

LUKHANJI MUNICIPALITY ANNUAL REPORT 2008/09

CONTENTS

FOREWORD	1-2
THE YEARLY PROGRAM PRIORITIES' STATEMENT BY THE MUNICIPAL MANAGER	3-6
OVERVIEW OF THE MUNICIPALITY	7-8
CHAPTER 1: HUMAN RESOURCE AND OTHER ORGANISATION MANAGEMENT	9
1.1 ADMINISTRATIVE STRUCTURE	9
1.2 MACRO STRUCTURE	9
1.3 STAFF DEVELOPMENT INITIATIVES	10
1.4 KEY HUMAN RESOURCES STATISTICS PER FUNCTIONAL AREA	10
1.4.1 Municipal Manager, Section 57 and Line Managers	10
1.4.2 Municipal Managers Office	11
1.4.3 Administration and Human Resources	11
1.4.4 Budget & Treasury	11
1.4.5 Estates & Planning	12
1.4.6 Technical Services	12-13
1.4.7 Community Services	13
1.4.8 Levels of Education and Skills	13
1.5 TRENDS ON THE TOTAL PERSONNEL EXPENDITURE	13
1.6 THE NUMBER AND NAME OF PENSION AND MEDICAL AID FUNDS	14
1.7 EMPLOYMENT EQUITY RATIO	14
1.8 DISCLOSURES	15
1.8.1 Councillors	15
1.8.2 Senior Officials	15
1.9 IMPLEMENTATION OF PERFORMANCE MANAGEMENT SYSTEM	16
1.10 ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT	17
1.11 MAJOR CHALLENGES AND REMEDIAL ACTIONS IN REGARD TO HUMAN RESOURCE AND ORGANISATIONAL MANAGEMENT	18
CHAPTER 2: BASIC SERVICE DELIVERY PERFORMANCE HIGHLIGHTS (KPA 2)	19
2.1 WATER AND SANITATION SERVICES DELIVERY STRATEGY AND MAIN ROLE-PLAYERS	19
2.1.1 Urban Water and Sanitation Maintenance	19

2.1.2	Rural Water and Sanitation Maintenance	20
2.1.3	Levels and standards in water services	20-21
2.1.4	Level and standards in sanitation services	21
2.1.5	Annual performance as per key performance indicators in water services	21-22
2.1.6	Major challenges in water services and remedial actions	22
2.1.7	Major challenges in sanitation services	
2.2	ELECTRICITY SERVICES	22
2.2.1	Background	22
2.2.2	Electrification Programme	23
2.2.3	Annual performance as per key performance indicators in Electricity services	23
2.2.4	Major Challenges	2 4
2. 3	ROAD MAINTENANCE	24
2.3.1	Road maintenance services delivery strategy and main role-players	24
2.3.2	Capital Roads Projects	25
2.3.3	Level and standards in road maintenance services	26
2.3.4	Annual performance as per key performance indicators in road maintenance services	26
2.3.5	Major challenges in road maintenance services and remedial actions	26
2.4	WASTE MANAGEMENT	27-29
2.4.1	Waste Management services delivery strategy and main role players	27
2.4.2	Level and standards in waste management services	27
2.4.3	Annual performance as per key performance indicators in waste management services	
2.4.4	Major Challenges in Waste Management services and remedial action	
2.5	HOUSING AND TOWN PLANNING	29-31
2.5.1	Housing and town planning services delivery strategy and main role-players	
2.5.2	Challenges and remedial action	
2.6	SPATIAL PLANNING	31
2.6.1	Spatial planning criteria	32-33
2.6.2	Spatial Development Strategies	33
2.6.3	Spatial structuring elements	33-35

2.6.4	Land use management	35
2.7	INDIGENT POLICY IMPLEMENTATION	35-36
2.8	OVERALL SERVICE DELIVERY BACKLOGS	36-38
CHAPTER 3: MUNICIPAL LOCAL ECONOMIC DEVELOPMENT FRAMEWORK- (KPA 3)		39
3.1	LED STRATEGY/PLAN	39-40
3.2	PROGRESS TOWARDS ACHIEVING THE LED KEY OBJECTIVES	40-41
3.3	EXPLOIT COMPARATIVE AND COMPETITIVE ADVANTAGE FOR INDUSTRIAL ACTIVITIES	41
3.4	INTENSIFYING ENTERPRISE SUPPORT AND BUSINESS DEVELOPMENT	42
3.5	ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN LED	42
3.6	CHALLENGES REGARDING LED STRATEGY IMPLEMENTATION	42
CHAPTER 4: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT (KPA 4)		43
4.1	THE AUDITED FINANCIAL STATEMENTS	43-94
4.2	PERFORMANCE REPORT OF THE LUKHANJI LOCAL MUNICIPALITY FOR THE 2008/09 FINANCIAL YEAR	95-108
4.3	REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF LUKHANJI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009	109-115
4.4	BUDGET TO ACTUAL COMPARISON	116
4.5	GRANTS AND TRANSFERS' SPENDING	117-121
4.6	DEBTOR BILLINGS	122-124
4.7	PROPERTY RATES (RESIDENTIAL AND COMMERCIAL)	124-125
4.8	LONG TERM CONTRACTS ENTERED INTO BY THE MUNICIPALITY	125
4.9	ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN FINANCIAL VIABILITY	126
4.10	THE AUDIT COMMITTEE FUNCTIONALITY	126-128
4.11	ARREARS IN PROPERTY RATES AND SERVICE CHARGES	129
4.12	ANTI CORRUPTION STRATEGY	129

CHAPTER 5 : GOOD GOVERNANCE AND PUBLIC PARTICIPATION - (KPA 5)	130
5.1 OVERVIEW OF THE EXECUTIVE AND COUNCIL FUNCTIONS AND ACHIEVEMENTS	130
5.1 .1 Political Structure	130
5.1.2 Governance	130-133
5.1.3 Councillor Attendance at Portfolio Committee and Council Meetings during 2008/09	133-134
5.2 PUBLIC PARTICIPATION AND CONSULTATION	134
5.3 WARD COMMITTEES' ESTABLISHMENT AND FUNCTIONALITY	134
5.4 COMMUNITY DEVELOPMENT WORKERS PERFORMANCE MONITORING	134-135
5.5 COMMUNICATION STRATEGY	135
5.6 LEGAL MATTERS	136
5.6.1 Management of litigation	136
CHAPTER 6 - FUNCTIONAL AREAS REPORTING AND ANNEXURE	137
6.1 GENERAL INFORMATION (POPULATION STATISTICS)	137
6.2 EXECUTIVE AND COUNCIL	138-139
6.3 FINANCE AND ADMINISTRATION FUNCTION'S PERFORMANCE	140
6.4 COMMUNITY SERVICES	141-142
6.5 WASTE MANAGEMENT FUNCTION	143-144
6.6 HEALTH	145-46
6.7 PUBLIC SAFETY	147-148
6.8 HOUSING FUNCTION'S PERFORMANCE	149-153
6.9 WASTE WATER MANAGEMENT	154-155
6.10 ROAD MAINTENANCE'S FUNCTION'S PERFORMANCE	156-157
6.11 WATER DISTRIBUTION FUNCTION'S PERFORMANCE	158-160
6.12 ELECTRICITY DISTRIBUTION FUNCTION'S PERFORMANCE	161-162
ANNEXURES	163
1. Municipal Organogram	164 -212
2 Internal Audit Reports	213-256

FOREWORD

During the period under review, the municipality has been making huge strides in the effective and efficient provision of basic services to its constituency.

This Annual Report provides an opportunity to take stock of the last twelve months in our term of office. This is because the annual report is a key public document where transparency and accountability as prescribed in our legislation are visible and at work.

In this Annual report we lay bare our actual performance against our predetermined objectives as stated in our SDBIP document. By so doing, all our relevant stakeholders are free to measure our municipality's performance and to see whether we are achieving our Constitutional and legislative mandates as a developmental change agent that we are. And our shortcomings can be assessed when our critics have a factual leg to stand on and when they know they can point to substantial alternatives.

We stand judged on our track record of bringing services to all. For some it is services they never had before, to others it is an extension to services they had always enjoyed while yet to others it is merely sustaining and maintaining the services they have taken for granted over the years.

Despite our shortcomings, the year under review has been an exceptionally successful one. In spite of our successes, we submit with humility and penitence in the pages of this annual report that we have had to face the reality that with all our interventions, our capacity in terms of human, skills and revenue shortage immeasurably impede on our noble goals.

During the 2009 national and provincial election campaigns, all political parties expressed dismay at the levels of poverty around the country. All promised that, if elected into government, they would increase efforts to create employment in order to fight against poverty.

As a local authority Lukhanji Municipality is in the forefront of the struggle to push back the frontiers of poverty. Government Grants and Subsidies to the value of R102 199 338 million has been received during the year to provide infrastructure which has greatly improved the quality of life of the poorest of the poor within Lukhanji.

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

We are proud to present and recommend Lukhanji Municipality's Annual Report for the period 1 July 2008 to 30 June 2009. This report contains useful information and an insight into the operations and progress of Lukhanji Municipality. It shows our commitment in action and we look forward in continuing to work with Lukhanji's strong and diverse communities to make a contribution that will ensure all within our communities have every opportunity to grow and develop to their highest potential.

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

A handwritten signature in black ink, appearing to read 'M E Dapula', written in a cursive style.

M E DAPULA

EXECUTIVE MAYOR

THE YEARLY PROGRAM PRIORITIES' STATEMENT BY THE MUNICIPAL MANAGER

This report has been drafted in meticulous conformance with the Municipal Annual Report template and guidelines developed by the Municipal Support and Monitoring Services Chief Directorate in the Department of Local Government and Traditional Affairs. The template, which has been workshopped with all municipalities in the Chris Hani District on 22 September 2009, provides valuable guidelines that will, without any doubt, assist in the standardisation of municipal reporting across the province.

The Lukhanji Municipality strives to achieve service excellence in all areas of its work. This report will give readers a substantial insight into the workings of the Municipality. This report attempts to reflect accurately on the performance of the municipality set against performance against targets for the 2008/09 financial year. It is also about customer service tackling important challenges.

The priorities for the 2008/09 financial have been captured in more than 60 key performance indicators and performance measures broadly categorised in 5 Key Performance Areas *viz a viz* :

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

1. Municipal Institutional Development and Transformation

An amount of R 607,600.00 was allocated in the 2008/09 financial year to attain the identified priorities under this Key Performance Area. These priorities included the revision of the Performance Management System of the municipality with specific emphasis on the alignment of the IDP, Budget organisational and individual performance targets as prescribed by the Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers (Regulation No 805, 1 August 2006). The allocated budget also had to be used for the preparation, review, adoption and implementation of the IDP.

All the targets set and priorities identified have been attained as all performance agreements have been successfully reviewed and brought in line with the Performance Regulations. All Section 57 appointees signed performance agreements in terms of these agreements and the review of the IDP has been successfully completed.

2. Local Economic Development

To facilitate and stimulate the economy of Lukhanji, the municipality prioritized the facilitation of a business development workshop, the support of initiatives of the Department of Agriculture, conducting an inventory of all poverty alleviation projects and finally, the construction of hawkers' facilities in Whittlesea. Internal fiscal inadequacies stalled the implementation of projects planned for meeting these priorities and as a result, only the hawkers' facilities could be proceeded with.

3. Good Governance and Public Participation

In order to successfully realise the objective of advancing and instilling a culture of good governance and public participation, the following priorities were agreed upon:

- Establish and formalise MOUs with at least three sector departments in order to promote and facilitate better Intergovernmental Relations.
- Provide training to Ward Committee members and Community Development Workers in key municipal functions.
- The review and implementation of Council's Skills Development Plan and the successful implementation thereof.
- Conducting a comprehensive Staff Audit to determine staffing requirements.
- Recruit and support Interns
- Development and implementation of a Plant and Fleet Replacement Programme.
- The development and adoption of an Anti-Fraud and Corruption policy and strategy.

An amount of R 4,943,469.00 has been provided to meet the priorities listed above. Funding for this budget has been earmarked to be obtained from various sources including long term debt, grants and internal funding.

To strengthen and further build cooperation between the municipality and sector departments, two District Managers Forum meetings have been convened during the period under review and both attended by the Municipal Manager. 200 Ward Committee members received training in key municipal functions while 19 CDW's attended the same training. A skills audit was conducted and the results captured in the Skills Development Plan. Consequently, within the allocated funding available, 32 employees received formal training. Particular attention was given to ensure that employees selected for training is demographically representative and spread across as many employment/post levels as available funding allowed. A service provider, Messrs PriceWaterhouseCoopers completed

the staff audit while an Anti Corruption and Fraud Policy and policy has been developed and considered by Mayoral Committee on 11 July 2008. The policy and strategy was referred to organized labour for input. It is anticipated that a draft of the final policy will be tabled in Council during the 2009/10 financial year for adoption and implementation.

4. Basic Service Delivery

The largest portion of the 2008/09 budget has been allocated to the attainment of an array of priorities aimed at the provisioning of basic services to our communities. An amount of no less than R 120,516,671.00 have been provided to, among others, address matters of concern raised by communities during the IDP consultative process. These have been categorised and prioritised into broad categories including Infrastructure Development; Waste & Environmental Management; Build RDP Houses; Provision of Electricity; Parks, Sports & Recreation; Primary Health Care and Public safety.

Successes and disappointments are almost countless to be meaningfully elaborated upon in this section. The reader is encouraged to refer to specifics in part 2, "The KPA achievement report", of this document.

5. Municipal Financial Viability and Management

The key challenges that faced the municipality during the period under review were the completion of the GRAP change over and, perhaps more importantly, the implementation of the Property Rates Act by 1 July 2009. These matters have been placed on high priority for the period under review and as such an amount of R 3,380,000.00 have been made available to meet these priorities which excludes other priorities like the creation of new pay points, the registration of indigents, staff training for municipal personnel, etc.

During the period under review, all financial policies have been reviewed; all required reports have been submitted as per MFMA regulations; Annual Financial Statements completed and submitted to the Auditor General within the specified timeframes; Annual Financial Statements are GRAP/GAMAP compliant for the year ending June 2009 and the Property valuation roll is about to be finalised.

While we are cautiously confident that Lukhanji Municipality is progressing in the right direction, we submit with humility and penitent in the pages of this annual report that we have had to face the reality that with all our interventions, our capacity in terms of human, skill and revenue shortage immeasurably impede on our noble goals.

Having said this, these pages entail combined efforts of excellence for which our political leadership and our administrative facilitators can take well deserved credit.

A handwritten signature in black ink, appearing to read 'P. Bacela', with a long, sweeping flourish above the name.

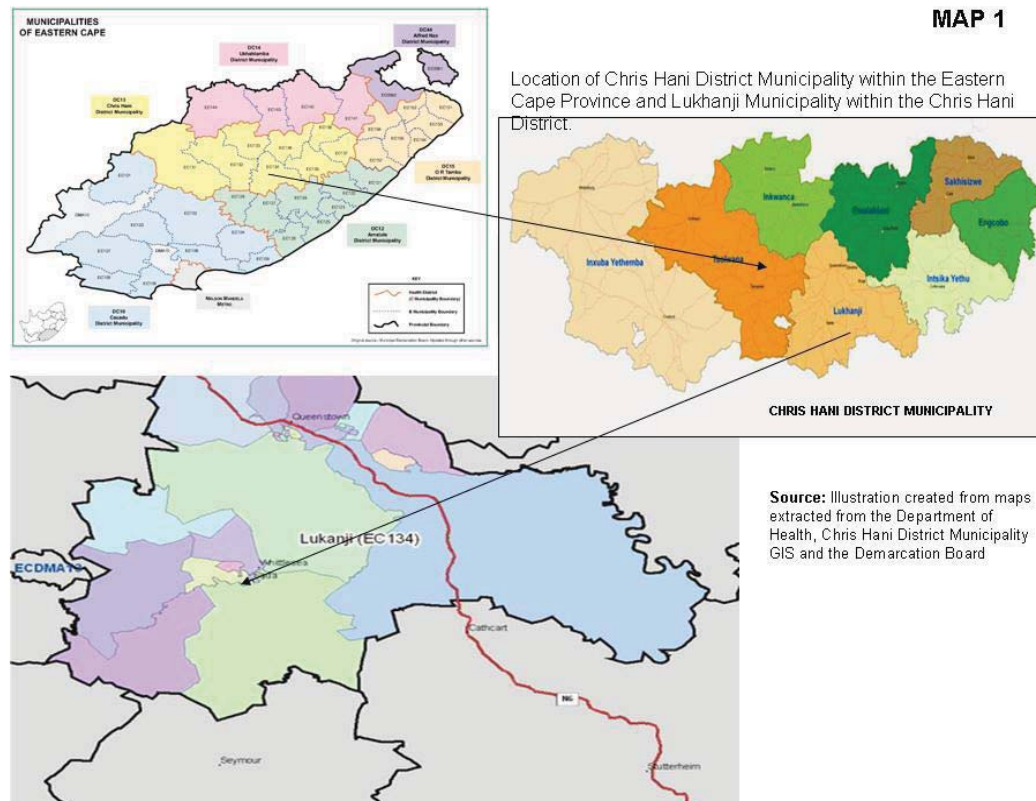
P BACELA

MUNICIPAL MANAGER

OVERVIEW OF THE MUNICIPALITY

Locality

Lukhanji is a category B municipality situated within the Chris Hani District of the Eastern Cape Province. It is made up of the combination of the greater Queenstown and surrounding farms and villages, Ilinge, Hewu / Whittlesea and Ntabethemba. Lukhanji is landlocked by the municipalities of Tsolwana and Inkwanca to the west and Emalahleni and Intsika Yethu to the north and Amahlathi to the east.



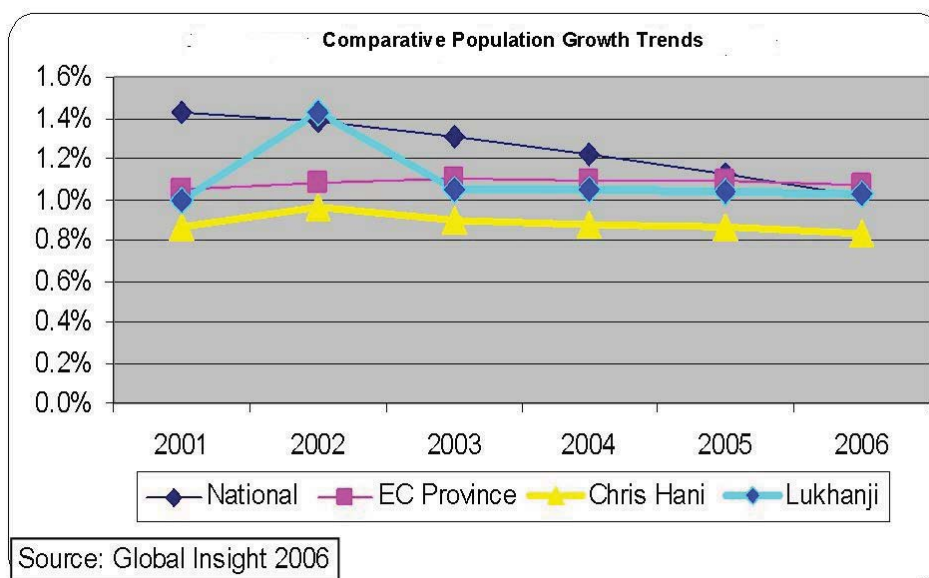
The above figure shows the locality of Lukhanji Municipality within the within the Eastern Cape Province and Chris Hani District municipal context.

Lukhanji occupies a strategic geographic position within the Chris Hani District municipality and covers approximately 4231 km² in extent. It comprises of 27 wards.

Population

Research done by various agencies including Global Insight (2006) and the Bureau of Market Research (2006) agree that the population of Lukhanji has grown by an average of one percent per annum between 2001 and

2006. Given this modest growth the population of Lukhanji is now estimated at 193 917 people. The majority (91%) of the population is Black.



Economic Growth

Lukhanji is a strategic and important economic sub-region in the Chris Hani District. It has the highest concentration of urban settlements, industrial activity, commerce, transport infrastructure services; regional service centres (offices of government and NGOs), social development services (tertiary schools, specialist health facilities, and other amenities).

Lukhanji has recorded some positive growth between the years 2001 and 2006. Lukhanji accounts for over 37% of the district GDP (Global Insight, 2006).

Employment

Unemployment is a major development challenge in Lukhanji. According to research done by Global Insight, unemployment in Lukhanji has improved slightly between 2001 and 2006 by a 1.3% decline. This figure is better than that of the district (0.8%) and the country (0.5%) while slightly lower than that of the EC province at 1.4% over the same period.

CHAPTER 1: HUMAN RESOURCE AND OTHER ORGANISATION MANAGEMENT

1.1 ADMINISTRATIVE STRUCTURE

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

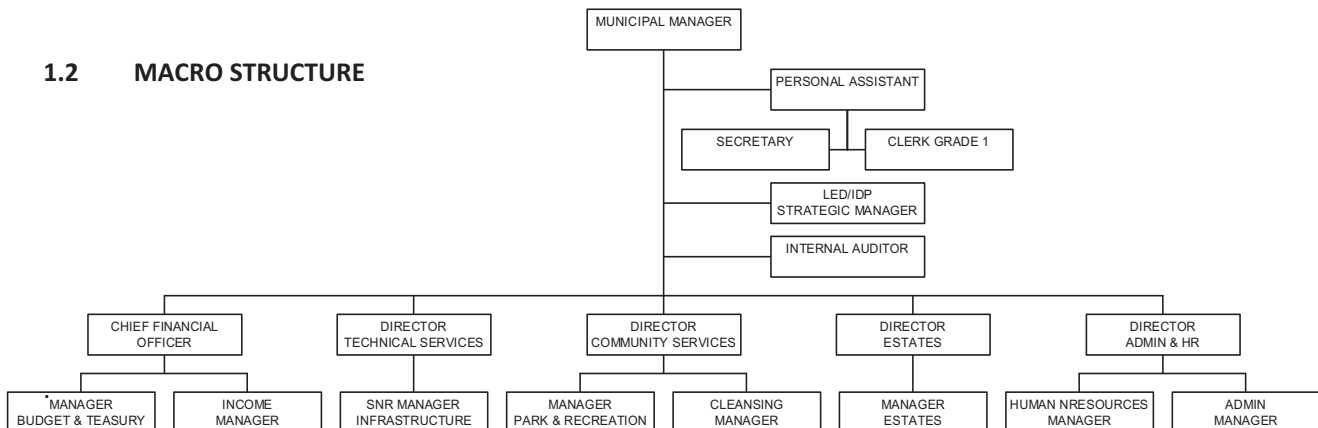
During the period under review, all job descriptions have been evaluated and a report on the final outcomes of the process has been received.

During the period under review, Council successfully completed the performance agreements for all its staff appointed in terms of Section 57 of the Municipal Systems Act. These agreements were accepted by Council and endorsed by all "Section 57" employees. A total of 7 agreements have been concluded and include the Performance agreements of the following incumbents:

- Municipal Manager
- Chief Financial Officer
- Director: Technical Services
- Director: Community Services
- Director: Estates and Planning
- Director: Administration and Human Resources
- IDP/LED Strategic Manager

Copies of all the agreements listed above have been submitted to the Department of Local Government and Traditional Affairs within the specified timeframes.

1.2 MACRO STRUCTURE



Annexed to this report is a copy of the complete organogram of the municipality

1.3 STAFF DEVELOPMENT INITIATIVES

The Workplace Skills Plan for 2008/9 financial year has been adopted and the implementation report for 2007/8 has been submitted to LGWSETA as required by Skills Development Act

Grants totalling R340 827 were received from the LGSETA during the period under review.

Number of Beneficiaries trained during the period under review:

Beneficiaries	Number	Type of Training	Institution
Clerical & Admin Staff	6	National Certificate	Ikhala FET
Clerical & Admin Staff	3	Info & Records Management	Premium Events Management
Clerical & Admin Staff	4	Community Participation	Fort Hare University
Clerical & Admin Staff	8	Office Administration Skills	Fort Hare University
Legislators	30	Management Development Program	Fort Hare University
Professionals	4	Financial Management	Wits Business School
Professionals	4	IDP/LED Programme	Fort Hare University
Professionals	1	Asset Management	Fort Hare University
Professionals	1	Contract & Procurement, Risk & Compliance Management	Fort Hare University
Technicians	1	Project Management	Fort Hare University
TOTAL =	62		

1.4 KEY HUMAN RESOURCES STATISTICS PER FUNCTIONAL AREA

1.4.1 Municipal Manager, Section 57 and Line Managers

	Approved positions	No. of budgeted posts per position	Filled posts	Vacant posts
1	Municipal Manager	3	3	0
2	Administration and HR	3	3	0
3	Community Services	5	5	0
4	Estates and Planning	2	1	1
5	Budget and Treasury	4	4	0
6	Technical Services	6	4	2
	TOTAL	23	20	3

The posts of Estates Manager and Senior Manager: Infrastructure Unit fell vacant during the period under review and remained vacant as at the end of the financial year.

1.4.2 Municipal Managers Office

Approved positions		No. of budgeted posts per position	Filled posts	Vacant posts
1	Senior Managers & Line Managers	3	3	0
2	Discretionary Decision Making	6	5	1
3	Professional	2	1	1
TOTAL =		11	9	2

The following vacancies exist in the office of the Municipal Manager:

- Clerk Grade I - Internal Audit
- Clerk Grade III - Administration

1.4.3 Administration and Human Resources

Approved positions		No. of budgeted posts per position	Filled posts	Vacant posts
1	Senior Managers & Line Managers	3	3	0
2	Discretionary Decision Making	7	7	0
3	Professional	4	3	1
4	Unskilled	3	2	1
TOTAL =		17	15	2

The following vacancies exist in the Directorate of Administration and Human Resources:

- Section Manager - Human Resources
- Messenger - Archives

1.4.4 Budget & Treasury

Approved positions		No. of budgeted posts per position	Filled posts	Vacant posts
1	Senior Managers & Line Managers	6	5	1
2	Professionals	2	2	0
3	Discretionary Decision Making	53	51	2
4	Unskilled	5	5	0
TOTAL =		66	63	3

The vacant posts in the Budget and Treasury Office include:

- Expenditure Manager
- Supply Chain Manager, and
- Senior Clerk (Services)

1.4.5 Estates & Planning

	Approved positions	No. of budgeted posts per position	Filled posts	Vacant posts
1	Senior Managers & Line Managers	2	1	1
2	Professionals	15	14	1
3	Discretionary Decision Making	7	5	2
4	Unskilled	13	10	3
	TOTAL =	37	30	7

At the end of the 2008/09 financial year, the following vacancies existed in the Directorate of Estates and Planning:

- Manager : Estates
- Housing Administrator
- Senior Office Assistant
- Clerk Villages
- General Worker
- Cleaner X 2

1.4.6 Technical Services

	Approved positions	No. of budgeted posts per position	Filled posts	Vacant posts
1	Senior Managers & Line Managers	6	4	2
2	Skilled Technical	29	24	5
3	Semi-Skilled Technical	18	17	1
4	Discretionary Decision Making	44	38	6
5	Professionally Qualified	8	6	2
6	Unskilled	61	52	9
	TOTAL =	166	141	25

At the end of the 2008/09 financial year, the following vacancies existed in the Directorate Technical Services:

- Senior Manager: Infrastructure Unit
- Technician : Rev Management
- Messenger
- General Worker X 7

- Driver
- Senior Electrician X 2
- Handyman
- Senior Workers X 4
- Project Manager
- Project Co-ordinator
- Artisans X 3 (Masons and Carpenter)
- Supervisor
- Principal Technician

1.4.7 Community Services

	Approved positions	No. of budgeted posts per position	Filled posts	Vacant posts
1	Senior Managers & Line Managers	70	45	25
2	Professionals	4	3	1
3	Discretionary Decision Making	62	47	15
4	Skilled Technical	1	1	0
5	Unskilled	234	180	54
	TOTAL =	371	276	95

1.4.8 Levels of Education and Skills

Total number of staff	Number of staff without Grade 12	Number of staff with Senior Certificate only	Number of staff with Tertiary/accredited professionals training
554	201	198	155

1.5 TRENDS ON THE TOTAL PERSONNEL EXPENDITURE

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

2006/2007 = R65 587 034
 2007/2008 = R72 071 266
 2008/2009 = R76 157 890

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

1.6 THE NUMBER AND NAME OF PENSION AND MEDICAL AID FUNDS

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

SCHEME		MEMBERS
1	Bonitas	192
2	Key Health	24
3	L. A. Health	13
4	Global Health	21
5	Samwumed	108

Pension Funds are negotiated at Bargaining Council level. The following are pension funds in use:

PENSION FUND		MEMBERS
1	Cape Joint Pension & Retirement Fund	115
2	South African Local Authorities Pension Fund	104
3	South African Municipal Workers Union Provident Fund	16
4	Municipal Employee's Pension Fund	263
5	GEPF (<i>Not accredited at local authority level</i>)	2

1.7 EMPLOYMENT EQUITY RATIO

OCCUPATIONAL CATEGORIES	Male				Female				TOTAL
	A	C	I	W	A	C	I	W	
Legislators, senior officials and Professionals	8	5	0	6	3	1	0	3	26
Technicians and associate professionals	4	0	0	2	2	0	0	1	9
Clerks	7	2	0	3	21	4	0	3	40
Service and sales workers	51	5	0	1	23	10	0	10	100
Skilled agricultural and fishery	13	1	0	1	2	0	0	0	17
Craft and related trades	3	0	0	2	0	0	0	0	5
Plant and machine operators and assemblers	12	8	0	7	0	0	0	0	27
Elementary occupations	29	0	0	0	0	0	0	0	0
TOTAL PERMANENT	212	2	0	0	87	0	0	0	301
	339	23	0	22	138	15	0	17	554

1.8 DISCLOSURES

1.8.1. Councillors

1.8.1.1 Remuneration of Councillors

The following table reflect the expenditure on Councillors' remuneration for the 2008/09 financial year.

	2008/09	2007/08
Mayor's allowance	538,246	486,075
Executive Councillors allowances	2,275,914	2,049,971
Councillors' allowances	8,164,467	6,261,848
Councillors' pension and medical aid contributions	879,621	757,792
TOTAL =	11,858,248	9,555,686

1.8.1.2 In-kind benefits

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

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

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

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

1.8.2 Senior Officials

1.8.2.1 Remuneration of Senior Officials

	2008/09	2007/08
Municipal Manager	630,010	608,427
Chief Financial Officer	594,036	551,986
Directors	2,359,816	2,185,672
TOTAL =	3,583,862	3,346,085

1.8.2.2 In-kind benefits

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

1.9 IMPLEMENTATION OF PERFORMANCE MANAGEMENT SYSTEM

All Senior Managers appointed in terms of Section 57 of the Municipal Sections Act entered into performance management agreements with Council based on key performance areas and indicators set out in the Integrated Development Plan as well as the Service Delivery and Budget Implementation Plan. These agreements have been submitted to the MEC responsible for Local Government and Traditional Affairs in the province within the stipulated timeframes and in compliance with applicable legislation.

A comprehensive performance report has been submitted to the Auditor General on 31 August 2009 with the Annual Financial Statements for assessment as required by Section 4 of the Performance Information Public Audit Act Directives, as per Government Gazette No. 29919 of 25 May 2007. The results of this assessment will be reported to the Oversight of Council who has a legal obligation to consider same, comment thereon and make recommendations if necessary to Council before 31 March 2009.

1.10 ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN MUNICIPAL TRANSFORMATION AND ORGANIZATIONAL DEVELOPMENT

	Indicator name	Total number of people (planned for) during the year under review	Achievement level during the year under review	Achievement percentage during the year	Comments on the gap
1	Vacancy rate for all approved and budgeted posts;	668	534	79,9%	Persons with disabilities are not applying for vacant positions
2	Percentage of appointment in strategic positions (Municipal Manager and Section 57 Managers)	100%	100%	100%	Contracts renewed
3	Percentage of Section 57 Managers including Municipal Managers who attended at least 1 skill development training course within the FY	100%	100%	100%	
4	Percentage of Managers in Technical Services with a professional qualification	100%	100%	100%	
5	Percentage of staff that have undergone a skills audit (including competency profiles) within the current 5 year term	80%	80%	80%	Newly appointed employees not yet audited.
6	Percentage of councillors who attended a skill development training within the current 5 year term	100%	100%	100%	
7	Percentage of staff complement with disability	5%	0,9%	0,9%	
8	Percentage of female employees	50%	32,6%	32,6%	
9	Percentage of employees that are aged 35 or younger	25%	14,8%	14,8%	

1.11 MAJOR CHALLENGES AND REMEDIAL ACTIONS IN REGARD TO HUMAN RESOURCE AND ORGANIZATIONAL MANAGEMENT

On 7 August 2009, Senior Officials from the Department of Local Government and Traditional Affairs met with Senior and Line Managers of the municipality to identify challenges and together find solutions to address those shortcomings:

The following table reflects the challenges identified and actions to be implemented to address the challenges:

CHALLENGES	SOLUTIONS
<ul style="list-style-type: none"> - The organogram is not aligned with the IDP. - Performance agreements are in place but not 100% in alignment with the IDP - Vacant Civil Engineering and Town Planner posts. - Equity plan is in place, problem is disclosure amongst employees. - Youth is employed by default, only 1 woman employed in management post. - There is a challenge in recruitment; municipality does not get the targeted people hence they end up deviating from the EE targets. - Recruitment policy consists of Councillors involved in the recruitment and appointment of staff. - Retention Strategy is in place but still a draft. 	<ul style="list-style-type: none"> - Recruitment should be centralised at district level. - Recruitment policy should be reviewed and councillors be excluded from the process - Leave reconciliation should be done on a monthly basis: <ul style="list-style-type: none"> o Municipal Manager & Council o Municipal Manager & Corporate service manager - DLGTA to finance the development of an HR Plan. District municipality needs to call all HR Practitioners and Cooperate service Directors to have training on the development of HR Plan and DLGTA to assist as well.
<ul style="list-style-type: none"> - The HRD Strategy is not in place because there is no HR Plan. - Employer & unions have different views in terms of the role clarification of Training Committee. Training for the Committee not conducted. - Training of Councillors to fulfil oversight role 	<ul style="list-style-type: none"> - Head of the unit (DLGTA) should develop a plan for trainings to be conducted. - Needs analysis to be conducted by looking at the gaps in terms of performance. - Induction of the Skills Development Committee.
<ul style="list-style-type: none"> - LLF is functional but does not meet regularly (monthly basis) due to municipal commitments or only meets when there are burning issues to be discussed. - Relationship between management and unions differ from one Directorate to the other, for example there are allegations of racism at Technical Services and Finance (employees are also afraid to take finance positions). 	<ul style="list-style-type: none"> - Labour forum should meet as scheduled to avoid industrial action: Municipal Manager & Corporate service manager - Any perception or act of racism against union members should be addressed by the municipality.
<ul style="list-style-type: none"> - There is no agreement on the wage curve; SAMWU raised a concern that it is minimal. Disputed the wage curve at National Level and negotiated the salary increase. - There is also a concern around people who believes that their salaries should be adjusted because they believe that they are doing a lot of work compared to their salaries. - Need to establish a PMS unit. 	<ul style="list-style-type: none"> - PMS framework is in place but only applicable to section 57 managers, needs assistance on that. - PMS should be cascaded to levels lower than section 57 managers: Municipal Support

CHAPTER 2: BASIC SERVICE DELIVERY PERFORMANCE HIGHLIGHTS (KPA 2)

2.1 WATER AND SANITATION SERVICES DELIVERY STRATEGY AND MAIN ROLE-PLAYERS

2.1.1 Urban Water & Sanitation Maintenance

In 1990 Lukhanji Local Municipality resumed the Water Service Provider function (Urban Water Services) in Queenstown CBD, surrounding Residential Areas. Through a competitive tender process, water and sanitation services was then outsourced to Water and Sanitation Services of South Africa (Pty) Ltd (WSSA) on a contract starting from 1 July 1992 for 25 years until 30 June 2017 then known as Aqua-Gold. The contract is described as “delegated management”.

