnover as well as those based on remuneration is

recognised when such amounts are legally enforceable. Interest on unpaid levies is recognised on a time proportionate basis.

11.2.2 Fines

Revenue from the issuing of summonses is only recognised when collected by the courts. Due to the various legal processes that can apply to summonses and the inadequate information received from the courts, it is not possible to measure this revenue when the summons is issued.

11.2.3 Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

11.2.4 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

12 CONDITIONAL GRANTS AND RECEIPTS

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder, it is recorded as part of the creditor. If it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

12.1 Grants and Receipts of a Revenue Nature

Income is transferred to the Statement of Financial Performance as revenue to the extent that the criteria, conditions or obligations have been met. Government grants that are receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to the municipality, with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

12.2 Grants and Receipts of a Capital Nature

Income from Government Grants whose primary condition is that the municipality should purchase,

construct or otherwise acquire non-current assets are recognised as deferred income under non-current liabilities in the Statement of Financial Position to the extent that the criteria, conditions or obligations have been met and is credited to the Statement of Financial Performance on a straight-line basis over the expected useful lives of the related asset.

13 PROVISIONS

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

14 EMPLOYEE BENEFITS

14.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The costs of all short-term employee benefits, such as leave pay are recognised during the period in which the employee renders the related service. The municipality recognises the expected cost of performance bonuses only when it has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

14.2 Defined Contribution Plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees.

14.3 Defined Benefit Plans

A **defined benefit plan** is a plan that defines an amount of benefit that an employee will receive on retirement. In terms of exemptions granted in terms of General notice 522 of 2007, the municipality accounted for all its defined benefit plans as defined contribution plans for both the current and prior financial years.

14.4 Provincially-administered Defined Benefit Plans

The municipality contributes to various National and Provincial administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 35 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

15 LEASES

15.1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals for the current and previous financial years were expensed as they became due. The requirement of IAS 17.33 – 34 and 50 – 51, SAICA circular 12/06.8 – 11 that Operating lease payments should be recognised on a straight line basis, has been exempted in terms of General Notice 522 of 2007.

15.2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental income from operating leases for the current and previous financial years were recognised when it were received. The requirement of IAS 17.33 – 34 and 50 – 51, SAICA circular 12/06.8 – 11 that Operating lease payments should be recognised on a straight line basis, has been exempted in terms of General Notice 522 of 2007.

16 BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.



17 VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the payments basis.

18 CASH AND CASH EQUIVALENTS

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

19 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, 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) or is in contravention of the Municipality's supply chain management policies. 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 could have been avoided had reasonable care been exercised. It 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 FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded

at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

23 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in Accounting Policies that are affected by management have not been applied retrospectively as is required by GRAP 3, as this requirement has been exempted in terms of General Notice 522 of 2007.

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 37 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

24 RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

25 EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

26 COMPARATIVE INFORMATION

Current year comparatives

Budgeted amounts have been included in the Annual Financial Statements for the current financial year only.

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.

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

	2008 R	2007 R
1 HOUSING DEVELOPMENT FUND		
Chris Hani District Municipality does not administer any Housing development funds.		
2 NON CURRENT LIABILITIES		
DBSA loan		
Balance at beginning of year	9 553 861	-
Received during the year	0	10,000,000
Finance costs charged	500 587	306,573
Finance costs paid	(381 491)	(223,544)
Short-term portion transferred to current liabilities	(1 046 511)	(529 167)
Balance at the end of the year	8,626,447	9,553,861
<p>DBSA loan for bucket eradication projects. The loan carry interest at 5 % per annum and is repayable in 18 equal instalments over 10 years. See appendix 'A' for details</p> <p>The Financial liabilities are recognised and measured at cost in previous and current financial years. The requirements of IAS 39.43, AG 65, AG 79 and SAICA Circular 9 have been exempted in terms of General Notice 522 of 2007.</p>		
3 DEFERRED INCOME		
Balance at beginning of year	13 212 530	-
Transfer from Government Grant Reserve	0	6,261,714
Capital expenditure during the year	1 175 893	8,330,497
Depreciation charge - transfer to revenue	(1 779 246)	(1,379,681)
Balance at the end of the year	12,609,177	13,212,530
<p>Government Grant Reserve reported in the previous year was unbundled in the creation of the Deferred income account in the current year in terms of IAS 20. Deferred Income represents capital expenditure on funds received from grants.</p>		
4 NON CURRENT PROVISIONS		
Provision for Leave pay		
Balance at beginning of year	1 421 752	958,242
Contributions to provisions	480,888	
Transfer to current provisions	(1 421 752)	(17,378)
Capital expenditure during the year	0	-
Balance at the end of the year	-	1,421,752
4.1 CURRENT PROVISIONS		
Provision for Leave pay		
Leave pay accrue to employees on a yearly basis, subject to certain conditions. The provision is an estimate of the amount due to staff at the reporting date.		
Balance at beginning of year	1,877,378	1,860,000
Contributions to provisions	734,286	-
Expenditure incurred	-	-
Increase due to discounting	-	-
Transfer from non current provisions	1,421,752	17,378
Balance at end of year	4,033,416	1,877,378



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (Continued)

	2008 R	2007 R
Provision for Service bonus		
Balance at beginning of year	-	-
Contributions to provisions	3,022,000	-
Balance at end of year	3,022,000	-
Total Current Provisions	7,055,416	3,299,130
CONSUMER DEPOSITS		
Chris Hani District Municipality holds no consumer deposits.	-	-
Total Consumer Deposits	-	-
6 CREDITORS		
Trade creditors	37,367,631	3,904,595
DWAF: Unidentified deposits	-	362,433
Equitable share projects	-	1,552,180
Deposits	8,335	234,969
Former TRC - Engcobo	-	1,094,769
Traffic fines	640,209	459,879
Income Suspense (Levies)	107,410	4,774,460
Road works	-	30
Other creditors	665,076	2,346,380
Total creditors	38,788,661	14,729,694
The Financial liabilities are recognised and measured at cost in previous and current financial years. The requirements of IAS 39.43, AG 65, AG 79 and SAICA Circular 9 have been exempted in terms of General Notice 522 of 2007.		
7 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Conditional grants from government	120,366,962	138,693,336
Government Grants	120,016,096	138,342,470
Provincial Grants and subsidies	350,866	350,866
Other conditional receipts	-	-
Total Conditional Grants and Subsidies	120,366,962	138,693,336
See Appendix F for a reconciliation of grants from National/Provincial Government. These amounts are fully invested until utilised.		
8 VAT		
Vat control account	-	(159,244)
Accrued Vat (refund from SARS)	(33,446,289)	(25,603,927)
Input tax	40,018,670	31,500,215
Output tax	(78,631)	(689,081)
	6,493,750	5,047,963
Vat is paid on the payments basis.		

9 PROPERTY, PLANT AND EQUIPMENT • 30 June 2008

Reconciliation of Carrying Value	Land and buildings		Infrastructure	Community		Other		Total		Intangible		Total	
	R	R		R	R	R	R	R	R	R	R	R	R
Carrying values at 1 July 2007	16,282,505	-	-	168,309	7,297,799	23,748,613	1,591,895	25,340,508					
Cost	18,232,721	-	-	344,121	15,450,681	34,027,523	2,545,561	36,573,084					
Accumulated depreciation	(1,950,216)	-	-	(175,812)	(8,152,882)	(10,278,910)	(953,666)	(11,232,576)					
Acquisitions	-	-	-	14,450	2,390,534	2,404,984	-	2,404,984					
Capital under Construction	-	-	-	-	-	-	-	-					
Depreciation	(8,945)	-	-	(9,659)	(3,553,266)	(3,571,870)	(23,050)	(3,594,920)					
- based on cost	(8,945)	-	-	(9,659)	(3,553,266)	(3,571,870)	(23,050)	(3,594,920)					
Carrying value of disposals	-	-	-	-	19,559	19,559	-	19,559					
Cost	-	-	-	-	285,595	285,595	-	285,595					
Accumulated depreciation	-	-	-	-	(266,036)	(266,036)	-	(266,036)					
Impairment losses	-	-	-	-	-	-	-	-					
Other movements - cost	-	-	-	-	-	-	-	-					
Other movements - accum. depreciation	-	-	-	-	(1,881,768)	(1,881,768)	743,380	(1,138,388)					
Carrying values at 30 June 2008	16,273,560	-	-	173,100	4,233,741	20,680,401	2,312,225	22,992,626					
Cost	18,232,721	-	-	358,571	17,555,621	36,146,913	2,545,561	38,692,474					
Accumulated depreciation	(1,959,161)	-	-	(185,471)	(13,321,880)	(15,466,512)	(233,336)	(15,699,848)					

The depreciation charge of R 4 733 308 disclosed in the Statement of Financial Performance includes the back log depreciation of R 1 138 388 that resulted from the reclassification of asset categories and correction of depreciation calculations in the previous year.

9 PROPERTY, PLANT AND EQUIPMENT • 30 June 2007

Reconciliation of Carrying Value	Land and buildings		Infrastructure	Community	Other	Total	Intangible	Total
	R	R						
Carrying values at 1 July 2006	10,343,755	213,543	-	213,543	5,408,002	15,965,300	1,593,724	17,559,024
Cost	12,147,645	457,586	-	457,586	11,668,449	24,273,680	2,627,205	26,900,885
Accumulated depreciation	(1,803,890)	(244,043)	-	(244,043)	(6,260,447)	(8,308,380)	(1,033,481)	(9,341,861)
Acquisitions	6,086,106	-	-	-	4,075,785	10,161,891	-	10,161,891
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	(346,141)	(18,384)	-	(18,384)	(2,406,784)	(2,771,309)	(794,492)	(3,565,801)
- based on cost	(346,141)	(18,384)	-	(18,384)	(2,406,784)	(2,771,309)	(794,492)	(3,565,801)
Carrying value of disposals	-	-	-	-	72,384	72,384	-	72,384
Cost	-	-	-	-	408,141	408,141	81,553	489,694
Accumulated depreciation	-	-	-	-	(335,757)	(335,757)	(81,553)	(417,310)
Impairment losses	-	-	-	-	-	-	-	-
Other movements	(1,030)	(113,465)	-	(113,465)	114,588	93	(91)	2
Other movements - accum. depreciation	199,815	86,615	-	86,615	178,592	465,022	792,754	1,257,776
Carrying values at 30 June 2007	16,282,505	168,309	-	168,309	7,297,799	23,748,613	1,591,895	25,340,508
Cost	18,232,721	344,121	-	344,121	15,450,681	34,027,523	2,545,561	36,573,084
Accumulated depreciation	(1,950,216)	(175,812)	-	(175,812)	(8,152,882)	(10,278,910)	(953,666)	(11,232,576)

The estimated useful lives and the depreciation method was not reviewed in the previous and current financial years as required by GAMAP 17, as these requirements have been exempted in terms of General Notice 522 of 2007. No Intangible assets other than website costs and software have been capitalised as is required by IAS38 / AC 129, and, no assesment for impairment was performed.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

	2008 R	2007 R
10 CALL INVESTMENT DEPOSITS		
There were no listed / unlisted investments on reporting date.		
Allocation of call investments		
Surplus cash is kept on Call Account until used for specific purposes.		
11 LONG - TERM RECEIVABLES		
Motor car loans	36,987	124,494
Study assistance - Council employees	80,737	50,651
	117,724	175,145
Less: Short-term portion transferred to current assets	(110,029)	(115,639)
Total Non-Current loans	7,695	59,506
Loans were approved for:		
Motor car loans to employees at 8% interest per annum. No new loans are being made and existing loans are phased out as they are repaid.		
12 INVENTORY		
The Council keeps no inventory. Goods are purchased as needed and consumed in the financial year of purchase.		
13 CONSUMER DEBTORS		
Levies	-	5,580,325
Total	-	5,580,325
14 OTHER DEBTORS		
Health Subsidies	1,694,212	1,694,212
Roads and Works Recov. Expenditure.	244,963	255,422
Lukhanji Municipality (ESCOM account)	-	3,389,476
Inxuba Yethemba Municipality (SARS account)	15,461,634	15,461,634
Ambulance Service	448,471	2,225,189
Ambulance Subsidy Bisho	-	1,687,765
Intsika Yethu Municipality (Cllrs salaries account)	312,346	312,346
Roadworks Subsidy	8,724,469	8,294,619
Subsidy National Health And Population	3,358,645	3,358,645
Projects	-	455,839
Elections Infrastructure	-	1,190,002
Hala upgrading of services (Special Fund)	-	3,117,120
Previous System Movements	-	2,772,534
Other Sundry Debtors	16,380,808	15,899,241
Sub-Total: Other Debtors	46,625,548	60,114,044
Provision for Bad Debts	(12,151,254)	(10,711,273)
Net: Other Debtors	34,474,294	49,402,771

Consumer and other debtors are stated at cost less a provision for bad debts. The requirements of old IAS 32/(AC 125) have been applied for both previous and current financial years and related exemptions stated in General Notice 52 of 2007 utilised.



	2008 R	2007 R
15 BANK, CASH AND OVERDRAFT BALANCES		
Chris Hani District Municipality has the following bank accounts:		
<u>Current Account (Primary Bank Account)</u>		
First National Bank Cathcart Road Queenstown		
Cashbook balance at the beginning of the year	179,771,949	142,950,373
Cashbook balance at the end of the year	222,943,475	179,771,949
Bank statement balance at the beginning of the year	193,535,616	163,090,445
Bank statement balance at the end of the year	224,102,453	193,535,616
16 MUNICIPAL ENTITIES		
Chris Hani District Municipality does not have any Municipal Entities.		
17 SERVICE CHARGES		
Chris Hani District Municipality does not levy any service charges.		
18 GOVERNMENT GRANTS AND SUBSIDIES		
<u>Government Grants</u>		
Equitable share - Operating	117,959,549	117,087,100
Equitable share - Capital	27,708,849	-
National / Provincial Grants and Subsidies	53 253 967	12 128 670
Total Government Grants	198,922,365	129,215,770
<u>National/Provincial conditional Government grant funding.</u>		
Funds transferred to Income - non capital expenditure	250,445,343	191,084,057
Funds transferred to Income - capital expenditure <i>(See Appendix F for detail)</i>	-	7,758,008
Total National/Provincial Government Grants reimbursements	250,445,343	198,842,065
Total Government Grants and Subsidies	449,367,707	328,057,835
Equitable share		
In terms of the Constitution, this grant is used to balance the Municipalities' revenue. The payment was not withheld for any reason.		
19 OTHER INCOME		
Sundry Income	269,389	205,259
Commission on Collection	80,264	53,420
Total Other Income	349,653	258,679
20 EMPLOYEE RELATED COSTS		
Salaries and wages	46,525,678	35,650,515
Contributions for UIF, Pensions , Medical Aids etc	10,660,148	8,900,598
Travel, motor car and other allowances	4,879,744	5,840,546
Housing benefits	892,892	369,543
Performance bonuses	166,126	501,313
Long-service awards	304,957	272,861
	63,429,544	51,535,376

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

	2008 R	2007 R
Remuneration of the Municipal Manager		
Annual Remuneration	409,500	460,493
Performance Bonuses	60,721	94,285
Car Allowance	157,596	81,000
Contributions to UIF, Medical and Pension funds	109,194	106,560
Total	737,011	742,338
Remuneration of the Director Finance <i>(11 Months to May 2008)</i>		
Annual Remuneration	363,159	429,192
Performance Bonuses	51,003	88,231
Car Allowance	132,655	82,630
Contributions to UIF, Medical and Pension funds	82,644	89,715
Total	629,461	689,768
Remuneration of the Director Corporate Services. <i>(9 Months to June 2008 + July 2007)</i>		
Annual Remuneration	304,955	429,192
Performance Bonuses	57,765	77,438
Car Allowance	124,546	81,000
Contributions to UIF, Medical and Pension funds	42,942	91,675
Total	530,208	679,305
Remuneration of the Director Integrated Planning and Economic Development		
Annual Remuneration	380,900	429,192
Performance Bonuses	65,735	80,451
Car Allowance	145,699	83,609
Contributions to UIF, Medical and Pension funds	94,746	96,585
Total	687,080	689,837
Remuneration of the Director of Health		
Annual Remuneration	380,900	429,192
Performance Bonuses	65,659	87,449
Car Allowance	145,699	82,146
Contributions to UIF, Medical and Pension funds	79,488	81,460
Total	671,746	680,247
Remuneration of the Director Technical		
Annual Remuneration	380,900	429,192
Performance Bonuses	65,735	73,459
Car Allowance	156,529	81,000
Contributions to UIF, Medical and Pension funds	101,273	96,587
Total	704,437	680,238
Remuneration of the Strategic Manager <i>(7 Months to January 2008)</i>		
Annual Remuneration	234,400	234,007
Performance Bonuses	-	-
Car Allowance	91,308	47,250
Contributions to UIF, Medical and Pension funds	62,896	58,714
Total	388,604	339,971



	2008 R	2007 R
21 REMUNERATION OF COUNCILLORS		
Executive Mayor	363,903	338,514
Speaker	291,122	270,811
Mayoral Committee members	1,637,562	1,523,310
Councillors	1,098,649	1,032,565
Allowances	1,323,504	1,033,561
Adjustments	(88 645)	248,657
Total Councillors' Remuneration	4,626,095	4,447,418
In-kind Benefits		
<p>The Executive Mayor and Speaker are full-time. They and the Mayoral Committee members are provided with an office and secretarial support at the cost of the Council. The Executive Mayor has access to a Council owned vehicle for official duties.</p>		
22 BAD DEBTS		
Contribution to the bad debt provision	1,439,981	3,084,822
Bad debt written off	-	-
Total Bad Debts	1,439,981	3,084,822
<i>See note 14 for explanatory detail</i>		
23 INTEREST PAID		
External loans	500,587	306,573
Finance leases	-	-
Bank overdrafts	-	-
Other interest	331,307	-
Total interest on External Borrowings	831,894	306,573
24 BULK PURCHASES		
<p>Chris Hani District Municipality did not buy bulk services.</p>		
25 GRANTS AND SUBSIDIES PAID		
Problem Animal Control	30,000	30,000
Other	105,290	147,739
Total Grants and Subsidies paid	135,290	177,739
26 GENERAL EXPENSES		
<p>No extraordinary expenses were included in general expenses</p>		
	-	-
27 CHANGES IN ACCOUNTING POLICY - IMPLEMENTATION OF GAMAP		
<p>The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality, arising from changes in accounting policies:-</p>		
Government Grants Reserve (GGR)		
Opening balance reversed to Deferred income	6,261,714	-
Depreciation reversed to accumulated surplus	(1,379,681)	-
Capital grants used to purchase PPE reversed	8,330,497	-
	13,212,530	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

	2008 R	2007 R
28 RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS / (DEFICIT)		
Net (Deficit) / surplus for the year	(632,047)	27,204,589
Adjustment for:-		
Transactions for previous years:		-
Income from levies	311,556	1,159,115
Interest paid	261,551	-
Transactions for current year:		
Interest received from unspent conditions grants	11,243,356	5,461,760
Non cash movements:		
Depreciation	4,733,308	3,565,801
Bad debts	1,439,981	3,084,822
Loss/(gain) on disposal of PPE	19,559	(365)
Increase in provisions relating to employee costs	3,756,286	480,889
Operating surplus before working capital changes:	21,133,550	40,956,611
Inc / dec in RSC Levy debtors	5,580,325	(1,326,454)
Inc / dec in other debtors	14,928,477	(19,282,623)
Inc / dec in VAT debtors	(1,445,787)	15,029,769
Inc / dec in current portion long term debtors	5,610	167,674
Inc / dec in current portion long term loans	517,343	529,167
Inc / dec in conditional grants creditors	(18,326,374)	6,161,527
Inc / dec in creditors	24,058,967	(3,271,534)
Inc / dec in borrowings	(927,415)	(446,139)
Changes in working capital	24,391,147	(2,438,612)
Net cash flows from operating activities	45,524,697	38,517,998
29 CASH AND CASH EQUIVALENTS		
Balance at the end of the year	222,948,015	179,776,491
Balance at the beginning of the year	179,776,491	142,953,313
Net (De-) / Increase in cash and cash equivalents	43,171,524	36,823,178
30 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
The DBSA loan funding was fully utilised on bucket eradication projects during the 2006 / 07 financial year.		
31 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
<u>Unauthorised expenditure</u>		
Reconciliation of unauthorised expenditure		
Opening balance	-	-
Unauthorised expenditure current year	-	-
Approved by Council	-	-
Transfer to statement of Financial Performance	-	-
Authorised losses	-	-
Transfer to receivables for recovery	-	-
Closing balance	-	-



	2008 R	2007 R
<u>Irregular, fruitless and wasteful expenditure</u>		
Reconciliation of fruitless and wasteful expenditure		
Opening balance	-	-
Fruitless and wasteful expenditure current year	4,003,797	-
Forbidden loan with interest made to Nyika	3,652,300	-
Interest paid	331,307	-
Lost equipment - computer	19,559	-
Goods paid for - not received	631	-
Approved by Council	-	-
Transfer to statement of Financial Performance	(350,866)	-
Authorised losses	-	-
Transfer to receivables for recovery	(3,652,931)	-
Closing balance	-	-
Total unauthorised, fruitless and wasteful expenditure disallowed	-	-

32 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

32.1 Contributions to SALGA

Opening balance	-	-
Council subscriptions	(179,734)	(112,661)
Amount paid - current year	179,734	112,661
Amount paid - next year		

Balance paid in advance (included in Debtors) - -

32.2 Audit fees

Opening balance	-	-
Current year audit fee	1,846,190	1,179,983
Amount paid - current year	(1,846,190)	(1,179,983)
Amount paid - previous years	-	-

Balance unpaid (included in creditors) - -

32.3 VAT

Vat input receivables and VAT output payables are shown in note 8. All Vat returns have been submitted by the due date throughout the year.

32.4 PAYE and UIF

Opening balance	-	(32,810)
Current year payroll deductions	9,011,607	7,896,837
Amount paid - current year	(9,011,607)	(7,864,027)
Amount paid - previous years	-	-

Balance undeducted (included in debtors) - -

32.5 Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions and Council Contributions	13,949,181	11,802,588
Amount paid - current year	(13,949,181)	(11,802,588)
Amount paid - previous years		

Balance unpaid (included in creditors) - -

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (Continued)

	2008 R	2007 R
The balance would represent pension and medical aid contributions deducted from employees in the June 2007 payroll. These amounts would be paid during July 2008.		
33 CAPITAL COMMITMENTS		
Chris Hani District Municipality had no commitments in respect of capital expenditure at the end of both financial years.		
34 CONTINGENT LIABILITIES		
A security to the amount of R8,033,000, signed to First National Bank to cover a bank overdraft in the previous financial year was cancelled in 2008.	-	-
Matters pending with Council attorneys based on estimated probable loss with costs.	1,135,000 1,135,000	1,555,000 1,555,000
35 RETIREMENT BENEFIT INFORMATION		
<u>Post- Retirement Medical Benefit</u>		
Provision is made for post retirement medical benefits in the form of health care plans for eligible employees and pensioners.		
<u>Pension and Retirement Fund Benefits</u>		
Employees and Council contribute to the Cape Joint Pension and Retirement Fund, South African Local Authorities Pension Fund and Government Employees Pension Fund, on the basis of a fixed contribution, and, is charged against income as incurred.		
36 IN-KIND DONATIONS AND ASSISTANCE		
No in-kind donations or assistance was done or provided in 2007 / 08.		
37 CORRECTIONS		
During the year the following transactions were made with regard to the previous year and the comparative amounts have been restated:		
Accumulated Surplus	361,222	
Interest for the previous year reversed from GGR	361,222	-
Net Surplus		
Accumulated depreciation - backlog	1,138,388	1,257,776
Interest and penalties on PAYE, UIF etc by SARS	261,551	-
Net effect on surplus for the year	1,399,939	1,257,776
38 GENERAL EXPENSES - OTHER		
Administrative expenses	16,948,981	-
Operating and maintainance of water schemes	55,285,022	-
Subsidy to Water Services Providers	18,933,412	-
Job evaluation project expenses	99,826	-
Financial management grant project expenditure	114,236	-
Roads maintainance project expenditure	10,295,744	-
Total expenditure	101,677,220	-

Council is operating rural water schemes outside the area of the Water Services Providers (WSP), and, also subsidises the WSP on the shortfall resulting from free basic services.