Since then new residential developments are then added to form part of the WSSA contract through the approval of addendums by Chris Hani District Municipality and Lukhanji Municipality Council.

In July 2003, the Water Service Authority (WSA) Chris Hani District Municipality concluded an Interim Water Services Contract with Lukhanji Local Municipality, in which a “ring-fenced administration unit” was set up within the Local Municipality to continue the water service provision function until the Section 78 process was concluded. This contract fully acknowledges the existing WSSA agreement.

In summary, the scope of works of the WSSA contract for Queenstown and its suburbs includes:

- Management, operation and maintenance of the system including the water and sewerage treatment plants.
- Rehabilitation of the existing system
- Continuous maintenance, repair and replacement of parts of the system whenever necessary due to normal or accidental wear
- Keeping and updating all records required for the proper management of the system
- Satisfying quality standards and external, independent monitoring thereof
- Other such responsibilities as may be agreed by the parties

The Chris Hani District Municipality, as the WSA, retains full ownership of the Water and Sanitation system, and any additions to the system, including offices established by WSSA will become the property of the District Municipality when the contract terminates.

2.1.2 Rural Water & Sanitation Maintenance

On the 1st July 2008 Lukhanji Local Municipality was also given the responsibility under a two year contract with CHDM to operate and maintain the rural water supply including the Whittlesea Water & Waste treatment Works which were previously serviced by Amatola Water and the former Department of Water Affairs and Forestry (DWAF) now known as DWA (Department of Water and Environment Affairs). DWA assets and staff have now been transferred to CHDM operating and maintaining the schemes under the management of Lukhanji Local Municipality.

Lukhanji municipality has since 1st July 2008 established a unit named Lukhanji ROMP Rural Operation and Maintenance Programme to take full responsibility of the rural water services. Several vacant positions will be relatively filled to ensure efficient and effective operation and maintenance of rural water & sanitation schemes.

Part of this unit's responsibilities is to manage and capacitate engine operators through on site practical trainings and CSP (Community Service Providers) on communication, project management and administration. These local community structures i.e. operators and community service providers (CSPs) report on ward based monthly meetings convened by the Lukhanji municipality's Social Facilitator with regard to the status of the water scheme in each respective village, problems experienced and local community meetings held.

To effectively and economically deliver the above services the municipality is in a process to purchase through the WSA procurement processes

- 2 x 12 Kl water tank trucks
- 1 x 12 kl septic tank truck
- 7 LDV's

2.1.3 Levels and standards in water services

Yard water connections are regarded as the high level of services and the provision of communal standpipes being the low level of services. Table 3 of the 2008 CHDM WSDP 29 % (15,715) & 71 % (37,951) of the households is served and unserved respectively to higher level of water services. Higher level of service excludes households sourcing water from communal tapstands.

It has been established that in areas where there are communal standpipes, the volume of potable water collected by each person per day is far less to the 6kl per month free basic and therefore the water is supplied for free. Most people in urban areas have been provided with water services inside the dwelling, while communal standpipes are provided in most rural areas. Furthermore to that effect it is assumed that all rural households are indigent.

The Water Service Authority being the Chris Hani District Municipality (CHDM) is responsible for addressing the backlog in water and sanitation services as well as developing bulk water supplies to meet the current and future demand. One of its (CHDM) main priorities is to ensure that:

1. All water schemes meets the RDP standards of 200m walking distance to access potable water.
2. Water services is expanded to unserved communities
3. Provision of basic water services is implemented.

2.1.4 Level and standards in sanitation services

Households with flush toilets and septic tanks are deemed to be served to a high level of services and those with pit latrines (VIP toilets) being deemed to be served to a low level of services. Table 4 of the 2008 CHDM WSDP shows 30 % (16,003) & 70 % (37,663) of the households is served and unserved respectively to higher level of sanitation services.

Where there is a water-bourne sewerage system, households are getting 4Kl in addition to the 6Kl of water free basic service. Lukhanji Local Municipality regards all households earning an income of less than R1600 per month as Indigent households.

2.1.5 Annual performance as per key performance indicators in water services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the FY under review (actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households with access to potable water	53666	7571	50	50	100%
2	Percentage of indigent households with access to free basic potable water	Registered 13750 excluding villages	N/A CHDM	N/A	N/A	N/A
3	Percentage of clinics with access to potable water	N/A	17	5	2	40%

4	Percentage of schools with access to potable water	N/A	44	5	2	40%
5	Percentage of households using buckets	0	0	0	0	0

2.1.6 Major challenges in water services and remedial actions

- The bulk water capacity available not meeting the current demand.
- Current annual available funding not sufficient
- Scarcity of skilled personnel for vacant positions
- Delay by the Department of Water Affairs (DWA) in approving the two (2) year Xonxa Bulk Augmentation Water Project.

2.1.7 Major challenges in sanitation services

- Available funding not sufficient to address the current sanitation backlog
- Slow provision of basic water services being implemented in rural areas

2.2 ELECTRICITY SERVICES

2.2.1 Background

The Lukhanji Municipality is the registered license holder for supplying of electricity within the greater Queenstown area. This includes Queenstown and both Ezibeleni and Mlungisi townships. Although it is the responsibility of the Lukhanji Municipality to supply electricity within the rural areas in terms of the Demarcation Board, we have a service level agreement with Eskom to supply electricity in the rural areas on our behalf.

We buy power in bulk from Eskom at 66KV and re-distribute it to approximately 23400 customers. Our network consist of 66KV overhead lines, 4 X 66KV/ 11KV substations, 11KV and 400V overhead lines and underground cabling. Approximately 44 X 11/400 volt mini substations and pole mounted transformers. We currently have 20315 pre-paid and 3108 conventional metering customers. Our current Nominated Maximum Demand is 32MVA, but we are negotiating with Eskom to increase it to 40MVA.

2.2.2 Electrification Programme

There are approximately 50000 households within the entire Lukhanji Municipal area. More than 48000 households have access to electricity. The areas that are still without power are areas that are very remote and fall within the Eskom area of jurisdiction. All households within the jurisdiction of the Lukhanji Municipality have access to electricity except shacks located in the townships. These are planned to be moved to an area called Rathwick, once all services have been constructed. Applications for new installations are being dealt with on a day to day basis. All new applications are being completed within 14 days.

The houses without electricity within the Eskom area still remain our biggest challenge as Eskom has ridged policies of which we have no authority over. They will not electrify areas that are not surveyed or areas where the cost per connection to a house is above their threshold. Furthermore if an area has been surveyed they will only electrify houses that falls within the surveyed area. If people build outside the approved layout they will not electrify. This is causing a lot of problems to us as those households are expecting us to electrify their houses as well.

Households within the affluent areas are expected to pay for the full cost of providing the electrical infrastructure to their houses, where households in the poor areas are being funded via grant funding from DME.

2.2.3 Annual performance as per key performance indicators in Electricity services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the FY under review (actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households with access to electricity services	500	2000	500	325	65%
2	Percentage of indigent households with access to basic electricity services	500	2000	300	218	72,6
3	Percentage of indigent households with access to free alternative energy sources	0	0	0	0	0%

2.2.4 Major Challenges

The one division that we have to admit that we fail dismally in is maintenance. Due to a lack of sufficient funds we hardly carry-out any maintenance, instead we are in a crisis management situation. In terms of the act we need to spend a minimum of 5% of our operational budget on maintenance of the infrastructure. Currently we don't spend even 2% of the budget. If we are to continue in this way, we will soon not be able to supply our customers with a reliable supply, we therefore need serious help.

We are also not in a position to carry-out any upgrading and or refurbishment of the existing network. As mentioned above our maximum demand is creeping up on a yearly basis as a result of new development in town. We are reaching the point where we will have to stop any further development in town without upgrading of the existing network. In order to ensure that economic development is promoted in this town we need funding to upgrade and refurbish our existing electrical network.

A further hamper to the process is the ability to attract skilled and competent staff. Currently we have two critical vacant posts for "Senior Technicians" but due to remuneration structure, prescribed by the South African Local Authorities Bargaining Council, we cannot meet the demands of professional people. In order to rectify this problem we propose that SALGA should seriously investigate how smaller municipalities can attract and retain professionals who would ordinarily accept similar jobs at larger municipalities who, as a result of the current dispensation, is in a position to offer better remuneration packages.

2.3 ROAD MAINTENANCE

2.3.1 Road maintenance services delivery strategy and main role-players

The maintenance of roads in the municipality is being implemented by two internal departments, mainly the Civil Department and the Roads Unit.

2.3.1.1 Civil Department

The Civil department is responsible for urban roads maintenance

- Patching of potholes
- Unblocking of drains
- Clearing of drains

- Construction of speedhumps
- Replacement of broken kerbs
- Light blading of gravel roads

2.3.1.2 Roads Unit

The municipality has through the council's approval established a Roads Unit whose roles are as follows:

- Regravelling & light blading of existing gravel roads in the 27 wards of the municipality.
- Building of culvert bridges
- Construction of stormwater drains and side drains.
- Use of labour intensive methods as far as possible.

The above is achieved through an annual budget allocation being set aside from the MIG funding. In each year during the IDP process a specific number of Km's to be regravelled in each ward is prioritised.

In the previous financial year 2008/09 2 km's of regravelling was done in each of the 27 wards and 3 Km's for 2009/10 financial year has been prioritised. 10 local labourers are being employed per respective ward during the implementation and increased when construction of culvert bridges is required.

To effectively and economically deliver the above services the following machinery and plant was purchased through a competitive tender,

- Grader
- An excavator
- 4 x 6m³ tipper trucks
- Tractor and gridroller.
- 14 Kl water tank truck

2.3.2 Capital Roads Projects

The municipality's Infrastructure Development Unit (IDU) takes responsibility of registration and management of capital roads projects. In most instances Professional designing of these projects is done by Consultants.

2.3.3 Level and standards in road maintenance services

High Level of service

- Gravsealing of existing gravel roads in suburb areas through IDP prioritization
- Asphalt surfacing of existing surfaced town roads.

Low level of service

- During regraveling a 150mm base coarse layer is placed over the existing gravel layers after the roadbed preparation has been done
- The current type of base coarse material in use is G7.

It is planned that the G7 material be treated to reach the G4 standard material which would then be more sustainable.

2.3.4 Annual performance as per key performance indicators in road maintenance services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review (Actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households without access to gravel or graded roads	H/H 41400	425(H/H)	225	225	100%
2	Percentage of road infrastructure requiring upgrade	1250 KM	1196	50KM	50KM	100%
3	Percentage of planned new road infrastructure actually constructed	1250KM	1196	2KM	3.5KM	100%
4	Percentage of capital budget reserved for road upgrading and maintenance effectively used.	H/H 41400	4,5 BILLION (surfacing of all gravel roads)	7,200,000	6,900,000	96%

2.3.5 Major challenges in road maintenance services and remedial actions

- Revenue collected not sufficient for current infrastructure maintenance costs.

2.4 WASTE MANAGEMENT

2.4.1 Waste Management services delivery strategy and main role players

The Municipality delivers a service only in the towns of Queenstown, Whittlesea and surrounding townships. The rest of the rural areas and farms do not at this time receive any kind of formal refuse removal service. Residential areas in both towns and surrounding townships receive a refuse removal service on a weekly basis. Waste is collected from the curb side in either plastic bags or in 85 l plastic or metal drums. Businesses in town are provided with large metal skips that is removed on a frequency as specified by them (minimum twice per week). The Municipality has permanently appointed personnel that are responsible for the cleansing of the CBD in both Queenstown and Whittlesea.

The main role players involved in Waste Management are as follows:

- Chris Hani District Municipality in terms of funding for Clean Up Awareness Programmes.
- Lukhanji Paper Waste – company that collects recyclable material in town and at the Lukhanji Landfill Site.

The Municipality is rendering the Refuse Removal Service and no Service Providers are being used at the present moment. The Municipality has got an Integrated Waste Management Plan in place but it needs to be reviewed and the recommendation of the plan has not been implemented.

2.4.2 Level and standards in waste management services

LEVEL OF ACCESS		LEVEL OF ACCESS AND QUALITY STANDARD				
AREAS	HOUSEHOLDS PAYING FOR SERVICE	DOMESTIC	INDIGENTS	DESTITUTES	HIGH	LOW
Queenstown, Ezibeleni, Whittlesea, and Mlungisi.	27 134	16 746 h/holds	6 302 h/holds.	4086 h/holds.	X	

The level of access and quality of standard in refuse removal within Lukhanji households is rated as high in the sense that households receive a weekly refuse removal service. Businesses also receive refuse removal service as per agreed schedule with the Municipality (i.e. once, twice, thrice a week) depending on the volumes of refuse generated.

There are newly constructed areas where the service is not being rendered yet because of various reasons (e.g. construction not completed or handover of houses not done yet).

The collection vehicles and compaction equipment are designed according to the SABS standards in order to accommodate this kind of service (i.e. Refuse Compactor Trucks, Landfill Site Compactor, Refuse Skips and Containers).

2.4.3 Annual performance as per key performance indicators in waste management services

Indicator Name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the FY under review	Number of HH/customer reached	Percentage of achievement during the year
Households with access to refuse removal services	27 132	0	29 132	27 132	80 % in the serviced areas.

2.4.4 Major Challenges in Waste Management services and remedial action.

- (i) Waste Collection Infrastructure – this involve fleet shortages as the current collection fleet is old and also waste collection receptacles for rental by businesses in town and in industrial areas.

The Municipality must replace and maintain collection fleet for service delivery but funding seem to a problem in most instances.

- (ii) Management of illegal activities – the Municipality is currently facing the huge problem of illegal dumping of open spaces/areas.

Develop and enforce penalty system for illegal dumping, improve removal of illegally dumped waste, introduce incentive schemes for clean neighbourhoods and establish community watch.

- (ii) Waste Minimisation – waste minimization programmes like recycling is not as effective as it should be.

This can be solved by encouraging recyclers to form a multi recycling buy – back centre in order to decrease waste deposited on the Landfill Site.

- (iii) Financial Resources – the Municipality is at the moment experiencing a severe lack of payment of tariffs that needs to be rectified to provide a cost effective waste management service.

Enforce penalties on non – payment of accounts for service rendered by withholding other services.

- (iv) Dissemination of information and Community awareness regarding waste management.

Continue to build community awareness through flyers, newspaper notices and roadshows etc.

2.5 HOUSING AND TOWN PLANNING

2.5.1 Housing and town planning services delivery strategy and main role-players

The function of provision of housing within the municipality is administered as follows and includes:

- Planning and application of new housing projects (Ward Councillors, together with the Ward Committees are actively involved to supply waiting lists indicating the need in each area and is consulted by professionals on every aspect involved with the planning process before the actual application is forwarded to the DHLG).
- Subsidy Administration (Once a Housing Project has been approved, the layout plan including the erf numbers and sizes is obtained from the relevant Surveyor, a database for the project is compiled and the Subsidy Administration commences (The Ward Councillors, together with their Ward Committees, are involved to supply the Municipality with the names of the beneficiaries identified from their waiting lists and subsidy applications are prepared and signed with the relevant beneficiaries. These applications are forwarded to the DHLG in Bhisho and feedback by means of approved and rejection lists are provided to the relevant Ward Councillors and their Ward Committees on a regular basis.

Once approvals have been obtained, it is forwarded to the Infrastructure Development Unit who handles all aspects regarding the construction of the units, as well as the installation of infrastructure. Officials from this unit will be responsible for the appointment of consultants, where necessary, the appointment of contractors for the installation of infrastructure, as well as the appointment of contractors for the construction of the top structures, the procurement of all building materials and the payment of contractors and suppliers. In all of the afore-mentioned processes the beneficiaries are actively involved through the Joint Management Committee of the project where they are represented by their Ward Councillors and elected members. All of the afore-mentioned processes should be in line with the procurement policy of the Council.)

- Registration of Title Deeds (Once a housing project has been approved, a Conveyancer is appointed to handle the registration of individual title deeds. Once approvals of beneficiaries have been obtained and the Township Register has been opened by the Conveyancer, the necessary signed documentation is supplied to the Conveyancer to proceed with the registration of individual title deeds.
- Updating of beneficiary information on financial system (Once approvals of beneficiaries have been completed, the information of all approved beneficiaries are supplied to the Finance Directorate for the beneficiaries to be included in the financial system of the Municipality. Once the top structures have been completed and is ready for occupation, each individual is required to visit the municipality to pay the necessary deposit for services and is also assisted in completed the necessary documentation for the application of services.

2.5.2 Challenges and remedial action

A sizeable number of people are still residing in informal settlements. There is an urgent need to address this problem and relocate all informal settlement dwellers into service sites with intention to erect top structure on those sites. The Directorate has since identified land to accommodate these people. Thus far, one thousand two hundred (1 200) erven have been planned and pegged with electricity installed in those sites in New Rathwick at Mlungisi Township. The target has been to create three thousand (3 000) to five thousand (5 000) sites to complete the programme.

The Department of Human Settlements at Provincial level and Chris Hani District Municipality are working hand in hand with the Local Municipality, that is, Lukhanji Municipality to install bulk services to the entire area. Furthermore an application has been submitted to the Department of Human Settlements at Provincial level.

Other challenges are people living in backyards across our township both at Mlungisi and Ezibeleni, even in these areas land has been earmarked for this purpose. At Mlungisi, Sabata Dalinyebo is going to be extended with two thousand (2 000) sites which would be developed in phases. Ezibeleni two (02) different portions of land have been set aside for further development, that is land next to Temba but adjacent to Ikhala College of Education. Another portion is on top of Ezibeleni below the mountain also earmarked for development.

Finally we have other challenges in rural areas where people have interest in houses. The Directorate has since requested the assistance of councillors to identify priorities in those villages where they are in most need. That process has kicked off with councillors identifying priorities. There are a sizeable number of villages and farms that are under the management of Lukhanji.

Linked to other challenges is the growing habit amongst beneficiaries of these houses where these beneficiaries are selling their houses and return to informal settlements. Other challenges are the illegal occupation of land by members of the public and expect to be provided with services at the end of the day. Another serious challenge on provision of new houses is the level of quality that is produced by contractors. The workmanship is not pleasing at all. In some of the gatherings at provincial level, we have requested the blacklisting of these contractors.

Furthermore is the issue of the level of roads provided in these houses? The roads or funding available for these roads create more burden for the Municipality because the residents in these areas expect the Municipality to upgrade their gravel roads and sometimes demand higher level of roads like tarred roads. Though the Municipality has adopted a programme of gravel seal which is similar to tarred roads, the situation always creates more demands.

2.6 SPATIAL PLANNING

Lukhanji SDF was completed and approved by council in 2005 and will be reviewed during 2009/10 to align it with the current IDP as well as update it in line with changes in the spatial environment. SDF provides an important principle-led instrument for forward planning and decision-making on land development. It is indicative in intent and not prescriptive.

2.6.1 Spatial planning criteria

Based on the spatial analysis, the following points or issues are noted as key planning informants to the formulation of the Lukhanji Spatial Development Framework:

- The concentration of population in Lukhanji is fairly pronounced, with nearly 50% of the population residing in the urban areas of Greater Queenstown, Ilinge and Whittlesea.
- Given the primacy of the Queenstown conurbation within the Lukhanji Municipal area (and its importance as a regional service centre), the spatial development emphasis in this regard should be placed on: -
 - Ensuring an efficient urban form and the consolidation of the fragmented settlement pattern prevailing in Queenstown in the medium term;
 - Ensuring adequate linkages between the main settlement components of Queenstown, Mlungisi and Ezibeleni, and the enhancement of sub-regional linkages to the Sada-Whittlesea area and surrounding rural settlement areas such as Lesseyton, RA60 (Ilinge) etc.
- From a spatial development perspective, the corridor linking the Greater Queenstown urban centre with the Sada-Whittlesea urban complex to the south – the R67 – is of strategic importance. This is especially so because of the development of denser rural settlements in the area known as RA60, located west of the R67.
- Whilst the proximity of the Sada-Whittlesea urban complex to adjacent rural settlement areas such as Zweledinga and Zulukama suggests that it has some potential to develop into a local service centre, the predominance of the Queenstown urban economy and the range of higher order goods and services available there indicate that this potential may be limited in the short-medium term.
- Nevertheless, the overriding objective in spatial development terms in the Sada-Whittlesea area is the consolidation of the fragmented urban development pattern and the development of a more efficient services provision network in the area.
- The fragmented and sprawling nature of land use that characterises the rural settlement areas in the former Ciskei and Transkei elements of the Lukhanji area represent a major challenge to appropriate land use management.
- The nature of the land use arrangements in these areas is complicated by the historically complex tenure arrangements there, and the lack of appropriate planning, which reflects the livelihood needs of the residents of these areas.
- The focus, therefore, in the rural settlement areas needs to be placed on setting in motion a programme of local planning, which should inform the establishment of appropriate institutional arrangements to oversee and manage land use decisions in these areas. The objective is to

minimise settlement sprawl and ensure wise land use practices to prevent further land degradation in these areas.

- Based purely on the distribution of productive potential in the municipal area, it is suggested that a dual investment strategy could be followed:
- Ensure an adequate and sustained rate of investment in social goods and transfers in the Sada-Whittlesea urban complex and the under-developed rural settlement areas; and
- Counterbalance this with a strategy to focus higher order infrastructure and facilities development in the Greater Queenstown area.

2.6.2 Spatial Development Strategies

The following spatial development strategies have been formulated to correspond with the spatial development objectives outlined above.

- Ensure efficiency and sustainability of basic services, by promoting the integration of sprawling settlements in both urban and rural areas.
- Consolidate and integrate spatial development by developing land in proximity to public transport and existing services.
- Develop infill areas within fragmented settlement areas.
- Institute a programme of monitoring settlement formation in urban and rural areas.
- Support a land reform and settlement development programme by identifying zones of opportunity for land development.
- Implement the principles of Integrated Environment Management (IEM).
- Implement a programme to develop appropriate new Zoning Schemes for Urban and Rural areas, in line with the direction of new legislation.

2.6.3 Spatial structuring elements

Four basic Spatial Structuring Elements guide spatial development decision-making in the Lukhanji area: these elements are used to manage and guide development into certain patterns or arrangements, which are intended to promote more efficient future development

2.6.3.1 Development Nodes of Importance

The following classes of node have been identified and/or are proposed:

Node Type	Area / Locality	Description
Municipal Level – Level 3 Primary Node	Greater Queenstown	The higher order urban settlement in Lukhanji, this area should be targeted for the following: - <ul style="list-style-type: none"> • Investment in infrastructure; • Development of new public-funded housing areas; • Development of regional social goods and facilities, including educational institutions, and sports and recreational facilities • Land use management that focuses on establishing the CBD as an attractive area to do business in. • Land use management that facilitates the orderly development of office and retail accommodation
Municipal Level – Level 2 Secondary Node	Greater Whittlesea	The secondary urban settlement in Lukhanji, this area should be targeted for the following: - <ul style="list-style-type: none"> • Investment in infrastructure; • Land use management that focuses on improving the CBD; • Land use management that promotes urban infill in the development of new public-funded housing areas; • Feasibility study on establishing intensive irrigation-fed agricultural enterprises at Shiloh and below the Oxkraal Dam.
Central Business District	1. Queenstown	The Queenstown CBD is the most important locality for local economic development and serves as a regional centre to a wide hinterland. It should be prioritised for: - <ul style="list-style-type: none"> • A CBD Revitalisation Framework, which is aimed at identifying optimum land use and traffic arrangements in the locality.
	2. Whittlesea	The Whittlesea CBD is a minor business and administrative centre, located along the R67 mobility route to Queenstown. It should be prioritised for: - <ul style="list-style-type: none"> • The development of appropriate public transport facilities to facilitate its role as a sub-regional transport interchange and minor service centre. • Appropriate land use management interventions to ensure a more effective land use pattern in and around the CBD.

2.6.3.2 Development Corridors of Importance

The following corridors are identified within the municipality: -

Type	Description
Mobility Routes – Municipal level	<ul style="list-style-type: none"> • N6 East London-Queenstown-Bloemfontein • R67 Fort Beaufort-Whittlesea-Aliwal North • R61 Cradock-East London • R392 Dordrecht-Queenstown-Fort Beaufort • R396 Lady Frere-Queenstown-Fort Beaufort
Mobility Routes – Local level	<ul style="list-style-type: none"> • N6-Ezibeleni Access Road
Activity Corridors	<ul style="list-style-type: none"> • Cathcart Road, Queenstown
Activity Streets	<ul style="list-style-type: none"> • Victoria Road, Queenstown • Whittlesea Main Road (R67)

2.6.4 Land use management:

LAND SALES	
CATEGORY	VALUE
Residential	100400.00
Commercial	2146060.00
Places of Worship	117 654.54

ZONING APPLICATIONS	
CATEGORY	TOTAL
Rezoning	15
Subdivisions	2
Consent Use	10
Removal of Restrictive Conditions	0
Township Establishment	0

2.7 INDIGENT POLICY IMPLEMENTATION

In terms of our indigent policy a debtor is considered as indigent if:

- The total household income is between zero and not more than the two combined government pensions.
- A debtor is the registered owner /tenant of the property and is residing there.
- A debtor is a South African citizen with a valid South African identity document.

Once categorised and approved as an indigent, the municipality provides 10 kl water and 50 kWh of electricity per month at no cost to the indigent. In cases where the consumption exceeds the basic free level, the indigent customer is billed and is required to pay for the extra consumption.

An indigent debtor shall apply for Indigent benefits on a prescribed application form with all the supporting documentation which includes:

- Copy of the applicant's identity document
- Latest municipal account
- Documentary proof of income, and
- Affidavit declaring lack of income.

The debtor is required to submit the completed application for to his/her ward councilor for verification. Once verified by ward Councillors, officials conduct an on-site verification before final approval is granted and the applicant registered in the indigent register. The billing system is then adjusted to accommodate the new indigents in order for them to obtain the benefit.

The registration of indigent debtors is an ongoing process because debtors are call at the office on a daily basis and in addition, surveys are conducted once a year. A debtor remains indigent for a period of 12 months whereafter indigent status is revoked. Those consumers who still find themselves to in the same situation need to reapply.

There is an indigent register in place and is maintained regularly. The following table reflects the number of indigents who derive benefit from the municipality's indigent policy:

SERVICES	WATER	SANITATION	ELECTRICTY	REFUSE REMOVAL
BENEFICIARIES	19 000	7341	9741	9529

2.8 OVERALL SERVICE DELIVERY BACKLOGS

Basic service delivery area	30 June 20008			30 June 2009	
	Required	Budgeted	Actual	Required	Budgeted
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)	5410	600	600	4906	1000
Backlogs to be eliminated (%: total HH identified as backlog/total number of HH in the municipality)	13.8%	1.5%	1.5%	12.3%	2.5%
Spending on new infrastructure to eliminate backlogs (R000)	266,714,048	29,580,116	29,580,116	241,866,750	49,300,193
Spending on renewal of existing infrastructure to eliminate backlog (R000)	56,800,000	2,000,000	2,000,000	54,800,000	2,200,00
Total spending to eliminate backlogs (R000)	323,514,048	31,580,116	31,580,116	296,666,750	51,500,193

Basic service delivery area	30 June 2008			30 June 2009	
	Required	Budgeted	Actual	Required	Budgeted
Spending on maintenance to ensure no new backlogs (R000)	N/A	8 mil	8 mil	N/A	9 mil
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)	2000	500	325		
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)	4%	1%	0.65%		
Spending on new infrastructure to eliminate backlogs (R000)	9600	750	750		
Spending on renewal of existing infrastructure to eliminate backlog (R000)	15000	0	0		
Total spending to eliminate backlogs (R000)	24600	750	750		
Spending on maintenance to ensure no new backlogs (R000)	4500	900	860		
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)	11472	600	600	11089	1000
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)	29.3%	1.53%	1.53%	27.7%	2.5%
Spending on new infrastructure to eliminate backlogs (R000)	58,618,788	3,065,836	3,065,836	56,661,762	5,109,726
Spending on renewal of existing infrastructure to eliminate backlog (R000)	76,140,000	N/A	N/A	76,140,000	N/A
Total spending to eliminate backlogs (R000)	134,758,788	3,065,836	3,065,836	132,801,762	5,109,726
Spending on maintenance to ensure no new backlogs (R000)	N/A	11.2 mil	11.2 mil	N/A	12.2 mil
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)	650	50	50	600	100
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)	1.7%	0.13%	0.13%	1.5%	0.25%
Spending on new infrastructure to eliminate backlogs (R000)	5,000,000	0	0	5,000,000	0
Spending on renewal of existing infrastructure to eliminate backlog (R000)	4.5 billion(Assuming tarring of all gravel roads including villages- 1250 km)	5,450,000	5,348,647.64	4.49 billion	3,975,000
Total spending to eliminate backlogs (R000)	4,505 billion	5,450,000	5,348,647.64	4,495 billion	3,975,000

Basic service delivery area	30 June 2008			30 June 2009	
	Required	Budgeted	Actual	Required	Budgeted
Spending on maintenance to ensure no new backlogs (R000)	180,376,341 (Rural & Urban roads regravelling of 1250 km's)	4,500,000	7,792,257.96	172,584,084	4,900,000
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)	5794	1710	1356	4438	1738
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)	21%	6,3%	4,9%	16,3%	6,4%
Spending on new infrastructure to eliminate backlogs (R000)	3,4m	0	0	3,8m	1,2m
Spending on renewal of existing infrastructure to eliminate backlog (R000)	2,2m	0	0	2,6m	0
Total spending to eliminate backlogs (R000)	5,6m	0	0	6,4m	0
Spending on maintenance to ensure no new backlogs (R000)	1,2m	0	0	1,8m	0
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)	Estates has the backlog stats	2855 (Projects implemented by IDU-Technical Services)	2158	Estates has the backlog stats	697
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)	N/A	7.3%	5.5%	N/A	1.7%
Spending on new infrastructure to eliminate backlogs (R000)	N/A	108,437,000	71,214,000	N/A	41,123,000
Spending on renewal of existing infrastructure to eliminate backlog (R000)	N/A	N/A	N/A	N/A	N/A
Total spending to eliminate backlogs (R000)	N/A	108,437,000	71,214,000	N/A	41,123,000
Spending on maintenance to ensure no new backlogs (R000)	N/A	N/A	N/A	N/A	N/A

CHAPTER 3: MUNICIPAL LOCAL ECONOMIC DEVELOPMENT FRAMEWORK- (KPA 3)

3.1 LED STRATEGY/PLAN

3.1.1 Status on developing the LED strategy/plan

The strategy of the Lukhanji Municipality LED was adopted by Council on the 26 September 2008. The vision of the LED Strategy is to position the Lukhanji Municipality as “***the next major economic growth node (to East London and Port Elizabeth) in the Eastern Cape***”. The main strategic objectives that this Strategy aims to achieve are as follows:

- (a) Growing the local economy well in excess of 3.5% by 2012;
- (b) Reducing unemployment below the current 41.1% by 2012;
- (c) Increasing the number of households living above the poverty line
- (d) Improving access to the mainstream economy for the poor;
- (e) Contributing towards an expanded municipal revenue base;

In order to achieve the objectives of the Strategy, the following five (5) economic development priorities or themes have been identified:

- Expanding the First Economy
- Developing the Second Economy
- Building a Knowledge Economy
- Improving Access to Land and Infrastructure
- Building (LED) Networks and Partnerships

Each of these priorities is defined in terms of priority goals, rationale and key actions or programme.

3.1.2 Setting up a LED unit;

The LED Unit is fully functional even though it is short staffed. There are currently three officials working in the unit, the LED Manager, Administrator and an SME project coordinator employed for a period of 18 months. There are 3 vacancies that need to be budgeted for namely: Agricultural officer, SMME officer and Tourism officer.

The Manager has adequate background and expertise on LED with additional training on LOCATI. The other two officials also attended LOCATI training however needs extensive training on LED. Training that could benefit the unit is mostly project management, attracting investment and finance for non finance managers.

The major challenge for the Unit is funding, for the 2009/2010 financial year projects budgeted for is the building of hawkers stalls amounting to R500 000 and the funds are MIG. The second one is the development of a small and micro enterprise strategy and hawkers support program totalling R770 000 funded by Thina Sinako.

At present we do not have a functional LED stakeholder's forum but an LED steering committee established to constitute a structure that institutionalises and guaranteed expert advice in the LED programmes identified in the strategy. The selection of the members of the committee was based on criteria that ensure broad representation and comprehension of developmental issues. Meeting of the LED PSC are held monthly since March 2009

3.2 PROGRESS TOWARDS ACHIEVING THE LED KEY OBJECTIVES

3.2.1 Improve public and market confidence

The formation of new enterprise organisational forms is encouraged and facilitated by the municipality as part of the business development and support plan of SEDA. The Municipality currently has no capacity to formally register businesses due to critical shortage in personnel, however with the recent employment of a short term SME Coordinator there will be improvements.

Regarding other business related applications the Municipality has budget to assist those enterprises that have approached the municipality with for example business plans and profiles. This function is also facilitated and implemented through SEDA by availing the 10% contribution of these applications.

3.2.1.1 Investments and trading by-laws

The Municipality currently does not have an investment attraction plan however, the LED Strategy proposed development of an investment plan to attract investment and influence trading. In April 2008 the ECDC called for a feasibility study for the development of the Lukhanji Aerodrome Industrial Park. The Pre Feasibility study concluded that the development of a business hub linked to the Queenstown airport has the potential to make a significant contribution to the economic growth of the region.

3.2.1.2 Provision and maintenance of quality and reliable infrastructure: Roads; ITC; market places

The quality of life in Lukhanji is relatively good due to a relatively high domestic access to basic services. There remains a challenge to step-up the provision of appropriate basic services necessary to support local commercial activities. The following areas are particularly important:

3.2.1.3 Water availability – this is a major requirement necessary to support agriculture, manufacturing and agro-processing;

3.2.1.4 Roads – this is critical for the mobility of goods, services and access to key local markets. 95% of the surfaced roads in Queenstown are a poor to fair condition. The rest are gravel roads and are also in poor to fair conditions. Across the municipal areas, access roads to rural areas are gravel and most of them in urgent need of repairs due to lack of regular maintenance and storm water drainage.

The challenge is however not primarily the lack of public investment on hard infrastructure, although this can still be improved, but poor coordination between the various spheres of government, incongruence between infrastructural spending and local economic development priorities, and shortage of technical staff in the local municipality.

3.3 EXPLOIT COMPARATIVE AND COMPETITIVE ADVANTAGE FOR INDUSTRIAL ACTIVITIES

The LED Strategy proposes the exploitation of opportunities in various sectors where the biggest changes can occur and which are easiest to address. The identified opportunities are:

- Serviced industrial land at Ezibeleni. However a broader strategy to revive Ezibeleni industries is required in partnership with ECDC for future utilisation of the ECDC property. The Municipality has entered into discussions with ECDC whereby ECDC is envisaging handing over the factories to the Municipality for use and management.
- Transport infrastructure such as rail, N6, R61 and Airport could be further enhanced for bulk distribution of goods.

3.4 INTENSIFYING ENTERPRISE SUPPORT AND BUSINESS DEVELOPMENT

The Municipality through its good working relations with SEDA and ECDC is able to assist with business registrations, profiles and business plans as well as Public and private partnerships established.

The Municipality together with DEAT and DSRAC is in a process of drafting an MOU for the management of a Bullhoek massacre project funded by DEAT.

Number of new formal SMME established within the municipality

- Number of new employment opportunities through Expanded Public Works Programs and Public and Private Partnerships

3.5 ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN LED

	Indicator name	Target set for the year	Achievement level during the year (absolute figure)	Achievement percentage during the year
1	Percentage of LED Budget spent on LED related activities.	R700 000	R700 0000	100%
2	Number of LED stakeholder forum held	0	0	0
3	Percentage of SMME that have benefited from a SMME support program			
4	Number of job opportunities created through EPWP			
5	Number of job opportunities created through PPP	0	0	0

3.6 CHALLENGES REGARDING LED STRATEGY IMPLEMENTATION

The Municipality is faced with many challenges in support of LED. However the major challenge of the Municipality regarding provision of services that promotes economic development is not primarily the lack of public investment on hard infrastructure, although this can still be improved. Poor coordination between the various spheres of government, incongruence between infrastructural spending and local economic development priorities, and shortage of technical staff in the local municipality is the challenge. There is therefore a need for the local municipality to streamline and direct its public spending in line with economic infrastructural and service delivery priorities whilst also effectively informing, coordinating and directing infrastructure spending by the state and its organs in a manner that supports pro-poor growth, investment and development.