3.7 APPENDICES

APPENDIX A SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008

EXTERNAL LOAN	Opening Balance	FINANCE COSTS CHARGED		REPAID	FINANCE COSTS PAID		TRANS TO CURR LIABILITIES		Closing Balance	
		Capital Advances	Interest		Other Costs	Interest	Other Costs	Capital		Interest
DBSA LOAN	9,553,861	-	495,837	4,750	(376,741)	(4,750)	-	(927,415)	(119,096)	8,626,446
	-									-
Total	9,553,861	-	495,837	4,750	(376,741)	(4,750)	-	(927,415)	(119,096)	8,626,446



Elliot Beaders & Crafters.



APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	Cost					Closing Balance
	Opening Balance	2007 Additions Adjusted	2008 Additions	Under Construction	2008 wDisposals	
INFRASTRUCTURE ASSETS						
	-					-
Total Infrastructure Assets	-	-	-	-	-	-
COMMUNITY ASSETS						
Buildings:						
Clinics and Hospitals	100,000					100,000
Halls, Recreation	168,341					168,341.00
	268,341	-	-	-	-	268,341
Recreational Facilities:						
Fountains	11,471					11,471
	11,471	-	-	-	-	11,471
Security Measures:						
Fencing	19,136					19,136
Security Systems	45,173		14,450			59,623
	64,309	-	14,450	-	-	78,759
Total Community Assets	344,121	-	14,450	-	-	358,571
OTHER ASSETS						
Buildings:						
Office Building	14,148,433			-		14,148,433
Other	11,802					11,802
Housing Council	422,486					422,486
Prefab/Converted Containers	-		118,505			118,505
Land And Unused Buildings	3,650,000					3,650,000
	18,232,721	-	118,505	-	-	18,351,226
Intangible Assets						
Computer Software	2,545,561					2,545,561
	2,545,561	-	-	-	-	2,545,561
Office Equipment:						
Air Conditioners	356,890					356,890
Computer Hardware	2,819,173		372,514		19,559	3,172,128
Office Machines	429,485		3,300			432,785
Miscellaneous	314,025		85,331			399,356
	3,919,573	-	461,145	-	19,559	4,361,159



Accumulated Depreciation						Budget Additions 2007
Opening Balance	Backlog / (written back)	2008 Additions	Disposals	Closing Balance	Carrying Value	
				-		
-		-	-	-	-	-
50,000		3,333		53,333	46,667	
61,756		5,611		67,367	100,974	
111,756	-	8,944	-	120,700	147,641	-
7,065		2,294		9,359	2,112	
7,065	-	2,294	-	9,359	2,112	-
19,136		-		19,136	-	
37,855		7,365		45,220	14,403	
56,991	-	7,365	-	64,356	14,403	-
175,812	-	18,603	-	194,415	164,156	-
1,777,472		475,591		2,253,063	11,895,370	
11,084		716		11,800	2	
161,660		14,083		175,743	246,743	
		1,542		1,542	116,963	
-				-	3,650,000	
1,950,216	-	491,932	-	2,442,148	15,909,078	-
953,666	-743,380	23,050		233,336	2,312,225	
953,666	-743,380	23,050	-	233,336	2,312,225	-
312,383	2,437	33,220		348,040	8,850	
1,653,843	1,832,933	1,357,323		4,844,099	-1,671,971	
356,776	7,233	51,540		415,549	17,236	
156,160	16,053	54,122		226,335	173,021	
2,479,162	1,858,656	1,496,205	-	5,834,023	-1,472,864	-

APPENDIX B (continued)

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	Cost					
	Opening Balance	2007 Additions Adjusted	2008 Additions	Under Construction	2008 Disposals	Closing Balance
Plant and Equipment:						
Tractors	636,538					636,538
Farm Equipment	62,239		194,425			256,664
Trailers	139,859					139,859
Lawnmowers	19,903					19,903
Earth Moving Equipment	2,328,533					2,328,533
Plant and Equipment General	-					-
Radio Equipment	71,965					71,965
General	8,330					8,330
Other	3,193		51,513			54,706
Satelite Tracking Equipment	113,465					113,465
Ambulance / Clinic Equipment	43,293					43,293
Mobile Clinic	156,000					156,000
	3,583,318	-	245,938	-	-	3,829,256
Furniture And Fittings:						
Cabinets and Cupboards	432,988		158,762			591,750
Chairs	282,076		86,214			368,290
Furniture, Fittings, Other	270,886		43,518			314,404
Kitchen Equipment	40,193		65,619			105,812
Tables and Desks	395,574		36,156			431,730
	1,421,717		390,269	-	-	1,811,986
Motor Vehicles:						
Buses	-					-
Fire Engines	354,160					354,160
Passenger vehicles	2,030,804		550,821		57,347	2,524,278
Trucks / Bakkies	4,130,999		591,857		208,689	4,514,167
	6,515,963	-	1,142,678	-	266,036	7,392,605
Emergency Equipment:						
Fire	6,185		14,399			20,584
Fire Hoses	3,637		17,600			21,237
Emergency Lights	288		-			288
General	-		-			-
	10,110	-	31,999	-	-	42,109
Total Other Assets	36,228,963	-	2,390,534	-	285,595	38,333,902
TOTAL	36,573,084	-	2,404,984	-	285,595	38,692,473



Accumulated Depreciation						Budget Additions 2007
Opening Balance	Backlog / (written back)	2008 Additions	Disposals	Closing Balance	Carrying Value	
158,779		34,900		193,679	442,859	
19,700		24,398		44,098	212,566	
16,195		8,497		24,692	115,167	
5,940		8,046		13,986	5,917	
950,552		232,853		1,183,405	1,145,128	
-		-		-	-	
71,965		-		71,965	-	
8,330		-		8,330	-	
-	817	7,078		7,895	46,811	
87,566	6,707	7,524		101,797	11,668	
50,796	-7,503	-		43,293	-	
156,000	-	-		156,000	-	
1,525,823	21	323,296	-	1,849,140	1,980,116	-
250,876	3,103	55,720		309,699	282,051	
213,060	1,186	37,162		251,408	116,882	
204,998	13,494	21,812		240,304	74,100	
21,972	-414	8,177		29,735	76,077	
201,480	5,452	49,520		256,452	175,278	
892,386	22,821	172,391	-	1,087,598	724,388	-
-				-	-	
199,882		70,832		270,714	83,446	
1,266,219	31	320,660	57,347	1,529,563	994,715	
1,779,300	239	673,493	208,689	2,244,343	2,269,824	
3,245,401	270	1,064,985	266,036	4,044,620	3,347,985	-
6,185	-	2,309		8,494	12,090	
3,637	-	2,149		5,786	15,451	
288	-	-		288	-	
-	-	-		-	-	
10,110	-	4,458	-	14,568	27,541	-
11,056,764	1,138,388	3,576,317	266,036	15,505,433	22,828,469	-
11,232,576	1,138,388	3,594,920	266,036	15,699,848	22,992,626	-

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008

FIXED ASSETS DESCRIPTION	HISTORICAL COST				ACCUMULATED DEPRECIATION				CARRYING VALUE	
	OPENING BALANCE	ADDITIONS	UNDER CONSTRUCTION	DISPOSALS	CLOSING BALANCE	OPENING BALANCE	ADDITIONS	DISPOSALS		CLOSING BALANCE
Executive and Council	6,713,721	496,103		266,036	6,943,788	3,592,393	845,684	266,036	4,172,042	2,771,747
Finance and Administration	22,271,880	304,205		19,559	22,556,526	4,490,274	2,814,913	-	7,305,187	15,251,338
Planning and Development	2,363,152	232,839			2,595,991	670,595	407,305	-	1,077,900	1,518,091
Environmental Health	1,331,264	356,721			1,687,985	1,193,532	142,344	-	1,335,876	352,109
Community and Social services	193,784	-			193,784	73,895	66,157	-	140,053	53,731
Public Safety	3,040,875	906,422			3,947,298	1,194,082	319,954	-	1,514,036	2,433,262
Primary Health Care	619,736	-			619,736	4,075	123,947	-	128,022	491,714
Road Works	-	108,694			108,694	-	6,221	-	6,221	102,473
Water Services	38,673	-			38,673	13,730	6,783	-	20,513	18,160
Other	-	-			-	-	-	-	-	-
TOTALS	36,573,084	2,404,985	-	285,595	38,692,473	11,232,576	4,733,308	266,036	15,699,848	22,992,626

APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

	2007 Actual Income R	2007 Actual Expenditure R	2007 Surplus/ (Deficit) R	2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R
	117,087,100	16,076,917	101,010,183	117,959,549	15,078,073	102,881,476
	5,461,760	20,776,334	(15,314,574)	19,073,854	47,073,937	(28,000,083)
	198,842,065	207,756,455	(8,914,390)	15,196,000	18,100,761	(2,904,761)
	6,454,050	4,965,401	1,488,649	11,428,291	4,725,900	6,702,391
	-	1,756,720	(1,756,720)	3,075,849	4,969,030	(1,893,181)
	3,000,000	1,209,807	1,790,193	6,743,334	2,466,901	4,276,433
	6,465,184	9,166,795	(2,701,611)	9,286,191	9,604,711	(318,520)
	8,000,000	8,918,785	(918,785)	27,468,851	28,194,400	(725,549)
	1,000,000	693,651	306,349	-	-	-
	2,874,620	51,334,869	(48,460,249)	178,175,515	169,763,854	8,411,661
	855,025	179,482	675,543	71,275,341	160,337,254	(89,061,914)
	350,039,804	322,835,215	27,204,588	459,682,775	460,314,821	(632,047)
	-	-	-	0	-	-
	350,039,804	322,835,215	27,204,588	459,682,775	460,314,821	(632,047)

Executive and Council
Finance and Administration
Planning and Development
Environmental Health
Community and Social services
Public safety
Primary Health Care
Road Works
PIMMS
Water Services
Other

Sub Total

Less Inter-Departmental charges

TOTAL



APPENDIX E

ACTUAL VERSUS BUDGET (OPERATIONAL) FOR THE YEAR ENDED 30 JUNE 2008

REVENUE	Actual 2008	Budget 2008	Variance R	Variance %	Explanation of Significant Variances Greater than 5 % versus Budget
Regional Services Levy - Turnover	-	300,000	300,000		Effort made to recover all outstanding levies before the final date but then accounted for in prior years
Regional Services Levy - Remuneration	-	200,000	200,000		Effort made to recover all outstanding levies before the final date but then accounted for in prior years
Rental	68,941	72,000	3,059	-4	Rental received less than market related due to poor condition of rental houses. Refurbishment completed late.
Investment interest	9,544,281	8,000,000	(1,544,281)	19	Interest due to slower spending on projects / other expenditure and unanticipated grant income received.
Other interest	352,193	100,000	(252,193)	252	Interest income that was not budgeted for charged on loans (Nyika Investments) resulted in the variance.
Income for Agency services	31,830,356	27,998,229	(3,832,127)	14	Grants received from provincial state departments more than budgeted amounts.
Government grants and subsidies	139,383,160	145,970,414	6,587,254	-5	Grants from state departments not received in full plus minor reallocations from operating / capital budget
Other income	349,653	5,150,000	4,800,347	-93	Unanticipated levels of sundry income experienced together with expected billing for water that did not commense
Gains on disposal of property, plant and equipment	-	-	-		
Sub- Total	181,528,583	187,790,643	6,262,060		
Recovered from grants and subsidies i.r.o expenditure.	278,154,192	266,026,326	(12,127,866)	5	
Total Income	459,682,775	4 53,816,969	(5,865,806)		
EXPENDITURE					
Employee related costs	63,504,390	64,329,274	824,884	-1	Increase resulted from previous year's back pay authorised and paid in the current financial year.
Remuneration of Councillors	4,626,095	4,607,265	(18,830)	0	Provision for bad debts not budgeted for was raised at year end and resulted in the huge variance.
Bad debts	1,439,981	-	(1,439,981)	100	Decreased collection cost due to decline rate of collection on outstanding levies.
Collection costs	6,679	520,000	513,321	-99	
Depreciation	4,733,308	3,084,800	(1,648,508)	53	Effect of Backlog depreciation resulting from Fixed Asset Register updating process gave rise to higher charge
Repairs and maintenance	988,916	1,059,115	70,199	-7	Repairs and maintenance not required as anticipated.
Interest paid	831,894	483,500	(348,394)	72	Interest charged on late payments of salary deductions by SARS and also trade creditors
Contracted services	63,444	123,200	59,756	-49	Services rendered internally.
Grants and Subsidies paid	135,290	252,200	116,910	-46	Low expenditure levels on tourism and donations incurred than budgeted for.
General expenses - other	101,677,220	103,040,282	1,363,062	-1	
Contributions to provisions	5,289,533	3,791,007	(1,498,526)	28	Low expenditure levels on staff training, purchasing of operating assets and non provision for service bonuses.
Loss on disposal of property, plant and equipment	19,559	-	(19,559)	100	Expenditure on disposal of assets not foreseeable during budgeting resulted in the variance.
Sub- Total	183,316,308	181,290,643	(2,025,665)		
General expenses - Conditional Grants and Subsidies	276,998,513	272,526,326	(4,472,187)	2	
Total Expenditure	460,314,821	453,816,969	(6,497,852)		
NET SURPLUS/(DEFICIT) FOR THE YEAR	(632,047)	-	632,047		

APPENDIX F CONDITIONAL GRANTS : RECEIPTS AND EXPENDITURE FOR THE YEAR ENDED JUNE 2008

PROJECT DESCRIPTION	UNSPENT BALANCE 1/07/2007	CURRENT YEARS RECEIPTS	INTEREST ALLOCATED	TRANSFER TO REVENUE	CAPITAL EXPENDITURE	TRANSFERS	UNSPENT BALANCE 30/06/2008
EQUITABLE SHARE PROJECTS		27,708,849		(26,553,170)		(1,155,679)	0
FREE BASIC SERVICES PROJECT	11,105,961					(11,105,961)	0
DWAF:BULK INFRASTRUCTURE		6,000,000	246,212				6,246,212
SPORTS FACILITY:TOMO	49,077					(49,077)	0
SPORTS FACILITY:COFIMVABA PHASE 3	189,256					(189,256)	0
SPORTS FACILITY:WHITTLESEA	(6,765)					6,765	0
SPORTS FACILITY:HORMEYER	11,949					(11,949)	0
SPORTS FACILITY:LINGELIHLE	92,045					(92,045)	0
SPORTS FACILITY:STERKSTROOM MASAKHE	148,034					(148,034)	0
DEPT OF SPORTS:SPORTS FACILITIES	0					385,569	385,569
I.D.T. WATER PROJECT	44,753					(44,753)	0
CALA SPORTS COMPLEX	184,354					(184,354)	0
LED:KWAGCINA COMMUNITY GARDEN	100,000					(100,000)	0
LED FORUM:DISCRETIONAL FUNDS	106,466					(106,466)	0
LED:STRATEGY	4,539					(4,539)	0
LED OLD PROJECTS						211,005	211,005
ILINGE PILOT HOUSING	78,724					(78,724)	0
MULTI PURPOSE YOUTH CENTRE	(34,993)					34,993	0
ILINGE CADASTRAL SURVEY PROGRAMME	12,738					(12,738)	0
ILINGE:TSHIP PROJECTS H & LOC.GOVERNMENT	(10,775)					10,775	0
ILINGE OLD PROJECTS						768,762	768,762
DWAF OLD PROJECTS						13,870	13,870



APPENDIX F CONDITIONAL GRANTS : RECEIPTS AND EXPENDITURE FOR THE YEAR ENDED JUNE 2008 (continue)

PROJECT DESCRIPTION	UNSPENT BALANCE 1/07/2007	CURRENT YEARS RECEIPTS	INTEREST ALLOCATED	TRANSFER TO REVENUE	CAPITAL EXPENDITURE	TRANSFERS	UNSPENT BALANCE 30/06/2008
MULTI-PURPOSE SPORT LADY FRERE	140,069					(140,069)	0
MULTI-PURPOSE SPORT ENGCOBO	26,415					(26,415)	0
EMALAHLENI YOUTH DEVELOPMENT	624,207		58,808	(37,992)			645,023
ISRDP PROGRAMME-SUMMARY	17,716,578		1,554,356	(2,449,358)	(257,795)		16,563,781
MIG	59,098,914	205,904,609	6,223,283	(197,198,941)			74,027,864
MSIG	4,741,192	1,000,000	354,737	(2,726,076)			3,369,853
COFIMVABA SPORTS FACILITY	(191,650)					191,650	0
STERKSTROOM SPORTS FACILITY	6,595					(6,595)	0
LADY FRERE SPORTS FACILITY	114,460					(114,460)	0
ENGCOBO SPORTS FACILITY	135,567					(135,567)	0
CRADOCK SPORTS FACILITY	(98,152)					98,152	0
CALA SPORTS FACILITY	77,941					(77,941)	0
FINANCE MANAGEMENT GRANT	1,373,804	500,000	171,067	(164,284)			1,880,587
LED CAPACITY BUILDING	0	1,617,000	98,026	(574,658)			1,140,368
LED PROJECTS	419,166					(402,614)	419,166
TEMBANI PROJECTS	402,614						0
PERFORMANCE MANAGEMENT SYSTEM	(106,002)	750,000	2,876	(646,250)			624
PRESIDENTIAL PROJECT:ZIMELE TRUST	21,569					(21,569)	0
ROAD MANAGEMENT SYSTEM	196,172		17,795	(4,162)	(45,324)		164,481
DWAF:FEASIBILITY STUDIES (EC605)	1,578,180		115,177	(435,894)			1,257,462
IDP REVIEW	1,926,213	1,362,000	267,187	(461,796)			3,093,604
WATER SERVICES CAPACITY BUILDING	0	1,810,000	29,505				1,839,505
DEPT OF HEALTH: HIV AIDS	0					3,468,273	3,468,273

APPENDIX F CONDITIONAL GRANTS : RECEIPTS AND EXPENDITURE FOR THE YEAR ENDED JUNE 2008 (continue)

PROJECT DESCRIPTION	UNSPENT BALANCE 1/07/2007	CURRENT YEARS RECEIPTS	INTEREST ALLOCATED	TRANSFER TO REVENUE	CAPITAL EXPENDITURE	TRANSFERS	UNSPENT BALANCE 30/06/2008
HIV/AIDS STIPENDS LUKHANJI	292,634					(292,634)	0
HIV/AIDS STIPENDS INXUBA YETHEMBA	173,432					(173,432)	0
HIV/AIDS STIPENDS INTSIKA YETHU	220,743					(220,743)	0
HIV/AIDS STIPENDS EMALAHLENI	554,175					(554,175)	0
HIV/AIDS STIPENDS ENGCOBO	131,650					(131,650)	0
HIV/AIDS STIPENDS TSOLWANA	64					(64)	0
DHLGTA:MHS SECTION 78	0	280,000	6,891				286,891
SANITATION RESOURCE CENTRE	0	820,000	26,888				846,888
HIV/AIDS STIPENDS ADMIN COSTS	14,250					(14,250)	0
HIV/AIDS STIPENDS INKWANCA	55,350					(55,350)	0
HEALTH SEED/MEDICINE	3,457					(3,457)	0
HIV/AIDS HOME BASED CARE KITS	41,809					(41,809)	0
AIDS/HIV DRUGS INXUBA YETHEMBA	377,311					(377,311)	0
HIV/AIDS DRUGS TSOLWANA	48,308					(48,308)	0
HIV/AIDS DRUGS LUKHANJI	490,497					(490,497)	0
HIV/AIDS DRUGS SAKHISIZWE	68,171					(68,171)	0
HIV/AIDS DRUGS CHRIS HANI	267,171					(267,171)	0
HIV/AIDS DRUGS EMALAHLENI	34,000					(34,000)	0
HIV/AIDS DRUGS ENGCOBO	18,388					(18,388)	0
HIV/AIDS DRUGS INTSIKA YETHU	34,000					(34,000)	0
DEPT OF SPORTS:LIBRARIES AND ARCHIVES	3,771,011	3,500,000	329,530	(247,813)			7,352,728
Balance carried forward	110,996,243	251,252,458	9,502,337	(231,500,395)	(303,119)	(15,965,010)	123,982,514



APPENDIX F CONDITIONAL GRANTS : RECEIPTS AND EXPENDITURE FOR THE YEAR ENDED JUNE 2008 (continued)

PROJECT DESCRIPTION	UNSPENT BALANCE 1/07/2007	CURRENT YEARS RECEIPTS	INTEREST ALLOCATED	TRANSFER TO REVENUE	CAPITAL EXPENDITURE	TRANSFERS	UNSPENT BALANCE 30/06/2008
Balance brought forward	110,996,243	251,252,458	9,502,337	(231,500,395)	(303,119)	(15,965,010)	123,982,514
DHLG: MUNICIPAL INFRASTRUCTURE	8,964,000			(8,964,000)			0
WSA BUSINESS PLAN	2,835,459	2,280,000	325,654	(1,259,642)			4,181,471
IRDP:MSP(PROVINCIAL)	559,828	150,000	56,017	(164,816)			601,029
CIVIL PROTECTION(ADDITIONAL FUNDS)	2,771,736	6,743,334	366,883	(3,500,259)	(872,775)		5,508,920
TSOMO:GROUND WATER SCHEME ADM JOB EVALUATION	424,914 (18,558)					(424,914)	0
DWAF: DROUGHT RELIEF	2,113,550	1,000,000	211,150	(473,708)		18,558	0
DWAF: TRAINING - SECONDED STAFF	147,005			(124,048)			2,850,992
DHLG: TOWN PLANNING	3,730,474		298,954	(1,214,023)			22,957
DEPT OF ECON AFFAIRS:NGUNI PROGRAMME	0	5,250,000	402,423				2,815,405
EASTERN CAPE AIDS COUNCIL	0	245,000	13,115	(128,498)			5,652,423
CAPITAL PROJECTS 0607	0					2,934,505	129,617
FREE BASIC SERVICES	0	396,000	29,626				2,934,505
DBSA TOURISM TRAINING	0	44,775		(44,775)			425,626
PROVINCIAL TREASURY:DEV OF SCM PROVISIONS	0 0	497,789	37,197	(5,263)			0
				(29,619,085)			(29,619,085)
Total	138,342,470	267,859,355	11,243,356	(276,998,513)	(1,175,893)	(19,254,679)	120,016,096
LESS: EQUITABLE SHARE	0	27,708,849	0	(26,553,170)		(1,155,679)	0
	138,342,470	240,150,506	11,243,356	(250,445,343)	(1,175,893)	(18,099,000)	120,016,096

AUDIT ADJUSTMENTS FOR THE YEAR ENDED 30 JUNE 2008

Audit Finding	Affected Disclosure	Affected Pages on AFS	Audit Adjustment
EX 163	PPE note No. 9	1 & 19	Provision for bonus (13th cheque) amounting to R3 021 999.81 raised. Nyika Investment
EX 162	Non	2 , 3 & 35	Interest on R 2 500 000.00 loan to Nyika Investment raised as income in the current R 332 027.00.
EX 96.2	Policy No. 16	16	Interest on R 2 500 000.00 loan to Nyika Investment raised as income for previous years R 820 273.00.
EX 96.2	Note No.2	17	R 1 152 300.00 total interest accrued adjusted to provision for bad debts.
EX 96.2	Note No.5	17	R 3 652 300.00 Loan to Nyika Investment disclosed as fruitless expenditure : Capital and interest balance.
Non	Note No.14	22	Note heading changed from long term liabilities to non current liabilities.
EX 97.2	Note No.14	22	Leave and bonus provision balances raised disclosed as current provisions from non current.
EX 96.6	Note No.18	23	Lukhanji WSP shortfall of R 2 261 872.00 raised as a trade creditor.
EX 96.9	Note No.27	3 & 26	Lukhanji WSP shortfall of R 2 261 872.00 removed from contingent liabilities.
EX 96.9	Note No.37	3 & 30	RSC levy income of R 719 757.00 for prior years adjusted to accumulated surplus.
EX 96.9	Note No.37	3 & 30	RSC levy debtors of R 5 938 622.00 adjusted against the income suspense account.