4.1 THE AUDITED FINANCIAL STATEMENTS

Annual Financial Statements

for

LUKHANJI MUNICIPALITY

for the year ended 30 June: **2009**

Province: Eastern Cape

AFS rounding: ***R (i.e. only cents)***

Contact Information:	
Name of Municipal Manager:	PROFESSOR BACELA
Name of Chief Financial Officer:	IZAK SCHOEMAN
Contact telephone number:	045-807 2700
Contact e-mail address:	izak.schoeman@lukhanji.co.za
Name of contact at provincial treasury:	NOMPELO NDZAKAM
Contact telephone number:	045-838 6353
Contact e-mail address:	nompelo.ndzakam@treasury.ecprov.gov.za
Name of relevant Auditor:	AUDITOR-GENERAL
Contact telephone number:	043-709 7200
Name of contact at National Treasury:	Keitumetse Malebye
Contact telephone number:	012 315 5989
Contact e-mail address:	keitumetse.malebye@treasury.gov.za

LUKHANJI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2009

General information

Members of the Council

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

Mayor

Speaker

Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee

MEMBERS OF THE PART TIME COUNCIL

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

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

Municipal Manager

P BACELA

Chief Financial Officer

I.S. SCHOEMAN

Grading of Local Authority

GRADE 8 : CATEGORY B

Auditors

Auditor-General

Bankers

ABSA BANK

Registered Office:

Queenstown

Physical address:

70 Cathcart Road
QUEENSTOWN
5320

Postal address:

Private Bag X7111
QUEENSTOWN
5320

Telephone number:

045-807 2773

Fax number:

045-807 2733

E-mail address:

mk@lukhanji.co.za
budget&treasury@awe.co.za

LUKHANJI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2009

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 43 to 94, 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 Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 27 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 Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Municipal Manager: P BACELA
31 August 2009

LUKHANJI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2009

Index	Page
Statement of Financial Position	48
Statement of Financial Performance	49
Statement of Changes in Net Assets	50
Cash Flow Statement	51
Accounting Policies	52-63
Notes to the Annual Financial Statements	64-84
Appendix A: Schedule of External Loans	85
Appendix B: Analysis of Property, Plant and Equipment	86-89
Appendix C: Segmental Analysis of Property, Plant and Equipment	90
Appendix D: Segmental Statement of Financial Performance	91
Appendix E: Disclosures of Grants and subsidies in Terms of the Municipal Finance Management Act	92-94

LUKHANJI MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
as at 30 June 2009

	Note	2009 R	2008 R
ASSETS			
Current assets			
Cash and cash equivalents	1	73 373 654	47 168 111
Trade and other receivables from exchange transactions	2	43 729 417	36 501 680
Other receivables from non-exchange transactions	3	42 489 643	22 218 893
Current portion of receivables	5	-	5 030
VAT receivable	13	69 048 461	41 290 611
Non-current assets			
Investments	6	706 820	663 821
Property, plant and equipment	7	207 296 373	140 941 585
Investment property	9	-	-
Biological assets	10	-	-
Total assets		436 644 368	288 789 730
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	11	19 501 421	10 597 274
Consumer deposits	12	7 383 406	7 086 805
VAT payable	13	66 888 976	39 515 575
Current provisions	14	1 599 587	1 012 513
Current portion of unspent conditional grants and receipts	15	23 979 180	20 483 171
Current portion of borrowings	16	895 223	796 461
Current portion of finance lease liability	16	3 559 300	2 646 841
Current portion of Post retirement medical aid	46	962 970	884 031
Non-current liabilities			
Non-current borrowings	16	3 532 626	4 451 949
Non-current finance lease liability	16	8 270 872	8 950 310
Non-current provisions	18	-	-
Defined benefit plan obligations	46	49 020 219	42 984 388
Total liabilities		185 593 778	139 409 318
Net assets		251 050 591	149 380 412
NET ASSETS			
Accumulated surplus / (deficit)		251 050 591	149 380 412
Total net assets		251 050 591	149 380 412

LUKHANJI MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2009

	Note	2009 R	2008 R
Revenue			
Property rates	19	27 579 197	25 651 381
Property rates - penalties imposed and collection charges	19	786 312	828 904
Service charges	20	86 946 615	63 020 173
Rental of facilities and equipment	21	1 550 478	1 358 820
Interest earned - external investments	22	4 720 833	2 316 518
Interest earned - outstanding receivables	23	18 304 958	14 065 409
Fines		230 611	158 975
Licences and permits		6 481 432	4 092 691
Government grants and subsidies	24	102 199 338	90 985 068
Other income	25	25 222 477	16 465 580
Total revenue		274 022 252	218 943 520
Expenses			
Employee related costs	26	76 157 890	72 071 266
Remuneration of councillors	27	11 858 247	9 555 686
Bad debts		31 019 365	24 437 678
Depreciation and amortisation expense	28	-	9 441 267
Repairs and maintenance		4 677 983	7 051 878
Finance costs	29	2 113 644	1 258 149
Bulk purchases	30	51 183 843	36 261 933
Contracted services	31	1 805 859	1 974 167
Grant in aid		144 385	138 758
Conditional Grants operating expenses	32	40 677 443	39 153 689
General expenses	33	11 282 718	8 110 538
Total expenses		230 921 378	209 455 008
Amortisation of Landfill sites	18	-	-
Gain / (loss) on sale of assets	34	1 721 368	3 181 891
Post employment medical aid service cost	46.1	(2 648 014)	
Post employment medical aid interest cost	46.1	(4 350 787)	
Surplus / (deficit) for the period		37 823 441	12 670 402

LUKHANJI MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2009

	Note	Accumulated Surplus/(Deficit) R	Total: Net Assets R
Balance at 30 June 2007		14 512 903	14 512 903
Changes in accounting policy	40	78 989 130	78 989 130
Correction of prior period error	41	6 207 734	6 207 734
Restated balance		99 709 767	99 709 767
Transactions affecting accumulated surplus as prior year corrections			
Transactions on General ledger included in surplus	41	12 268 345	12 268 345
Surplus / (deficit) for the period		4 178 257	4 178 257
		12 670 402	12 670 402
Balance at 30 June 2008		128 826 771	128 826 771
Changes in accounting policy	40	15 995 898	15 995 898
Correction of prior period error	41	4 557 743	4 557 743
Restated balance		149 380 412	149 380 412
Take on value of PPE identified.	7.1	62 834 226	62 834 226
Reversal of provision for unused electricity	14	1 012 512	1 012 512
Surplus / (deficit) for the period		37 823 441	37 823 441
Balance at 30 June 2009		251 050 591	251 050 591

LUKHANJI MUNICIPALITY
CASH FLOW STATEMENT
as at 30 June 2009

	Note	2009 R	2008 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from government grants and subsidies and other income		166 320 344	171 861 500
Cash paid to suppliers and employees		(158 014 813)	(177 369 024)
Cash generated from/(utilised by) operations	37	8 305 530	(5 507 524)
Investment Interest		23 025 791	16 381 927
Finance cost		(2 113 644)	(1 258 149)
Net cash flows from operating activities		29 217 677	9 616 254
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets			(5 433 514)
Proceeds from sale of fixed assets		1 721 368	3 181 891
Net movements from long term investments		(42 999)	(37 368)
Movement on long term receivable		5 030	5 000
Net cash flows from investing activities		1 683 399	(2 283 991)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movements from borrowings		(820 561)	2 290 226
Consumer deposits		296 600	336 288
Net movements from finance lease liability		(3 287 542)	
Payments on Post retirement benefit		(884 031)	
Net cash flows from financing activities		(4 695 533)	2 626 514
Net increase / (decrease) in net cash and cash equivalents		26 205 543	9 958 777
Net cash and cash equivalents at beginning of period		47 168 111	37 209 334
Net cash and cash equivalents at end of period	38	73 373 654	47 168 111

LUKHANJI MUNICIPALITY
ACCOUNTING POLICIES
for the year ending 30 June 2009

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The municipality adopted Directive 4 issued by the Accounting Standards Board in March 2009 regarding the value of assets. The municipality will be fully compliant with the the applicable GRAP statements by 30 June 2011.

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

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements. Disclosure in terms of GRAP 24 has been made, however the standard has not been adopted in full.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 USE OF ESTIMATES

The preparation of annual financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005
GRAP 21: Impairment of non cash generating assets
GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
GRAP 26: Impairment of Cash generating assets
GRAP 103 Heritage Assets - issued July 2008

GRAP 18: Segment Reporting

Lukhanji Municipality consists of the following areas: Executive & Council, Finance & Admin, Planning & Development, Health, Community & Social Services, Public Safety, Sport & Recreation, Waste Management, Road Transport and other. If the reporting is to be done accordingly or ringfencing is to be introduced the financial systems will have to be adjusted to accommodate these disclosures.

GRAP 21: Impairment of non cash generating assets

A large portion of Lukhanji assets are non cash generating of nature and applications of this standard will have an effect on the presentation of the assets, but as there are no real major changes as to applying IPSAS 21, the impact is not anticipated to be severe.

GRAP 23: Revenue from Non-Exchange transactions (Taxes and Transfers)

This standard has been practically adopted and applied as far as it relates to grants. No problems are anticipated to introduce this standard.

GRAP 24: Presentation of budget information in the financial statements

The effect on the financial statements at introducing this standard does not seem to be serious as most of it is already applied or the information is available.

GRAP 26: Impairment of Cash generating assets

The biggest problem here seem to be the identification of such assets as the definitions differ from IAS 36 and the GRAP 21 statement. The application does not differ greatly from IAS 36. No calculation was done as yet as the transitional provision of Directive 4 was adopted by Lukhanji Municipality.

GRAP 103: Heritage assets

No problems are anticipated to introduce this standard. Lukhanji Municipality has adopted the transitional provisions as per Directive 4 and the value of assets will only be introduced in the coming financial periods.

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The municipality has applied the transitional provision, within GRAP17 - Property, plant and equipment, as it relates to measurement and therefore the cost of the assets have been recorded at provisional amounts, namely at the cost recorded on the previous basis of accounting or at zero. There has been no subsequent measurement of property, plant and equipment and therefore no depreciation has been accounted for in the annual financial statements. The municipality has till the end of June 2011 to measure property, plant and equipment in terms of GRAP17.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be a provisional amount.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at the provisional amount.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

The municipality has applied the transitional provisions within GRAP17 - Property, plant and equipment and therefore there has been no subsequent measurement. The municipality is in the process of ascertaining values for the assets and this is required to be performed by 30 June 2011.

2.3 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.4 DEPRECIATION AND IMPAIRMENT

As the municipality has applied the transitional provision within GRAP17 - property, plant and equipment as relates to measurement, no depreciation has been accounted for in the annual financial statements. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure		Other	
Roads and Paving	25 Years	Buildings	50 Years
Pedestrian Malls	25 Years	Specialist vehicles	15 Years
Electricity	40 Years	Other vehicles	5 - 7 Years
		Office equipment	3 - 7 Years
		Furniture and fittings	5 - 7 Years
		Watercraft	
Community		Bins and containers	5 Years
Buildings	50 Years	Specialised plant and equipment	10 Years
Recreational Facilities	20 Years	Other items of plant and equipment	3 - 5 Years
Security		Landfill sites	10 - 50 Years
Halls	50 Years	Quarries	
Libraries	50 Years	Emergency equipment	3 - 7 Years
Parks and gardens	20 Years	Computer equipment	3 Years
Other assets			
Heritage assets			
Buildings			
Paintings and artifacts			
Finance lease assets			
Office equipment	5 Years		
Other assets			

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.5 DERECOGNITION

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	3 Years
-------------------	---------

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Investment property	50 Years
---------------------	----------

5 NON-CURRENT ASSETS HELD FOR SALE

5.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

5.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

6 INVENTORIES

6.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

6.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method OR the weighted average method.

7 FINANCIAL INSTRUMENTS

Lukhanji Municipality classifies financial instruments, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

7.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value. Financial assets and financial liabilities are recognised on the Statement of Financial Position when Lukhanji Municipality becomes party to the contractual provision of the instrument.

The municipality does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

7.1.1 FAIR VALUE METHODS AND ASSUMPTIONS

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on the current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of the market inputs and relying as little as possible on entity-specific inputs.

7.1.2 THE EFFECTIVE INTEREST RATE METHOD

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

7.1.3 AMORTISED COST

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

7.1.4 INITIAL MEASUREMENT

Financial instruments are initially measured at fair value plus in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Where the effect of any extended payment terms is not material no adjustments are made.

The fair value of a financial instrument is normally the transaction price, but may be affected by other factors which the municipality takes into account when measuring fair value.

Regular way purchases or sales are recognised using trade date accounting. All other financial instruments are recognised when the municipality becomes a party to the contract.

7.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised as loans and receivables. Financial liabilities are categorised as financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

7.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as loans and receivables, and are measured at amortised cost. Where investments 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. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

7.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

7.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

7.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, 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, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

7.2.5 DERECOGNITION

The municipality derecognises a financial asset when and only when:
The rights to the cash flows from the financial asset expire; or
It transfers the financial asset and the transfer qualifies for derecognition. The municipality firstly needs to evaluate the extent to which it retains the risks and rewards of ownership of the financial asset.

The municipality transfer a financial asset if, and only if, it either:
Transfers the contractual rights to receive the cash flows of the financial asset; or
Retains the contractual rights to receive the cash flows of the financial asset.

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it extinguished - i.e. when the obligation specified in the contract is discharged or cancelled or expires.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) are accounted for as an extinguishment if the original financial liability and the recognition of a new liability.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

8 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.

9 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 policy. 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.

10 FRUITLESS AND WASTEFUL EXPENDITURE

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

11 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 date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least: -

the business or part of a business concerned;

- the principal locations affected;

- the location, function, and approximate number of employees who will be compensated for terminating their services;

- the expenditures that will be undertaken; and

- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

12 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the financial statements.

13 LEASES

13.1 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 or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

13.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

14 REVENUE

14.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

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

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

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.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

14.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

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.

14.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

15 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

16 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

Actuarial gains or losses are recognised in the statement of financial performance in the period in which it occurs and applies to all defined benefit plans. The "corridor" method is not recognised.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses, plus the present value of available refunds and reduction in future contributions to the plan.

17 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the completion of a physical proportion of contract work done.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

18 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	2009	2008
	R	R
1 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of the following:		
Cash on hand	26 992	24 392
Cash at bank	9 526 466	3 832 214
Call deposits	63 820 196	43 311 505
	73 373 654	47 168 111
 The Municipality has the following bank accounts: -		
<u>Current Account (Primary Bank Account)</u>		
ABSA Bank Limited - Queenstown Branch: Account Number 405-281-9154	15 188 096	10 406 833
ABSA Bank Limited - Queenstown Branch: Account Number 2160-143-854	4 033 282	26 632
ABSA Bank Limited - Queenstown Branch: Account Number 405-392-8308	664 546	605 693
Standard Bank - Queenstown Branch : Account Number 38-850-5362 - 0001	13 546	13 209
Standard Bank - Queenstown Branch : Account Number 08-264-6066	17 611	19 013
 Cash book balance at beginning of year	3 832 214	7 181 457
Cash book balance at end of year	9 526 466	3 832 214
 Bank statement balance at beginning of year	11 071 379	14 316 172
Bank statement balance at end of year	19 917 081	11 071 379
 <u>Savings Account</u>		
ABSA Bank Limited - Queenstown Branch: Account Number 909-044-9293	63 639 149	43 146 435
ABSA Bank Limited - Queenstown Branch: Account Number 206-068-1802	37 315	34 832
ABSA Bank Limited - Queenstown Branch: Account Number 206-068-1577	41 951	39 332
ABSA Bank Limited - Queenstown Branch: Account Number 204-601-2562	8 204	7 487
ABSA Bank Limited - Queenstown Branch: Account Number 206-066-7315	5 034	4 524
ABSA Bank Limited - Queenstown Branch: Account Number 2160-143-862	112 671	100 008
RSA Internal Registered Bonds - No 23242	18 500	18 500
 Cash book balance at beginning of year	43 311 505	30 001 486
Cash book balance at end of year	63 820 196	43 311 505
 Bank statement balance at beginning of year	43 351 117	30 038 081
Bank statement balance at end of year	63 862 824	43 351 117
 <u>Cash on hand</u>	26 992	24 392
 Total cash and cash equivalents	73 373 654	47 168 111
 Total bank overdraft	-	-

The carrying amount of Cash and cash equivalents approximates their fair value due to their short-term maturity.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS	Gross Balances R	2009	2008
		R	R
<u>Trade receivables</u>		Provision for	Net Balance
as at 30 June 2009		Doubtful Debts	R
		R	R
Service debtors			
Rates	8 116 500	(6 096 805)	2 019 695
Electricity	10 373 037	(4 205 740)	6 167 297
Refuse	35 096 234	(30 630 936)	4 465 298
Combined receivables and arrears interest	94 924 259	(63 847 131)	31 077 128
Total	148 510 029	(104 780 612)	43 729 417

as at 30 June 2008

Service debtors			
Rates	7 206 315	(5 441 542)	1 764 773
Electricity	7 034 349	(3 895 631)	3 138 719
Refuse	28 933 105	(24 962 792)	3 970 313
Combined receivables and arrears interest	81 956 110	(54 328 235)	27 627 875
Total	125 129 879	(88 628 200)	36 501 680

Rates: Ageing

Current (0 – 30 days)	1 026 168	1 154 952
31 - 60 Days	476 342	376 551
61 - 90 Days	231 859	233 270
91 - 120 Days	6 382 131	5 441 542
Total	8 116 500	7 206 315

Electricity, Water and Sewerage: Ageing

Current (0 – 30 days)	3 903 395	2 831 433
31 - 60 Days	1 772 292	1 024 871
61 - 90 Days	538 961	248 261
91 - 120 Days	4 158 389	2 929 784
Total	10 373 037	7 034 349

Summary of Debtors by Customer Classification

	Consumers	Industrial / Commercial	National and Provincial Government
	R	R	R
as at 30 June 2009			
Current (0 – 30 days)	10 190 675		
31 - 60 Days	4 825 604		
61 - 90 Days	2 944 004		
91 - 120 Days	130 549 746		
Sub-total	148 510 029	-	-
Less: Provision for doubtful debts	(104 780 612)		
Total debtors by customer classification	43 729 417	-	-
as at 30 June 2008			
Current (0 – 30 days)	27 306 565		
31 - 60 Days	6 692 281		
61 - 90 Days	4 014 797		
91 - 120 Days	2 618 860		
121 - 365 Days	84 497 377		
Sub-total	125 129 879	-	-
Less: Provision for doubtful debts	(88 628 200)		
Total debtors by customer classification	36 501 680	-	-

Currently the financial system does not allow for separation of debtors by category.

Reconciliation of the doubtful debt provision

Balance at beginning of the year	88 628 200	69 240 934
Contributions to provision	16 152 412	19 387 266
Balance at end of year	104 780 612	88 628 200

The carrying amount of trade receivables approximates their value due to their short-term maturity.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	2009	2008
	R	R
3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Deposits	61 168	61 168
Chris Hani Agency account	32 826 499	18 533 166
Other debtors	9 601 977	3 624 559
Total Other Debtors	42 489 643	22 218 893

* Financial asset classified as loans and receivables. No amortisation was applied. Fair value was estimated at cost.
The carrying amount of trade receivables approximates their value due to their short-term maturity.

The municipality has raised a debtor for Chris Hani District Municipality for the amount of R41 368 091 which comprises R32 826 499 reflected above and R8 541 593 reflected in other debtors. This debtor relates to the agency agreement between Lukhanji Municipality and Chris Hani District Municipality. This amount has not been confirmed by Chris Hani District Municipality at year end.

4 CURRENT INVESTMENTS

Deposits	63 820 196	43 311 505
	63 820 196	43 311 505
Current provisions	1 599 587	
Current portion of unspent conditional grants and receipts	23 979 180	20 483 171
Current portion of Post retirement medical aid	962 970	
Leave Pay	11 045 805	5 933 583
Surplus	26 232 655	16 894 751
	63 820 196	43 311 505

5 NON-CURRENT RECEIVABLES

Car loans	-	5 030
Less : Current portion transferred to current receivables	-	(5 030)
	-	(5 030)
Total	-	-

6 NON CURRENT INVESTMENTS

Financial Instruments

Fixed Deposits	688 320	645 321
Listed Investments	18 500	18 500
	706 820	663 821

Pledged Investments - NONE

These investments are classified as Loans and Receivables and the fair value approximates their carrying amounts.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

7 PROPERTY, PLANT AND EQUIPMENT

7.1 Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R
as at 1 July 2008	81 675 561	11 320 666	28 248 058	198 948	11 106 203	8 392 149	140 941 585
Cost/Revaluation	81 675 561	28 027 730	123 941 399	279 152	15 442 885	12 564 711	261 931 438
Correction of error (note 41)	-	-	-	-	-	-	-
Change in accounting policy (note 40)	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	(16 707 064)	(95 693 342)	(80 204)	(4 336 682)	(4 172 562)	(120 989 854)
Acquisitions	-	-	-	-	-	3 520 562	3 520 562
Capital under Construction	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
7.1 Carrying value of disposals / Adjustments	(81 675 560)	(11 320 666)	(28 248 058)	(198 948)	(11 106 203)	(8 392 149)	(140 941 584)
Cost/Revaluation	(81 675 560)	(28 027 730)	(123 941 399)	(279 152)	(15 442 885)	(12 564 711)	(261 931 437)
Accumulated depreciation and impairment losses	-	16 707 064	95 693 342	80 204	4 336 682	4 172 562	120 989 854
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
7.1 Other movements*	-	-	184 746 097	-	11 020 295	8 009 418	203 775 810
as at 30 June 2009	1	-	184 746 097	-	11 020 295	11 529 981	207 296 373
Cost/Revaluation	1	-	184 746 097	-	11 020 295	11 529 981	207 296 373
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-

*Other movements consist of identified assets that were taken on the Fixed asset register at prior year cost and nominal value of R0 and R1.

The municipality decided to adopt paragraph 77 of Directive 4 issued by the Accounting Standards Board in March 2009 regarding the values on property, plant and equipment. The municipality will be fully compliant with GRAP 17 by 30 June 2011.

No depreciation was calculated for 2008/09 as all assets were newly identified and valued to determine a as deemed value for the identified assets. The values as at 2008 on the register were written out at carrying value and the identified assets taken on to the register at 30 June 2009. The process of determining depreciation and writing it back would have had no effect on the accumulated surplus.

Refer to Appendix B for more detail on property, plant and equipment

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

7.2 Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R
as at 1 July 2007	8 768 632	13 852 485	32 224 693	114 645	5 727 444	4 678 104	65 366 003
Cost/Revaluation	8 768 632	28 809 030	124 742 234	1 181 993	8 584 278	7 161 592	179 247 759
Correction of error (note 41)	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	(14 956 545)	(92 517 541)	(1 067 348)	(2 856 834)	(2 483 489)	(113 881 755)
Acquisitions	-	-	-	138 662	2 079 987	3 214 866	5 433 514
Capital under Construction	-	-	-	-	-	-	-
Depreciation	-	(1 910 263)	(3 956 191)	(18 859)	(1 866 853)	(1 689 101)	(9 441 267)
Carrying value of disposals	-	(621 556)	(20 444)	(35 500)	(47 332)	(0)	(724 832)
Cost/Revaluation	-	(781 300)	(800 834)	(1 041 503)	(434 336)	(28)	(3 058 001)
Accumulated depreciation and impairment losses	-	159 744	780 390	1 006 003	387 004	28	2 333 169
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
*Other movements / Take on's	72 906 929	-	-	-	5 212 957	2 188 281	80 308 166
as at 30 June 2008	81 675 561	11 320 666	28 248 058	198 948	11 106 203	8 392 149	140 941 585
Cost/Revaluation	81 675 561	28 027 730	123 941 399	279 152	15 442 885	12 564 711	261 931 438
Accumulated depreciation and impairment losses	-	(16 707 064)	(95 693 342)	(80 204)	(4 336 682)	(4 172 562)	(120 989 854)

*Other movements consist of identified assets that were taken on the Fixed asset register at prior year cost and nominal value of R0 and R1.

Refer to Appendix B for more detail on property, plant and equipment

7.3 Property, plant and equipment pledged as security

No PPE were pledged as security

8 INTANGIBLE ASSETS

The municipality decided to adopt paragraph 112 of Directive 4 issued by the Accounting Standards Board in March 2009 regarding the values on intangibles assets. The municipality will be fully compliant with GRAP 102 by 30 June 2011.

No intangibles assets were separately disclosed and valued.

9 INVESTMENT PROPERTY

9.1 Reconciliation of carrying value	Investment property R	Investment property R	Total R
as at 1 July 2008	-	-	-
Cost			-
Correction of error (note 41)			-
Change in accounting policy (note 40)			-
Accumulated depreciation and impairment losses			-
Acquisitions	-	-	-
Depreciation			-
Carrying value of disposals	-	-	-
Cost			-
Accumulated depreciation			-
Impairment loss/Reversal of impairment loss		-	-
Transfers	-		-
Other movements			-
as at 30 June 2009	-	-	-
Cost			-
Accumulated depreciation and impairment losses			-

9.2 Reconciliation of carrying value	Investment property R	Investment property R	Total R
as at 1 July 2007	-	-	-
Cost			-
Correction of error (note 41)			-
Change in accounting policy (note 40)			-
Accumulated depreciation and impairment losses			-
Acquisitions	-	-	-
Depreciation			-
Carrying value of disposals	-	-	-
Cost			-
Accumulated depreciation			-
Impairment loss/Reversal of impairment loss		-	-
Transfers	-		-
Other movements			-
as at 30 June 2008	-	-	-
Cost			-
Accumulated depreciation and impairment losses			-

9.3 Details of property:

Investment property - Flats, Houses

Normal rental agreements entered between lessor and lessee

Purchase price: date

Additions since purchase

Capitalised expenditure

- -

Investment property - Offices

Normal rental agreements entered between lessor and lessee

Purchase price: date

Additions since purchase

Capitalised expenditure

- -

9.4 Rental income from investment property

Direct operating expenses from rental generating property

94 152

Direct operating expenses from non-rental generating property

The municipality decided to adopt paragraph 67 of Directive 4 issued by the Accounting Standards Board in March 2009 regarding the values on land and properties. The municipality will be fully compliant with GRAP 16 by 30 June 2011.

No investment property assets were separately disclosed and valued.

10 BIOLOGICAL ASSETS

10.1 Reconciliation of Carrying Value	Trees in plantation R	Maize R	Wheat R	Sheep R	Dairy Cattle R	Other Assets R	Total R
as at 1 July 2008	-	-	-	-	-	-	-
Cost/Valuation							-
Correction of error (note 41)							-
Change in accounting policy (note 40)							-
Accumulated depreciation and impairment losses							-
Acquisitions							-
Decrease due to harvest/sales							-
Depreciation							-
Gains/losses from changes in fair value							-
Carrying value of disposals							-
Cost/Valuation							-
Accumulated depreciation and impairment losses							-
Impairment loss/Reversal of impairment loss							-
Transfers							-
Other movements*							-
as at 30 June 2009	-	-	-	-	-	-	-
Cost/Valuation							-
Accumulated depreciation and impairment losses							-

*Other movements consist of identified assets that were taken on the Fixed asset register at prior year cost and nominal value of R0 and R1.

10.2 Reconciliation of Carrying Value	Trees in plantation R	Maize R	Wheat R	Sheep R	Dairy Cattle R	Other Assets R	Total R
as at 1 July 2007	-	-	-	-	-	-	-
Cost/Valuation							-
Correction of error (note 41)							-
Change in accounting policy (note 40)							-
Accumulated depreciation and impairment losses							-
Acquisitions							-
Decrease due to harvest/sales							-
Depreciation							-
Gains/losses from changes in fair value							-
Carrying value of disposals							-
Cost/Valuation							-
Accumulated depreciation and impairment losses							-
Impairment loss/Reversal of impairment loss							-
Transfers							-
Other movements*							-
as at 30 June 2008	-	-	-	-	-	-	-
Cost/Valuation							-
Accumulated depreciation and impairment losses							-

*Other movements consist of identified assets that were taken on the Fixed asset register at prior year cost and nominal value of R0 and R1.

The municipality decided to adopt paragraph 67 of Directive 4 issued by the Accounting Standards Board in March 2009 regarding the values on biological assets. The municipality will be fully compliant with GRAP 101 by 30 June 2011.

The municipality owns a game reserve, but no biological assets were separately disclosed and valued.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	2009 R	2008 R
11 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade creditors	*	150 507
Advance Payments	2 620 505	3 451 494
Staff leave accrual	4 140 747	5 933 583
Other creditors	11 045 805	1 081 690
Total creditors	19 501 421	10 597 274
* Financial instruments classified as financial liabilities at amortised cost.		
The fair value of trade and other payables approximates their carrying amounts.		
12 CONSUMER DEPOSITS		
Electricity	7 383 406	7 086 805
Total consumer deposits	7 383 406	7 086 805
Deposits do not accrue interest.		
13 VAT PAYABLE		
VAT payable	66 888 976	39 515 575
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.		
13 VAT RECEIVABLE		
VAT receivable	69 048 461	41 290 611
VAT is claimable on the receipts basis. VAT is claimed from SARS only once payment is made on a tax invoice.		
14 PROVISIONS		
Landfill sites	1	1
Unused electricity	1 599 586	1 012 512
Total Provisions	1 599 587	1 012 513
Rehabilitation of Landfill Sites		
as at 1 July 2008	1	1
Transfer from non-current	-	-
as at 30 June 2009	1	1
Provision for unused electricity:		
Balance at the beginning of year	1 012 512	-
Decrease in carrying amount of provision due to payments	-	-
Increase in carrying amount due to remeasurement	1 599 586	1 012 512
Unused amounts reversed	(1 012 512)	-
Balance at the end of year	1 599 586	1 012 512
The municipality will not reimburse any expenses relating to the provision for unused electricity.		
15 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
15.1 Unspent Conditional Grants from other spheres of Government		
MIG Grants	6 430 375	3 285 409
Other	16 312 118	15 960 906
Provincial	723 184	650 303
15.2 Other Unspent Conditional Grants and Receipts		
Public contributions	513 502	586 553
Total Unspent Conditional Grants and Receipts	23 979 180	20 483 171
Non-current unspent conditional grants and receipts	-	-
Current portion of unspent conditional grants and receipts	23 979 180	20 483 171
See Note 24 for reconciliation of grants and receipts. These amounts are invested until utilised.		
16 BORROWINGS		
Annuity Loans	4 427 849	5 248 410
Finance Leases	11 830 171	11 597 150
	16 258 020	16 845 560
Less : Current portion transferred to current liabilities	(4 454 522)	(3 443 302)
Local Registered Stock Loans	-	-
Annuity Loans	(895 223)	(796 461)
Finance Leases	(3 559 300)	(2 646 841)
Non current portion: Annuity Loans	3 532 626	4 451 949
Non current portion: Finance Leases	8 270 872	8 950 309
Total borrowings	11 803 498	13 402 258
Annuity loans are classified as financial liabilities at amortised cost.		
Refer to Appendix A for more detail on borrowings.		

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	2009 R	2008 R
17 FINANCE LEASE LIABILITY		
2009		
	Minimum lease payment R	Discounted payments R
Amounts payable under finance leases		Future finance charges R
Within one year	4 777 263	4 492 978
Within two to five years	9 714 982	8 218 336
	14 492 245	12 711 314
		1 780 931
2008		
	Minimum lease payment R	Discounted payments R
Amounts payable under finance leases		Future finance charges R
Within one year	4 239 879	3 923 926
Within two to five years	12 234 526	10 075 519
After five years	103 320	45 372
	16 577 725	14 044 817
		2 532 908

The average lease term is 5 years and the average effective borrowing rate is between 9.0% and 12.84%. Interest rates are fixed at the contract date. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

18 NON-CURRENT PROVISIONS

Provision for rehabilitation of landfill sites

Total Non-Current Provisions	-	-
-------------------------------------	---	---

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. The municipality has two landfill sites requiring rehabilitation.

The movement in the non-current provision is reconciled as follows: -

Provision for rehabilitation of landfill sites:

Balance at the beginning of year	-	-
Contributions to provision	-	-
Increase in provision due to discounting	-	-
Transfer to current provisions	-	-
Balance at the end of year	-	-

19 PROPERTY RATES

Actual

Residential	17 535 327	16 520 627
Commercial	4 025 296	3 218 945
Light Industries	2 337 878	2 201 382
State	1 860 009	1 742 880
Agricultural	4 559	4 292
Educational	1 777 583	1 662 164
Municipality	38 544	36 294
Total property rates	27 579 197	25 651 381
Property rates - penalties imposed and collection charges	786 312	828 904
Total	28 365 509	26 480 285

Valuations

Residential	485 551 040	486 130 670
Commercial	303 543 908	298 153 227
State	95 159 631	99 134 012
Education	91 182 672	91 182 672
Agricultural	246 940	246 940
Municipal	1 774 740	1 774 740
Total Property Valuations	977 458 931	976 622 261

Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations.

A general rate of R2.178 cents in the Rand (2.045 cents in the Rand 2008) is applied to property valuations to determine assessment rates. Rebates as approved by the council are granted to residential and state property owners.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	2009 R	2008 R
<p>Rates are levied on an annual basis with the final date of payment being 30 September for annual payers. The rates levied for monthly payers are payable over a period of twelve equal instalments. Interest at 1% above prime per annum is levied on outstanding rates as soon as accounts are overdue.</p>		
20 SERVICE CHARGES		
Sale of electricity	72 645 254	50 348 577
Refuse removal	14 301 361	12 671 597
Total Service Charges	86 946 615	63 020 173
21 RENTAL OF FACILITIES AND EQUIPMENT		
Rental of facilities	1 542 878	1 351 453
Rental of equipment	7 600	7 368
Total rentals	1 550 478	1 358 820
22 INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank	1 458 142	986 846
Other	3 103 701	1 329 672
Total interest	4 720 833	2 316 518
23 INTEREST EARNED - OUTSTANDING RECEIVABLES		
Service debtors	18 304 958	14 065 409
Total interest	18 304 958	14 065 409
24 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	61 339 646	49 234 411
MIG Grant	16 844 235	2 501 373
Other Government Grants and Subsidies	24 015 458	39 249 284
Total Government Grant and Subsidies	102 199 338	90 985 068
24.1 Equitable Share		
<p>In terms of the Constitution, this grant is used mainly to subsidise the provision of basic services to indigent community members.</p>		
24.2 MIG Grant		
Balance unspent at beginning of year	3 285 409	3 605 513
Current year receipts	21 437 309	13 833 873
Conditions met - transferred to revenue	(18 292 343)	(14 153 977)
Conditions still to be met - remain liabilities (see note 15)	6 430 375	3 285 409
24.3 Other Government Grants and Subsidies		
Balance unspent at beginning of year	17 159 048	19 104 217
Current year receipts	22 957 106	35 273 428
Conditions met - transferred to revenue	(22 567 349)	(37 218 597)
Conditions still to be met - remain liabilities (see note 15)	17 548 805	17 159 048
24.4 Changes in levels of government grants		
<p>Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.</p>		
25 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS		
25.1 Other income		
Other income	25 222 477	16 465 580
Total Other Income	25 222 477	16 465 580

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	2009 R	2008 R				
25.2 Public contributions and donations						
Public contributions - Conditional	139 579	263 905				
Total public contributions and donations	<u>139 579</u>	<u>263 905</u>				
Reconciliation of conditional contributions						
Balance unspent at beginning of year	586 553	807 140				
Current year receipts	66 528	43 317				
Conditions met - transferred to revenue	(139 579)	(263 905)				
Conditions still to be met - remain liabilities (see note 15)	<u>513 502</u>	<u>586 553</u>				
26 EMPLOYEE RELATED COSTS						
Employee related costs - Salaries and Wages	48 347 268	45 066 715				
Employee related costs - Contributions for UIF, pensions and medical aids	10 744 670	17 548 767				
Travel, motor car, accommodation, subsistence and other allowances	3 235 671	2 632 229				
Housing benefits and allowances	354 445	335 189				
Overtime payments	3 814 187	3 203 687				
Performance and other bonuses	9 661 649	3 284 680				
Total Employee Related Costs	<u>76 157 890</u>	<u>72 071 266</u>				
Remuneration of the Municipal Manager						
Annual Remuneration	403 580	365 432				
Performance- and other bonuses	48 462	44 778				
Other (Pension, Transport, Medical Aid, UIF, Housing Subsidy ect.)	177 968	198 217				
Total	<u>630 010</u>	<u>608 427</u>				
Remuneration of the Chief Finance Officer						
Annual Remuneration	414 980	379 287				
Performance- and other bonuses	45 695	42 193				
Other (Pension, Transport, Medical Aid, UIF, Housing Subsidy ect.)	133 361	130 505				
Total	<u>594 036</u>	<u>551 986</u>				
Remuneration of Individual Executive Directors			Community			
	Technical Services	Corporate Services	Services	Estates Services		
	R	R	R	R		
2009						
Annual Remuneration	300 889	367 549	369 898	357 143		
Performance- and other bonuses	45 381	45 381	45 381	45 381		
Other (Pension, Transport, Medical Aid, UIF, Housing Subsidy ect.)	243 684	177 024	174 675	187 430		
Total	<u>589 954</u>	<u>589 954</u>	<u>589 954</u>	<u>589 954</u>		
2008						
Annual Remuneration	249 376	334 399	333 646	324 241		
Performance- and other bonuses	41 082	41 903	41 928	41 065		
Other (Pension, Transport, Medical Aid, UIF, Housing Subsidy ect.)	243 659	168 070	175 910	190 394		
Total	<u>534 116</u>	<u>544 372</u>	<u>551 484</u>	<u>555 700</u>		
27 REMUNERATION OF COUNCILLORS						
	Note	2009	2008			
		R	R			
Executive Mayor		538 246	481 821			
Speaker		431 951				
Executive Committee Members		1 843 963	2 050 220			
Councillors' pension and medical aid contributions		879 621	757 792			
Councillors' allowances		8 164 467	6 265 853			
Total Councillors' Remuneration		<u>11 858 247</u>	<u>9 555 686</u>			
In-kind Benefits						
The Executive Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.						
The Executive Mayor has use of a Council owned vehicle for official duties.						
28 DEPRECIATION AND AMORTISATION EXPENSE						
Property, plant and equipment		-	9 441 267			
Total Depreciation and Amortisation		<u>-</u>	<u>9 441 267</u>			

A full stock take of PPE were performed in 2009 and as the assets identified and a deemed cost determined, could not in the majority of cases be identified with the assets as per the asset register, it was decided to write out the full register and bring in the newly identified assets. Because this was performed at the end of 2009 no depreciation for 2009 were recorded. It would have been an in and out transaction with no effect on the accumulated surplus.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	2009 R	2008 R
29 FINANCE COSTS		
Borrowings	2 112 748	1 257 857
Bank overdrafts	896	292
Total Finance Costs	2 113 644	1 258 149
30 BULK PURCHASES		
Electricity	51 183 843	36 261 933
Total Bulk Purchases	51 183 843	36 261 933
31 CONTRACTED SERVICES		
Contracted services for:		
Security services	1 731 020	1 791 041
Maintenance	74 839	183 127
	1 805 859	1 974 167
32 GRANTS AND SUBSIDIES PAID		
Operational expenses from grants	40 677 443	39 153 689
	40 677 443	39 153 689
Refer Appendix E for detail.		
33 GENERAL EXPENSES		
Included in general expenses are the following:-		
Advertising	180 871	130 122
Admin fees	(10 255 205)	(9 113 617)
Audit fees	1 697 732	1 013 606
Bank charges	660 980	569 309
Conferences and delegations	567 913	235 218
Consulting fees	-	174 793
Departmental consumption	-	1 050 962
Entertainment	-	292 849
Fuel and oil	4 061 404	3 435 036
Insurance	873 830	636 552
Legal expenses	495 992	283 480
Licence fees - vehicles	195 990	510 552
Membership fees	1 014 430	861 810
Postage	726 836	803 927
Printing and stationery	738 071	792 153
Rental of buildings	1 406 002	895 585
Stocks and material	573 716	511 209
Subscription & publication	53 082	48 713
Telephone cost	1 695 392	1 528 869
Training	323 097	252 867
Travel and subsistence	255 429	286 073
Valuation costs	1 475 705	-
Other	4 541 451	2 910 451
	11 282 718	8 110 538
34 GAIN / (LOSS) ON SALE OF ASSETS		
Property, plant and equipment	1 721 368	3 181 891
Total Gain / (Loss) on Sale of Assets	1 721 368	3 181 891
35 IMPAIRMENT LOSS / (REVERSAL OF IMPAIRMENT LOSS)		
Property, plant and equipment	-	-
No impairment losses were calculated on ppe in terms of paragraph 112 of directive 4 and investment property in terms of paragraph 67 of directive 4.		
Investment property	-	-
Impairment testing was not done on properties.		
Total Impairment loss / (Reversal of Impairment Loss)	-	-
36 PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT		
No fair value adjustment was done.		

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	2009 R	2008 R
37 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	37 823 441	13 682 914
Adjustment for:-		
Depreciation and amortisation	-	9 441 267
(Gain) / loss on sale of assets	(1 721 368)	-
Prior year transactions	-	6 891 464
Contribution to provisions - current	-	3 620 000
Bad Debt	31 019 365	24 437 678
Finance costs	2 113 644	1 258 149
Fair value adjustments	-	-
Post employment medical aid service cost	2 648 014	-
Post employment medical aid interest cost	4 350 787	-
Interest earned	(23 025 791)	(16 381 927)
Operating surplus before working capital changes:	53 208 092	42 749 545
(Increase)/decrease in inventories	-	-
(Increase)/decrease in trade receivables	(38 247 103)	(22 732 567)
(Increase)/decrease in other receivables	(20 270 750)	(18 853 393)
(Increase)/decrease in VAT receivable	(27 757 851)	617 299
Increase/(decrease) in conditional grants and receipts	3 496 008	(2 265 273)
Increase/(decrease) in trade payables	10 503 733	(5 023 134)
Increase/(decrease) in VAT payable	27 373 401	-
Cash generated by/(utilised in) operations	8 305 530	(5 507 524)

38 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	73 373 654	47 168 111
Bank overdrafts	-	-
Net cash and cash equivalents (net of bank overdrafts)	73 373 654	47 168 111

39 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities (see Note 16)	16 258 020	16 845 560
Used to finance property, plant and equipment – at cost	(16 258 020)	(16 845 560)
Sub- total	-	-
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

40 CHANGE IN ACCOUNTING POLICY

2008 2007

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

GRAP 1 Presentation of Financial Statements
GRAP 2 Cash flow
GRAP 3 Accounting policies, changes in estimates and errors.
GRAP 4 The Effects of Changes in Foreign Exchange Rates
GRAP 5 Borrowing costs.
GRAP 9 Revenue from Exchange Transactions
GRAP 11 Construction Contracts
GRAP 12 Inventories
GRAP 13 Leases
GRAP 14 Events after the Balance Sheet Date
GRAP 16 Investment Property
GRAP 17 Property, Plant and Equipment
GRAP 19 Provisions and contingent liabilities.
GRAP 100 Non-current Assets Held for Sale and Discontinued Operations
GRAP 102 Intangible Assets
IPSAS 20 Related Party Disclosures
IPSAS 21 Impairment of Non Cash-Generating Assets
IFRS 7 Financial Instruments: Disclosure
IAS 19 (AC 116) Employee Benefits
IAS 32 (AC 125) Financial Instruments: Presentation
IAS 36 (AC 128) Impairment of Assets
IAS 39 Financial Instruments: Recognition and Measurement
Directive 1 Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP
Directive 4 Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities
Directive 5 Determining the GRAP Reporting Framework

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	2009 R	2008 R
<p>The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies:</p>		
	2008	2007
40.1 Statutory Funds		
Balance previously reported: -		
Consolidated Loans Fund	1 950 564	34 065 264
Loans redeemed and other capital receipts	57 546 321	154 869 137
Total	59 496 885	188 934 402
Implementation of GRAP		
Transferred to Accumulated Surplus/(Deficit) (see 40.4 below)	(59 496 885)	(188 934 402)
40.2 Provisions and Reserves		
Balance previously reported		
Valuation Roll Reserve	314 201	1 497 266
Rental Reserve	33 230	2 367 900
Repairs & Renewals Reserve		32 072
Removal Expenses Reserve	20 000	39 245
Staff Leave Provision	2 870 734	3 062 849
Total	3 238 165	6 999 332
Implementation of GRAP		
Transferred to Accumulated Surplus/(Deficit) (see 40.4 below)	(367 431)	(3 936 483)
Transferred to Staff leave accruals	(2 870 734)	(3 062 849)
40.3 Accumulated Depreciation		
Balance previously reported -		
Implementation of GRAP		
Backlog depreciation: Land and buildings		2 258 266
Backlog depreciation: Infrastructure		92 517 541
Backlog depreciation: Community		12 494 123
Backlog depreciation: Other		6 611 825
Total (debited to Accumulated Surplus/(Deficit)) (see 40.4 below)	-	113 881 755
40.4 Accumulated Surplus/(Deficit)		
Implementation of GRAP		
Excessive provisions and reserves no longer permitted (see 40.2 above)	367 431	3 936 483
Non-current provisions previously not recognised (see 40.2 above)		
Transferred from statutory funds (see 40.1 above)	59 496 885	188 934 402
Post retirement medical aid	(43 868 419)	
Backlog depreciation (see 40.3 above)	-	(113 881 755)
Total	15 995 898	78 989 130
41 CORRECTION OF ERROR		
<p>During the years ended 30 June 2007, no administration charges were transferred to the Chris Hani Agency accounts. The effect of this transfer was to increase the surplus and increase the debit balance on the agency account.</p> <p>At 30 June 2007 the Fixed Asset Register did not balance with the general ledger control accounts. An adjustment was made to correct this difference.</p> <p>At 30 June 2007 the short term portion of long term liabilities were not adjusted.</p> <p>During the year ended 30 June 2008, no administration charges were transferred to the Chris Hani Agency accounts. The effect of this transfer was to increase the surplus and increase the debit balance on the agency account.</p> <p>During the year ended 30 June 2009, corrections were made to payables as no provision or over provision was made for the 200708 financial year.</p> <p>During the year ended 30 June 2009, corrections were made to debtors service accounts that affected the billings in the 200708 financial year.</p> <p>During the year ended 30 June 2009, payments made in the municipal bank accounts with no references were written back to 30 June 2008.</p> <p>Adjustment of incorrect depreciation charges 2007/08</p> <p>The comparative amounts have been restated as follows:</p>		
Adjusting for landfill rehabilitation costs - PPE		-
Adjusting for landfill provision		-
Discounting landfill provision		-
Chris Hani Agency account 0607		7 216 027
Property, Plant and Equipment		(778 257)
Short term Portion of long term liability.		(230 036)
Chris Hani Agency account 0708	9 156 920	
Adjusting balance to FAR	778 257	
Redundant and other asset accumulated depr written out	2 333 169	
Net effect on surplus/(deficit) for the year	12 268 345	6 207 734
07/08		
Transactions affecting receivables as corrections on billing	407 209	
Transactions affecting payables as corrections on payments and accruals.	(3 991 060)	
Unknown payments written back to reflect only one year.	(743 856)	
Short term portion of liabilities corrected	(230 036)	
Net effect on surplus/(deficit) for the year	(4 557 743)	

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	2009 R	2008 R	
UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE			
42 DISALLOWED			Note
42.1 Unauthorised expenditure			
There was no unauthorised expenditure for the year.			
42.2 Fruitless and wasteful expenditure			
Interest raised on late payment for Swift Construction for the establishment of solid waste facilities for Whittlesea, Lessontson and Illinge	21 389		
Interest and Penalties was raised on an outstanding account for Workmans Compensation. The municipality were faced with cashflow problems in 2004/2005 financial year and could not settle the then outstanding accounts. The municipality settled the capital in the 2007/08 financial year and submitted a letter to WCA requesting that all interest and penalties be reversed. To date the municipality is still awaiting a response, therefore the disclosure.	340 387		
Total fruitless and wasteful expenditure	<u>361 776</u>	-	
42.3 Irregular expenditure			
Section of Supply Chain Management Policy			
Section 13		136 721	
Section 16		8 184	
Section 13 and Section 16	41 040	294 719	
Section 13 and Section 14		32 652	
Section 13,14 and 16		157 354	
Reconciliation of irregular expenditure	41 040	629 630	
	<u>41 040</u>	<u>629 630</u>	
43 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT			
43.1 Contributions to organised local government			
Council subscriptions	399 437	865 422	
Amount paid - current	(399 437)	(865 422)	
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>	
43.2 Audit fees			
Current year audit fee	2 529 618	1 159 096	
Amount paid - current year	(2 151 175)	(1 159 096)	
Balance unpaid (included in payables)	<u>378 443</u>	<u>-</u>	
The balance unpaid represents the audit fee for an interim audit conducted during May and June 2009 and is payable by 31 July 2009.			
43.3 VAT			
VAT input receivables and VAT output payables are shown in note 13. All VAT returns have been submitted by the due date throughout the year.			
43.4 PAYE and UIF			
Current year payroll deductions	8 935 919	7 592 498	
Amount paid - current year	(8 935 919)	(7 592 498)	
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>	
43.5 Pension and Medical Aid Deductions			
Current year payroll deductions and Council Contributions	21 386 757	20 006 511	
Amount paid - current year	(21 386 757)	(20 006 511)	
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>	
43.6 Councillor's arrear consumer accounts			
The following Councillors had arrear accounts outstanding for more than 90 days as at: -			
	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R
as at 30 June 2009			
Councillor ZA Beje	25 999	670	25 329
Councillor LN Twaku	2 586	767	1 819
Councillor NG Xoseni	3 308	521	2 787
Councillor M Nontsele	735	670	65
Councillor MM Gongqa	1 942	197	1 745
Total Councillor Arrear Consumer Accounts	<u>34 570</u>	<u>2 825</u>	<u>31 745</u>
as at 30 June 2008			
Councillor ZA Beje	37 023		37 023
Councillor LN Twaku	3 033		3 033
Councillor NG Xoseni	1 729		1 729
Total Councillor Arrear Consumer Accounts	<u>41 785</u>	-	<u>41 785</u>

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	2009 R	2008 R
During the year the following Councillors had arrear accounts outstanding for more than 90 days.		
	Highest Amount Outstanding R	
as at 30 June 2009		
Councillor ZA Beje	25 999	
Councillor LN Twaku	2 586	
Councillor NG Xoseni	3 308	
Councillor M Nontsele	735	
Councillor MM Gongqa	1 942	
as at 30 June 2008		
Councillor ZA Beje	37 023	
Councillor LN Twaku	3 033	
Councillor NG Xoseni	1 729	

43.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

The Municipality has deviated from its supply chain management policy by appointing a service provider to assist the municipality with a turn around plan implemented by Provincial Government. Provincial Government went out to tender for services to be rendered on behalf of government to assist municipalities in the turn around of their audit reports. Service providers were allocated to the municipality, but subsequently Provincial Government stopped all contracts as a result of the amount exceeding their budget. The municipality requested that the process continue and it was agreed to utilize the service providers appointed through the tender process followed by government.

44 CAPITAL COMMITMENTS

44.1 Commitments in respect of capital expenditure

- Approved and contracted for	48 156 135	1 722 403
Infrastructure	5 004 356	-
Community	187 259	-
Other	42 964 520	1 722 403
Total	48 156 135	1 722 403
This expenditure will be financed from:		
- External Loans	-	1 722 403
- Government Grants	48 156 135	-
	48 156 135	1 722 403

45 Operating leases

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Operating leases - lessee

Within one year	397 012	397 012
In the second to fifth year inclusive	359 678	756 690
Total	756 690	1 153 702

Operating Leases consists of the following:
Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated for an average term of five years and rentals are fixed for an average of five years.

46 RETIREMENT BENEFIT INFORMATION

46.1 Defined benefit plan

The following are defined benefit plan: Post retirement medical aid contributions.

The movement in the post employment medical benefit is reconciled as follows:-

Balance at beginning of year	43 868 419	-
Expected benefit Payments	(884 031)	-
Reflected on the statement of financial performance:		
Current service cost - included in general expenses.	2 648 014	-
Transfer from Accumulated surplus	-	43 868 419
Interest Cost	4 350 787	-
Actuarial (Gain)/loss	-	-
Transferred to current liabilities	(962 970)	(884 031)
Balance at end of year	49 020 219	42 984 388

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	2009 R	2008 R
The estimated expected timing of resulting outflows of post employment medical benefits are:		
Within one year	962 970	884 031
Balance at end of year	962 970	884 031

There is no actuarial gain/loss as this is the first post-employment medical assistance liability valuation performed.

The amount of the liability shown in the balance sheet is the present value of the obligation less the fair value of any plan assets held in respect of the post-retirement medical scheme. There are no plan assets in this valuation.

Sensitivity Analysis
Changes in medical inflation

Changes in the difference between the medical inflation and discount rates have a significant impact on the results. In the following table, we show the effects on the central basis results (as shown above) of both increasing and decreasing the medical inflation rate by 1% throughout, whilst keeping all other assumptions constant:

Sensitivity to medical inflation		
-1%	Base	+1%
R 49 488 305	R 49,983,189	50 483 020

Assumptions used.

Descriptions
Pre retirement mortality
Post retirement mortality
AIDS
Normal retirement age

Assumptions
SA(85/90) normal
PA(90)M, PA(90)F
Not allowed for
65 years

Age difference
Take up rate
Discount rate

Actual information applicable to each Lukhanji Municipality employee
100% of active employees at retirement
Zero-coupon South African Bond yield curve

Medical inflation
Salary inflation

1.00% p.a. lower than the discount rate and 2.50% p.a. higher than CPI
2.00% p.a. higher than CPI

CPI - "a curve assumed"

A curved assumed to be 3.5% lower than the discount rate

47 CONTINGENT LIABILITY

47.1 Claim for damages

Guarantees in respect of housing bonds to employees - Collateral	49 280	202 125
Meliziswe International Property Group - General Valuation : The group issued summons against the Municipality for payment which action was defended.	1 423 000	1 423 000
MaxProf - VAT : Summons were issued against the Municipality for payment in respect of services rendered and in respect of VAT Returns.	250 000	250 000
Mkhetsu - Damages : Summons were issued against the municipality for damages to a property but this matter has not been pursued and we have no indication as to when the matter will be resolved.		
Motile - Damages : Motile sued the Municipality for damages and the matter became defended. Motile has not pursued the matter and the matter has been dormant for some years.	100 000	100 000
AS Burwana : Burwana has issued summons against the Municipality for services rendered which summons has been defended. This matter is set down for hearing in June 2010.	200 000	200 000
Civil & General : In this matter Civil & General issued summons against the Municipality for payment relating to remarks made which are alleged to have been defamatory of the firm Civil & General. This file is being attended to by Mr Bobotyana.	150 000	150 000
Chithi : Issued summons against the Municipality and various other councillors for payment of damages for defamation. This matter is proceeding to trial and will most probably be heard during the course of 2010.	100 000	100 000
D Osborne - Contract in place cancelled by municipality. Summons issued against municipality by Osborne. Matter resolved.		200 000
AV Magqabi : Issued summons against the Municipality for the transfer of immovable property, but he has not pursued the matter.		
Sala Pension Fund : This claim arose as a result of an increase in the contributions by the Municipality to the Sala pension Fund which was backdated and for which the Sala Pension Fund has now issued summons against the Municipality. The matter has been defended and it should be heard some time early in 2010.	1 777 000	
	4 049 280	2 625 125

There could be a possibility that the following claims could be reimbursed:
- Maxprof - VAT dependent on refund from SARS
- Sala Pension Fund - Increase in contributions

48 CONTINGENT ASSET
None

49 IN-KIND DONATIONS AND ASSISTANCE

The Municipality received the services of a financial advisor from the National Treasury.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

2009
R

2008
R

50 EVENTS AFTER THE REPORTING DATE

There is no events to report upon.

51 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated annual financial statements. Significant judgements include:

Trade receivables and/or loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in notes 14,18.

Useful lives of infrastructure assets

The municipality's management determines the estimated useful lives and related depreciation charges for infrastructure assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Effective interest rate

The municipality used the prime interest rate x 85% (\pm equal to borrowing rate from DBSA) to discount future cash flows.

Allowance for doubtful debts

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

2009
R 2008
R

52 RISK MANAGEMENT

52.1 Market Risk

The municipal activities expose it primarily to the risk of fluctuations in the interest rates.

Interest rate risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates

Market risk exposures are measured using sensitivity analysis. A sensitivity analysis show how the Statement of Financial Position would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date.

52.2 Credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. Customers cannot be refused basic services and so constitutes a serious credit risk. A credit control policy is in place so as to minimise the risk but is all dependant on the political will for execution to control the credit risk. Large consumers may have to produce large guarantees and/or deposits to minimise the credit risk.

Financial assets exposed to credit risk at year end were as follows:

ABSA Bank	9 526 466	3 832 214
Short term investments	63 820 196	43 311 505
Trade and other receivables	86 219 060	58 720 573

These balances represent the maximum exposure to credit risk.

52.3 Liquidity risk

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

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

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Maturity Analysis

	0 - 1 Year	2 Years	3 Years+	Total
2009				
Trade Payables	2 620 505			2 620 505
Finance Lease liability	4 777 263	4 090 535	5 624 447	14 492 246
Bank borrowings	1 385 144	1 385 144	2 921 730	5 692 018
2008				
Trade Payables	150 507			150 507
Finance Lease liability	4 859 474	4 777 263	9 714 982	19 351 720
Bank borrowings	1 385 144	1 385 144	4 306 874	7 077 161

52.4 Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk.

At year end, financial instruments exposed to interest rate risk were as follows:

- Call deposits	63 820 196	43 311 505
- Finance Lease Liabilities	11 830 171	11 597 150
- Development Bank of South Africa loan	4 427 849	5 248 410

52.5 Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting dates. For floating rate instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year.

The basis point increases or decreases, as detailed in the table below, were determined by management and represent management's assessment of the reasonably possible change in interest rates.

A positive number below indicates an increase in surplus. A negative number below indicates a decrease in surplus.

The sensitivity analysis shows reasonable expected change in the interest rate, either an increase or decrease in the interest percentage. The equal but opposite % adjustment to the interest rate would result in an equal but opposite effect on surplus and therefore has not been separately disclosed below.

As the municipality does not have any instruments that effect net assets directly, the disclosure only indicates the effect of the change in interest rates on surplus.

There were no changes in the methods and assumptions used in preparing the sensitivity analysis from one year to the next.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	2009 R	2008 R
At year end, financial instruments exposed to interest rate risk were as follows:		
- Call deposits	63 820 196	43 311 505
- Finance Lease Liabilities	11 830 171	11 597 150
- Development Bank of South Africa loan	4 427 849	5 248 410

Sensitivity Analysis
Changes in interest rates

Changes in the difference between the interest rates have an impact on the results. In the following table, we show the effects on the central basis results (as shown above) of both increasing and decreasing the interest rate by 1% throughout, whilst keeping all other assumptions constant:

Development Bank of South Africa Loan
Finance Lease Liabilities

Sensitivity to interest rate risk		
-1%	Base	+1%
Development Bank of South Africa Loan	4 427 849	4 472 127
Finance Lease Liabilities	11 830 172	11 948 474
	4 383 571	4 472 127
	11 711 870	11 948 474

53 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Appendix D.

54 LANDFILL SITES

Rehabilitation cost for landfill sites.

55 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The municipality has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2009 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the entity. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the entity's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

2009
R

2008
R

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the entity.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 103: Heritage Assets

GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

2009
R 2008
R

56 FINANCIAL INSTRUMENTS

Financial instruments are classified into the following categories:

Financial assets: Loans and receivables

Financial liabilities: At amortised cost

The classification of financial instruments is determined at initial recognition based on the purpose for which the financial assets are acquired or liabilities assumed.

2009

	Loans and receivables R	Non financial assets R	Total R
Assets			
Property, Plant and Equipment	-	207 296 373	207 296 373
Long-term investments	706 820	-	706 820
Trade and other receivables from exchange transactions	43 729 417	-	43 729 417
Other receivables from non-exchange transactions	9 601 977	32 887 666	42 489 643
Vat	69 048 461	-	69 048 461
Cash and Cash Equivalents	73 373 654	-	73 373 654
	<u>196 460 329</u>	<u>240 184 040</u>	<u>436 644 368</u>

	Measured at amortised cost R	Non financial liabilities R	Total R
Liabilities			
Long-term Liabilities	3 532 626	8 270 872	11 803 498
Post employment medical benefit	-	49 020 219	49 020 219
Consumer deposits	-	7 383 406	7 383 406
Short-term Portion of Deferred Income	23 979 180	-	23 979 180
Short-term Portion of Long Term Liabilities	895 223	3 559 300	4 454 522
Short-term Portion of Post employment medical aid	-	962 970	962 970
Trade and other payables from exchange transactions	4 314 869	15 186 552	19 501 421
Provisions	-	1 599 587	1 599 587
Vat payable	66 888 976	-	66 888 976
	<u>99 610 873</u>	<u>85 982 905</u>	<u>185 593 778</u>

Net assets	251 050 591	251 050 591
	<u>96 849 456</u>	<u>(96 849 456)</u>

2008

	Loans and receivables R	Non financial assets R	Total R
Assets			
Property, Plant and Equipment	-	140 941 585	140 941 585
Long-term investments	663 821	-	663 821
Short-term Portion of Long-term Receivables	5 030	-	5 030
Trade and other receivables from exchange transactions	36 501 680	-	36 501 680
Other receivables from non-exchange transactions	3 624 559	18 594 334	22 218 893
VAT receivable	41 290 611	-	41 290 611
Cash and Cash Equivalents	47 168 111	-	47 168 111
	<u>129 253 811</u>	<u>159 535 919</u>	<u>288 789 730</u>

	Measured at amortised cost R	Non financial liabilities R	Total R
Liabilities			
Long-term Liabilities	4 451 949	8 950 310	13 402 259
Consumer deposits	-	7 086 805	7 086 805
Short-term Portion of Deferred Income	20 483 171	-	20 483 171
Short-term Portion of Long Term Liabilities	796 461	2 646 841	3 443 302
Trade and other payables from exchange transactions	1 212 197	9 385 077	10 597 274
VAT payable	39 515 575	-	39 515 575
	<u>66 459 353</u>	<u>71 053 421</u>	<u>137 512 774</u>

Net assets	149 380 412	149 380 412
	<u>62 794 458</u>	<u>(60 897 915)</u>

	2009 R	2008 R
Loans and receivables at amortised cost		
Opening balance	129 253 811	117 069 986
Net other movements	67 206 517	12 183 825
Closing balance	<u>196 460 329</u>	<u>129 253 811</u>
Financial liabilities at amortised cost		
Opening balance	66 459 353	71 836 626
Net other movements	33 151 520	(5 377 273)
Closing balance	<u>99 610 873</u>	<u>66 459 353</u>

LUKHANJI MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS
for the year ended 30 June 2009

EXTERNAL LOANS	Interest Rate %	Loan number	Redeemable Date	Balance at 30 June 2008	Received during the period	Redeemed / written off during the period	Balance at 30 June 2009
				R	R	R	R
FINANCE LEASES							
CGM00249J: ISUZU KB250	9.93		2010-11-01	84 037		(84 037)	-
CGM00250A : ISUZU KB 250	9.93		2010-11-01	84 037		(33 618)	50 419
CGM00246S : ISUZU KB250	9.77		2010-11-01	78 564		(31 428)	47 136
CGM00248K : ISUZU KB 250	10.00		2010-11-01	75 529		(30 215)	45 315
CGM00243X : ISUZU KB 250	9.71		2010-11-01	74 840		(29 938)	44 902
CGM00245T : ISUZU KB 250	9.77		2010-11-01	74 840		(29 938)	44 902
XPC31141S : LLERC/XKUBUTO WATER	10.39		2008-11-01	9 756	2 534	(12 291)	-
CVF00224A : VOLKSWAGEN CITI CHICO	10.17		2010-11-01	49 171		(19 670)	29 501
CVF00227T : VOLKSWAGEN CITI CHICO	10.17		2010-11-01	49 171		(19 670)	29 501
CVF00228S : VOLKSWAGEN CITI CHICO	10.17		2010-11-01	41 722		(16 690)	25 032
CVF00230E : VOLKSWAGEN CITI CHICO	10.17		2010-11-01	41 722		(16 690)	25 032
CVF00233X : VOLKSWAGEN CITI CHICO	10.17		2010-11-01	41 722		(16 690)	25 032
CGM00244W : ISUZU KB 250	9.77		2010-11-01	74 840		(29 938)	44 902
CGM00247L : ISUZU KB 250	10.00		2010-11-01	84 037		(33 618)	50 419
XPC31178K : ISUZU FTR 800 TURBO	9.73		2010-11-01	540 901		(207 628)	333 272
XPC31179J : ISUZU FTR 800 TURBO	9.73		2010-11-01	540 901		(207 628)	333 272
XPC31180A : ISUZU FTR 800 TURBO	9.73		2010-12-01	502 262		(192 802)	309 460
POB00039K : TRACTOR 4X4 AGRIC	Variable		2012-05-01	1 112 732		(244 364)	868 368
POB00040B : GRID ROLLER	Variable		2012-05-01	301 098		(66 910)	234 188
POB00021J : ISUZU FVZ 1400 TURBO	Variable		2012-02-26	696 905		(164 203)	532 703
POB00022H : ISUZU FTR 800 TIP	Variable		2012-02-26	441 128		(104 312)	336 816
POB00023E : ISUZU FTR 800 TIP	Variable		2012-02-26	441 128		(104 312)	336 816
POB00026X : BEEL 770 D MOTOR GRADER	Variable		2012-03-01	1 457 755		(336 854)	1 120 901
48519940001 : ISUZU KB200	12.84		2013-04-01	144 870		(23 115)	121 755
48519940002 : ISUZU KB200	12.84		2013-04-01	144 870		(23 115)	121 755
48519940003 : ISUZU KB200	12.84		2013-04-01	144 870		(23 115)	121 755
48519940004 : LPT 709 TON TATA DROPSIDE	12.84		2013-04-01	279 858		(44 654)	235 205
48519940005 : CHEVROLET AVEO 1.5 HATCH BASE	12.84		2013-04-01	112 655		(17 975)	94 680
48519940006 : ISUZU KB 200	12.84		2013-04-01	144 870		(23 115)	121 755
48519940007 : ISUZU KB 200	12.84		2013-04-01	144 870		(23 115)	121 755
48519940008 : CHEVROLET AVEO 1.5 HATCH BASE	12.84		2013-04-01	112 655		(17 975)	94 680
48519940009 : ISUZU KB 200	12.84		2013-04-01	144 870		(23 115)	121 755
48519940010 : MASSEY FERGUSON 275	12.84		2013-04-01	215 426		(34 373)	181 053
48519940011 : ISUZU KB 200	12.84		2013-04-01	152 610		(24 350)	128 260
48519940012 : ISUZU KB 200	12.84		2013-04-01	160 194		(25 560)	134 634
48519940013 : ISUZU KB 200	12.84		2013-04-01	160 194		(25 560)	134 634
48519940014 : NISSAN CABSTAR UD 40	12.84		2013-04-01	494 067		(78 832)	415 234
48519940015 : ISUZU FVZ 1400 TIPPER TRUCK	13.34		2013-06-01	823 064	10 228	(133 291)	700 000
48519940016 : JCB JS200 EXCAVATOR	12.84		2013-06-01	1 318 410	10 204	(214 293)	1 114 321
48519940017 : TATA TIPPER TRUCK	12.84		2013-07-01	-	440 071	(65 192)	374 879
48519940018 : TATA TIPPER TRUCK	12.84		2013-07-01	-	440 071	(65 192)	374 879
48519940019 : LANDFILL COMPACTOR	14.90		2013-07-01	-	1 980 372	(283 725)	1 696 647
48519940021 : TOYOTA HILUX 3.00	12.84		2013-08-01	-	243 749	(32 940)	210 808
48519940022 : 15 TON FOUR WHEEL TRACTOR TR/	12.84		2013-09-01	-	192 859	(25 282)	167 578
48519940023 : 20-25 TON FOUR AXLE LOW BED	12.84		2013-09-01	-	200 474	(26 210)	174 264
Total Finance lease liabilities				11 597 150	3 520 562	(3 287 542)	11 830 171
ANNUITY LOAN							
Development Loan of South Africa	12.00		2013-03-01	5 248 410	(23 836)	(796 725)	4 427 849
TOTAL EXTERNAL LOANS				16 845 560	3 496 726	(4 084 267)	16 258 020

LUKHANJI MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
for the year ended 30 June 2009

	Cost / Revaluation				Accumulated Depreciation				Transfers	Other movements/ Take on	Carrying Value
	Opening Balance	Additions	Disposals/Write offs	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals/Write offs			
	R	R	R	R	R	R	R	R	R	R	R
Land											
Land	81 675 560	-	(81 675 560)	-	-	-	-	-	-	-	-
Landfill Sites	1	-	-	-	1	-	-	-	-	-	1
	81 675 561	-	(81 675 560)	-	1	-	-	-	-	-	1
Buildings											
28 027 730			(28 027 730)			(16 707 064)		16 707 064			
Infrastructure											
Planning	3 044 744	-	(3 044 744)	-	-	(1 994 935)	-	1 994 935	-	-	45 289
Roads	16 676 493	-	(16 676 493)	-	-	(15 864 403)	-	15 864 403	-	-	97 649 386
Electricity	102 056 144	-	(102 056 144)	-	-	(75 731 739)	-	75 731 739	-	-	86 966 395
Other	2 078 992	-	(2 078 992)	-	-	(2 026 012)	-	2 026 012	-	-	-
Security	85 027	-	(85 027)	-	-	(76 254)	-	76 254	-	-	85 027
Reservoirs – Water	-	-	-	-	-	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-	-	-	-	-
Storm Water	-	-	-	-	-	-	-	-	-	-	-
	123 941 399	-	(123 941 399)	-	-	(95 693 342)	-	95 693 342	-	-	184 746 097
Community Assets											
Recreation	279 152	-	(279 152)	-	-	(80 204)	-	80 204	-	-	-
	279 152	-	(279 152)	-	-	(80 204)	-	80 204	-	-	-
Heritage Assets											
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-
	233 923 842	-	(233 923 841)	-	1	(112 480 609)	-	112 480 609	-	-	184 746 098
Total carried forward											

LUKHANJI MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
for the year ended 30 June 2009

	Cost / Revaluation				Accumulated Depreciation						Carrying Value		
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance		Transfers	Other movements
	R	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	233 923 842	-	(233 923 841)	-	1	(112 480 609)	-	112 480 609	-	-	-	184 746 097	184 746 098
Other Assets													
Office Equipment	4 190 616	-	(4 190 616)	-	-	(2 441 023)	-	2 441 023	-	-	-	1 886 542	1 886 542
Furniture & Fittings	3 710 280	-	(3 710 280)	-	-	(397 304)	-	397 304	-	-	-	3 063 862	3 063 862
Bins and Containers	420 810	-	(420 810)	-	-	(302 240)	-	302 240	-	-	-	-	-
Other Equipment	7 105 475	-	(7 105 475)	-	-	(1 180 410)	-	1 180 410	-	-	-	6 069 891	6 069 891
Motor vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Animals	15 705	-	(15 705)	-	-	(15 705)	-	15 705	-	-	-	-	-
Refuse tankers	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance Lease Assets													
Office Equipment	12 564 711	3 520 562	(12 564 711)	-	3 520 562	(4 172 562)	-	4 172 562	-	-	-	8 009 418	11 529 981
Motor vehicles	12 564 711	3 520 562	(12 564 711)	-	3 520 562	(4 172 562)	-	4 172 562	-	-	-	8 009 418	11 529 981
Total	261 931 438	3 520 562	(261 931 437)	-	3 520 563	(120 989 854)	-	120 989 854	-	-	-	203 775 810	207 296 373