Molteno town centre.



Auditor General

Chapter 4

Auditor General's Report



Queenstown town hall and street night scene.

Report of the Auditor-General

To the Eastern Cape Provincial Legislature and the Council on the Financial Statements and Performance Information of Chris Hani District Municipality for the year ended 30 June 2008

REPORT ON THE FINANCIAL STATEMENTS

INTRODUCTION

1. I was engaged to audit the accompanying financial statements of the Chris Hani District Municipality which comprise the statement of financial position as at 30 June 2008, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages [xx] to [xx].

Responsibility of the accounting officer for the financial statements

2. The municipal manager is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the 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) (PA), my responsibility is to express an opinion on these financial statements based on conducting the 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. Because of the matter(s) discussed in the Basis for disclaimer

of opinion paragraph(s), however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS OF ACCOUNTING

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

BASIS FOR DISCLAIMER OF OPINION

UNAPPROPRIATED SURPLUS

5. Debit journal entries of R967 million and credit journal entries of R992 million were processed to accumulated surplus in the general ledger. These transactions were not supported by appropriate documentation and explanations. The municipality's records did not permit the application of alternative to verify these journal entries. As a result, sufficient appropriate evidence could not be obtained to verify the valuation, existence and completeness of the unappropriated surplus balance of R65.5 million as disclosed in the statement of financial position and statement of changes in net assets, and the related expenditure, revenue, assets and liabilities as disclosed in the financial statements.

DEFERRED INCOME

6. The opening balance of R13.2 million could not be confirmed as it formed the basis for an adverse opinion that was issued in the prior year. No evidence could be obtained that the municipality corrected the misstatements identified in the account balance in the prior year. Consequently the opening balance remained misstated.
7. The municipality recorded R1.8 million as a depreciation charge in the deferred income account. The basis of calculation of this depreciation charge could not be provided. In the absence of adequate records by the municipality, no alternative procedures could be performed to confirm this amount. In addition, the depreciation charge has been recognised directly in accumulated



surplus. IAS 20 par 26 requires that the income be recognised as income over the useful life of the asset. Income is therefore understated and accumulated surplus overstated by the depreciation charge of R1.8 million.

8. As a results, I could not satisfy myself as to the valuation and existence of the deferred income balance of R12.6 million as disclosed in the statement of financial position.

PROVISIONS

9. Leave records were generally found to be in an unsatisfactory state. Leave records had not been regularly updated and leave forms had not been timeously filed in personnel files. In certain instances, attendance registers were not submitted and errors in capturing leave were noted. A recalculation of leave days revealed a significant number of differences between the leave administration system and leave records. The leave days as per the leave administration system have been used as a basis for calculating the leave pay provision.
10. Consequently, the completeness, existence and valuation of provisions as disclosed in the statement of financial position and completeness and accuracy of the related expense in the statement of financial performance could not be verified.

PAYABLES

11. The amount of R541 592 disclosed as other creditors in note 6 to the annual financial statements did not agree to the amount in the trial balance of R665 072. No explanation was obtained for the difference of R123 484. In addition, neither of these amounts agreed to the total on the creditors listing which amounted to R912 859. No explanations could be obtained for the difference.
12. Furthermore, it was noted that VAT on creditors listing amounting to R112 105 did not agree to VAT on outstanding creditors as disclosed in the annual financial statements which was R78 631. The difference of R33 474 could not be explained.
13. The total unspent grants as per the annual financial statements did not agree to the total per the unspent grants reconciliation submitted and Appendix F to the financial statements. This

was due to the omission of the provincial grants from the reconciliation. The opening and closing balances were adjusted by journal entries totalling R18 million without adequate and appropriate supporting documentation and for which no proof of council approval was provided. The unspent grants balance of R120 million in the statement of financial position is understated and unappropriated surplus is overstated by the amount of R18 million.

14. Uncleared suspense accounts in the general ledger totalled R318 467 at year end. Journal entries in the amount of R5.6 million debit and R5.5 million credit were processed to suspense accounts with insufficient supporting documentation. Suspense accounts and the related expense accounts were therefore understated with these amounts.
15. The municipality's records did not permit the application of alternative procedures. Consequently appropriate sufficient evidence could not be obtained to verify the completeness, valuation, rights and obligations and existence of the creditors' balance of R38.8 million as disclosed in note 6 to the financial statements, as well as completeness, accuracy and occurrence of the related expenditure in the statement of financial performance.

PROPERTY, PLANT AND EQUIPMENT

16. In terms of section 95(b) of the MFMA, the accounting officer should ensure that full and proper records of the financial affairs of the entity are kept. However, the fixed asset register and related records were not continuously and effectively monitored by management. The fixed asset register is not completely and accurately populated, not adequately maintained and not adequately supported by appropriate documentation. It was also not possible to locate certain assets for physical verification.
17. The fixed assets register could therefore not be used as a base for verifying the balance of property, plant and equipment as disclosed in the statement of financial performance. The municipality's records did not permit the application of alternative procedures. Consequently, I was unable to satisfy myself as to completeness, existence, rights and obligations, valuation and classification of property, plant and equipment of R20.7 million as disclosed in note 9 of the financial statements.

RECEIVABLES

18. Included in other debtors balance of R34 million as disclosed in the statement of financial position and note 14 are debtors of R32 million that have not been repaid for a number of years. Although the municipality has provided for R 12.9 million doubtful debts, a further R19.3 million is considered doubtful and should also be provided for. Consequently, debtors are overstated and expenditure is understated by R19.3 million.
19. Consumer debtors of Rnil are disclosed in the statement of financial position. This balance was reduced to Rnil by setting of a suspense account against consumer debtors, without appropriate and sufficient supporting documentation. As a result, debtors and suspense account are both understated by R5.9 million

CASH AND CASH EQUIVALENTS

20. Long outstanding deposits of R707 910 have not been processed. As a result, the bank balance is understated and the debtors balance is overstated by R707 910.

PRESENTATION AND DISCLOSURE

21. The municipality did not disclose its exposure to interest rate and credit risk as required by IAS 32 (AC 125) Financial instruments: Disclosure and presentation par. 67-76.
22. No disclosure of related parties was made in the financial statements as required by IAS 24 (AC 126) Related party disclosures. The municipality does not have a process in place to identify and disclose related parties, and information submitted was not sufficient and appropriate to identify related party transactions not disclosed. Consequently, completeness of related parties could not be verified.

CONTINGENT LIABILITIES

23. The required disclosures as required by GAMAP 19 have not all been made in note 34 to the annual financial statements. In addition, the municipality has no documented process to identify contingent liabilities. The municipality's records did not permit the application of alternative procedures.

24. Consequently I was unable to satisfy myself as to the completeness, valuation and disclosure of contingent liabilities as disclosed in note 34 to the annual financial statements.

EXPENDITURE

25. General journals with a credit value of R814 017 were processed without adequate and appropriate supporting documentation. The municipality's records and systems did not allow the application of alternative audit procedures. Consequently, it was not possible to obtain all the information and explanations that were considered necessary to gain assurance as to the completeness, occurrence, accuracy and classification of expenditure as disclosed in the statement of financial performance, and the related creditors in the statement of financial position.
26. The municipality did not maintain a register of operating leases and did not provide all lease agreements. As a result the existence and completeness of leased assets and completeness and accuracy of lease expenditure could not be verified. In addition the disclosures as required by IAS 17 Leases par 31 - 32 have not been made.

UNAUTHORISED EXPENDITURE

27. Section 1{1} of the MFMA defines unauthorised expenditure as overspending of the total amount appropriated in the municipality's approved budget.
28. The municipality overspent the total amount appropriated in the approved budget by R6.5 million. The overspending has not been disclosed as unauthorised expenditure in the financial statements.

FRUITLESS AND WASTEFUL EXPENDITURE

29. As disclosed in note 31 to the financial statements, an amount of R350 866 has been written off to the statement of financial performance. However, no evidence that the requirements of section 32{2} of the MFMA were complied with could be provided. As a result, expenditure as disclosed in the statement of financial performance is overstated and debtors as disclosed in the statement of financial position is understated by R350 866.



IRREGULAR EXPENDITURE

- 30. The municipality did not comply with its supply chain management policy as well as section 114 (1) of the MFMA during the year. As a result irregular expenditure of R15.7 million was incurred. The amount has not been disclosed as irregular expenditure in the financial statements.
- 31. In June 2004 the municipality advanced a 16an of R2.5 million to a private company in contravention of section 164 (1) of the MFMA. The capital of R2.5 million together with interest of R1.2 million is considered to be irregular expenditure due to the forbidden activity. The amount has only been disclosed as fruitless and wasteful expenditure in note 31 of the financial statements and not also as irregular expenditure.

OPINION

DISCLAIMER OF OPINION

- 32. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Chris Hani District Municipality. Accordingly, I do not express an opinion on the financial statements.

EMPHASIS OF MATTER

I draw attention to the following matter:

Highlighting critically important matters presented or disclosed in the financial statements

BASIS OF ACCOUNTING

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

OTHER MATTERS

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

INTERNAL CONTROLS

- 34. 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 adverse opinion. The root causes are categorised according to the five components of an effective system of internal control. In some instances deficiencies exist in more than one internal control component.

Reporting Item	Control environment	Risk Assessment	Control Activities	Information and Communication	Monitoring
Presentations and disclosure		X	X		X
Deferred income	X				
Accumulated surplus	X				
Receivables			X		X
Cash and cash equivalents			X		X
Contingent liabilities			X		X
Provisions	X				
Payables			X		X
Property, plant & equipment	X				
Expenditure			X		X
Unauthorised expenditure			X		X
Fruitless and wasteful expenditure			X		X
Irregular expenditure			X		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.

NON-COMPLIANCE WITH APPLICABLE LEGISLATION

MUNICIPAL FINANCE MANAGEMENT ACT

35. The annual report was not tabled Within 6 months after the end of the previous financial year as required by section 127 of the MFMA. To date, no evidence has been supplied that the annual report has been tabled.

36. The annual budget was not produced in the prescribed format, the time schedule was not tabled before council 10 months before the start of the year, the budget was not submitted to Treasury and the monthly reports on the state of the budget were not sent to Treasury as required by Chapter 4 of the MFMA. In addition, all necessary correspondence regarding the budget was not retained and submitted for audit.

37. The 2007 annual report does not contain the following information as required by section 121 of the MFMA:

- An assessment by the municipality's accounting officer of the municipality's performance against the measurable performance objectives referred to in Section 17(3)(b) for revenue collection from

each revenue source and for each vote in the municipality's approved budget for the relevant financial year;

- particulars of any corrective action taken or to be taken in response to issues raised in the audit reports by the Auditor-General;
- Names of the members of the audit committee.

38. Various weaknesses were identified in the internal audit function which was established in terms of section 165 of the MFMA.

39. No interest has been charged on the outstanding debtors as required by section 64 (2) (g) of the MFMA. My estimation of the interest that should have been charged as per the published prime rate is R3.9 million.