LUKHANJI MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
for the year ended 30 June 2008

	Cost / Revaluation				Accumulated Depreciation						Carrying Value R	
	Opening Balance R	Additions R	Disposals R	Under Construction R	Closing Balance R	Opening Balance R	Depreciation R	Disposals R	Impairment loss/Reversal of impairment loss R	Closing Balance R		Transfers R
Land												
Land	8 768 631	-	-	-	8 768 631	-	-	-	-	-	-	72 906 929
Landfill Sites	1	-	-	-	1	-	-	-	-	-	-	-
Quarries	-	-	-	-	-	-	-	-	-	-	-	-
	8 768 632				8 768 632							72 906 929
Buildings												
	28 809 030	-	(781 300)	-	28 027 730	(14 956 545)	(1 910 263)	159 744	-	(16 707 064)	-	-
Infrastructure												
Planning	3 044 744	-	-	-	3 044 744	(1 844 962)	(149 973)	-	-	(1 994 935)	-	-
Roads	16 676 493	-	-	-	16 676 493	(15 521 307)	(343 096)	-	-	(15 864 403)	-	-
Electricity	102 078 031	-	(21 887)	-	102 056 144	(72 290 335)	(3 462 196)	20 793	-	(75 731 739)	-	-
Other	2 857 939	-	(778 947)	-	2 078 992	(2 785 609)	-	759 598	-	(2 026 012)	-	-
Security	85 027	-	-	-	85 027	(75 327)	(927)	-	-	(76 254)	-	-
	124 742 234		(800 834)		123 941 399	(92 517 541)	(3 956 191)	780 390		(95 693 342)		
Community Assets												
Recreation	1 181 993	138 662	(1 041 503)	-	279 152	(1 067 348)	(18 859)	1 006 003	-	(80 204)	-	-
	1 181 993	138 662	(1 041 503)		279 152	(1 067 348)	(18 859)	1 006 003		(80 204)		
Total carried forward	163 501 888	138 662	(2 623 637)		161 016 913	(108 541 433)	(5 885 313)	1 946 137		(112 480 609)		72 906 929
												121 443 233

LUKHANJI MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
for the year ended 30 June 2008

	Cost / Revaluation				Accumulated Depreciation							Carrying Value	
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance	Transfers		Other movements
	R	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	163 501 888	138 662	(2 623 637)	-	161 016 913	(108 541 433)	(5 885 313)	1 946 137	-	(112 480 609)	-	72 906 929	121 443 233
Other Assets													
Office Equipment	2 997 952	291 964	(336 957)	-	2 952 960	(1 938 245)	(823 399)	320 621	-	(2 441 023)	-	1 237 656	1 749 592
Furniture & Fittings	222 543	173 207	(10 820)	-	384 930	(98 248)	(305 503)	6 447	-	(397 304)	-	3 325 350	3 312 976
Bins and Containers	420 810	-	-	-	420 810	(255 940)	(46 301)	-	-	(302 240)	-	-	118 570
Other Equipment	4 927 268	1 614 816	(86 560)	-	6 455 524	(548 697)	(691 650)	59 937	-	(1 180 410)	-	649 951	5 925 064
Motor vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Animals	15 705	-	-	-	15 705	(15 705)	-	-	-	(15 705)	-	-	-
	8 584 278	2 079 987	(434 336)	-	10 229 928	(2 856 834)	(1 866 853)	387 004	-	(4 336 682)	-	5 212 957	11 106 203
Finance Lease Assets													
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor vehicles	7 161 592	3 214 866	(28)	-	10 376 430	(2 483 489)	(1 689 101)	28	-	(4 172 562)	-	2 188 281	8 392 149
	7 161 592	3 214 866	(28)	-	10 376 430	(2 483 489)	(1 689 101)	28	-	(4 172 562)	-	2 188 281	8 392 149
Total	179 247 759	5 433 514	(3 058 001)	-	181 623 272	(113 881 755)	(9 441 267)	2 333 169	-	(120 989 854)	-	80 308 166	140 941 585

LUKHANJI MUNICIPALITY
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
for the year ended 30 June 2009

	Cost / Revaluation				Accumulated Depreciation				Carrying value R	
	Opening Balance R	Additions R	Under Construction R	Disposals R	Closing Balance R	Disposals R	Additions R	Opening Balance R		Closing Balance R
Executive & Council	243 341	508 593	-	(243 341)	508 593	-	53 164	-	(53 164)	508 593
Finance & Admin	28 807 681	16 759 110	-	(28 807 681)	16 759 110	-	10 850 190	-	(10 850 190)	16 759 110
Planning & Development	78 826 545	1 062 135	-	(78 826 545)	1 062 135	-	3 480 908	-	(3 480 908)	1 062 135
Health	2 736 136	283 027	-	(2 736 136)	283 027	-	806 374	-	(806 374)	283 027
Community & Social Services	20 624 541	1 165 674	-	(20 624 541)	1 165 674	-	9 949 395	-	(9 949 395)	1 165 674
Public Safety	1 215 647	307 964	-	(1 215 647)	307 964	-	619 088	-	(619 088)	307 964
Sport & Recreation	4 574 713	56 176	-	(4 574 713)	56 176	-	1 816 675	-	(1 816 675)	56 176
Environmental Protection	-	-	-	-	-	-	-	-	-	-
Waste Management	1 093 886	600 080	-	(1 093 886)	600 080	-	570 327	-	(570 327)	600 080
Road Transport	5 900 557	97 186 293	-	(5 900 557)	97 186 293	-	4 455 483	-	(4 455 483)	97 186 293
Water	-	-	-	-	-	-	-	-	-	-
Electricity	117 655 409	89 167 323	-	(117 655 409)	89 167 323	-	88 188 251	-	(88 188 251)	89 167 323
Other	252 980	200 000	-	(252 980)	200 000	-	200 000	-	(200 000)	200 000
Total	261 931 437	207 296 373	-	(261 931 437)	207 296 373	-	120 989 854	-	(120 989 854)	207 296 373

LUKHANJI MUNICIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2009

	2008		2008		2008		2009		2009		2009	
	Actual Income	Actual Expenditure	Surplus / (Deficit)	Budget	Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)	Budget	
	R	R	R	R	R	R	R	R	R	R	R	R
38 566 655	16 880 021	21 686 634	23 568 290	Executive & Council	52 854 792	21 836 354	31 018 437	20 908 505				
46 428 359	21 951 487	24 476 872	2 449 681	Finance & Admin	59 074 958	23 620 546	35 454 411	5 564 778				
2 818 566	7 939 134	(5 120 568)	(5 325 617)	Planning & Development	7 578 446	12 245 367	(4 666 922)	(6 010 672)				
8 420 994	6 973 882	1 447 113	(484 709)	Health	8 384 163	8 531 929	(147 766)	819 547				
1 505 668	6 404 628	(4 898 960)	(7 318 368)	Community & Social Services	4 272 590	8 760 386	(4 487 796)	(7 198 470)				
7 043 436	9 340 012	(2 296 577)	(3 957 539)	Public Safety	9 968 636	11 645 495	(1 676 859)	(6 194 797)				
1 881 716	7 531 563	(5 649 847)	(6 051 225)	Sport & Recreation	644 124	6 496 991	(5 852 867)	(6 613 479)				
15 156 529	19 154 912	(3 998 383)	(265 417)	Environmental Protection	-	-	(3 863 488)	(2 560 131)				
2 412 424	5 837 410	(3 424 987)	(4 561 485)	Waste Management	18 222 075	22 085 563	(4 233 161)	(6 484 846)				
				Road Transport	8 036 224	12 269 384	-	-				
				Water	106 747 153	110 355 902	(3 608 748)	4 888 131				
58 057 253	69 457 322	(11 400 070)	6 308 086	Electricity	2 622	114 424	(111 802)	(128 527)				
39 833 812	37 984 638	1 849 174	(333 732)	Other	275 785 782	237 962 341	37 823 441	(3 009 961)				
222 125 411	209 455 009	12 670 402	4 027 965									
Less: Inter-Department Charges												
222 125 411	209 455 009	12 670 402	4 027 965	Total	275 785 782	237 962 341	37 823 441	(3 009 961)				

LUKHANJI MUNICIPALITY
APPENDIX E
DETAIL OF MOVEMENTS ON CONDITIONAL GRANTS
for the year ended 30 June 2009

	Balance 2008/06/30	Contributions	Interest	Receipts	Operating expenses	Capital	Transfers	Balance 2009/06/30	Conditions met
ADMIN FEE: INFRASTRUCTURE	-106 743.85	-	-13 573.63	-157 973.01	-	-	-	-278 290.49	Yes
AIDS GRANT	-9 159.42	-	-2 074.42	-15 000.00	886.00	-	-	-25 347.84	Yes
BCIG PROJECTS: EZIBELENI SEWER	-48 576.17	-	-	-	-	-	-	-48 576.17	Yes
BCIG PROJECTS: MLUNGISI BULK WATER	-63 320.14	-	-	-	-	-	-	-63 320.14	Yes
BOTHAS HOEK DESIGN FEES	5 461.83	-	-1 392.03	-37 725.20	24 445.86	-	-	-9 209.54	Yes
BOTHAS HOEK ESTABLISHMENT GRANT	-9 506.24	-	-469.51	-	16 100.61	-	-	6 124.86	Yes
BOTHAS HOEK TOP STRUCTURE	-47 458.17	-	-4 883.21	-	14 625.54	-	-	-37 715.84	Yes
BRAKKLOOF - SURVEY PROJECTS	-2 234.18	-	-250.39	-	-	-	-	-2 484.57	Yes
BRAKKLOOF SETTLEMENT PLANNING	-61 164.05	-	-6 854.78	-	-	-	-	-68 018.83	Yes
CAPACITY BUILDING WARDS	-50 867.77	-	-5 006.33	-	8 100.00	-	-	-47 774.10	Yes
CEMETARY MAINTENANCE PERPUITY	-11 080.57	-	-1 841.32	-	-	-	-	-12 921.89	Yes
CHRIS HANI DISTRICT FUNDS	-191 128.69	-	-21 420.19	-	88 127.80	-	-	-124 421.08	Yes
CMIP PROJECT: ENKULLEKWENI HOUSING	-36 270.27	-	-	-	-	-	-	-36 270.27	Yes
CMIP PROJECT: EZIBELENI BULK WATER & ROA	-13 769.90	-	-	-	-	-	-	-13 769.90	Yes
CMIP PROJECT: EZIBELENI STREETLIGHT	-	-561 981.49	-	-	-	-	-	-561 981.49	Yes
CMIP PROJECT: SHILOH BEDE FREEBASIC WAT	-44 981.77	-	-	-	-	-	-	-44 981.77	Yes
CMIP: SABATA DALINDYEBO SERVICES	-16 021.20	-	-	-	-	-	-	-16 021.20	Yes
COMPLETION OF ZONING SCHEME	-17 422.82	-	-1 952.61	-	-	-	-	-19 375.43	Yes
COMPUTERISED LIBRARY SYSTEM	-272 630.18	-	-26 917.47	-	-	60 132.32	-	-239 415.33	Yes
CONSTRUCTION OF SPORTFIELDS	-76 252.08	-	-5 105.53	-	76 252.00	-	-	-5 105.61	Yes
DEPT OF NATIONAL HEALTH (ATTIC)	-824 364.10	-	-	-	824 364.10	-	-	-	Yes
DEPT OF NATIONAL HEALTH (LIZONGCANO)	-	-	-	-	-	-	-	-	Yes
DISASTER FUND	-67 221.99	-	-1 334.85	-	66 628.00	-	-	-1 928.84	Yes
EKUPHUMLENI ELECTRIFICATION	-	-	-	-	-	-	-	-	Yes
EKUPHUMLENI ESTABLISHMENT GRANT	-54.73	-	-1 487.94	-33 362.58	1 269.71	-	-	-33 635.54	Yes
EKUPHUMLENI TOP STRUCTURE	-224.20	-	-3 406.79	-51 810.00	2 252.84	-	-	-53 188.15	Yes
EKUPHUMLENI TRANSFER FEES	-3 498.13	-2 479.00	-1 070.89	-15 770.00	12 073.10	-	-	-10 744.92	Yes
ENKULLEKWENI ESTABLISHMENT GRANT	-733.07	-	-28.91	-	513.36	-	-	-248.62	Yes
ENKULLEKWENI TOP STRUCTURE	-67 744.20	-	-4 533.35	-	69 032.32	-	-	-3 245.23	Yes
ENSAM DESIGN FEES	-26 481.72	-	-2 482.89	-238 496.12	240 052.56	-	-	-27 408.17	Yes
ENSAM ESTABLISHMENT GRANT	-512.61	-	-106.54	-	337.83	-	-	-281.32	Yes
ENSAM TOP STRUCTURE	35 625.24	-	-1 205.18	-78 054.00	35 997.72	-	-	-7 636.22	Yes
ESKOM (SABATA DALINDYEBO)	-282 891.42	-	-31 704.28	-	-	-	-	-314 595.70	Yes
ESTATE LATE: MACRAE	-1 351.24	-	-	-	-	-	-	-1 351.24	Yes
EZIBELENI BRICKMAKERS	-100 824.24	-	-	-	55 178.57	-	-	-45 645.67	Yes
EZIBELENI PHASE 2 ESTABLISHMENT GRANT	-112 844.59	-	-4 177.30	-	123 196.27	-	-	6 174.38	Yes
EZIBELENI PHASE 2 TOP STRUCTURE	-780 717.18	-	-30 044.21	-	809 294.09	-	-	-1 467.30	Yes
EZIBELENI TOWN CENTRE	-718.34	-	-80.51	-	-	-	-	-798.85	Yes
FINANCIAL MANAGEMENT GRANT	-415 510.94	-	-82 068.40	-500 000.00	280 534.13	-	-	-717 045.21	Yes
FIRE SERVICE	-	-	-8 716.17	-2 700 000.00	6 480.00	-	-	-2 702 236.17	Yes
FORMULATION EZIBELENI SITES	-83 468.29	-	-9 354.48	-	-	-	-	-92 822.77	Yes

LUKHANJI MUNICIPALITY
APPENDIX E
DETAIL OF MOVEMENTS ON CONDITIONAL GRANTS
for the year ended 30 June 2009

	Balance 2008/06/30	Contributions	Interest	Receipts	Operating expenses	Capital	Transfers	Balance 2009/06/30	Conditions met
GEORGE HARTLEY BEQUEST	-36 817.47	-	-1 000.52	-	-	-	-	-37 817.99	Yes
HYDRAULIC ANALYSIS SEWERAGE	-5 666.50	-	-635.06	-	-	-	-	-6 301.56	Yes
IEC	-	-	-7 735.92	-452 500.00	422 897.54	-	-	-37 338.38	Yes
ILINGE ESTABLISHMENT HOUSING PROJECT	-5 123.08	-	-1 104.80	-59 175.00	9 474.16	-	-	-55 928.72	Yes
ILINGE REGISTRATION FEE	-1 396.73	-	-186.56	-31 050.00	21 770.52	-	-	-10 862.77	Yes
ILINGE TOP STRUCTURE	-74 576.15	-	-1 459.32	-	70 550.11	-	-	-5 485.36	Yes
IMVANI ESTABLISHMENT GRANT	-5 409.75	-	-575.14	-	584.78	-	-	-5 400.11	Yes
IMVANI TOP STRUCTURE	-127 199.41	-	-13 484.82	-	17 582.31	-	-	-123 101.92	Yes
INTEGRATED DEVELOPMENT PLAN	-50 725.00	-	-	-125 000.00	133 954.61	-	-	-41 770.39	Yes
INTEREST ON HOUSING PROJECTS	-592 673.69	-	-368 135.16	-	915 314.42	-	-	-45 494.43	Yes
INTEREST ON PROJECTS INFRASTRUCTURE	-697 230.00	-	-50 290.83	-195 802.88	670 666.21	-	-	-272 657.50	Yes
KHAYALITSHA BRICKMAKERS	-	-	-3 850.19	-	-	-	38 713.91	34 863.72	Yes
LAURIE DASHWOOD PARK SETTLEMENT PLANNING	-48 080.33	-	-5 388.46	-	-	-	-	-53 468.79	Yes
LED STRATEGIES & SPATIAL	-650 303.39	-	-72 880.87	-	-	-	-	-723 184.26	Yes
LGW SETA - TRAINING	-3 428.35	-	-7 664.22	-340 827.96	266 083.22	-	-	-85 837.31	Yes
MACHBINI ELECTRIFICATION	-	-	-	-	-	-	-	-	Yes
MBEKWENI ROADS & STORMWATER	-36 966.92	-	-2 060.65	-	37 551.17	-	-	-1 476.40	Yes
McBRIDE DESIGN FEES	-189 157.64	-	-21 411.30	-24 685.00	24 744.30	-	-	-210 509.64	Yes
McBRIDE ESTABLISHMENT GRANT	-24 537.32	-	-2 274.17	-	28 093.90	-	-	1 282.41	Yes
McBRIDE TOP STRUCTURE	-519 835.30	-	-5 453.17	-141 069.00	667 617.87	-	-	1 260.40	Yes
MENDI EDUCARE CENTRE	-25 278.18	-	-2 832.98	-	-	-	-	-28 111.16	Yes
MENDI MEMORIAL CRECHE	-9 299.62	-	-1 681.70	-	-	-	-	-10 981.32	Yes
MERINO WALK DESIGN FEES	-46 330.44	-	-4 918.61	-116 114.00	115 664.39	-	-	-51 698.66	Yes
MERINO WALK ESTABLISHMENT GRANT	1 821.37	-	9 568.46	-	-6 837.80	-	-	4 552.03	Yes
MERINO WALK TOP STRUCTURE	-9 171.11	-	-3.99	-	29 627.38	-	-	20 452.28	Yes
MIG - INTEREST	-241 342.33	-	-11 764.60	-89 399.79	150 740.15	-	-	-191 766.57	Yes
MIG COUNTERFUNDING	-1 563 860.96	-	-112 612.09	-	1 297 368.41	-	-	-379 104.64	Yes
MIG FUNDS	-1 453 439.48	-	-211 613.76	-21 008 918.77	16 844 234.55	-	-	-5 829 737.46	Yes
MIG RETENTION FUND	-26 766.80	-	-2 999.81	-	-	-	-	-29 766.61	Yes
MLUNGISI SPORTFIELDS	-	-	-6 526.37	-250 000.00	248 302.94	-	-	-8 223.43	Yes
MSP FUNDS	-1 652 165.62	-	-247 869.79	-735 000.00	104 035.12	78 243.93	-	-2 452 756.36	Yes
MSP FUNDS	-893 113.52	-	-95 308.09	-	304 810.42	-	-	-683 611.19	Yes
NER: EZIBELENI INFRA UPGRADE PHASE 2	-284 767.88	-	-31 741.08	-	16 972.37	-	-	-299 536.59	Yes
NOMZAMO PLANNING	-	-	-1 672.19	-84 250.00	59 702.20	-	-	-26 219.99	Yes
NOMZAMO SERVICES PROJECT LINKED HOUSING	678 219.09	-	926.88	-2 843 701.07	2 167 578.91	-	-	3 023.81	Yes
NOMZAMO TOP STRUCTURE	-	-	-5 044.82	-864 404.32	930 423.40	-	-	60 974.26	Yes
OLIVER BARNES BEQUEST	-2 658.43	-	-467.00	-	-	-	-	-3 125.43	Yes
P B ARNOLD BEQUEST	-7 578.85	-	-1 405.89	-	-	-	-	-8 984.74	Yes
PERFORMANCE MANAGEMENT	-83 147.47	-	-14 589.34	-70 000.00	168.00	-	-	-167 568.81	Yes
PLANNING OF SHILOH GREENFIELDS(500 ERVE	-208 466.44	-	-23 363.28	-	-	-	-	-231 829.72	Yes
POPLAR GROVE DESIGN FEES	-309 154.36	-	-32 795.49	-296 713.90	425 051.81	-	-	-213 611.94	Yes

LUKHANJI MUNICIPALITY
APPENDIX E
DETAIL OF MOVEMENTS ON CONDITIONAL GRANTS
for the year ended 30 June 2009

	Balance 2008/06/30	Contributions	Interest	Receipts	Operating expenses	Capital	Transfers	Balance 2009/06/30	Conditions met
POPLAR GROVE ESTABLISHMENT GRANT	1 042.74	-	55.00	-	3 870.88	-	-	4 968.62	Yes
POPLAR GROVE TOP STRUCTURE	129 620.52	-	-104 882.77	-1 393 517.00	290 105.19	-	-	-1 078 674.06	Yes
PREPARATION OF STRUCTURE PLAN	-109 355.24	-	-12 255.67	-	-	-	-	-121 610.91	Yes
QUEENSTOWN RHINO FUNDS	-303 909.93	-	-32 870.63	-	51 451.36	-	-	-285 329.20	Yes
RAGS TO RICHES	-46 243.58	-	-4 841.22	-	3 981.60	-	-	-47 103.20	Yes
RATHWICK ELECTRIFICATION	-157 438.85	-	-12 969.36	-	-	43 872.82	-	-126 535.39	Yes
RE-FURBISH ART GALLERY	-	-	-	-148 764.00	148 764.00	-	-	-	Yes
REVENUE MANAGEMENT	-475 010.04	-	-38 294.24	-	373 738.27	-	-	-139 566.01	Yes
ROWELL OLD AGE HOME	-1 445.63	-	-257.79	-	-	-	-	-1 703.42	Yes
RURAL WATER SCHEME	-12 390.36	-	-	-	-	-	-	-12 390.36	Yes
SABATA : PROJECT LINK	-135 942.65	-	-17 720.40	-102 730.00	12 463.08	-	-	-243 929.97	Yes
SABATA DALINDYEBO ESTABLISHMENT GRANT	-295.52	-	-31.42	-	31.95	-	-	-294.99	Yes
SABATA DALINDYEBO TOP STRUCTURE	-157.18	-	-16.71	-	15.49	-	-	-158.40	Yes
SABATA TOP STRUCTURE	-	-	2 515.96	-2 152 214.43	1 887 341.25	-	-	-262 357.22	Yes
SERVICE: INFORMAL SETTLEMENTS	-325 385.73	-	-36 466.67	-	78 711.30	-	-	-283 141.10	Yes
SHILOH GREENFIELDS - SURVEY PROJECTS	-266 447.05	-	-29 861.28	-	-	-	-	-296 308.33	Yes
STORM RELIEF FUND	-17 614.90	-	-5 036.56	-	-	-	-	-22 651.46	Yes
SURVEY & PLANNING: EXT 2 WHITTLESEA	-61 484.59	-	-6 890.71	-	-	-	-	-68 375.30	Yes
SURVEY OF LAURIE DASHWOOD PARK	-33 505.24	-	-3 755.00	-	-	-	-	-37 260.24	Yes
TAMBO VILLAGE ESTABLISHMENT GRANT	-4 075.87	-	-142.13	-	3 320.81	-	-	-897.19	Yes
TAMBO VILLAGE TOP STRUCTURE	-3 046 893.08	-	-214 695.23	-	3 232 652.38	-	-	-28 935.93	Yes
THAMBO VILLAGE HOUSING PROJECT	-	-	-	-	-	-	-	-	Yes
THAMBO VILLAGE SERVICES	-	-	134.73	-170 056.09	175 106.46	-	-	5 185.10	Yes
TOWNSHIP REGISTER 1	-34 832.22	-	-2 483.07	-	-	-	-	-37 315.29	Yes
TOWNSHIP REGISTER 2	-39 331.59	-	-2 619.20	-	-	-	-	-41 950.79	Yes
TYLDEN IRRIGATION SCHEME	-41 693.68	-	-3 838.53	-	9 763.69	-	-	-35 768.52	Yes
UNIFOUND HOUSING	-	-	-	-	-	-	-	-	Yes
UNKNOWN ALLOCATION	-190 232.55	-	-21 319.75	-	-	-	-	-211 552.30	Yes
UPGRADE RAW SEWER PUMP	-70 057.33	-	-7 851.47	-	-	-	-	-77 908.80	Yes
UPGRADING: ARTS & CULTURE CENTRE	-194.11	-	-21.75	-	-	-	-	-215.86	Yes
VALUATION FUND	-1 271 068.22	-	-63 953.41	-	1 040 000.00	-	-	-295 021.63	Yes
VEHICLE FLEET STUDY	-15 000.00	-	-	-	-	-	-	-15 000.00	Yes
W TREGARTEN BEQUEST	-3 667.36	-	-546.53	-	-	-	-	-4 213.89	Yes
WHITTLESEA EXT 4 ROADS & STORMWATER	-	-	-443 205.64	-5 000 000.00	3 646 307.34	-	-	-1 796 898.30	Yes
WHO CAN TELL DESIGN FEES	912.78	-	108.05	-115 406.51	115 683.49	-	-	1 297.81	Yes
WHO CAN TELL ESTABLISHMENT GRANT	10 748.81	-	569.16	-	-11 318.26	-	-	-0.29	Yes
WHO CAN TELL TOP STRUCTURE	-949 534.17	-	-95 911.46	-393 257.08	884 983.39	-	-	-553 719.32	Yes
Total	-20 483 171.27	-564 460.49	-2 797 206.51	-41 032 747.71	40 677 443.45	182 249.07	38 713.91	-23 979 179.55	

4.2 PERFORMANCE REPORT OF THE LUKHANJI LOCAL MUNICIPALITY FOR THE 2008/09 FINANCIAL YEAR

BACKGROUND

In terms of the Municipal Systems Act (as amended), municipalities are required to prepare an Annual Performance Report that is to form part of the Annual Report to be prepared in terms of the Municipal Finance Management Act.

The report is closely aligned to Performance Management System (PMS) which is in turn linked to the Integrated Development Plan (IDP) and Budget in order to ascertain that developments are related to the strategies, objectives of the IDP and budget available.

It encourages accountability and transparency because the annual results must be published as prescribed by Section 121(3) c of the MFMA in accordance to the Municipal Systems Act, 2000 (Act, 32 of 2000).. It also helps the municipality to establish future priorities and allocate budgets accordingly and more appropriately to achieve desired results. Most importantly, annual performance reporting can lead to improved service delivery because it focuses on results and how effectively and efficiently resources are being used.

Performance Management and reporting was initiated by the Ministry of Department of Provincial and Local Government now Cooperative Governance & Traditional Affairs in response to a proposal for the development thereof in the White Paper on Local Government. It was subsequently enacted in the Municipal Systems Act, and the Municipal Planning and Performance Management Regulations of 2001 as a means of improving service delivery to all South African residents.

Section 38 of the Act and the regulations requires a municipality to establish a performance management system that is best suited to its circumstances and which is in line with its priorities, objectives and targets, as contained in its IDP. The MSA further provides a mechanism to ensure that performance processes and system are effectively implemented, continually monitored and improved upon.

PURPOSE OF THE REPORT

This report provides a summary of the Lukhanji Municipality's results for the 2008/09 financial year. The reported results need to be reviewed and assessed to understand what the causes of the differences are.

Once the unique circumstances are understood, comparison data can be used to make service level or budget decisions that will lead to service improvements.

In terms of clause 4 of the Performance Information Public Audit Act Directive, General Notice 646 of 2007, issued in Government Gazette No. 29919 of 25 May 2007 (General Notice 646), the performance information should be submitted for audit together with the annual financial statements within two months after the end of the financial year.

The legislative requirement for the development of a PMS includes the Constitution, The Municipal Systems Act, the Municipal Finance Management Act, Municipal Planning and Performance Management Regulations, the White Paper on Local Government and the Batho Pele principles. However, the main regulatory mechanism for Performance Management System is Chapter 6 of the Municipal Systems Act, (Act 32 of 2000) and the related Municipal Performance Management Regulations and Municipal Finance Management Act.

The Municipal Systems Act requires that all Municipalities:

- develop a Performance Management System,
- set target and monitor and review performance based on indicators linked to their IDP;
- **Prepare an Annual Performance Report on the performance of a municipality forming part of its Annual Report as required in terms of the MFMA;**
- Incorporate and report on a set of general/national indicators prescribed by the Minister responsible for local government
- Conduct on a continuous basis, an internal audit of all performance measures
- **Have their annual performance report audited by the Auditor-General**

The Municipal Planning and Performance Management Regulations further details the requirements of a Performance Management System.

2008/09 PERFORMANCE REPORT

The Auditor General identified a number of deficiencies in the performance reporting of the municipality for the 2007/08 financial year. The Auditor General commented as follows:

“Non-compliance with regulatory requirements

Content of integrated development plan

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

Measurable objectives not consistent

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

Lack of sufficient appropriate audit evidence

Lack of systems generating performance information

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

Changes to planned performance information not approved

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

The final report of the Auditor General was released on 26 November 2008, almost six months into the performance period currently under review. As a result, remedial action of the municipality will only realistically manifest itself in the forthcoming performance report i.e. the report for the 2009/10 financial year.

Whilst this report does not completely allow for pragmatic performance assessment of Lukhanji Municipality, it does set the foundation for the preparation of future reports to comply with legislation and directives of the Auditor General.

The municipality has already implemented corrective measures in the performance measurement system for the 2009/10 financial year in response to the matters raised by the Auditor General. This includes and is contained in the approved Audit Action Plan of the municipality:

PAR	ISSUE	REMEDIAL ACTION
28	The IDP to include the key performance indicators and performance targets determined in terms of the Lukhanji performance management system, as required by section 26(i) of the Municipal Systems Act	Has been dealt with in the 2009/2010 IDP
29	Ensure that the measurable objectives reported in the annual	Has been dealt with in the

	performance report are consistent when compared with the predetermined objectives as per the IDP	2009/2010 IDP
30	Ensure that the system used for generating information on the target of electricity distribution is adequate.(SDBIP target supporting documentation for % achieved not available)	System implemented at Electricity Department
31	Ensure that all indicators and targets in the current year's annual performance plan have been approved	Has been dealt with in the 2009/2010 IDP

Source: Lukhanji Municipality 2008/09 Audit Action Plan as approved by the Oversight Committee on 23 February 2009

Lukhanji Municipality is now in a position to prepare itself to report on specifically National Key Performance Indicators. With the development and implementation of the Performance Management System country wide and the Auditor General's mandate to commence auditing and expressing an opinion on the performance of municipalities, Councils can now benchmark themselves, and identify areas for improvement.

It is acknowledged that because Lukhanji Municipality's Performance Management Systems is still evolving, internally there is still a need for continued PMS restructuring, education and additional capacity. There is also a need to further ensure strategic alignment of the PMS and SDBIPs and Individual agreements with the IDP. These would need to be addressed as part of the PMS review in 2009/2010. It is only with the commitment of Officials and Council that Lukhanji Municipality can now proudly say that it is truly on the right path of having a PMS in place.

The Performance Measurement Report that follows provides results on over 60 key performance indicators and performance measures broadly categorised in 5 Key Performance Areas *viz a viz* :

1. Municipal Institutional Development and Transformation
2. Local Economic Development
3. Good Governance and Public Participation
4. Basic Service Delivery, and
5. Municipal Financial Viability and Management

Lukhanji continues to promote a continuous improvement culture in order to provide our residents and businesses with services that use municipal rates as efficiently and effectively as possible. Often these achievements or innovative initiatives cannot be quantified and incorporated in performance measurement results, however, this information is equally important to consider in any evaluation.



P BACELA
MUNICIPAL MANAGER

KPA	KEY RESULT AREA	PROJECT (KPI)	BUDGET	DELIVERABLE (TARGET)	ACTUAL ACHIEVEMENT	COMMENTS
MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION	PMS	Review of PMS	R 199,600.00	Revised PMS	100%	Performance Agreements reviewed and brought in line with Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers (Reg 805, 1 August 2006)
		Development of performance contracts for managers	R 83,000.00	Signed performance contracts by management	100%	All Section 57 appointees signed performance agreements
	IDP	Prepare, review, adopt and implement IDP	R 325,000.00	Revised IDP	100%	IDP Finalised
LOCAL ECONOMIC DEVELOPMENT	LED	Facilitate a business development workshop	R 50,000.00	Workshop report	0%	Project could not be implemented due to lack of funds
		Support initiatives by Agric Dept	R 20,000.00	Report on support rendered	0%	Project could not be implemented due to lack of funds
		Conduct inventory of poverty alleviation projects	R 50,000.00	complete list of projects	0%	Project could not be implemented due to lack of funds
GOOD GOVERNANCE AND PUBLIC PARTICIPATION	IGR	LED - hawkers facilities	R 200,000.00	Hawkers facilities		
		Establish and formalise MOUs with at least three sector departments	R 50,000.00	Signed MoUs by LM and sector departments		Two District Managers Forum meetings have been convened during the period under review and both attended by the Municipal Manager.
	Secretarial Services	Train CDW's	R 64,260.00	27 Trained CDW's	70.4%	19 CDW's attended training with Ward Committee members
		Training some Ward Committees members in key municipal functions by March 2009	R 150,209.00	270 Trained Ward Committee Members	74%	200 Ward Committee members received training

KPA	KEY RESULT AREA	PROJECT (KPI)	BUDGET	DELIVERABLE (TARGET)	ACTUAL ACHIEVEMENT	COMMENTS
GOOD GOVERNANCE AND PUBLIC PARTICIPATION	Human Resources	Implement the Skills Plan	R 500,000.00	Skills Plan Implemented	100%	32 Staff members received formal training. African Males = 15 African Females = 12 Coloured Males = 0 Coloured Females = 2 White Males = 2 White Females = 1
		Staff Audit, Database Cleansing, IT	R 950,000.00	Database cleaned	100%	Price Waterhouse Coopers completed staff audit.
		Support Interns	R 250,000.00	Interns recruited and deployed	100%	1 X Financial Intern 2 X Intern Property Valuers
	Fleet management	Purchase of crane truck	R 1,000,000.00	crane truck delivered	0%	Funding withdrawn due to financial constraints
	Anti - Corruption / Fraud Prevention	Fleet replacement	R 1,979,000.00	new fleet delivered	0%	Funding withdrawn due to financial constraints
	Primary Health	Prevent fraud & corruption		Anti Fraud & Corruption Policy	75%	Anti Corruption and Fraud Policy developed and considered by Mayoral Committee on 11 July 2008. Awaiting comments from organised labour.
BASIC SERVICE DELIVERY	Primary Health	Facilitate delivery of infrastructure commitments by DOH	R 5,383,854.00	Render PHC according to SLA	100%	An amount of R 6,756,824 was used to deliver the service, R 1,372,970 more than anticipated.
	Public safety	Animal shed at pound	R 100,000.00	Provide shed at pound according to requirements	100%	Project completed
	Parks, Sports & Recreation	Ezibeleni fencing	R 50,000.00	Repair fencing at Ezibeleni stadium & infrastructure	100%	Fencing at Ezibeleni Stadium repaired within budget.

KPA	KEY RESULT AREA	PROJECT (KPI)	BUDGET	DELIVERABLE (TARGET)	ACTUAL ACHIEVEMENT	COMMENTS	
BASIC SERVICE DELIVERY	Parks, Sports & Recreation	Libraries	R 271,000.00	Provide and install PALLS	22%	<p>The following delays were experienced:</p> <ul style="list-style-type: none"> Delays in the funds being transferred from Chris Hani Municipality to Lukhanji Municipality Delay due to the supplier of the hardware, ie Computer Dome, to obtain financing. (It is Council's policy to promote the use of SMIME's). Alterations had to be done to accommodate the computers in the libraries. Delays by the company who installed the radio link network system (Gijima). 	
		Cemeteries	R 111,000.00	Provide support services for cemeteries	0%	Project could not be commenced with due to the severe cash flow difficulties experienced by the municipality	
		Nature reserve	R 385,400.00	Upgrade existing facilities	35,9%	An amount of R 138,151 has been expended. Delays were experienced in the completion of the Environmental Impact Assessment. Study has now been completed and approved. Awaiting DEAT for implementation of the project.	
		Brakkloof Project Linked Housing Project	R 6,182,400.00	Installation of Services	5%	Contractor on site and construction is commencing.	
	Build RDP Houses	Toitsekraal Project Linked Housing Project	R 7,189,248.00	Installation of Services	0%	Awaiting approval from the Department of Housing to proceed.	
		Zola Project Linked Housing Project	R 6,465,024.00	Installation of Services	0%	Awaiting approval from the Department of Housing to proceed.	
		Xuma Project Linked Housing Project	R 5,749,980.00	Installation of Services	0%	Awaiting approval from the Department of Housing to proceed.	
		Quality Coffins Project Linked Housing Project	R 1,101,060.00	Installation of Services	0%	Delayed as the department intends following a new approach. A directive is awaited.	