MATTERS OF GOVERNANCE

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



Matter of governance	Yes	No
Audit committee		
The municipality had an audit committee in operation throughout the financial year	X	
The audit committee operates in accordance with approved, written terms of reference.	X	
The audit committee substantially fulfilled its responsibilities for the year, as set out in Section 166 (2) of The MFMA.		X
Internal audit		
The municipality had an internal audit function in operation throughout the financial year.	X	
The internal audit function operates in terms of an approved internal audit plan.	X	
The internal audit function substantially fulfilled its responsibilities for the year, as set out in Section 165 (2) of the MFMA.		X
Other matters of governance		
The annual financial statements were submitted for audit as per the legislated deadlines in section 126 of the MFMA.		X
The annual report was submitted to the auditor for consideration prior to the date of the auditors report.		X
The financial statements submitted for audit were not subject to any material amendments resulting from the audit		X
No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.		X
The prior year's external audit recommendations have been substantially implemented.		X
Implementation of Standards of Generally Recognised Accounting Practise (GRAP)		
The municipality submitted an implementation plan, detailing progress towards full compoiance with GRAP, to the National Treasury and the relevant provincial treasury before 30 October 2007.		X
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.		X
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.		X

OTHER REPORTING RESPONSIBILITIES

REPORT ON PERFORMANCE INFORMATION

41. I was engaged to review the performance information.

RESPONSIBILITY OF THE ACCOUNTING OFFICER FOR THE PERFORMANCE INFORMATION

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

RESPONSIBILITY OF THE AUDITOR-GENERAL

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

44. 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.

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

AUDIT FINDINGS (PERFORMANCE INFORMATION)

NON-COMPLIANCE WITH REGULATORY REQUIREMENTS

46. Although a performance audit committee has been appointed, no budget has been allocated for the performance audit committee and no annual performance report was prepared by the municipality as required by section 46 of the Municipal Systems Act.

47. By inspection of the council minutes, no reports by the performance audit committee have been submitted to council.

48. The Integrated Development Plan does not include the key performance indicators and performance targets as required by the section 26(1) of the Municipal Systems Act (2000). In some instances the link between the IDP and the SDBIP is not clear.

49. No assessment was done by Internal audit of the functionality of the PMS system and whether it complies with the relevant laws and legislation.

50. By inspection of the performance contracts of section 57 managers, it was confirmed that the performance reviews are not done quarterly as required by the contract agreements.

LACK OF SUFFICIENT APPROPRIATE AUDIT EVIDENCE

51. The following information was not provided:

- The changes to the prior year IDP .
- The explanations regarding the absence of a direct link between the Budget and the IDP in terms of the priorities and objectives.
- Key controls regarding the input, processing and the output on the provision of basic water services .
- The system used to generate performance information as regards to fire, and solid waste management.

52. As noted on the risk register compiled by internal audit, there is a lack of a standardised performance reporting system in place to record performance information. A service provider has been engaged to develop a Scorecard, but it is not yet in place.

OTHER REPORTS

INVESTIGATIONS

53. A forensic investigation was undertaken by KPMG into financial assistance that the municipality had provided to Dordrecht Dairy Producers during prior financial years to establish a cheese factory.

54. The cheese factory has since been closed down due to financial difficulties.

55. The report by KPMG did not indicate that any irregularity had occurred on the part of the municipality.

APPRECIATION

The assistance rendered by the staff of the Chris Hani District Municipality during the audit is sincerely appreciated.

Auditor-General.

East London
20 February 2009





Action plan

Audit report findings 2007 - 08 -16 Feb 2009

AUDIT REPORT FINDING:	BASIS OF ACCOUNTING AND FRAMEWORK (ITEM 7 TO 8)	<p>IAS 32 (AC 125) Financial instruments: Disclosure and presentation par. 67 - 75 states that: for each class of financial assets and financial liabilities, disclose information about the entity's exposure to interest rate risk, including: (a) contractual repricing or maturity dates, whichever dates are earlier; and (b) effective interest rates, when applicable. And various other paragraphs relating to disclosure requirements regarding credit risk exposure and details of such exposure per financial asset and liabilities. However no disclosures have been made of interest rate risk in the financial statements.</p> <p>Par. 76 states that: For each class of financial assets and other credit exposures, disclose information about the entity's exposure to credit risk, including: (b) significant concentrations of credit risk. The municipality however made no specific disclosure of these concentrations in the financial statements.</p> <p>IAS 24 (AC 126) Related party disclosures, requires the disclosure of the identification of all related parties and details of transactions with all those related parties that the municipality transacted with. The municipality does not have a process in place to identify and disclose related parties. Consequently, no disclosure of related parties was made in the financial statements. The municipality's records did not permit application of adequate alternative procedures.</p>			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTION(S) TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	Budget & Treasury Office			By Management	By Auditor General
	- Chief Financial Officer	Disclose financial assets and financial creditors information as per IAS 32 (AC 125) paragraphs 67 - 75 and as well exposure to credit risk per paragraph 76.	30-Mar-09	Outstanding	Outstanding
		Develop procedures / process to identify related parties and circulate draft to directorates for further inputs.	30-Mar-09	Done	Not applicable
		Request confirmation for related party transactions from Councilors and key management staff for 2007 - 08	30-Mar-09	Done	Not applicable
		Disclose the requirements of IAS 24 (Ac 126) on related party transactions.	30-Mar-09	Done	Outstanding
AUDIT REPORT FINDING:	GOVERNMENT GRANT RESERVE (ITEM 9 TO 11)	<p>The opening balance of R13.2 million could not be confirmed as it formed the basis for an adverse opinion that was issued in the prior year. No evidence could be obtained that the municipality corrected the misstatements identified in the account balance in the prior year. Consequently the opening balance remained misstated.</p> <p>The municipality recorded R1.8 million as a depreciation charge in the government grant reserve. The basis of calculation of this depreciation charge could not be provided. In the absence of adequate records by the municipality, no alternative procedures could be performed to confirm this amount.</p>			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE AUDIT REPORT FINDING:	PROPOSED ACTION(S) TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	Budget & Treasury Office			By Management	By Auditor General
	- Chief Financial Officer	Provide the basis of depreciation calculation of R 1.8 m as queried by auditors.	31-Mar-09	Outstanding	Outstanding
	- Senior Accountant-reporting	Prepare a schedule of all assets that were funded from grants and reconcile to opening balance of R 13.2 million.	30-Apr-09	Outstanding	Outstanding

AUDIT REPORT FINDING:	ACCUMULATED SURPLUS (ITEM 12)	Journal entries with a debit balance of R967 million and a credit balance of R992 million were processed, with no supporting documentation or explanations provided.			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTION(S) TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	Budget & Treasury Office			By Management	By Auditor General
	- Chief Financial Officer	Prepare item to Council explaining unavailability of supporting documentation in previous and prior years transactions cleared during the Financial year.	28-Feb-09	Done and completed	Outstanding
AUDIT REPORT FINDING:	RECEIVABLES (ITEM 14 TO 15)	Debtors to the amount of R29.3 million have been outstanding since the previous year with no payments received from July 2007 until September 2008. Although no test for impairment was performed, a provision for bad debts of R10 million was raised resulting in the balance of R19.3 million not being provided for. Consequently, debtors were overstated by R19.3 million and the provision for doubtful debts was understated by the same amount. The balance on consumer debtors was reduced to zero by means of a journal entry debiting the suspense account and crediting debtors with R5.9 million. No supporting documentation was produced.			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTION(S) TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	Municipal manager's Office			By Management	By Auditor General
	- Municipal manager	Make sure that the agreements on loan debtors with State institutions are in place and reviewed to ensure clarity on repayment terms and interest to be raised.	30-May-09	Outstanding	Outstanding
	Budget & Treasury Office				
	- Chief Financial Officer	Make sure that the agreements on other debtors with State institutions are in place and reviewed to ensure clarity on repayment terms and interest to be raised.	30-May-09	Outstanding	Outstanding
		Report uncollectible debtors with a view to write off to Council	30-May-09	Outstanding	Outstanding
	- Asst. Director: Finance	Hand over collectible debtors to Councils' Attorneys for collection.	30-Apr-09	Outstanding	Outstanding
	- Asst. Director: Finance	Raise applicable interest on outstanding balances.	30-Jun-09	Outstanding	Outstanding
AUDIT REPORT FINDING:	CASH AND CASH EQUIVALENTS (ITEM 17)	Included in the bank reconciliation were reconciling items including long outstanding deposits not processed of R707 910, long outstanding ACB payments which have not yet reached the recipients of R18 884 and unknown reconciling items amounting to R28 800. Supporting documentation for these amounts were not provided.			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTION(S) TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	Corporate Services			By Management	By Auditor General
	- Director Corporate services	Include a paragraph in bad debt policy to deal with unidentified deposits.	30-Mar-09	Outstanding	Outstanding
	Budget & Treasury Office. - Chief Financial Officer	Report unidentified deposits with a view to write off / in to Council inline with approved policy.	30-Apr-09	Outstanding	Outstanding
	- Senior Accountant- reporting	Clear bank reconciliation of all long outstanding reconciling items.	30-Mar-09	Outstanding	Outstanding
AUDIT REPORT FINDING:	CONTINGENT LIABILITIES (ITEM 18 TO 19)	<p>According to GAMAP 19 par. 98: Unless the possibility of any outflow in settlement is remote, an entity shall disclose for each class of contingent liability at the reporting date a brief description of the nature of the contingent liability and, where practicable: (a) an estimate of its financial effect, measured under paragraphs, 44 to 60 (b) an indication of the uncertainties relating to the amount or timing of any outflow; and (c) the possibility of any reimbursement.</p> <p>The required disclosures as described in paragraph 33 above have not all been made in note 34 to the annual financial statements. In addition, the municipality has no documented process to identify contingent liabilities. The municipality's records did not permit the application of alternative procedures.</p>			



AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTION(S) TO BE TAKEN	TARGET DATE	PROGRES REPORT	
				By Management	By Auditor General
	Budget & Treasury Office				
	- Chief Financial Officer	Prepare a documented process to identify contingent liabilities.	30-Apr-09	Outstanding	Outstanding
		Disclose all the pending matters with Council attorneys on the annual Financial statements in terms of GAMAP 19.	30-Jun-09	Outstanding	Outstanding
	- Asst. Director: Finance	Raise retentions on completed projects as normal liabilities.	30-Apr-09	Outstanding	Outstanding
AUDIT REPORT FINDING:	PROVISIONS (ITEM 21)	Leave records were generally found to be in an unsatisfactory state. Leave records had not been regularly updated and leave forms had not been timeously filed in personnel files. In certain instances, attendance registers were not submitted and errors in capturing leave were noted. A recalculation of leave days revealed a significant number of differences between the leave administration system and leave records. The leave days as per the leave administration system have been used as a basis for calculating the leave pay provision.			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTION(S) TO BE TAKEN	TARGET DATE	PROGRES REPORT	
				By Management	By Auditor General
	Corporate Services				
	- Director Corporate services	Workshop to be conducted once more on collective agreement. Circular to be issued to all.	30-May-09	Outstanding	Outstanding
		Ensure compliance with statutory leave. Leave balance will be circulated to all HOD's on the first week of each month for update. To be monitored regularly.	30-May-09	Outstanding	Outstanding
	Municipal manager's Office				
	- Municipal manager	Chair a meeting between Finance & Corporate services to ensure equitable segregation of duties in areas of common functionality.	30-Apr-09	Outstanding	Outstanding
AUDIT REPORT FINDING:	PAYABLES (ITEM 23 TO 27)	<p>The amount of R541 592 disclosed as other creditors in note 6 to the annual financial statements did not agree to the amount in the trial balance of R665 072. No explanation was obtained for the difference of R123 484. In addition, neither of these amounts agreed to the total on the creditors listing which amounted to R912 859. No explanations could be obtained for the difference.</p> <p>Furthermore, it was noted that VAT on creditors listing amounting to R112 105 did not agree to VAT on outstanding creditors as disclosed in the annual financial statements which was R78 631. The difference of R33 474 could not be explained.</p> <p>The total unspent grants as per the annual financial statements did not agree to the total per the unspent grants reconciliation submitted and Appendix F to the financial statements. This was due to the omission of the provincial grants from the reconciliation and the opening and closing balances being adjusted by journal entries totaling R18 million without adequate and appropriate supporting documentation and for which no proof of council approval was provided.</p> <p>The trial balance for the year ended 30 June 2008 had a total balance of suspense accounts amounting to R318 467 that were not cleared at year-end. Furthermore sufficient and appropriate documentation supporting the origination, clearing entries and movement in the current year of R5.6 million debit and R5.5 million credit in these suspense accounts could not be provided.</p>			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTION(S) TO BE TAKEN	TARGET DATE	PROGRES REPORT	
				By management	By Auditor General
	Budget & Treasury Office				
	- Chief Financial Officer	Prepare item to Council explaining unavailability of supporting documentation in previous and prior years transactions cleared during the Financial year.	28-Feb-09	Done and completed	Outstanding
	- Senior Acc. Reporting	Clear bank related suspense accounts	30-Apr-09	Outstanding	Outstanding