KPA	KEY RESULT AREA	PROJECT (KPI)	BUDGET	DELIVERABLE (TARGET)	ACTUAL ACHIEVEMENT	COMMENTS
BASIC SERVICE DELIVERY	Build RDP Houses	Ezibeleni Phase II PHP Housing Project	R 1,200,000.00	Built Houses	100%	Project completed.
		Ilinge PHP Housing Project	R 100,000.00	Built Houses	100%	Project completed.
		Tambo Village PHP Housing Project	R 3,000,000.00	Built Houses	90%	Towards completion of the project
		Nomzamamo project linked	R 18,606,912.00	337 new houses	2%	Contractor not performing and has been given extension of time until September 2009
		Sabata Dalinyebo	R 9,016,260.00	210 new houses	10%	Contractor had a slow start, was held up due to slow payments and design queries. Extension of time given until October 2009
		RA60 housing projects	R 2,746,911.00	2215 houses completed	99%	Only 2 units outstanding, contractor having financial difficulties.
		Enkululekweni housing	R 67,183.00	snags completed & handover	100%	Project Completed
		Imvani housing	R 126,147.00	repaired snags on 144 houses	100%	Project Completed
		Imvani housing	R 600,000.00	14 new houses	0%	Project not finalized by Estate department
		Quality Coffins	R 989,568.00	18 new houses	0%	Project not finalized by Estate department
		Xuma village	R 4,100,000.00	110 Units	??	The development and management of this project is being done by the Department of Housing. Progress can therefore not be reported on.
		Zola village	R 3,300,000.00	360 units	??	The development and management of this project is being done by the Department of Housing. Progress can therefore not be reported on.
		Toisekraal village	R 6,800,000.00	360 Units	??	The development and management of this project is being done by the Department of Housing. Progress can therefore not be reported on.

KPA	KEY RESULT AREA	PROJECT (KPI)	BUDGET	DELIVERABLE (TARGET)	ACTUAL ACHIEVEMENT	COMMENTS
BASIC SERVICE DELIVERY	Build RDP Houses	Brakkloof village	R 8,150,000.00	400 Units	?	The development and management of this project is being done by the Department of Housing. Progress can therefore not be reported on.
		Upgrade electrical infrastructure at Ezibeleni Zone 2	R 1,300,000.00	infrastructure upgraded	0%	Funding was withdrawn due to financial situation
	Electricity	Three traffic light units	R 200,000.00	3 traffic light units	0%	Funding withdrawn due to financial situation
		Replacement of redundant switchgear	R 2,000,000.00	replaced switchgear	0%	Funding only available at end of financial year. Will be implemented during next financial year.
	Infrastructure Development	Rehabilitation of Urban & Rural gravel roads	R 6,874,974.00	Rehabilitated roads	107%	Some of funding for other projects could not be spend and was transferred to this project(Ezibeleni SW)
		Seal existing gravel roads Ezibeleni/ Sada & Ekuphumleni	R 2,000,000.00	sealed roads	100%	Project completed
		Upgrade stormwater drains	R 1,000,000.00	upgraded SW infrastructure	0%	This project was delayed by late adverts and by our supply chain management due to resignation of manager
		Ezibeleni SW phase 4	R 550,000.00	design & tender docs	0%	Funding for this project were moved to Rehabilitation of urban and rural roads project
		Rehabilitate Tar roads in Queendustria and Queenstown	R 4,550,000.00	rehabilitated roads & intersections	100%	Project completed
		Rehabilitate roads & SW in Whittlesea Ext 4	R 5,000,000.00	rehabilitated roads & SW	85%	Project delayed due to rain extension of time given until end September 2009
		Whittlesea transfer station	R 1,155,000.00	transfer station	100%	Project completed
	Recreational facilities	R 1,544,750.00	upgraded Dumpy Adams	100%	Project completed	
	Ex-TRC crèches	R 150,000.00	rehabilitated crèches	100%	Project completed	

KPA	KEY RESULT AREA	PROJECT (KPI)	BUDGET	DELIVERABLE (TARGET)	ACTUAL ACHIEVEMENT	COMMENTS
BASIC SERVICE DELIVERY	Infrastructure Development	Upgrade Hexagon	R 150,000.00	Upgrade existing facilities	0%	Project could not be commenced with due to the severe cash flow difficulties experienced by the municipality
		Procure a waste compactor.	R 1,900,000.00	New compactor	100%	Compactor Purchased
	Waste & Environmental Management	Otto waste bins	R 100,000.00	60 Bins	0%	Project could not be commenced with due to the severe cashflow difficulties experienced by the municipality
		Waste lifters	R 100,000.00	Provide lifters for new bins	0%	Project could not be commenced with due to the severe cash flow difficulties experienced by the municipality
		Refuse skips 4.5	R 150,000.00	Provide additional skips for refuse collection	0%	Project could not be commenced with due to the severe cashflow difficulties experienced by the municipality
MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT	Property valuations	Update the evaluation roll and revise tariffs accordingly C/O	R 2,700,000.00	Valuation Roll	80%	Service provider experienced difficulties with the integration of data. The integration of the systems has been a stumbling block but that process is now complete and assistance available to bring the project to finality.
		Budget preparation process		Budget prepared	100%	Draft Budget tabled to Council by March 31st
	Financial Management	Creation of new paypoints	R 200,000.00	New pay points created	0%	Project was supposed to be funded by long term debt. Due to financial situation, project put on hold.
		Registration of indigents	R 40,000.00	Indigent register updated	90%	Some applications still to be considered and approved by Ward Councillors

KPA	KEY RESULT AREA	PROJECT (KPI)	BUDGET	DELIVERABLE (TARGET)	ACTUAL ACHIEVEMENT	COMMENTS
MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT	Financial Management	Reviewal of financial policies	R0,00	All budget related policies reviewed	100%	All policies reviewed.
		Expenditure reports for all directorates	R0,00	Budget expenditure reports are delivered to directorates twice monthly	100%	A total of 24 reports have been distributed to Directors
	Reporting on municipal finances and budget	Municipal finance and budget reports	R0,00	Compile and submit all monthly and quarterly required reports	100%	All required reports submitted as per MFMA regulations
		Annual Financial Statements	R0,00	2008/09 statements comply and delivered within 60 days of year-end	100%	Annual Financial Statements submitted to the Auditor General within the specified timesframes
		Complete GRAP change over	R 680,000.00	GRAP compliant	100%	AFS are GRAP/GAMAP compliant for the year ending June 2009
		Staff training - Excel	R 10,000.00	Staff trained on MS Excel	0%	Service Provider and staff to receive training has been identified. Training will commence in due course.

KPA	KEY RESULT AREA	PROJECT (KPI)	BUDGET	DELIVERABLE (TARGET)	ACTUAL ACHIEVEMENT	COMMENTS
MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT	Supply Chain Management	Implementation and administration of supply chain management policy	R0,00	All procurements are done according to the Supply Chain Management Policy	90%	No Action required
	Office upgrade	Upgrade of Budget & Treasury Offices	R 300,000.00		0%	Project was supposed to be funded by long term debt. Due to financial situation, project put on hold.
	ICT	ICT facility for proper communication and management skills				
	SDBIP	Prepare, review, adopt and implement SDBIP	R 50,000.00	Revised SDBIP	100%	SDBIP has been revised and adopted.

OPERATING CASH INCOME

Source	Original Cash Budget (R000)	Revised Cash Budget (R000)	Planned YTD (SDBIP) (R000)	Actual YTD (R000)
Property Rates	24,175	24,175	24,175	34,135
Electricity Tariffs	65,506	68,583	68,583	66,073
Water Tariffs	14,296	16,511	16,511	16,452
Sanitation Tariffs	10,048	9,441	9,441	8,062
Refuse Tariffs	7,240	7,060	7,060	7,579
Equitable Share Grant (2)	50,038	53,063	53,063	53,316
Interest & Investments	1,510	1,710	1,710	4,614
Rentals	585	585	585	761
Interest from Debtors	1,155	1,401	1,401	1,535
Fines	242	242	242	314
Licenses & Permits	3,862	4,621	4,621	4,376
Agency Income	18,791	25,784	28,835	19,895
Other	11,157	13,402	13,402	15,445
Operating Grants	2,033	2,793	2,793	3,306
TOTAL	210,638	229,371	232,420	235,863

ALLOCATIONS & EXPENDITURE

Grant Allocation 2008/09	Actual Cash Carried Forward	YTD Allocation Received (R000)	YTD Expended (R000)
<u>NATIONAL ALLOCATIONS:</u>			
Equitable Share Grant	N/A	53,063	N/A
Municipal System Improvement Grant	1,652	1,067	182
Financial Management Grant	416	582	281
CMTP Grant	650	73	0
Municipal Infrastructure Grant (MIG)	3,017	21,336	16,470
National Electrification Program	725	76	61
<u>Provincial Allocations:</u>			
SETA Training Grant	3	348	266

General Valuation Grant	1,271	64	1,040
Local Government Support Grant (old MSP)	893	95	305
Spatial Planning	1,218	136	79
Housing Grants	8,940	10,624	15,037
Roads & Transport Grant	37	5,443	3,646
Miscellaneous	975	740	983
Fire Services		2,700	6
OTHER ALLOCATIONS:			
Allocations from Chris Hani District	191	21	88
Libraries	273	27	60
TOTAL	20,261	96,395	38,504

CAPITAL EXPENDITURE PER DIRECTORATE

The following table shows the actual capital expenditure for each Directorate as at 30 June 2009.

Directorate	Original Budget (R000)	Revised Budget (R000)	Actual YTD (R000)
Community Services	3,156	5,760	2,168
Estate Services	16,542	17,647	7,375
Financial Services	500	500	0
Technical Services	81,338	53,218	28,525
TOTAL	101,536	77,125	38,068

OPERATING CASH EXPENDITURE PER DIRECTORATE

The following table shows the actual operating expenditure for each Directorate as at June 30, 2009.

Directorate	Original Budget (R000)	Revised Budget (R000)	Actual YTD (R000)
Administrative Services	5,675	5,810	4,248
Community Services	46,284	51,856	46,303
Estate Services	10,393	10,424	7,147
Financial Services	19,020	19,230	12,689
Municipal Manager	7,270	7,461	3,886
Technical Services	111,856	122,948	116,401
Council	15,788	17,600	16,165
TOTAL	216,286	235,329	206,839

4.3 REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF LUKHANJI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Lukhanji Municipality which comprise the statement of financial position as at 30 June 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 43 to 94.

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Statements of Generally Recognised Accounting Practice (Statements of GRAP) and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not

effective for this financial year, I have determined that my audit of any disclosures made by the Lukhanji Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.

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

Opinion

8. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Lukhanji Municipality as at 30 June 2009 and its financial performance and its cash flows for the year then ended, in accordance with the GRAP accounting framework and in the manner required by the MFMA.

Emphasis of matters

Without qualifying my opinion, I draw attention to the following matters:

Distribution losses

9. The municipality is currently incurring distributions losses of 24.7% on electricity due to technical losses on the existing network, faulty meters, own use, billing errors and theft.

Restatement of corresponding figures

10. As disclosed in note 41 to the financial statements, the corresponding figures for 30 June 2007 and 30 June 2008 have been restated as a result of errors discovered during 30 June 2009.

Other matters

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

Unaudited supplementary schedules

11. The supplementary information set out on pages 85 to 94 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

Non-compliance with applicable legislation

Municipal Finance Management, 2003 (Act No. 56 of 2003) MFMA

12. The municipality did not make all payments to creditors within 30 days of receipt of the invoice, as required by Section 65(2)(e) of the MFMA.

Property Valuation Ordinance, 1993 (Act No. 148 of 1993)

13. In terms of sections 8(1) and (2) of the Property Valuation Ordinance 148 of 1993, a local authority shall from time to time cause a general valuation to be performed on all

property. The general valuation must be performed at least every four years and the MEC may extend the period on request for one year. The last general property valuation was performed in 1997. The council is therefore in contravention of the above-mentioned legislation.

Municipal Systems, 2000 (Act No. 32 of 2000)

14. Not all members of the council have disclosed their direct and indirect business interests as required by section 54 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) read with paragraph 5(a) and (b) of schedule 1 of the code of conduct for councillors of the same act.

Governance framework

15. The governance principles that impact the auditor’s opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below:

Key governance responsibilities

16. 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 key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	✓	
2.	The financial statements were not subject to any material amendments resulting from the audit.		✓
3.	The annual report was submitted for consideration prior to the tabling of the auditor’s report.	✓	
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines section 126 of the MFMA.	✓	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	✓	
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		

No.	Matter	Y	N
	<ul style="list-style-type: none"> The municipality had an audit committee in operation throughout the financial year. 	✓	
	<ul style="list-style-type: none"> The audit committee operates in accordance with approved, written terms of reference. 	✓	
	<ul style="list-style-type: none"> The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA. 		✓
7.	Internal audit		
	<ul style="list-style-type: none"> The municipality had an internal audit function in operation throughout the financial year. 	✓	
	<ul style="list-style-type: none"> The internal audit function operates in terms of an approved internal audit plan. 	✓	
	<ul style="list-style-type: none"> The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA. 		✓
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	✓	
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		✓
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	✓	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(1)(c)(i)/95(c)(i) of the MFMA.		✓
12.	Delegations of responsibility are in place, as set out in section 79/106 of the MFMA.	✓	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.	✓	
14.	SCOPA resolutions have been substantially implemented.	N/A	
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		✓
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		✓
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the municipality against its mandate, predetermined objectives, outputs,	✓	

No.	Matter	Y	N
	indicators and targets section 68/87 of the MFMA.		
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	✓	

17. Management's attention is specifically drawn to the following key governance responsibilities which, according to the above table, has not been effectively addressed:

18. The finance section of the municipality has adequate skills and competencies which have been utilised effectively. However, the manual systems in place to facilitate the preparation of the financial statements and processing of financial transactions were not subject to adequate management oversight, as a result, material amendments had to be made to the financial statements after submission for auditing.

19. Although the audit committee and internal audit function are essential elements in good governance, they were not effective during the year under review. The audit committee did not evaluate the effectiveness of internal audit or ensure that follow up audits were conducted on a timeous basis. Furthermore, the audit committee did not ensure that the internal audit unit addressed all the requirements of section 165 of the MFMA.

20. Information systems are not appropriate to facilitate the preparation of a complete and accurate performance report, as a number of discrepancies were identified between the source documentation used to prepare the annual performance report. This is due to the fact that the municipality does not store information required for performance assessments in a state that facilitates easy extraction of such information. In addition, insufficient detail is provided on the quantity and specifications of the target to facilitate alignment when reporting.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

21. I have reviewed the performance information as set out on pages 95 to 108.

The accounting officer's responsibility for the performance information

22. 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).

The Auditor-General's responsibility

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

24. 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.

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

Audit findings (performance information)

Non compliance with regulatory requirements

Content of the integrated development plan

26. The integrated development plan of Lukhanji Municipality did not include the key performance indicators and performance targets determined in terms of its performance management system, as required by section 26(i) and section 41(1)(b) of the MSA and regulation 12 of the Municipal Planning and Performance Management Regulations, 2001.

Lack of adoption or implementation of a performance management system

27. The municipality did not adopt a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players, as required in terms of regulation 7 and 8 of the Municipal Planning and Performance Management Regulations, 2001.

Usefulness and reliability of reported performance information

28. The following criteria were used to assess the usefulness and reliability of the information on the municipality's performance with respect to the objectives in its annual performance plan:

- Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved annual performance plan?

- Relevance: Is the performance information as reflected in the indicators and targets clearly linked to the predetermined objectives and mandate. Is this specific and measurable, and is the time period or deadline for delivery specified?
- Reliability: Can the reported performance information be traced back to the source data or documentation and is the reported performance information accurate and complete in relation to the source data or documentation?

The following audit findings relate to the above criteria:

Inconsistently reported performance information

29. The Lukhanji Municipality has not reported throughout on its performance with regard to its targets as per the approved integrated development plan.
30. There are material differences between the measurable objectives reported in the annual performance report of Lukhanji Municipality and the predetermined objectives as per the integrated development plan. In addition, no mention is made of a time frame for performance targets.
31. The performance targets included in the service delivery budget implementation plan, budget and as reported on in the annual performance reports are not linked to the development priorities and objectives as per the integrated development plan.
32. There are differences between the budgeted capital expenditure amount per the integrated development plan, service delivery budget implementation plan, annual performance report and the approved budget of Lukhanji Municipality.

APPRECIATION

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

Auditor-General

East London

30 November 2009



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

4.4 BUDGET TO ACTUAL COMPARISON

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE				
for the year ended 30 June 2009				
	2009	2009	2009	2009
	Actual	Actual	Surplus /	Budget
	Income	Expenditure	(Deficit)	
	R	R	R	R
Executive & Council	(52,857,008)	15,812,670	(37,044,337)	(20,908,505)
Finance & Admin	(58,757,804)	23,871,983	(34,885,821)	(5,564,778)
Planning & Development	(35,444,412)	40,135,361	4,690,949	6,010,672
Health	(8,384,163)	8,531,929	147,766	(819,547)
Community & Social Services	(4,272,590)	8,759,292	4,486,702	7,198,470
Public Safety	(9,968,636)	11,644,576	1,675,941	6,194,797
Sport & Recreation	(644,124)	6,551,439	5,907,315	6,613,479
Environmental Protection			-	
Waste Management	(19,240,977)	21,970,158	2,729,181	2,560,131
Road Transport	(8,036,224)	12,214,936	4,178,712	6,484,846
Water			-	
Electricity	(80,436,395)	82,479,758	2,043,363	(4,888,131)
Other	(2,622)	114,424	111,802	128,527
TOTAL =	278,044,954	32,086,527	(45,958,427)	3,009,961

VARIANCES:

- Change over to GRAP statements
- Control over expenditure due to cash performance
- Allocation of Administration charges never allocated
- Allocation of Depreciation Charges

4.5 GRANTS AND TRANSFERS' SPENDING

GRANTS AND TRANSFERS SPENDING												
FUNDS	BALANCE 2008-06-30	01/07 TO 30/09		01/10 TO 31/12		01/01 TO 31/03		01/04 TO 30/06		TOTAL 2008/09		
		RECEIVED	SPENT	RECEIVED	SPENT	RECEIVED	SPENT	RECEIVED	SPENT	RECEIVED	SPENT	
<u>GRANT DETAILS</u>												
Grants, Donations and Subsidies:												
MSP Funds	893,114	25,909		26,647		26,018		16,735	304,810	95,308	304,810	
LGW Seta – Training	3,428	81,694	28,591	4,007	14,933	258,283	50,994	4,508	171,565	348,492	266,083	
Capacity Building : Ward Committees, Councilors etc	50,868	1,438	8,100	1,282		1,251		1,035		5,006	8,100	
Computerized Library System	272,630	7,990	1,646	7,469	58,487	6,272		5,187		26,917	60,132	
Fire Services								2,708,716	6,480	2,708,716	6,480	
Disaster Fund	67,222	1,191	66,628	52		51		42		1,335	66,628	
Shiloh Greenfields - Survey Project	266,447	7,730		7,950		7,762		6,420		29,861		
Formulation Ezibeleni Sites	83,468	2,421		2,490		2,432		2,011		9,354		
Mendi Educare Centre	25,278	733		754		736		609		2,833		
Completion of Zoning Scheme	17,423	505		520		508		420		1,953		
Laurie Dashwood Park Settlement Planning	48,080	1,395		1,435		1,401		1,159		5,388		
Preparation of Structure Plan	109,355	3,172		3,263		3,186		2,635		12,256		
Service: Informal Settlements	325,386	9,439		9,708		9,479		7,840	78,711	36,467	78,711	
Survey & Planning: Ext 2 Whittlesea	61,485	1,784		1,834		1,791		1,482		6,891		
Ezibeleni Town Centre	718	21		21		21		17		81		
Unknown Allocation	190,233	5,519		5,676		5,542		4,584		21,320		
Survey of Laurie Dashwood Park	33,505	972		1,000		976		807		3,755		
Township Register 1	34,832							2,483		2,483		
Township Register 2	39,332							2,619		2,619		
Valuation Fund	1,271,068	36,873		12,960	1,040,000	7,728		6,392		63,953	1,040,000	
Planning of Shiloh Greenfields	208,466	6,048		6,220		6,073		5,023		23,363		

GRANTS AND TRANSFERS SPENDING

FUNDS	BALANCE		01/07 TO 30/09		01/10 TO 31/12		01/01 TO 31/03		01/04 TO 30/06		TOTAL 2008/09		
	2008-06-30	RECEIVED	SPENT	RECEIVED	SPENT	RECEIVED	SPENT	RECEIVED	SPENT	RECEIVED	SPENT	RECEIVED	SPENT
Brakklouf Settlement Planning	61,164	1,774		1,825			1,782		1,474			6,855	
Brakklouf Survey Projects	2,234	65		67			65		54			250	
Free Basic Services	70,057	2,032		2,090			2,041		1,688			7,851	
Financial Management Grant	415,511	520,717	137,700	22,427	30,278		21,754		17,172	112,556		582,068	280,534
Revenue Management	475,010	13,006	81,464	11,788			9,440	178,434	4,060	113,840		38,294	373,738
DBSA : Hand Held Terminals	15,000												
Ekuphumleni Transfer Fees	3,498	101	0	104			16,225	38	2,889	12,035		19,320	12,073
Enkululekweni Establishment Grant	733	10	493	7	7		7	7	5	6		29	513
Enkululekweni Top structure	67,744	1,724	17,107	1,089	18,344		952	977	768	32,604		4,533	69,032
Ekuphumleni Establishment Grant	55	2	2	2	2		34,110	448	738	819		34,851	1,270
Ekuphumleni Top Structure	224	10	-804	52,592	279		1,448	1,482	1,167	1,295		55,217	2,253
Ezibeleni Phase 2 Establishment Grant	112,845	3,200	9,107	748	98,679		203	3,608	26	11,803		4,177	123,196
Ezibeleni Phase 2 Top Structure	780,717	15,104	512,834	6,250	102,390		4,900	17,999	3,790	176,071		30,044	809,294
Tambo Village Top Services									170,056	175,241		170,056	175,241
Botha's Hoek Design Fees	-5,462	37,742	91	677	17,593		420		278	6,762		39,117	24,446
Botha's Hoek Establishment Grant	9,506	191	17,813	16	-17,225		244	1,105	19	14,408		470	16,101
Ensam Design Fees	26,482	35,268	35,912	204,399	204,141		718		594			240,979	240,053
Botha's Hoek Top Structure	47,458	1,359	1,310	1,358	1,346		1,289	1,323	877	10,646		4,883	14,626
Merino Walk Top Structure	9,171	113	10,055	-71	-65		-21	-34	-17	19,672		4	29,627
Merino Walk Design Fees	46,330	1,344	0	1,382			43,199	41,950	33,257	31,864		79,183	73,814
Merino Walk Establishment Grant	-1,821	-55	48	-46	-2,140		-2,928	221,747	3,028	-216,925			2,731
McBride Establishment Grant	24,537	705	572	647	4,666		532	3,496	390	19,359		2,274	28,094
Who Can Tell Establishment Grant	-10,749	-309	-261	-260	-11,002			-55	569	569			-10,749
Ensam Establishment Grant	513	14	40	28	-971		36	237	28	1,032		107	338
Ensam Top Structure	-35,625	78,046	13,928	718	13,882		327	8,050	168	137		79,259	35,998

GRANTS AND TRANSFERS SPENDING

FUNDS	BALANCE		01/07 TO 30/09		01/10 TO 31/12		01/01 TO 31/03		01/04 TO 30/06		TOTAL 2008/09		
	2008-06-30	RECEIVED	SPENT	RECEIVED	SPENT	RECEIVED	SPENT	RECEIVED	SPENT	RECEIVED	SPENT	RECEIVED	SPENT
Ilunge Establishment Housing Project	5,123	49	4,620	16	8	59,909	46,480	306	-41,635	60,280	9,474		
Ilunge Top Structure	74,576	1,437	75,309	15	239	12	235	-5	-5,233	1,459	70,550		
Imvuni Establishment Grant	5,410	155	149	155	153	147	151	118	131	575	585		
Imvuni Top Structure	127,199	3,642	3,505	3,637	4,319	3,436	3,529	2,769	6,229	13,485	17,582		
Sabata Dalindyebo Establishment Grant	296	8	8	8	8	8	8	6	7	31	32		
Sabata Dalindyebo Top Structure	157	5	4	5	4	4	4	3	2	17	15		
Tambo Village Establishment Grant	4,076	72	3,248	26	26	24	25	20	22	142	3,321		
Tambo Village Top Structure	3,046,893	79,282	664,503	63,908	602,664	48,135	505,944	23,370	1,459,541	214,695	3,232,652		
McBride Design Fees	189,158	5,487		5,644		30,305	59	-20,025		21,411	59		
McBride Top Structure	519,835	131,180	662,245	15,654	5,403	-44	3,894	-268	-3,924	146,522	667,618		
Who-Can-Tell Design Fees	-913	-26		-27		61,074	61,249	54,386	54,543	115,407	115,792		
Who-Can-Tell Top Structure	949,534	24,801	185,269	419,818	145,706	28,549	94,513	16,001	459,495	489,169	884,983		
Poplar Grove Establishment Grant	-1,043	-30	-29	-25	-1,065		-5	55	5,025		3,926		
Poplar Grove Top Structure	-129,621	1,408,563	56,972	34,400	73,048	31,653	110,998	23,854	49,158	1,498,470	290,175		
Poplar Grove Design Fees	309,154	226,672	192,985	9,940		9,393	70,230	83,503	161,836	329,509	425,052		
Interest on Housing Projects	592,674	133,529	40,910	105,782	271,340	55,372	362,372	73,452	240,692	368,135	915,314		
Interest on Projects Infrastructure	697,230	61,146	241,240	71,608	229,362	74,759	19,227	-492,429	-350,172	-284,916	139,656		
Ilunge registration fee	1,397	41	0	42		41		31,114	21,771	31,237	21,771		
Sabata : Project Link	135,943	25,481	3,706	30,769	4,591	4,873	4,921	59,328	-755	120,450	12,463		
Nomzamo Project Linked Housing	-678,219	2,283,005	2,590,126	501,309	324,814	-269		59,656	-746,434	2,843,701	2,168,506		
Thambo Village Housing Project						170,034	175,106	-170,034	-175,106				
Nomzamo Top Structure				58,984	51,853	67,595	67,623	742,870	810,947	869,449	930,423		
Sabata Top Structure						400,366	444,221	1,751,849	1,445,636	2,152,214	1,889,857		
CMIP Project: Enkululekweni Housing	36,270												
Nomzamo Planning						85,354	59,702	568		85,922	59,702		

GRANTS AND TRANSFERS SPENDING

FUNDS	BALANCE		01/07 TO 30/09		01/10 TO 31/12		01/01 TO 31/03		01/04 TO 30/06		TOTAL 2008/09	
	2008-06-30		RECEIVED	SPENT	RECEIVED	SPENT	RECEIVED	SPENT	RECEIVED	SPENT	RECEIVED	SPENT
Re-furbish Art Gallery									148,764	148,764	148,764	148,764
Upgrading Arts & Culture Centre	194	6	6				6		5		22	
IEC							454,509	1,086	5,727	421,812	460,236	422,898
Sinthemba Organization	9,159	254	15,607	850	36		664		549		17,074	886
Ezibeleni/Khayalitsha Brickmakers	62,110	1,802	962		43,254		595		492	11,924	3,850	55,179
Integrated Development Plan	50,725	857	127,548	26,533	80,677		1,869	24,850	1,058	8,225	131,331	140,286
Tylden Irrigation Scheme	41,694	1,189	968	4,397	6,165		916		766	-798	3,839	9,764
Rags to Riches	46,244	1,323	1,264	3,982			1,234		1,021		4,841	3,982
Municipal Systems Improvement Program	1,652,166	797,553	66,670	140,416	13,747		64,991		53,656	28,116	982,870	182,279
Development of Performance Contracts for Managers	83,147	2,412	74,157		168		4,390		3,631		84,589	168
Development of Integrated Spatial Info System	650,303	18,865	19,402				18,944		15,669		72,881	
Queenstown Rhino Funds	303,910	10,909	8,280	90,963	42,692		7,500	4,496	6,182	-86,700	32,871	51,451
Mbekweni Roads & Stormwater	36,967	782	654	12,132	15,001		402		222	10,419	2,061	37,551
MIG Funds	1,453,439	5,290,426	4,866,813	4,324,515	5,344,897		3,895,520	2,014,243	7,167,774	5,160,579	21,220,533	16,844,235
MIG retention fund	26,767	776	799				780		645		3,000	
MIG – Interest	241,342	40,869	25,325	103,823	144,536		1,347	12,526	-55,776	-199,545	11,765	61,340
MIG Counterfunding	1,563,861	45,367	41,238		947,368		17,787	350,000	-341,780	-350,000	-237,388	947,368
Whittlesea Ext 4 Roads & Stormwater		5,119,265	147,392	12,000	142,687		121,422	2,007,804	55,126	1,483,817	5,443,206	3,646,307
BCIG Projects: Ezibeleni Sewer	48,576											
Hydraulic Analysis Sewerage	5,667	164	169				165		137		635	
Planting of Grass – BRFU			253,655		170,333		1,958	31,252	913	46,719	256,526	248,303
Construction of Sportfields	76,252	2,212	2,275				508	76,252	111		5,106	76,252
Bulk Services Levy	106,744	3,097	3,185				3,110		162,156		171,547	
CMIP: Sabata Dalinyebo Services	16,021											
CMIP Project: Ezibeleni Bulkwater & Roads	13,770											

GRANTS AND TRANSFERS SPENDING

FUNDS	BALANCE 2008-06-30	01/07 TO 30/09		01/10 TO 31/12		01/01 TO 31/03		01/04 TO 30/06		TOTAL 2008/09	
		RECEIVED	SPENT	RECEIVED	SPENT	RECEIVED	SPENT	RECEIVED	SPENT	RECEIVED	SPENT
Chris Hani District Funds	191,129	5,545		5,702		5,568		4,605	88,128	21,420	88,128
Rathwick Electrification	157,439	3,518	43,873	3,395		3,315		2,742		12,969	43,873
Ner: Ezibeleni Infra Upgrade Phase 2	284,768	8,261		8,496		8,296		6,688	16,972	31,741	16,972
Eskom (Sabata Dalindyebo)	282,891	8,207		8,440		8,241		6,816		31,704	
BCIG projects: Mlungisi bulkwater	63,320										
Rural Water Scheme								561,981		561,981	
CMIP Project: Shiloh Bede Free Basic Water	44,982										
Rural Water Scheme	12,390										
TOTAL FUNDS	19,528,579	16,655,155	10,430,629	7,405,192	10,237,662	6,231,016	7,084,802	13,074,149	11,265,570	43,365,512	39,018,663

4.6 DEBTOR BILLINGS

The following table reflects the number and amount billed each month across debtors by function (for example, water, electricity, etc) and by category: Government, Business, Residents and Indigents.

DEBTOR BILLINGS: NUMBER AND VALUE OF MONTHLY BILLINGS				
<u>RESIDENT</u>	BILLED	ADJUSTMENTS		PAYMENTS
Jul-08	12,503,469.00	-525,968.45	11,977,500.55	-4,172,791.34
Aug-08	7,543,140.00	-375,925.27	7,167,214.73	-4,745,422.52
Sep-08	7,099,443.95	-129,245.44	6,970,198.51	-4,363,191.66
Oct-08	7,391,069.34	-329,724.16	7,061,345.18	-4,701,719.34
Nov-08	7,361,615.88	126,065.94	7,487,681.82	-4,262,793.35
Dec-08	7,173,046.55	145,811.04	7,318,857.59	-3,715,340.79
Jan-09	7,377,840.43	53,470.39	7,431,310.82	-4,108,936.84
Feb-09	7,071,614.85	-230,298.81	6,841,316.04	-3,990,229.82
Mar-09	6,943,074.38	-262,936.89	6,680,137.49	-3,965,889.04
Apr-09	6,959,292.56	11,464.77	6,970,757.33	-3,632,033.83
May-09	7,361,615.88	126,065.94	7,487,681.82	-4,262,793.35
Jun-09	6,768,259.72	-646,164.86	6,122,094.86	-3,686,812.41
TOTALS =	91,553,482.54	-2,037,385.80	89,516,096.74	-49,607,954.29

<u>BUSINESS</u>	BILLED	ADJUSTMENTS		PAYMENTS
Jul-08	6,038,457.49	676,516.62	6,714,974.11	-3,093,312.98
Aug-08	3,548,376.76	436,541.04	3,984,917.80	-4,069,435.95
Sep-08	4,541,343.86	429,037.78	4,970,381.64	-4,343,096.95
Oct-08	3,294,646.68	-1,067,975.80	2,226,670.88	-5,401,549.90
Nov-08	4,727,642.85	549,808.24	5,277,451.09	-4,084,722.73
Dec-08	3,446,104.04	-334,769.21	3,111,334.83	-3,322,769.47
Jan-09	3,387,621.21	1,334,786.53	4,722,407.74	-4,328,216.20
Feb-09	3,171,926.54	-284,213.99	2,887,712.55	-4,055,111.91
Mar-09	3,091,368.74	1,021,079.91	4,112,448.65	-3,896,529.96
Apr-09	3,236,921.14	-161,776.16	3,075,144.98	-3,599,053.30

May-09	3,834,525.89	463,168.35	4,297,694.24	-3,497,554.15
Jun-09	3,936,644.23	115,380.88	4,052,025.11	-3,764,935.70
TOTALS =	46,255,579.43	3,177,584.19	49,433,163.62	-47,456,289.20

<u>MUNICIPALITY</u>	<u>BILLED</u>	<u>ADJUSTMENTS</u>		<u>PAYMENTS</u>
Jul-08	214066.95	-437711.78	-223,644.83	-2798830.31
Aug-08	202895.06	2470166.84	2,673,061.90	-35890.12
Sep-08	176624.07	-100038.88	76,585.19	-132398.72
Oct-08	178166.07	-75095.02	103,071.05	-49717.63
Nov-08	182156.46	2815752.01	2,997,908.47	
Dec-08	177862.53	2967.34	180,829.87	-156693.62
Jan-09	178747.31	149084.69	327,832.00	-2127505.73
Feb-09	181576.3	2768572.72	2,950,149.02	-82209.13
Mar-09	194880.34	-3129.27	191,751.07	-45484.91
Apr-09	197915.27	-180446.48	17,468.79	-27216.83
May-09	212456.27	-83342.37	129,113.90	-13123.52
Jun-09	217187.78	2013	219,200.78	-479354.02
TOTALS =	2314534.41	7328792.8	9,643,327.21	-5948424.54

<u>GOVERNMENT</u>	<u>BILLED</u>	<u>ADJUSTMENTS</u>		<u>PAYMENTS</u>
Jul-08	5666468.57	225007.44	5,891,476.01	-1277536.31
Aug-08	1233850.84	79186.66	1,313,037.50	-1568703.04
Sep-08	10159506.96	1170275.01	11,329,781.97	50602.23
Oct-08	943201.69	123910.23	1,067,111.92	-1094916.07
Nov-08	956020.82	179989.15	1,136,009.97	-3140293.63
Dec-08	939810.73	172942.39	1,112,753.12	-406988.12
Jan-09	872398.65	95128.42	967,527.07	-2558135.67
Feb-09	864537.74	45057.51	909,595.25	-786760.3
Mar-09	911687.29	233589.84	1,145,277.13	-1743392.17
Apr-09	831262.63	113260.92	944,523.55	-1083821.86
May-09	830519.32	87662.8	918,182.12	-1122492.83
Jun-09	1043738.95	152599.71	1,196,338.66	-1049641.6
TOTALS =	25253004.19	2678610.08	27,931,614.27	-15782079.37

<u>OTHER</u>	<u>BILLED</u>	<u>ADJUSTMENTS</u>		<u>PAYMENTS</u>
Jul-08	67675.45	20392.59	88,068.04	-40531.54
Aug-08			-	
Sep-08	43395.94	550	43,945.94	-30384.99
Oct-08			-	
Nov-08			-	
Dec-08			-	
Jan-09			-	
Feb-09			-	
Mar-09			-	
Apr-09			-	
May-09			-	
Jun-09			-	
TOTALS =	111071.39	20942.59	132,013.98	-70916.53

4.7 PROPERTY RATES (RESIDENTIAL AND COMMERCIAL)

		IMPROV		NON RATEABLE	
RESIDENTIAL		GRND VAL	VAL	GROUND VAL	IMPROVE VAL
Indigents	80	378000	2729680		3500
Domestic	5313	50174709	340730600	1501490	1495250
Domestic	847	13222621	81318670	3000	
	6240	63775330	424778950	1504490	1498750
BUSINESS					
Sport	3	301000	1701760		
Post & Telecom	6	418240	3379960		
G/Aid	10	622140	8023970	208900	3999180
Transnet	63	3885480	26296090	2052150	11206610
Industrial	93	9082960	61325500	102080	12960
Business	128	9408060	49540840	228750	3114890

Commercial	43	2858320	25263530	84380	
Commercial	41	4231550	33501800		
Business	61	44926920	25085680	59800	715190
Business	53	1689760	11483570		
Business	11	41100	1155417		
Industrial	67	7369230	34693030	480470	42410
	579	84834760	281451147	3216530	19091240

STATE

Government	51	4055580	87338830		
Government	3	21000	175351		
Government	105	1895800	1673070		
	159	5972380	89187251		

EDUCATIONAL

Education	37	3837860	56528660		
Education	9	1065942	20887000		
Education	13	904000	7086990		
Institution	6	180850	795390	16720	87300
	65	5988652	85298040	16720	87300

AGRICULTURAL

Agriculture	3	833300	113640	700000	
-------------	----------	--------	--------	--------	--

MUNICIPAL

Municipality	964	18012446	16262370	17733446	14766630
--------------	------------	----------	----------	----------	----------

4.8 LONG TERM CONTRACTS ENTERED INTO BY THE MUNICIPALITY

The Municipality did not enter into any long term contracts during the period under review.

4.9 ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN FINANCIAL VIABILITY

INDICATOR NAME	TARGET SET FOR THE YEAR R(000)	ACHIEVEMENT LEVEL DURING THE YEAR R(000)	ACHIEVEMENT PERCENTAGE DURING THE YEAR R(000)
Percentage expenditure of Capital Budget	80,125	39,366	49.13%
	TARGET SET FOR THE YEAR (35%) R(000)	ACHIEVEMENT LEVEL DURING THE YEAR R(000)	ACHIEVEMENT PERCENTAGE DURING THE YEAR R(000)
Salary budget as a percentage of the total budget	276,026	79,968	28.97%
	TARGET SET FOR THE YEAR (20% or less) R(000)	ACHIEVEMENT LEVEL DURING THE YEAR R(000)	ACHIEVEMENT PERCENTAGE DURING THE YEAR R(000)
Total actual trade creditors as a percentage of total actual revenue	280,447	200,479	71.49%
	TARGET SET FOR THE YEAR (80% or less) R(000)	ACHIEVEMENT LEVEL DURING THE YEAR R(000)	ACHIEVEMENT PERCENTAGE DURING THE YEAR R(000)
Total municipal own revenue as a percentage of the total actual	280,447	192,672	68.70%
	TARGET SET FOR THE YEAR R(000)	ACHIEVEMENT LEVEL DURING THE YEAR R(000)	ACHIEVEMENT PERCENTAGE DURING THE YEAR R(000)
Rate of municipal consumer debt reduction	0	0	0.00%
Percentage of MIG budget appropriately spent	24,633	18,203	73.90%
Percentage of MSIG budget appropriately spent	2,635	182	6.91%

4.10 THE AUDIT COMMITTEE FUNCTIONALITY

During the period under review, the following prescriptions of the MFMA (Article 165 — section 2) have been adhered to:

- Preparation of a risk based audit plan and an internal audit programme for each financial year (Section 2(a))

- Advising the Accounting Officer and report to the audit committee on the Implementation of the internal audit plan and matters relating to –
 - Internal audit (Sec 2(b) 1) Internal controls (Sec 2(b) 2)
 - Accounting procedures and practices (Sec 2(b) 3)
 - Risk and risk management (Sec 2(b) 4)
 - Performance management (Sec2(b)5)
 - Loss control (Sec2(b) 6)
 - Compliance with the MFMA and the annual Division of Revenue Act (Sec2(b)7)

The following areas were incorporated in the annual audit plan and covered by the Internal Audit unit:

- Income and debtors
- Budget control
- Fixed assets
- Human resources
- General computer controls
- Creditors
- Follow up on external audit findings
- Follow up on internal audit findings
- Risk assessment

The following meetings were convened during the 2008/2009 financial year

- 14th July 2008
- 22nd September 2008
- 9th December 2008
- 3rd March 2009

The following issues were attended to at the meetings listed above:

Meeting 14th July 2008

- Minutes of meeting 10th April 2008
- Leave records

Meeting 22 September 2008

- Minutes of meeting 14th July 2008
- Expenditure Creditors
- PHP Housing Projects and Grants
- Response: Auditor General Report 2006/2007

Meeting 9th December 2008

- Minutes of meeting 9 December 2008
- Income Debtors
- Attendance registers
- Financial registers
- Traffic department — General
- Salaries and wages
- Internal Audit programme for the 2009 calendar year

Meeting 31st March 2009

- Income Debtors
- Leave records Card Audit
- Appointments And recruitments
- Terminations
- Organogram
- Amended internal audit programme
- Comparison: Actual Internal audit performance to approved internal audit plan
-

The meeting scheduled for the 31st March 2009 has been postponed to the 8th June 2009 due to the unavailability of some audit committee members and officials whose presence at the meeting was regarded to be crucial.

Copies of the Audit reports and recommendations of the Audit Committee are annexed to this report.

4.11 ARREARS IN PROPERTY RATES AND SERVICE CHARGES

	JUNE 1-30 days	MAY 31-60 days	APRIL 61-90 days	TOTAL Over 90 days	GRAND TOTAL
SERVICE					
ELECTRICITY	3,936,836	1,822,962	535,849	4,148,124	10,443,771
RATES & INFRASTRUCTURE	2,521,708	1,236,607	829,628	24,925,302	29,513,246
REFUSE	1,489,945	1,249,770	1,076,284	40,864,767	44,680,766
SEWER	978,251	813,581	690,429	39,149,809	41,632,071
WATER	1,923,382	1,516,962	1,330,335	43,867,385	48,638,063
SUNDRY	618,681	578,960	524,797	54,165,180	55,887,618
OLD ARRAINGMENTS	19	1	0	1,514,038	1,514,058
PROP SALES		0	0	259,605	259,605
TOTAL SUNDRY	618,701	578,961	524,797	55,938,822	57,661,281
RENT	27,925	8,818	2,167	43,409	82,320
GRAND TOTAL	11,496,747	7,227,661	4,989,489	208,937,619	232,651,516
VAT	1,120,892	616,470	370,567	15,326,680	17,434,609
	0	0	0	0	
UNEXPLAINED	0	0	163	1,885,574	1,885,738
	0	0	0	0	0
DEPOSITS UNPAID	31,670	6,549	3,399	99,633	141,251

4.12 ANTI CORRUPTION STRATEGY

During the period under review, the municipality developed an Anti Corruption and Fraud Strategy. The Mayoral Committee considered the strategy on 11 July 2008 which implies that no strategy was in place during the period under review. Organised labour has been provided with ample opportunity to study the strategy and to provide meaningful contributions towards the final strategy. The strategy has now been adopted by Council, albeit in the forthcoming reporting period.

CHAPTER 5 : GOOD GOVERNANCE AND PUBLIC PARTICIPATION - (KPA 5)

5.1 OVERVIEW OF THE EXECUTIVE AND COUNCIL FUNCTIONS AND ACHIEVEMENTS

5.1 .1 Political Structure

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

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

Councillor M E Dapula (Executive Mayor)

Councillor M B Snyders (Speaker)

Councillor G N Xoseni (Finance)

Councillor M Nontsele (Community Services)

Councillor T T Madubedube (Technical Services)

Councillor A E Hulushe (Administration and Human Resources)

Councillor M Gongqa (Estates and Planning)

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

5.1.2 Governance

The Council is the legislative body, which is empowered to take decisions inter alia concerning by-laws, the IDP and the budget.

5.1.2.1 The Speaker

The Speaker is the Chairperson of Council and is elected in terms of section 36 of the Municipal Structures Act 117 of 1998. The Speaker ensures that Councillors comply with the Code of Conduct and in this regard the Speaker acts as the Chairperson of the section 79 Rules Committee.

Specific roles and responsibilities are also assigned to the Speaker by section 37 of the Municipal Structures Act including:

- Presiding and maintaining order at the meetings of Council;
- Performing the duties and exercising the powers delegated to the Speaker in terms of section 59 of the Local Government: Municipal Systems Act, No. 32 of 2000;
- Ensuring that Council meets at least quarterly; and
- Ensuring that Council meetings are conducted in accordance with the rules and orders of the Council.

The Speaker's responsibility has been further extended to include a political oversight role in respect of monitoring and reporting on the performance of ward participatory mechanisms and managing community participation through these mechanisms.

5.1.2.2 The Executive Mayor and the Mayoral Committee

The Executive Mayor has an overarching strategic and political responsibility and is at the centre of the municipality's system of government since executive powers are vested in the Executive Mayor to effectively manage the municipality. The Executive Mayor is elected by Council in terms of section 55 of the Structures Act, and together with the Mayoral Committee, functions as the executive leadership of the Council. In terms of section 60 of the Municipal Structures Act, members of the Mayoral Committee are appointed by the Executive Mayor to assist in executing the executive powers, and are assigned specific portfolios and delegated responsibilities to ensure effective governance of the Municipality.

In terms of section 56 of the Structures Act the Executive Mayor has, amongst others, the following functions and powers and has the duty to report to Council on all decisions taken by him:

- Must identify the needs of the Municipality;
- Reviews and evaluates those needs in order of priority;
- Recommends to the municipal Council strategies, programmes and services to address priority needs through the Integrated Development Plan and the estimates of revenue and expenditure, taking into account any applicable national and provincial development plans;
- Recommends or determines the best way, including partnership and other approaches, to deliver those strategies, programmes and services to the maximum benefit of the community;
- Reviews the performance of the municipality in order to improve the economy, efficiency and effectiveness of the municipality; the efficiency of credit control and revenue and debt collection services and the implementation of the municipality's by-laws;
- Oversees the provision of services to communities in a sustainable manner; and
- Receives reports from the committees of Council and forwards these reports together with a recommendation to the Council when the matter cannot be disposed of by the Executive Mayor in terms of delegated authority; and
- Performs duties and exercises powers as delegated by the Council in terms of section 59 of the Municipal Systems Act.

Powers and functions designated by the Municipal Council must be exercised by the Executive Mayor together with the other members of the Mayoral Committee. Notwithstanding this, the final decision is that of the Executive Mayor after duly considering the recommendations of the Mayoral Committee.

5.1.2.3 Committees of Council

The Council of the Lukhanji Municipality is supported by a Committee System. The Executive Mayor nominates the Chairpersons to these committees and determines the functions of each committee. The Council currently has 5 Section 79 (Portfolio) Committees comprising members of all political parties in the Council. These Portfolio Committees are:

- Community Services
- Technical Services
- Estates and Planning

- Administration and Human Resources
- Finance

The Mayoral Committee is the principal committee of the municipality. It receives reports and recommendations from the other committees.

The Portfolio Committees meet at least once a month and formulate recommendations based on their portfolios to the Mayoral Committee. The Mayoral Committee meets once per week and, in terms of the Delegation of Powers, the Mayoral Committee concludes matters delegated to it by Council and submit recommendations to Council on other matters. The system promotes thorough discussion on all matters and ensures that decision making in the municipality is streamlined and effective. Furthermore, this model ensures effective participation and input by stakeholders thus enhancing democracy, promotes consensus on developmental and strategic issues, creates transparency and accountability

5.1.3 Councillor Attendance at Portfolio Committee and Council Meetings during 2008/09

Portfolio Committee	Meetings Scheduled	Meetings Held	Avg % Attendance at meetings	No of Councillors with 100% attendance	No of Councillors with less than 50% attendance
Community Services	10	5	69.1	3	2
Technical Services	10	9	77.8	1	0
Estates and Planning	10	7	80.5	3	0
Administration & HR	10	6	78.3	2	0
Finance	10	8	83.8	3	0

Council Meetings (9 Scheduled – 8 Convened)			
Meetings	Present	Absent	% Attendance
1	51	2	96.2
2	46	7	86.8
3	51	2	96.2
4	47	6	88.7
5	43	10	81.1
6	46	7	86.8
7	50	3	94.3
8	49	4	92.5

All applications for leave of absence from meetings are submitted in writing to the Speaker, Chairperson or Whip whereafter same is tabled in the relevant meeting for consideration. After debate, the Council or Standing Committee resolves whether the motivation for absence should be approved or declined. In cases where an application of leave of absence has been declined, a fine is issued in terms of Council's Rules of Order.

5.2 PUBLIC PARTICIPATION AND CONSULTATION

A number of ward-based public consultation meetings were convened in various wards during the Budget/IDP and Performance Management Consultation process.

The meetings started on the 7th of April up until the 24th of April 2008. A total of 43 meetings have been convened during this period.

5.3 WARD COMMITTEES' ESTABLISHMENT AND FUNCTIONALITY

Ward Committees have been established in all 27 wards of the municipality. All the committees are functional and meet regularly on a monthly basis. Constituency meetings are conducted every second month and minutes of such meetings are submitted to the Speaker. Issues that require attention are referred to management for attention or relevant portfolio committees for consideration.

5.4 COMMUNITY DEVELOPMENT WORKERS PERFORMANCE MONITORING

Currently there is no official within the municipality who have been assigned the responsibility for coordinating and monitoring the activities of Community Development Workers. In an effort to streamline the functioning of CDW's and eliminating duplication in their duties with that of Ward Committee members, a meeting was held in an effort to establish firm terms of reference and operation. The following issues transpired:

- CDW's expressed the wish to be placed in the office of the Speaker for reporting and monitoring purposes.
- Administrative assistance is required from the municipality especially photocopying and faxing of documents.

- Assistance with transport is desperately needed.
- Two CDW's resides outside the wards they are servicing and this creates some difficulties.
- Councillors expressed concern about the involvement of some CDW's in local politics. Their neutrality and impartiality is compromised as some serve on executive structures of political parties.
- CDW's refuse to participate in official capacity in big state events and at times demanded to be treated as dignitaries.
- CDW's demand the use of community facilities at no cost without necessarily substantiating how government or the community will benefit.
- Relationship between CDW's, Ward Councillors and Ward Committee members is in a bad state.
- Communication between the Department of Local Government and Traditional Affairs, municipality and CDW's remain a big problem.

5.5 COMMUNICATION STRATEGY

Lukhanji Municipality developed its draft Communication strategy in July 2008 with the view to enhance transparent decision making and extensive civic participation by all residents of Lukhanji Municipal area.

The primary aim of this draft communication strategy is to encourage a culture of community participation in governance and to improve the council's public image.

A workshop was then convened on the 18th of September 2008 and stakeholders that participated include, all Councillors, ward committees, Community Development Workers, both South African Municipal Workers Union and the Independent Municipal and Allied Trade Workers' Union, Government Communication and Information Services, Youth, Women and the Disability Councils.

The workshop was well attended and all the stakeholders agreed that before the strategy is taken to the Council for adoption, it needs some refinement.

5.6 LEGAL MATTERS

The legal services, including conveyancing has been outsourced to local attorneys.

5.6.1 Management of litigation

INVESTIGATIONS, LITIGATIONS & CLAIMS

TYPE	ISSUE UNDER CONSIDERATION / AFFECTED COMPONENT	UNDERAKEN BY / OTHER PARTY	COMMENCED	EXPECTED COMPLETION	POTENTIAL LIABILITY
Claim	Potential Liability	A S Burwana	2001	2001	R 200 000.00
Litigation	Potential Liability	Civil & General	2007 / 2008 Financial year	2009 / 2010	R 150 000.00
Litigation	Potential Liability	Chithi	2007 / 2008 Financial year	2010	R100 000.00
Litigation	Potential Liability	Magqabi, A V	2002 / 2003 Financial year	Unknown	Not quantified
Litigation	Potential Liability	MaxProf (Pty) Ltd	2007 / 2008 Financial year	2009 / 2010	R 250 000.00
Litigation	Potential Liability	Melisizwe	2005 / 2006 Financial year	Unknown (Summons not yet issued)	R1423 000.00
Litigation	Potential Liability	Motile, A	2005 / 2006 Financial year	2010	R 100 000 .00
Litigation	Potential Liability	Sala Pension Fund	2008 / 2009 Financial year	Unknown	R1777 000.00

CHAPTER 6 - FUNCTIONAL AREAS REPORTING AND ANNEXURE

A: FUNCTIONAL AREA SERVICE DELIVERY REPORTING

6.1 GENERAL INFORMATION (POPULATION STATISTICS)

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

6.2 EXECUTIVE AND COUNCIL

Function: Sub Function:	Executive and Council N/A		
Reporting Level	Detail	Total	
Overview:	The executive and Council serves as a link between the community, administration, other spheres of government, and the staff of the Municipality. The Municipal Manager, through the office of the Speaker is responsible for the co-ordination of the Municipality's work force in assisting with this process.		
Description of the Activity:	The function of executive and council within the municipality is administered as follows and includes: <i>The municipality is administered through a committee structure that includes 27 Ward Committees, 5 Standing Committee viz. Finance, Administration & Human Resources, Community Services, Technical Services and Estates and Land Planning Service.</i>		
	The functions undertaken include infrastructure, community services, development planning, and finance, but do not include education, health services, and welfare which reside within the jurisdiction of the provincial government.		
	The municipality has a mandate to improve the life of all residents.		
	The strategic objectives of this function are to: <i>Develop a co-ordinate and integrated approach to planning and budgeting so that resources are applied to this objective in an effective and efficient manner.</i>		
	The key issues for 2007/08 are: <i>The adoption of an integrated development plan linked to a 5 year budget within the adopted timeframe.</i>		
	Development and implementation of a Performance Measurement System.		
Analysis of the Function:			
1	Councillor detail:		
	Total number of Councillors	53	
	Number of Councillors on Executive Committee	6	
2	Ward detail:		
	Total number of Wards	27	
	Number of Ward Meetings	109	
3	Number and type of Council and Committee meetings:		
	Council Meetings	8	
	Mayoral Committee meetings	22	
	Finance Committee meetings	8	
	Community Services meetings	5	
	Technical Services meetings	9	

	Estates Committee meeting	7	
	Administration & Human Resources Committee meeting	6	
Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current	Target
Job Description	<i>All job descriptions completed and issued to staff. All job descriptions evaluated by Job Evaluation Committee. Final Outcomes report received.</i>	Completed	
Employment Equity Plan	Employment Equity Plan developed, completed and submitted	Completed & Submitted	
Skills Plan	Skills Development Plan completed and submitted	Completed & Submitted	
	Skills Development report developed and submitted	Completed & Submitted	

6.3 FINANCE AND ADMINISTRATION FUNCTION'S PERFORMANCE

Function:	Finance and Administration		
Sub Function:	Human Resources		
Reporting Level	Detail	Total	
Overview:	The department has the responsibility of implementing and co-ordinating the human resource function of the municipality in a manner that is consistent with current legislation, existing collective agreements and Council policy.		
Description of the Activity:	The function of human resource management within the municipality is administered as follows and includes:		
	<i>The department is administered by the Human Resources Manager who is directly responsible to the Director of Administration and Human Resources for the recruitment, selection, and induction of employees. The department has an ongoing monitoring role in taking all reasonable steps to ensure that employees comply with the provisions of human resources policies.</i>		
	The strategic objectives of this function are to:		
	<i>Develop and adopt appropriate systems and procedures to ensure fair, efficient, effective and transparent personnel administration, in accordance with existing legislation.</i>		
	<i>Monitor the payment of remuneration in accordance with conditions of employment.</i>		
	<i>Institute relevant training and development opportunities for employees.</i>		
	<i>Introduce occupational health and work place safety standards.</i>		
	The key issues for 2007/08 have been:		
	The finalisation of job description for all employees in accordance with the TASK job evaluation system.		
1	The timeous development and submission of a Skills Development Plan		
	Development and timeous submission of Skills Implementation Plan		
	The development and implementation of an Employment Equity Report		
	To keep employment within the limits of departmental budget.		
Analysis of the Function:	Number and cost to employer at all municipal staff employed		
	- Professional (Manager/Specialist)	73	
	- Field (Supervisor/Foreman)	47	
	- Office (Clerical/Administrative)	97	
	- Non-professional (blue Collar, outside workforce)	337	

6.4 COMMUNITY SERVICES

Function:	Community and Social Services		
Sub Function:	All inclusive		
Reporting Level	Detail	Total	
Overview:	Includes all activities associated with the provision of community and social services		
Description of the Activity:	<p>The function of provision of various community and social services within the municipality is administered as follows and includes:</p> <p><u>STRATEGIC OBJECTIVE</u></p> <p>Sporting facilities</p> <p>Provide for the management control of and maintenance of any sport facility and land of the municipality, used for recreational purposes in the Lukhanji Area.</p> <p><u>Parks (Open Spaces and Pavement)</u></p> <p>Provide parks through the function of Horticulture for the beautification of Queenstown to establish a pleasing and unpolluted environment.</p> <p><u>Cemeteries</u></p> <p>To establish, conduct and control facilities for the purpose of disposing of human remains in the Lukhanji Area.</p>		
Analysis of the Function:	<Provide statistical information on (as a minimum):>		
1	Nature and extent of facilities provided:	<i>no of facilities:</i>	<i>no of users:</i>
	- Library services	5	27 367
	- Other community halls/facilities	13	
	- Cemeteries and crematoriums	6	1143
	- Child care (including crèches etc)		
	- Aged care (including aged homes, home help)		
	- Schools		
	- Sporting facilities (specify) Sport Stadiums	5	30 000
	- Parks	9	20 000
	Note: the facilities figure should agree with the assets register		
2	Number and cost to employer of all personnel associated with each community services function:		R(000s)
	- Library services	25	R2 194 177
	- Other community halls/facilities		
	- Cemeteries and crematoriums	7	R564 408

	- Child care		
	- Aged care		
	- Schools		
	- Sporting facilities	9	R553 579
	- Parks	54	R348 4169
	Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package		

6.5 WASTE MANAGEMENT FUNCTION

Function:	Waste Management		
Sub Function:	Solid Waste		
Reporting Level	Detail	Total	
Overview:	Includes refuse removal, solid waste disposal and landfill, street cleaning and recycling		
Description of the Activity:	<p>The refuse collection functions of the Municipality are administered as follows:</p> <ul style="list-style-type: none"> • Refuse within households in residential areas is removed once a week. • Refuse removal in businesses is removed according to the agreed schedule between the Municipality and the business in question (i.e. once a week, twice a week, thrice a week or everyday). • Bulk refuse from businesses (industrial areas) is also removed as per agreed schedule between the Municipality and the business. • Cleaning of streets, sidewalks on a daily basis to ensure that the streets within the CBD are clean. • Cleaning of open illegal dumped areas to ensure that the environment is kept clean and healthy on regular basis. <p>These services extend to include Mlungisi, Whittlesea, Ezibeleni, Queenstown Households, Businesses within CBD and Industrial areas, but do not take account Ilinge, Lesseyton, rural areas of Whittlesea and Farms.</p> <p>The Municipality has a mandate to:</p> <ul style="list-style-type: none"> ➤ Take all lawful, necessary and reasonable practicable measures to maintain its jurisdiction at all times in a hygienic condition. ➤ Ensure a clean and healthy environment. ➤ Ensure that Solid Waste is properly managed from generation to final disposal in an Environmental friendly manner. ➤ Render refuse collection, removal and disposal services to households and businesses within Municipal jurisdiction. <p>The strategic objective of this function are to:</p> <ul style="list-style-type: none"> ❖ Provide efficient refuse removal service within the greater Lukhanji Local Municipality. ❖ Ensure Waste Minimisation strategies through separation of waste at source, privatization of recycling activities and public awareness campaigns. ❖ Dispose all Solid Waste generated within the Municipal area in an Environmental friendly manner. 		

	The key issues for 2009/2010 are:		
	<ul style="list-style-type: none"> ✓ Recycling / investigation the possibility of opening a multi recycling buy – back centre which will be run by the Co - operative. ✓ Create awareness campaign on Waste Minimization and illegal dumping of open areas. ✓ Minimisation of waste going to landfill site through recycling initiatives. 		
Analysis of the Function:	<Provide statistical information on (as a minimum):>		
1	Number and cost to employer of all personnel associated with refuse removal:		R (000s)
	- Professional (Engineers/Consultants)		
	- Field (Supervisors/Foremen)	5	745 225
	- Office (Clerical/Administration)	3	242 310
	- Non-professional (blue collar, outside workforce)	99	4 690 169
	- Temporary		
	- Contract	58	838 800
	Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package		
2	Number of households receiving regular refuse removal services, and frequency and cost of service:		R (000s)
	- Removed by municipality at least once a week	27 134	12 400 122
	- Removed by municipality less often		
	- Communal refuse dump used		
	- Own refuse dump		
	- No rubbish disposal		
3	Total and projected tonnage of all refuse disposed:		
	- Domestic/Commercial	120 ton/pd	137 ton p/d
	- Garden	20 ton p/d	35 ton p/d
4	Total number, capacity and life expectancy of refuse disposal sites:		
	- Domestic/Commercial (number)	6 ha	15 years
	- Garden (number) domestic and garages is one		
5	Anticipated expansion of refuse removal service:)
	- Domestic/Commercial	2000	113140
	- Garden		
6	Free Basic Service Provision:		
	- Quantity (number of households affected)	4086	
	- Quantum (value to each household)	56.57	
7	Total operating cost of solid waste management function		20527 871

6.6 HEALTH

Function: Health Sub Function: Clinics			
Reporting Level	Detail	Total	
Overview:	Includes all activities associated with the provision of health		
Description of the Activity:	PHC Services taken to the community such as community based care, Immunization outreaches, Reproductive Services and Chronic Care, TB Suspecting. Promote health. DOT is support (TB) Promote quality services to improve the following programmes i.e. HIV/AIDS, TB, PMTCT, Child Health per catchment area.		
Analysis of the Function:	<ul style="list-style-type: none"> • For special Services we refer according to need. • Sessional doctors assist with chronic treatment review and ailments. • Level 2 and 3 medication prescribed and issued according to policy. • Community Health Care Workers, Lay Councillors, Super DOTS assist in each clinic with community services and promote health education and the facility and community level. • Crèches visited monthly for immunizations and pre primary schools, de worming also done. • School Health Services also done as per catchment area. • VCT done by all clinics and feeding the ARV site. • Clinic Headcount 182 282 • Headcount <5 years 27 105 • Headcount >5 years 155 177 		
Performance	<ul style="list-style-type: none"> - Clinic performance dropped from August 2008 due to staff shortages and struggling to recruit skilled nurses for the primary health care services as most are hospital orientated, but we picked up from February 2009. - TB/HIV/Aids – these services are a challenge and need the clients to be responsible about the health, which is not the case in most areas, in spite of counselling, motivation and the support given. - TB suspect rate is 2,8 the norm being between 1-2%. From April 2009 the norm has been increase to 4%. Lizo Ngcana, Parkvale and Philani clinics are performing quite well, they are just below 4% in July 2009. - HIV and Aids testing rate is at 96% yet the target is 100% more work needs to be done to improve this indicator, meaning health education and strengthen the counselling. - PMTCT – The uptake needs to be strengthened and sustained by motivating mothers to visit the clinics before 20/52 during pregnancy. We manage to reach 110% the 		

	<p>target being 100%.</p> <ul style="list-style-type: none">- PHC Utilization rate is at 2,5%, the target is 3 – 4%. Health promotion and improve the defaulters tracing in every program- Immunization coverage of children is below 1 year. We reached 92,5% and the target being 90%. This indicator has to be sustained by taking services to the community and visiting crèches for immunization, and outreaches.		
--	---	--	--

6.7 PUBLIC SAFETY

FUNCTION Sub Functions	Public Safety Traffic	TOTAL	
			R
Overview	Includes police force and traffic (and parking)control		
Description of the activity:	<p>The policing and traffic control functions of the Municipality are administered as follows and include:</p> <ul style="list-style-type: none"> - Traffic control law enforcement - Registration and licensing of motor vehicles - Traffic control administration(adjudication and processing of offences) - Learners and driving licence testing - Vehicle testing station - Watchman - Traffic engineering (Road markings and signage) <p>These services extend to include all functional areas but do not include areas which resides within the jurisdiction of the Provincial government</p> <p>The municipality has a mandate to do the registration and licensing of motor vehicles, the testing of motor vehicles for roadworthiness, the testing of and the issuing of learner and driving licences in terms the Act 93/1996 ,and regulate parking and traffic within the jurisdiction of the Lukhanji Municipality</p>		1,786,340.00
	The strategic objectives of this function are to provide a safe traffic environment for both the motoring traffic and pedestrian traffic and the general community at large		
Analysis of the Function			
1	Number and cost to employer of all personnel associated with traffic control		
	PROFESSIONAL(Senior Management	1	395255.00
	Field (Supervisors)	5	1180603.00
	Office(clerical/administration)	14	2078654.00
	Non Professional(visible police officers on the street)	13	1983241.00
	1Non professional	41	2205032.00
	Temporary	0	0
	Contract	4	456693.00
	TOTAL	78	8299478.00
2	Total number of call outs attended	708	
	Emergency call-outs	1150	
	Standard call-outs	12050	
		0	
		13908	

3	Average response time per call-out	10	
	Emergency call-outs	5	
	Standard call outs	15	
4	Total number of targeted violations e.g., traffic offences		
	Parking offences		
	speeding		
	Red Robots		
	Stop signs		
	Unroadworthy vehicles		
	Driving licences		
	TOTAL	5435	1369090.00
5	Total number and type of emergencies leading to loss of life	0	
6	Type and number of grants and subsidies received	0	0

6.8 HOUSING FUNCTION'S PERFORMANCE

Function:	Housing		
Sub Function:	N/A		
Reporting Level	Detail	Total	
Overview:	Includes all activities associated with provision of housing		
Description of the Activity:	<p>The function of provision of housing within the municipality is administered as follows and includes :</p> <p>Planning and application of new housing projects (Ward Councillors, together with the Ward Committees are actively involved to supply waiting lists indicating the need in each area and is consulted by professionals on every aspect involved with the planning process before the actual application is forwarded to the DHLG).</p> <p>Subsidy Administration (Once a Housing Project has been approved, the layout plan including the erf numbers and sizes is obtained from the relevant Surveyor, a database for the project is compiled and the Subsidy Administration commences (The Ward Councillors, together with their Ward Committees, are involved to supply the Municipality with the names of the beneficiaries identified from their waiting lists and subsidy applications are prepared and signed with the relevant beneficiaries. These applications are forwarded to the DHLG in Bhisho and feedback by means of approved and rejection lists are provided to the relevant Ward Councillors and their Ward Committees on a regular basis.</p> <p>Once approvals have been obtained, it is forwarded to the Infrastructure Development Unit who handles all aspects regarding the construction of the units, as well as the installation of infrastructure. Officials from this unit will be responsible for the appointment of consultants, where necessary, the appointment of contractors for the installation of infrastructure, as well as the appointment of contractors for the construction of the top structures, the procurement of all building materials and the payment of contractors and suppliers. In all of the afore-mentioned processes the beneficiaries are actively involved through the Joint Management Committee of the project where they are represented by their Ward Councillors and elected members. All of the afore-mentioned processes should be in line with the procurement policy of the Council.)</p> <p>Registration of Title Deeds (Once a housing project has been approved, a Conveyancer is appointed to handle the registration of individual title deeds. Once approvals of beneficiaries have been obtained and the Township Register has been opened by the Conveyancer, the necessary signed documentation is supplied to the Conveyancer to proceed with the registration of individual title deeds.</p>		

	<p>Updating of beneficiary information on financial system (Once approvals of beneficiaries have been completed, the information of all approved beneficiaries are supplied to the Finance Directorate for the beneficiaries to be included in the financial system of the Municipality. Once the top structures have been completed and is ready for occupation, each individual is required to visit the municipality to pay the necessary deposit for services and is also assisted in completed the necessary documentation for the application of services.</p> <p>Administration of existing housing (not new projects), includes the following :</p> <p>(a) When owners of properties pass away, the municipality assists the family in having the deceased estate sorted out and also sees to the necessary changes to the relevant account.</p> <p>(b) When members of the community have any query related to housing, they are assisted by officials e.g. what channels to follow when they want to buy a property from another party; queries with regards to ownership of a property; queries with regards to the registration of a transfer of a property; queries with regards to marriage conditions, etc.</p> <p>(c) Compilation and signing of the necessary documentation with regards to the registration of title deeds under the discount benefit scheme. Although the conveyancers involved with this process has appointed field workers to assist with the calling of the relevant members of the community, all documentation to be signed are compiled by the municipal officials who thereafter ensure that it is signed properly before supplying it to the conveyancers.</p> <p>(d) Upkeep of a proper filing system. Individual housing files for each property previously owned by the government or the municipality, as well as properties which form part of housing projects are kept up to date. This assists with the answering of queries received from the public, the DHLG, Conveyancers, etc.</p> <p>(e) Administration of municipal owned flats and houses rented to members of the public. This includes the keeping of waiting lists, rental agreements, queries and complaints from tenants, as well as maintenance.</p> <p>(f) Administration of municipal owned retirement facility</p>		
--	---	--	--

	- Office : Director X 1 ** Housing Administrator X 2 Snr. Clerk Lands X 1 ** Admin. Officers X 3 ** Housing Clerks X 4 Jnr. Admin Officer X 1		
	- Non-professional : Messenger/Driver X 2 **		
	Technical Services : - Field : Building Inspector X 2 ** - Contract : Project Co-Ordinator X 4 ** Senior Manager X 1 ** Admin. Manager X 1 **		
	NB!!! Above officials marked with ** only spend a % of their time dealing with housing issues.		
2	Number and total value of housing projects planned and current:		<i>R (000s)</i>
	- Current : 9		
	- Planned : 5		
3	Total type, number and value of housing provided:		<i>R (000s)</i>
	-- Ezibeleni Phase II PHP Housing Project - 293 complete Units & various at different levels		885563.66
	- Tambo Village PHP Housing Project - 45 complete Units & various at different level		2998559.36
4	Total number and value of rent received from municipal owned rental units		<i>R (000s)</i>
	Sunshine Village - 47 Units		1503176.42
	Fairview Flats - 4 Units &		
	Uitsig Flats - 4 Units		
	Municipal Houses - 5 Units		
5	Estimated backlog in number of (and costs to build) housing:		<i>R (000s)</i>
	Sabata Dalindyebo - 210 Units		9 136 260
	Nomzamo - 337 Units		14 661 522
	Brakkloof - 400 Units		21 409 500
	Xuma - 110 Units		5 749 980
	Zola - 360 Units		22 388 220
	Toitsekraal - 360 Units		24 896 190
	New Rathwick Ph I - 500 Units		30 585 000
			18 351 000

	Ilinge Wooden / Zink - 300 Units		18 351 000
	SADA Wooden / Zink - 300 Units		
7	Type and number of grants and subsidies received:		<i>R (000s)</i>
	(A) Ekuphumleni PHP Housing Project Top Str.		51 810
	(B) Ekuphumleni PHP Housing Project Est. Gr.		
	(C) Ilinge PHP Housing Project		33 362.58
	Est Gr.		59 175
8	Total operating cost of housing function		<i>R (000s)</i>