	- Asst. Director: Finance	Clear other suspense accounts	30-Apr-09	Outstanding	Outstanding
		Investigate the reported difference between annual financial statements and appendix F, once determined submit for audit inspection.	30-Apr-09	Outstanding	Outstanding
		Investigate the reported difference on the creditors listing (R 912 859) to annual financial statements, once determined submit for audit inspection.	30-Mar-09	Outstanding	Outstanding
		Investigate the reported differences on VAT creditors listing (R 33 474) to annual financial statements, once determined submit for audit inspection.	30-Mar-09	Outstanding	Outstanding
	- Systems Administrator	Investigate the reported difference on the creditors per Note 6 (R 123 4849) on the trial balance, once determined submit for audit inspection.	30-Apr-09	Outstanding	Outstanding
AUDIT REPORT FINDING:	PROPERTY, PLANT AND EQUIPMENT ITEM 28 TO 30	<p>In term of section 95(b) of the MFMA, the accounting officer should ensure that full and proper records of the financial affairs of the entity are kept. However, adequate controls were not exercised over fixed assets during the year under review. This is as a result of asset records not being continuously and effectively monitored by management. The asset register is deficient in that it is not completely and accurately populated and therefore not adequately maintained and not adequately supported by appropriate documentation. Based on the above deficiencies, it was also not possible to locate assets for physical verification.</p> <p>In addition, separate accounts do not exist in the general ledger for the various categories of depreciation and accumulated depreciation. Consolidated journal entries used to process depreciation, were not accompanied by detailed supporting documentation. The depreciation as per the fixed asset register also differed from the depreciation disclosed in the statement of financial performance by R66 980.</p> <p>The municipality's records did not permit the application of alternative procedures. Consequently, I was unable to satisfy myself as to completeness, existence, rights and obligations valuation and classification of property, plant and equipment of R20.7 million as disclosed in note 9 of the financial statements.</p>			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTION(S) TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	Budget & Treasury Office			By Management	By Auditor General
	- Chief Financial Officer	Review asset management policy and develop accompanying procedures.	30-Apr-09	Outstanding	Outstanding
	- Senior Acc. Reporting	Isolate non-CHDM assets from the asset register.	30-Mar-09	Outstanding	Outstanding
		Attend to all asset register data related queries raised during the 2007 - 08 audit	30-Apr-09	Outstanding	Outstanding
		Request a report from each directorate for assets funded from grants during 2008 - 09 and explanation if such assets belong to CHDM or are donated to the LED / Other related projects .	30-Mar-09	Outstanding	Outstanding
		Perform a physical verification of assets.	30-Jun-09	Outstanding	Outstanding
- Systems Administrator	Create ledger account for various categories of accumulated depreciation per note 9 to Annual financial statements.	30-Mar-09	Outstanding	Outstanding	
AUDIT REPORT FINDING:	EXPENDITURE (ITEM 31 TO 32)	General journals with a credit value of R814 017 submitted did not have adequate and appropriate supporting documentation.			



AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTION(S) TO BE TAKEN	TARGET DATE	PROGRES REPORT	
				By management	By Auditor General
	Budget & Treasury Office				
	- Asst. Director: Finance	Investigate Auditor General's non acceptance of the presented document, effect necessary corrections and resubmit for audit inspection.	30-Mar-09	Outstanding	Outstanding
AUDIT REPORT FINDING:	LEASES (ITEM 33)	The municipality did not maintain a listing of assets held under operating leases. In addition, not all lease agreements were provided. Therefore the existence and completeness of leased assets could not be verified. In addition the leases / rentals paid of R378 504 were not disclosed in notes to the annual financial statements.			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTION(S) TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	Municipal manager's Office				By Management
	- Supply Chain manager	Appoint a Contracts officer / clerk.	30-Mar-09	Outstanding	Not applicable
	Budget & Treasury Office				
	- Chief Financial Officer	Disclose lease rentals separately.	30-Mar-09	Done and completed	Outstanding
		Request the directorates to submit lists of leased equipment with rental / lease agreements.	30-Mar-09	Outstanding	Not applicable
		Circulate the existing list to all the directorates for comparison purposes.	30-Mar-09	Done and completed	Not applicable
	- Senior Acc. Reporting	Prepare a Consolidated list of leases and keep a file of all lease agreements.	30-Apr-09	Outstanding	Not applicable
		Account separately for lease rental from printing and stationery with effect from July 2008 to date and onwards.	30-Mar-09	Outstanding	Not applicable
	Corporate Services				
	- Director Corporate services	Prepare and maintain a register of leases	30-Apr-09	Outstanding	Outstanding
AUDIT REPORT FINDING:	UNAUTHORISED EXPENDITURE (ITEM 34 TO 37)	<p>Section 1(b) of the MFMA defines unauthorised expenditure as overspending of the total amount appropriated for a vote in the approved budget.</p> <p>The following expenditures were incurred that were not provided for the approved budget; Remuneration of councillors exceeded by R18 830, bad debts exceeded by R1.4 million, depreciation exceeded by R1.6 million, interest paid exceeded by R384 394, contributions to provisions exceeded by 1.5 million and General expenses - Conditional grants exceeded by R4.5 million.</p> <p>According to the Division of Revenue Act and the conditions set by the Department of Provincial and Local Government, MIG funds may not be spent outside the framework of the municipality's per-existing Integrated Development Plan and its approved budget. MIG funds were spent on projects that were not specified on the IDP and not budgeted for the value of R2.5 million. This expenditure is considered to be unauthorised expenditure.</p> <p>The above amounts have not been disclosed as unauthorised expenditure in the annual financial statements.</p>			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTION(S) TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	Budget and Treasury				By Management
	- Chief Financial Officer	Disclose amounts queried above as unauthorised expenditure on the financial statements.	30-Mar-09	Done and completed	Outstanding
		Obtain clarity on interpretation of vote from National Treasury.	30-Apr-09	Outstanding	Outstanding
	Technical Services				
	- Director Technical services	Obtain clarity of vote regarding MIG expenditure from MIG guidelines.	30-Apr-09	Outstanding	Outstanding

AUDIT REPORT FINDING:	FRUITLESS AND WASTEFUL EXPENDITURE (ITEM 38)	An amount of R350 866 has been transferred to the statement of financial performance as having been condoned, while no evidence was produced that it has been condoned.			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTION(S) TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	Budget and Treasury			By Management	By Auditor General
	- Chief Financial Officer	Make information available to the Municipal Manager for further processing and decision making.	30-Apr-09	Outstanding	Outstanding
		Request directorates to submit information on transactions that have resulted in fruitless expenditure being incurred for 2008/09.	30-Mar-09	Done	Not applicable
		Consolidate information received from directorates and submit to Council for authorisation / Condonation.	30-Apr-09	Outstanding	Outstanding
AUDIT REPORT FINDING:	IRREGULAR EXPENDITURE (ITEM 39 TO 45)	<p>On the contract for the Indwe Bucket Eradication project, the contractor awarded the tender was not the contractor who scored the highest number of points. This contractor's quote also exceeded the budget as well as the highest-scoring bid by R10 million. The departure from the supply chain management policy was not communicated to the Auditor-General and Treasury as required by section 114(1) of the MFMA. All payments to this contractor are considered irregular. The irregular expenditure for the year under review amounts to R15.7 million.</p> <p>According to SCM policy par. 15.1(a) quotations must be obtained in writing form at least three different providers whose names appear on the list of accredited prospective providers of the municipality. Suppliers who are not on the list of approved suppliers received payments during the year of R40 253. Since these purchases were made in contravention of the Act, the expenditure will be considered as irregular.</p> <p>The above amount has not been disclosed as irregular expenditure in the annual financial statements.</p> <p>MFMA Section 164 Forbidden activities (1) No municipality or municipal entity may - (c) make loans to - (iii) members of the public.</p> <p>However in June 2004 the municipality advanced a loan of R2.5 million to Nyika Investments, a private company registered in Sandton, Johannesburg for development of a business plan for a milk and sweet drink plant to be erected in the Chris Hani District Municipality. The capital of R2.5 million together with interest of R1.2 million is considered to be irregular expenditure due to the forbidden activity.</p> <p>The above amounts have been disclosed as fruitless and wasteful expenditure but not as irregular expenditure in note 31 to the annual financial statements.</p>			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTION(S) TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	Technical Service			By Management	By Auditor General
	- Director Technical services	Scrutinise all the minutes e.g tapes and written, if in agreement with the audit query regarding the Indwe Bucket Eradication project, report matter to Council for condonation.	30-Mar-09	Outstanding	Outstanding
	Municipal manager's Office				
	- Supply Chain manager	Refer matter to Council on practical difficulties experienced regarding suppliers not on the data base for condonation.	30-Mar-09	Outstanding	Outstanding
	Budget and Treasury				
	- Chief Financial Officer	Disclose items per audit query 39 to 45 as irregular expenditure.	30-Mar-09	Done and completed	Outstanding



AUDIT REPORT FINDING: OTHER MATTERS	GOING CONCERN (ITEM 47)	The statement of financial performance reflects a deficit for the year and the statement of financial position reflects a net asset position. If the financial statements were adjusted with all unadjusted entries, a greater deficit would have been recorded. These matters are highlighted as going concern risks, and were it not for the continued support of central government; it is uncertain whether the municipality would be able to continue operating as a going concern in the foreseeable future.			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTION(S) TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	Budget & Treasury Office			By Management	By Auditor General
	- Chief Financial Officer	Note going concern risk	30-Mar-09	Done and completed	Done
	MUNICIPAL FINANCE MANAGEMENT ACT (ITEM 50 TO 57)	<p>On review of the municipality's internal control systems, the auditors determined that although the municipality does have a fraud prevention (FPP), it is a draft report, and has not yet been approved by council and implemented.</p> <p>The annual report was not tabled within 6 months after the end of the previous financial year. To date, no evidence has been supplied that the annual report has been tabled. Furthermore there was no evidence to indicate that the mayor had complied with requirements 3(a) and (b) for the reasons of not submitting the annual report with the required timeframe. The annual budget was not produced in the prescribed format, the time schedule was not tabled before council 10 months before the start of the year, the budget was not submitted to Treasury and the monthly reports on the state of the budget were not sent to Treasury, in addition, all necessary correspondence regarding the budget was not retained and submitted for audit.</p> <p>The 2007 annual report does not contain: An assessment by the municipality's accounting officer of the municipality's performance against the measurable performance objectives referred to in Section 17(3)(b) for revenue collection from each revenue source and for each vote in the municipality's approved budget for the relevant financial year; particulars of any corrective action taken or to be taken in response to issues raised in the audit reports by the Auditor-General; names of the members of the audit committee. The transfer agreement or Contract for the Transfer of Water Service Provision was not signed by both the representatives of the Department of Water Affairs and Forestry and the Chris Hani Municipal Manager.</p> <p>Various weaknesses were identified in the internal audit function.</p> <p>GRAP 1 Presentation of financial statements, par. 11 states that financial statements should provide information on whether resources were obtained and used in accordance with the legally adopted budget. No such disclosure has been made in the financial statements. No interest has been charged on the outstanding debtors as required by section 64 (2) (g) of the MFMA. My estimation of the interest that should have been charged as per the published prime rate is R3.9 million.</p>			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON		TARGET DATE	PROGRES REPORT	
	Municipal manager's Office			By Management	By Auditor General
	- Municipal manager	Table the annual report to Council ,explain the reason for not tabling same within the required timeframe and request condonation for non compliance in meeting the submission date per the MFMA.	30-Mar-09	Outstanding	Outstanding
		Advise and assist the Executive Mayor to comply with the provisions of section 3(a) and (b) of the MFMA, after obtaining clarity from the Auditor General as to the relevance of sections 3(a) and (b) on Annual reports.	30-Apr-09	Outstanding	Outstanding
	Ensure that the 2007 / 2008 Annual report contains an assessment against the measurable performance objectives in terms of section 17 (3) (b) of the MFMA,after obtaining clarity from the Auditor General as to the relavance of section 17(3) to Annual reports.	30-Apr-09	Outstanding	Outstanding	

	- Senior Internal Auditor	Obtain further details from the Auditor General on various weaknesses identified and reported per paragraph 55 of the Audit report.	30-Apr-09	Outstanding	Outstanding
		Provide evidence to the Auditor General that the Fraud Prevention Plan (FPP) has been approved by Council.	30-Apr-09	Outstanding	Outstanding
	Technical Services				
	- Director Technical services	Demonstrate to the Auditor General that the Transfer of Water Services Provision agreement was indeed duly signed by all parties.	30-Apr-09	Outstanding	Outstanding
	Budget & Treasury Office				
	- Chief Financial Officer	Obtain further details from the Auditor General regarding monthly budget expenditure reports that were not forwarded to Treasury and also the budget correspondence not retained and submitted for audit as reported per paragraph 52 of the Audit report.	30-Apr-09	Outstanding	Outstanding
		Ensure that loan / debtor agreements with local municipalities and state departments are in place and that interest to be charged in terms of section 64 (2) of the MFMA is recognised in the agreements.	30-Apr-09	Outstanding	Outstanding
		Ensure that the time schedule for the preparation of the annual budget for 2010 / 2011 is tabled before Council 10 months before the start of the Financial year.	30-Jul-09	Outstanding	Outstanding
		Ensure that the annual budget is produced on the prescribed format for 2009 / 2010	30-May-09	Outstanding	Outstanding
		Ensure that the requirements of GRAP 1, paragraph 11 regarding resources obtained and utilisation thereof in accordance with legally adopted budget are properly disclosed in the 2008/09 Annual financial statements.	30-Jul-09	Outstanding	Outstanding
		Ensure that the requirements of section 64 (2) of the MFMA regarding charging of interest on outstanding debtors are complied with.	30-Jul-09	Outstanding	Outstanding
	MATTERS OF GOVERNANCE (ITEM 58)	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 correct implementation of certain key governance responsibilities, which have been assessed as follows:			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTION(S) TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	Municipal manager's Office			By Management	By Auditor General
	- Municipal manager	To adjust the 9 million. Raise interest per agreement on loans given to government. Comply with the act and raise the interest on all collected debtors. Make sure that the debtors are collectable and those that are collectable to pay interest. Those that are not collectable to apply to the Council for write off.			



OTHER REPORTING RESPONSIBILITIES	NON-COMPLIANCE WITH REGULATORY REQUIREMENTS (ITEM 65 TO 74)	<p>The following information was not availed to us for review during the execution of our audit procedures;</p> <p>The changes to the prior year IDP could not be available for audit</p> <p>The explanations regarding the absence of a direct link between the Budget and the IDP in terms of the priorities and objectives.</p> <p>Key controls regarding the input, processing and the output on the provision of basic water services.</p> <p>The system used to generate performance information as regards to fire, and solid waste management.</p> <p>In terms of the Municipal Planning and Performance Management Regulations S14 Internal auditing of performance measurements. -(1) (a) A municipality must develop and implement mechanisms, systems and processes for auditing the results of performance measurements as part of its internal auditing processes. (2) (a) A municipality must annually appoint and budget for a performance audit committee consisting of at least three members, the majority of which may not be involved in the municipality as a councillor or an employee.</p> <p>As noted on the risk register compiled by internal audit, there is a lack of a standardised performance reporting system in place to record performance information. A service provider has been engaged to develop a Scorecard, but it is not yet in place. In addition, a performance audit committee has been appointed, but no budget for the year nor any performance information has been submitted for audit. By inspection of the performance contracts of section 57 managers, it was confirmed that the performance reviews are not done quarterly as required by the contract agreements.</p> <p>By inspection of the council minutes, no reports by the performance audit committee have been submitted to council. No annual performance report was prepared by the municipality.</p> <p>The Integrated Development Plan does not include the key performance indicators and performance targets as required by the section 26(1) of the Municipal Systems Act (2000). No assessment was done by the Internal audit of the functionality of the PMS system and whether it complies with the relevant laws and legislation. There is no evidence of the link in processes between the PMS and the IDP as required in terms of Regulation 7(2)g. No KPIs are included in the IDP as required by sec 43, and Reg 10. No control mechanisms in place to ensure that the service level agreements entered with third parties are linked to the KPIs. There was no participation of the community in the setting up of KPIs.</p> <p>The Performance Management System has not been fully developed to ensure that what ever changes made to the IDPs, the KPIs affected by such changes are also reviewed. In some instances the link between the IDP and the SDBIP is not clear.</p>
---	--	--

AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTION(S) TO BE TAKEN	TARGET DATE	PROGRES REPORT	
				By Management	By Auditor General
	Municipal manager's Office				
	- Municipal manager	Develop the Performance Management System fully so as to ensure that what ever changes made to the IDPs,reflect on the affected KPI's.	30-May-09	Outstanding	Outstanding
		Ensure that in-year reports by the performance audit committee are submitted to Council and that the annual performance report is prepared by the municipality for the next financial year.	30-Jun-09	Outstanding	Outstanding
		Ensure that there is a clear linking processes between the PMS and the IDP as required in terms of Regulation 7(2)g.	30-Jun-09	Outstanding	Outstanding
		Ensure that the performance reviews are done quarterly as required by the contract agreements of section 57 managers.	30-Jul-09	Ongoing	Outstanding

	- Senior Internal Auditor	Do an assessment of the functionality of the PMS system and check whether it complies with the relevant laws and legislation.	30-Jun-09	Outstanding	Outstanding
		Develop a standardised performance reporting system to record performance information (e.g a Score card) and ensure that it forms part of the Risk register.	30-Jun-09	Outstanding	Outstanding
Intergrated Planning & Economic Development (IPED)					
	- Director IPED	Ensure inclusion of the listed information requirements in the IDP and avail same for Audit as detailed below:	30-May-09	Outstanding	Outstanding
		The changes to the prior year IDP	30-May-09	Outstanding	Outstanding
		The explanations regarding the absence of a direct link between the Budget and the IDP in terms of the priorities and objectives.	30-May-09	Outstanding	Outstanding
		Key controls regarding the input, processing and the output on the provision of basic water services.	30-May-09	Outstanding	Outstanding
		The system used to generate performance information as regards to fire, and solid waste management.	30-May-09	Outstanding	Outstanding
		Ensure that in all instances the link between the IDP and the SDBIP is made clear.	30-May-09	Outstanding	Outstanding
		Ensure that the Integrated Development Plan includes the key performance indicators and performance targets as required by section 26(1) of the Municipal Systems Act (2000).	30-May-09	Outstanding	Outstanding
		Ensure community participation in the setting up of (IDP) KPI's.	30-May-09	Outstanding	Outstanding
		Ensure that KPI's are included in the IDP as required by sec 43, and Reg 10.	30-May-09	Outstanding	Outstanding
		Develop control mechanisms to ensure that the service level agreements entered with third parties are linked to the KPI's.	30-Jun-09	Outstanding	Outstanding
	OTHER REPORTING RESPONSIBILITIES	INVESTIGATIONS (ITEM 75 TO 77)	<p>A forensic investigation was undertaken by KPMG into financial assistance that the municipality had provided to Dordrecht Dairy Producers during prior financial years.</p> <p>According to the report by KPMG, the municipality had, in July 2004, agreed to provide an amount of R2.6 million for the construction of the factory and a further R700 000 to purchase equipment. The construction was undertaken by HDM construction who was appointed by the municipality. An inspection report subsequent to the construction was undertaken on 24 November 2005 and reflected that there were a number of defects in the construction. Subsequent to this the municipality transferred a further amount of R308 000 in May 2006 and R282 000 in August 2006 for further construction by HDM construction. This was part of funds allocated by DEAET for the development of the cheese factory. A further amount of R200 000 was transferred in November 2006.</p> <p>After discussions with the municipal manager and inspection of the KPMG report, the conclusion is that the investment in the cheese factory was an investment in an LED project made in good faith, and that no irregularity has occurred on the part of the municipality.</p>		
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTIONS TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	Municipal Manager			By management	By Auditor General
	- Municipal manager	Note the audit outcome on the investigation under way	30-Mar-09		Done



AUDIT COMMITTEE REPORT FOR THE YEAR ENDED 30 JUNE 2008

Report of the Audit Committee (AC) issued in terms of the Municipal Finance Management Act NO. 56 of 2003 (MFMA).

The AC is pleased to present our report for the financial year ended 30 June 2008.

Audit Committee Members and Attendance of Meetings

The AC consists of the members listed hereunder and meets at least four times per annum as per its terms of reference. During the reporting period five meetings were held.

Details of meetings attended during the year then ended are:

NAME	NO OF MEETINGS ATTENDED
Mr. A. Yeboah (Chairperson)	5
Mrs. T. Putzier	5
Mr. J. Emslie	3

AC Responsibilities

The AC's role is to assist CHDM in attending to matters affecting both Internal and External Auditing. It strives to achieve this by operating within the AC Charter, which was adopted by the Committee.

The AC continued its highly valued professional relationship with the Office of the Auditor General and the committee wishes to acknowledge the value it attaches to the Auditor General's recommendations.

Internal Control Issues

Good corporate governance principles dictate that risks and deficiencies identified and reported should be timeously addressed.

In view thereof, the AC addressed the following during the 2007/2008 financial year:

- Supply Chain Management
- Disaster Management
- Risk Management
- Clinics and Medicine Dispensing

In respect of Risk Management, PricewaterhouseCoopers was engaged in the financial year to conduct a risk assessment workshop of risk facing the CHDM. These risks were identified and ranked in order of their importance.



The Effectiveness of Internal Control

The National Treasury was requested to document the systems description of the CHDM and its enterprises in order to enhance adherence to internal controls and a systematic workflow. The system of controls is designed to provide cost effective assurance that assets are safeguarded and liabilities and working capital are efficiently managed.

In line with the MFMA and the King II Report on Corporate Governance, the internal Audit function provides Management and the AC with assurance that the internal controls are appropriate and effective. This is achieved by means of a risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

Capacity Issues Noted

The AC has noted persistent capacity problems facing the Municipality, especially in the Internal Audit and Finance Directorate. This has affected the preparation of the annual financial statements and service delivery in general. In an attempt to address capacity in the internal audit, some interns have been engaged; however, the AC recommends the appointment of an Internal Audit Manager, whose status should not be lower than deputy director.

In another development, the CHDM has adopted and facilitated a cluster audit committee to embrace the Local Municipalities, which hitherto struggled to establish audit committees in their own right. Three cluster ACs were established as a result.

Evaluation of Annual Financial Statements

The AC has:

- Reviewed and discussed the audited annual financial statements included in the annual report with the Office of the Auditor General and the Accounting Officer;
- Reviewed changes in accounting policies and practices;
- Reviewed significant adjustments resulting from the audit;
- Reviewed the action plans drawn by management to address various deficiencies in the annual financial statements.

The AC agrees and accepts the Office of the Auditor General's conclusions on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report.

A. Yeboah
Chairperson of Audit Committee