6.9 WASTE WATER MANAGEMENT

Function: Waste Water Management			
Sub Function: Sewerage etc			
Reporting Level	Detail	Total	Cost
Overview:	Water & sanitation services are contracted out to WSSA. They are responsible for all water & sanitation services, excluding infrastructure, provision as well as the operation and maintenance thereof.		
Description of the Activity:	The sewerage functions of the municipality are administered as follows and include:		
	Annual contract with WSSA. Queenstown, Mlungisi and Ezibeleni all have waterborne sanitation. 10% of Whittlesea has septic tanks in ext. 2, in Sada all buckets were eradicated during 2008, which brings the whole of Whittlesea area connected to waterborne sewage. All stands in Ekuphunleni are with waterborne sewage while Madekeni and Shiloh have pit latrines. The informal areas have pit latrines, which includes a number of VIP's.		
	Maintenance of all reticulation falls under WSSA as per contract. This includes sewer blockages, rehabilitation of pipes and manholes, pipe replacement etc. Whittlesea has a sewer tanker clearing septic tanks as and when required, including llinge and villages.		
	The establishment, operation, management and regulation of a system, including infrastructure, for the collection, removal, disposal and/or purification of human excreta and domestic wastewater to ensure minimum standard of services necessary for safe and hygienic households. The municipality has a mandate to:		
	The strategic objectives of this function are to meet maximum flow demand, to provide waterborne sewers to all households and to maintain reticulation in proper working condition.		
	The key issues for 2008/09 are:		
	<i>To maintain and upgrade roads to an acceptable standard.</i>		
Analysis of the Function:			
1	Number and cost to employer of all personnel associated with sewerage functions: (Including WSSA contract)		14 253 432
	- WSSA annual contract	-	12 910 461
	- Professional (Engineers/Consultants)	2	R262 535
	- Field (Supervisors/Foremen)	5	R274 680
	- Office (Clerical/Administration)	2	R256 779
	- Non-professional (blue collar, outside workforce)	11	R548 977
	- Temporary	0	0

	- Contract	0	0
2	Number of households with sewerage services, and type and cost of service:	41262	
	- Flush toilet (connected to sewerage system)	25961	101,844,000
	- Flush toilet (with septic tank)	6094	30,470,000
	- Chemical toilet	0	0
	- Pit latrine with ventilation	9207	56,595,500
	- Pit latrine without ventilation	0	0
	- Bucket latrine	0	0
	- No toilet provision	12404	112,913,200
	Note: if other types of services are available, please provide details		
3	Anticipated expansion of sewerage:		
	- Flush/chemical toilet	557	2,785,000
	- Pit latrine	300	1,844,102
	- Bucket latrine	0	
	- No toilet provision	0	
	Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality	857 4,629,102	
4	Free Basic Service Provision:		
	- Quantity (number of households affected)	13 750	
	- Quantum (value to each household)	R542.82	

6.10 ROAD MAINTENANCE'S FUNCTION'S PERFORMANCE

Function:	Road Transport		
Sub Function:	Roads		
Reporting Level	Detail	Total	Cost
Overview:	Construction and maintenance of roads within the municipality's jurisdiction		
Description of the Activity:	<p><i>The road maintenance and construction responsibilities of the Municipality are administered as follows and include:</i></p> <p>Implementation of small civil projects. Clear blocked drains, clean gutters, patch potholes, replace damaged kerbs and open blocked catch pits. Do light & heavy blading of gravel roads, regravelling of gravel roads and resealing of tar roads.</p> <p>The municipality has a mandate to: The construction, maintenance and control of a road which the public has the right to and includes a street in build-up areas.</p> <p>The strategic objectives of this function are to: To provide sustainable, efficient and reliable roads to all road users within the Lukhanji area.</p> <p>The key issues for 2008/09 are: To maintain and upgrade roads to an acceptable standard.</p>		
Analysis of the Function:			
1	Number and cost to employer of all personnel associated with road maintenance and construction:	34	R2 592 175
	- Professional (Engineers/Consultants)	2	R262 535
	- Field (Supervisors/Foremen)	7	R842 049
	- Office (Clerical/Administration)	1	R177 567
	- Non-professional (blue collar, outside workforce)	16	R798 512
	- Temporary	0	0
	- Contract	8	R511 512
	Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package		
2	Total number, kilometres and total value of road projects planned and current:		R (000s)
	- New bituminised (number)	2KM	7,200,000
		2KM	3,500,000
	- Existing re-tarred (number)		
	- New gravel (number)	60KM	4,800,000
	- Existing re-sheeted (number)		
3	Total kilometers and maintenance cost associated with existing roads provided		R (000s)
	- Tar	271KM	952,000
	- Gravel	1250KM	1,056,000

4	Average frequency and cost of re-tarring, re-sheeting roads		<i>R (000s)</i>
	- Tar	<i>PER KM</i>	<i>3,512</i>
	- Gravel	<i>PER KM</i>	<i>844.8</i>
5	Estimated backlog in number of roads, showing kilometres and capital cost		<i>R (000s)</i>
	- Tar	<i>1250 KM</i>	<i>4.5 BILLION</i>
	- Gravel	<i>20 KM</i>	<i>1,600,000</i>

6.11 WATER DISTRIBUTION FUNCTION'S PERFORMANCE

Function: Water			
Sub Function: Water Distribution			
Reporting Level	Detail	Total	Cost
Overview:	Water is supplied by two sources: the Waterdown dam, which also supplies water to Wittlesea/Sada and some rural villages & the Bonkolo dam, owned by Lukhanji Municipality. Other rural areas are serviced by boreholes. The blend is normally 60/40, but with the drought no water was taken from Bonkolo dam since October 2008. Total storage of Bonkolo dam is 42 000ML. Bulk reservoir storage for the Queenstown area is 46ML, which is becoming inadequate due to new developments. Raw water treatment, operation and maintenance thereof form part of the annual contract with WSSA.		
Description of the Activity:	The water purchase and distribution functions of the municipality are administered as follows and include: All areas are connected to the network and metered with the exception of the rural areas. The informal areas are provided with communal standpipes. Whittlesea areas are unmetered except for businesses and Government buildings. All indigent households are supplied with restrictor-flow meters to provide 10KI /month FBS. The rural areas all receive free diesel / electricity to compensate for the 10KI FBS. All maintenance to pumps & motors are done by the service provider. WSSA are contracted out to do maintenance and the operation of all water services, excluding infrastructure. Metering is done on a daily basis.		
	The municipality has a mandate to: The establishment, operation, management and regulation of a potable water supply system, including the services and infrastructure required for the regulation of water conservation, purification reticulation and distribution of bulk supply to local supply points, metering, tariffs setting and debt collection so as to ensure reliable supply to households, including informal households, to support life and personal hygiene.		
	The strategic objectives of this function are to: Provide potable water to all households and to meet the maximum demand. To maintain & operate the network at all times.		
	The key issues for 2008/09 are: Maintenance and upgrading of existing infrastructure and to provide good quality potable water to all households residing in the Lukhanji area.		
Analysis of the Function:			

1	Number and cost to employer of all personnel associated with the water distribution function:	141	18 392 981
		Excl. WSSA	
	- WSSA annual contract		12 910 461
	- Professional (Engineers/Consultants)	3	R745 562
	- Field (Supervisors/Foremen)	5	R822 626
	- Office (Clerical/Administration)	3	R485 868
	- Non-professional (blue collar, outside workforce)	9	R888 264
	- Temporary	0	0
	- Contract - Romp	121	R2 540 200
2	Percentage of total water usage per month <Insert table showing monthly water usage >		
3	Total volume and cost of bulk water purchases in kilolitres and rand, by category of consumer		R (000s)
4	Number of households with water service, and type and cost of service:		
	- Piped water inside dwelling	15228	
	- Piped water inside yard	12711	
	- Piped water on community stand: distance < 200m from dwelling	8268	
	- Piped water on community stand: distance > 200m from dwelling	7166	
	- Borehole	8677	
	- Spring	700	
	- Rain-water tank	409	
5	Number and cost of new connections:		R (000s)
	Domestic & business	31	R70 721
6	Number and cost of disconnections and reconnections:		R (000s)
		0	0
7	Number and total value of water projects planned and current:		
	- Current (Hewu bulk water & Kwanomzano bulk supply)	2	
	- Planned (future years) – New Rathwick	1	
8	Anticipated expansion of water service:		
	- Piped water inside dwelling	0	
	- Piped water inside yard	69	
	- Piped water on community stand: distance < 200m from dwelling	229	
	- Piped water on community stand: distance > 200m from dwelling	0	
	- Borehole	0	
	- Spring	0	
	- Rain-water tank	0	
	Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality	298	
9	Estimated backlog in number (and cost to provide) water connection:		
	- Piped water inside dwelling		
	- Piped water inside yard		
	- Piped water on community stand: distance < 200m from dwelling		

	- Piped water on community stand: distance > 200m from dwelling		
	- Borehole		
	- Spring		
	- Rain-water tank		
12	Free Basic Service Provision:		
	- Quantity (number of households affected)	13 750	
	- Quantum (value to each household) 10 Kl per month	R678.36	

6.12 ELECTRICITY DISTRIBUTION FUNCTION'S PERFORMANCE

Function:	Electricity		
Sub Function:	Electricity Distribution		
Reporting Level	Detail	Total	Cost
Overview:	Includes the bulk purchase and distribution of electricity		
Description of the Activity:	<p>The electricity purchase and distribution functions of the municipality are administered as follows and include: The electricity department is responsible for the operating and maintenance of the entire electricity network of the Lukhanji Municipality. This includes the greater Queenstown area as well as the Ezibeleni and Mlungisi black Townships. It caters for the supply of electricity to Industrial, commercial, agricultural and domestic sectors of the economy. This department is also responsible for streetlighting and community lighting within the urban areas.</p>		
	These services extend to Queenstown, Ezibeleni and Mlungisi. Does not include the Rural areas which are being managed by ESKOM.		
	The strategic objectives of this function are to provide a cost effective and efficient continuity of electricity supply to all the customers of the Lukhanji Municipality.		
	The key issues for 2008/09 are:		
	<p>Firstly to be able to have enough capacity to meet the demands by all the customers especially during the next winter season. Secondly to generate enough income to be able to afford the appointments of all critical vacancies. Thirdly to find sufficient grant capital funding to be able to upgrade and refurbish some portions of our network in order to be able to meet the demands of economical development in our Municipality.</p>		
Analysis of the Function:			
1	Number and cost to employer of all personnel associated with the electricity distribution function:		<i>R (000s)</i>
	- Professional (Engineers/Consultants)	1	588
	- Field (Supervisors/Foremen)	2	370
	- Office (Clerical/Administration)	2	160
	- Non-professional (blue collar, outside workforce)	39	4775
	- Temporary	124	1637
	- Contract	0	0
2	Total quantity and cost of bulk electricity purchases in kilowatt hours and rand, by category of consumer		<i>R (000s)</i>

	- Residential		
	- Commercial		
	- Industrial		
	- Mining		
	- Agriculture		
	- Other		
3	Total quantity and receipts for bulk electricity sales in kilowatt hours and rand, by category of consumer		R (000s)
	- Household		
	- Commercial		
	- Industrial		
	- Mining		
	- Agriculture		
	- Other		
4	Total year-to-date electricity losses in kilowatt hours and rand		R (000s)
	Total electricity losses	49660	29726
5	Number of households with electricity access, and type and cost of service:		R (000s)
	- Electrified areas		
	- Municipal	22840	102780
	- Eskom	25160	115736
	- Alternate energy source		
	- Gas	0	0
	- Paraffin	0	0
	- Solar	0	0
	- Wood	0	0
	- Non electrified	2000	9600
	Note: if other types of services are available, please provide details		
6	Number and cost of new connections:		R (000s)
		325	503
7	Number and cost of disconnections and reconnections		R (000s)
	<detail total>	unknown	unknown
8	Number and total value of electrification projects planned and current:		R (000s)
	- Current (financial year after year reported on)	1400	2240
	- Planned (future years)	2547	12226
9	Anticipated expansion of electricity service:		R (000s)
	If funds become available for 1400 new connections	1400	424
10	Estimated backlog in number (and cost to provide) water connection:		R (000s)
	Approximate values	2000	9600
11	Free Basic Service Provision:		
	- Quantity (number of households affected)	13400	
	- Quantum (value to each household)	50Kwh	
	Note: Provide details of how many households receive the FBS provision, and the average value it means per household. Describe in detail the level of Free Basic Services provided.		
12	Type and number of grants and subsidies received:		R (000s)
13	Total operating cost of electricity distribution function		R (000s)

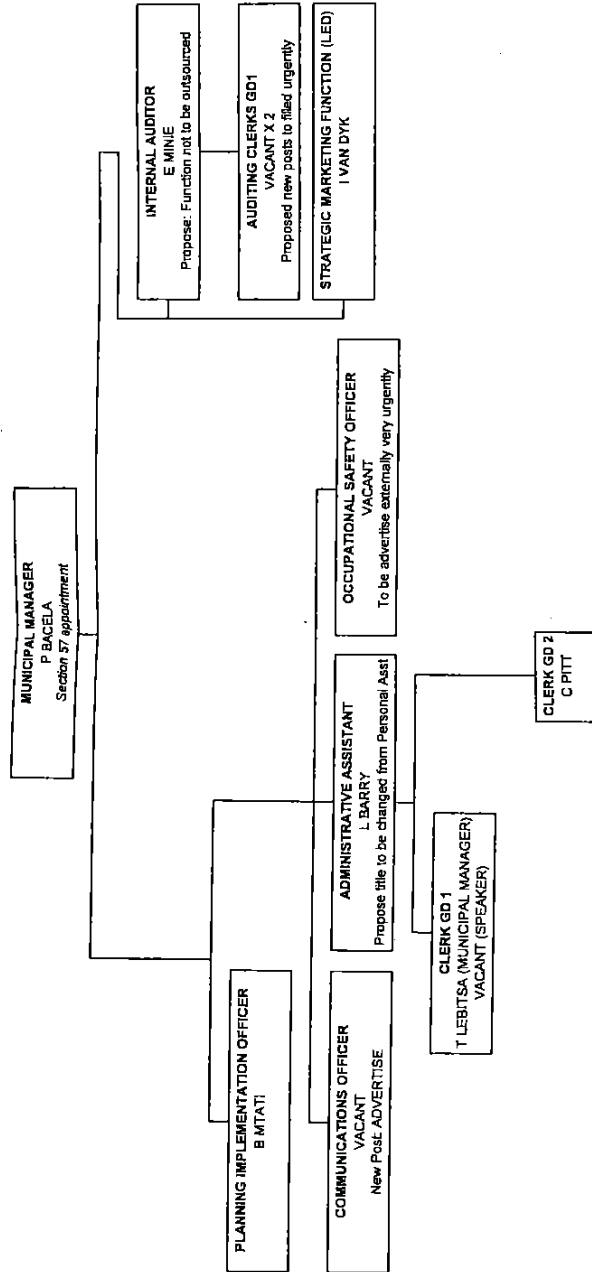
ANNEXURES

1. MUNICIPAL ORGANOGRAM
2. INTERNAL AUDIT REPORTS

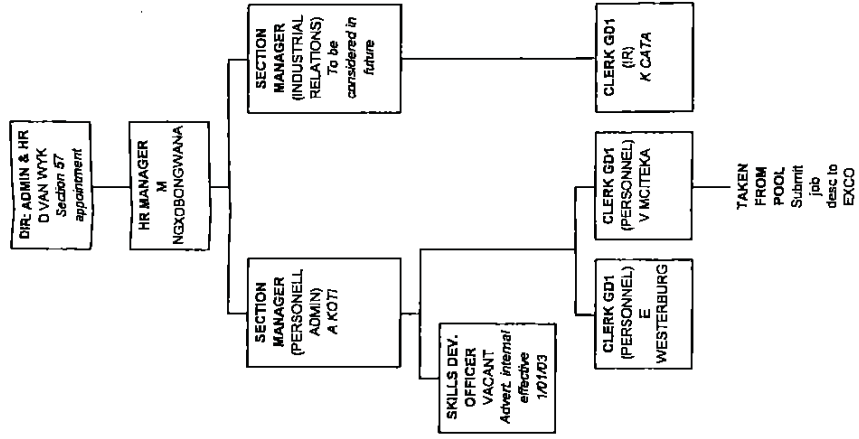
MUNICIPAL ORGANOGRAM



MUNICIPAL MANAGER

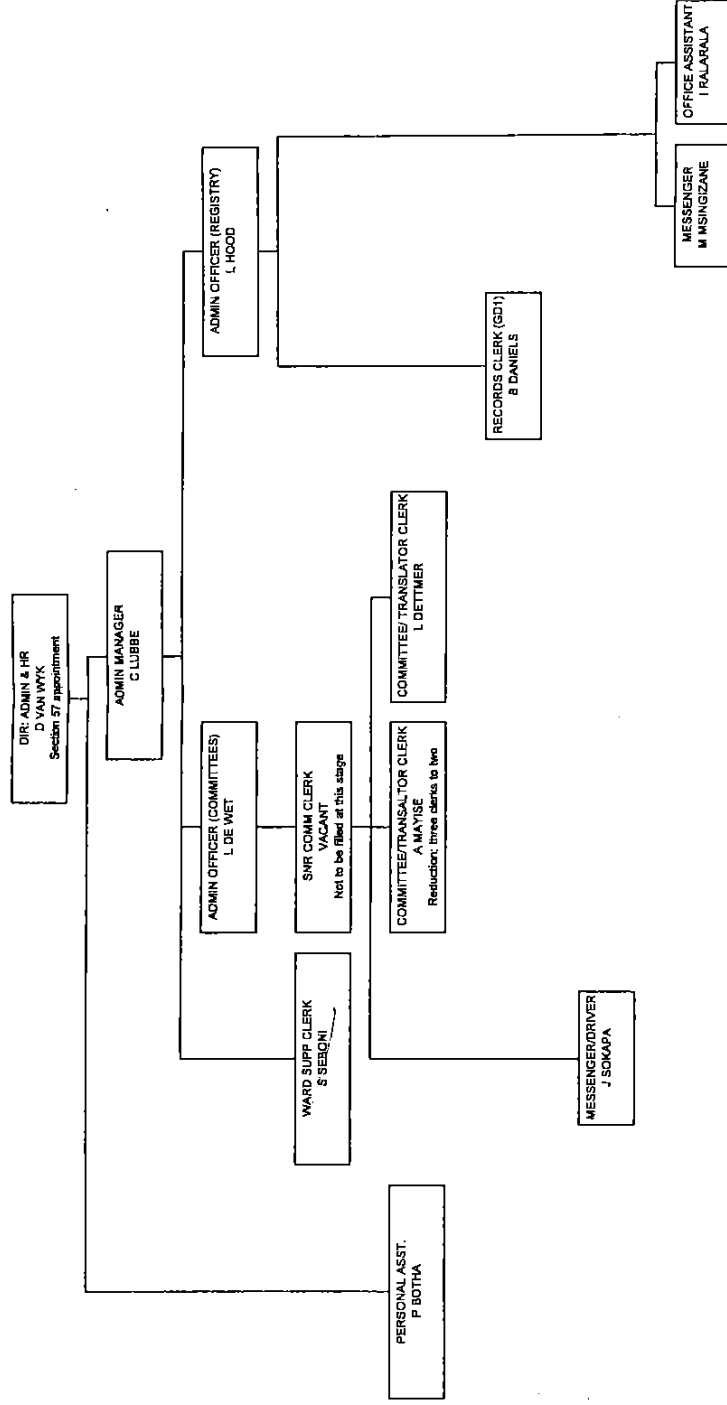


[Handwritten signatures and initials]



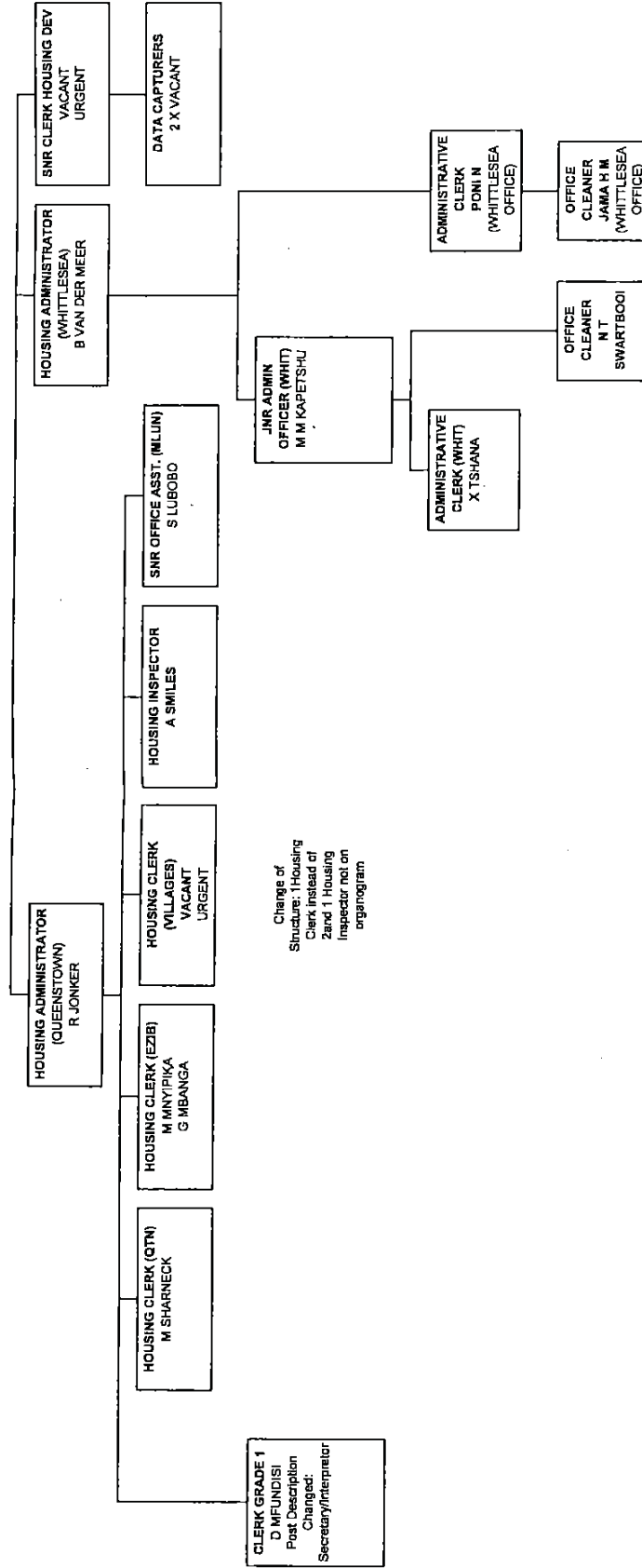
[Handwritten signatures and initials]

ADMIN & HR: ADMINISTRATION



[Handwritten signatures and initials]

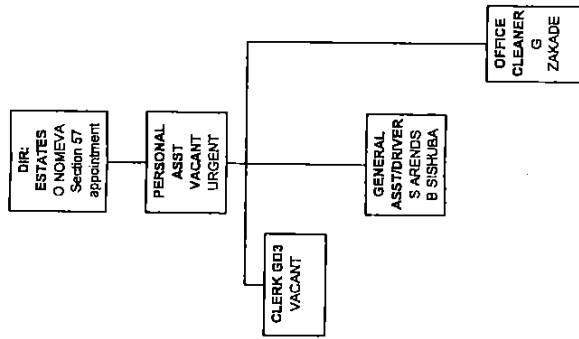
167



[Handwritten signatures and initials]

[Handwritten signature]

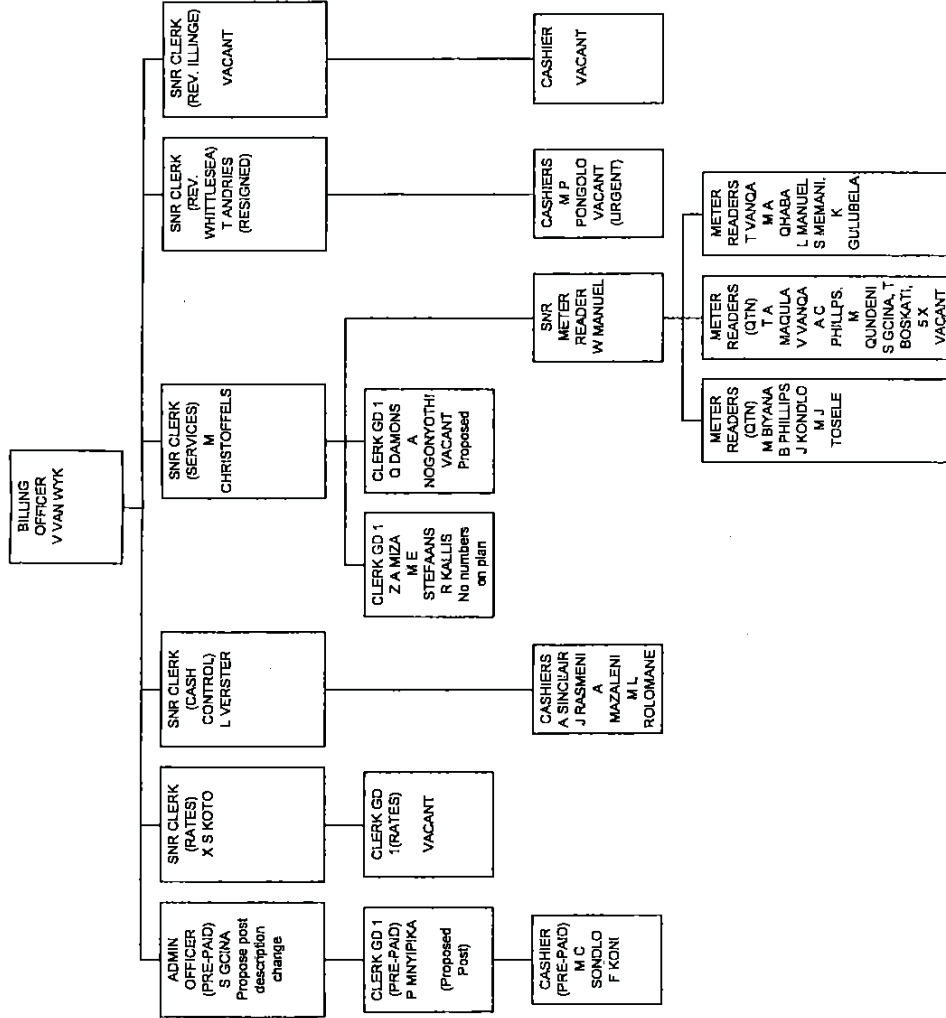
ESTATES



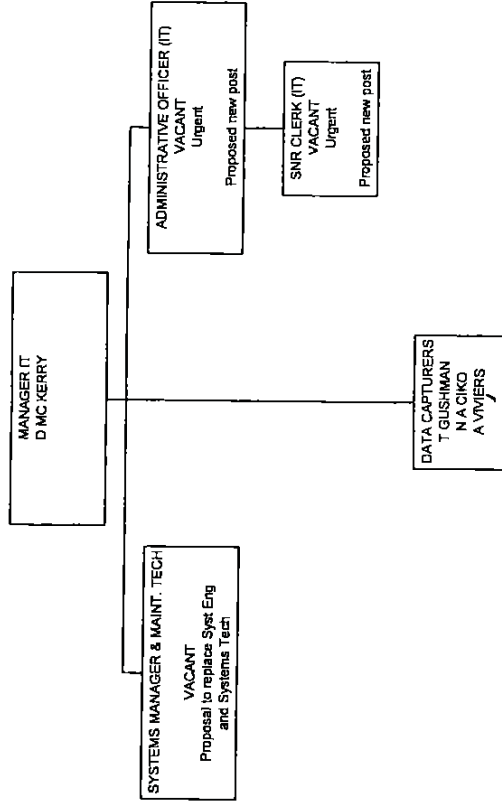
[Handwritten signature]
[Handwritten signature]
[Handwritten signature]
Xen Ahmed
A. P. A.

[Handwritten signature]

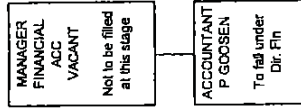
FINANCE REVENUE BILLING



[Handwritten signatures and initials]

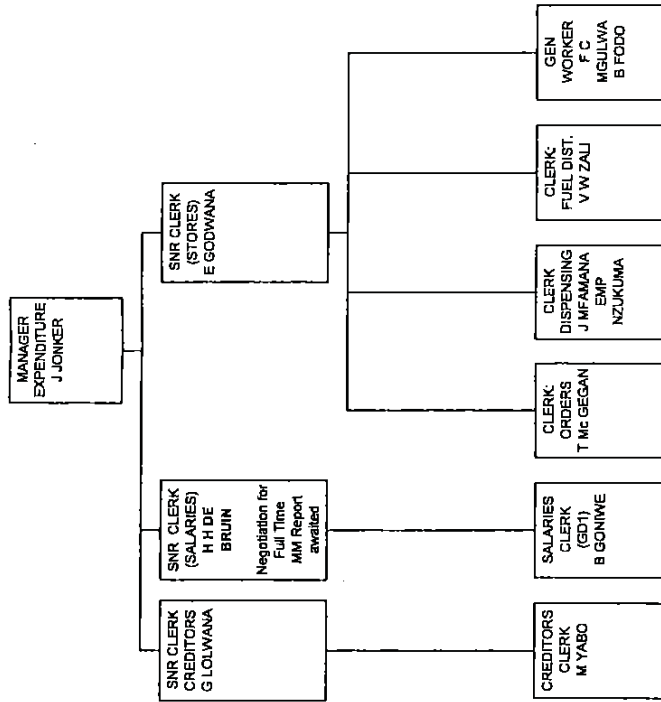


[Handwritten signatures and initials]



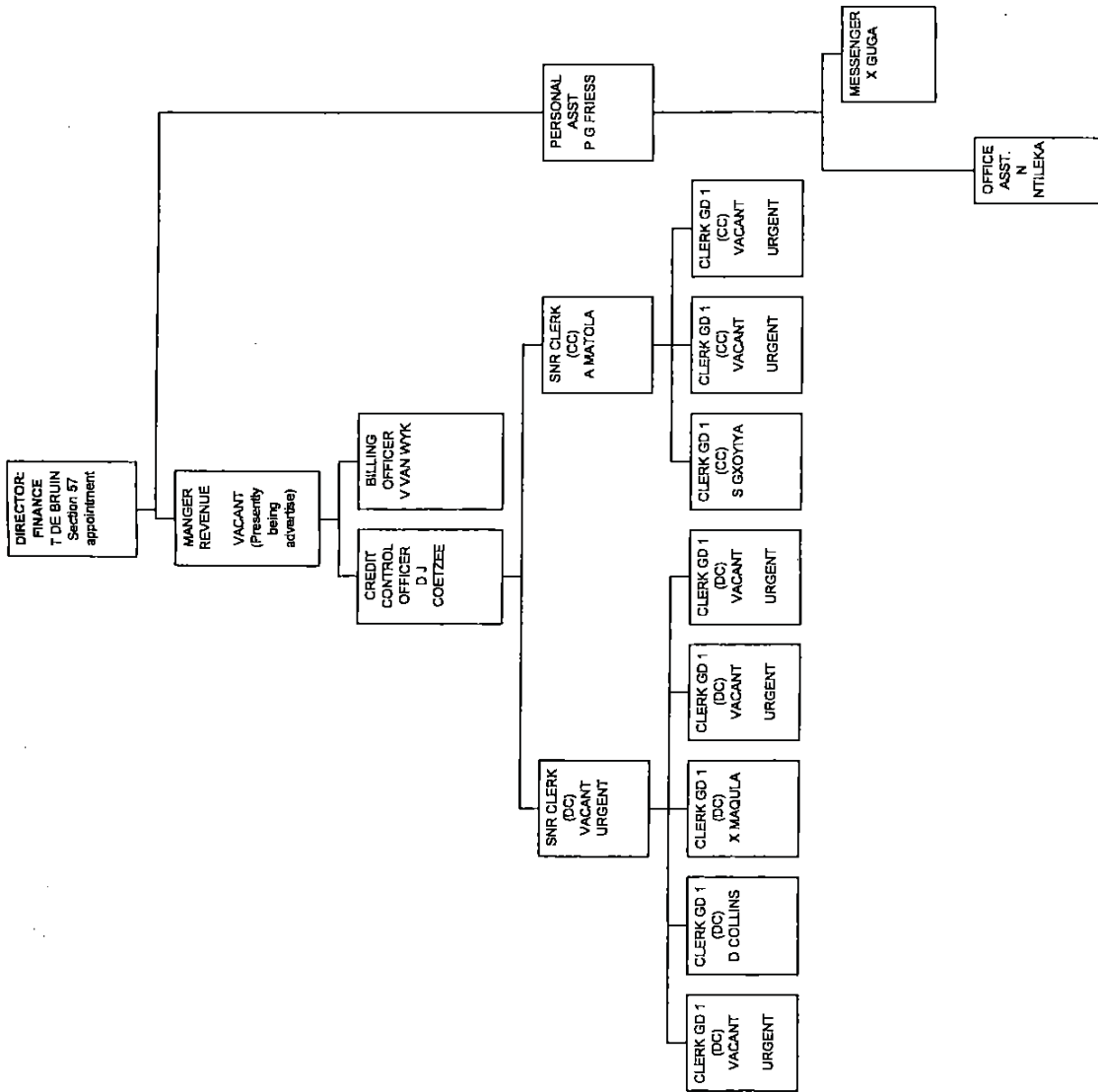
[Handwritten signatures and initials]

FINANCE EXPENDITURE

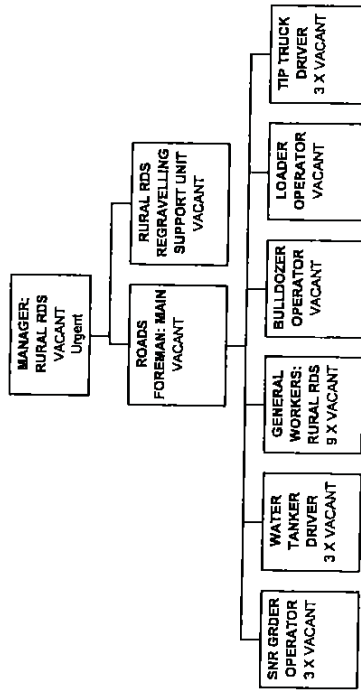


[Handwritten signatures and initials]

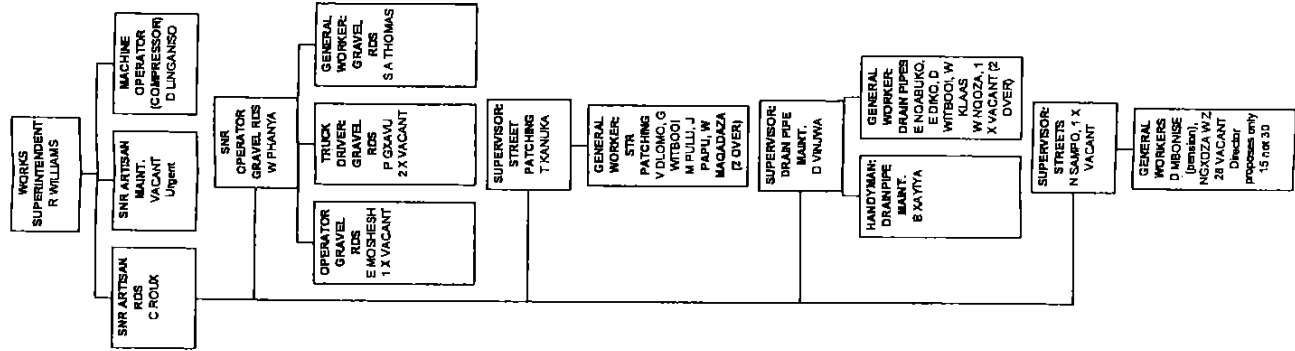
FINANCE ADMIN



[Handwritten signatures and initials]

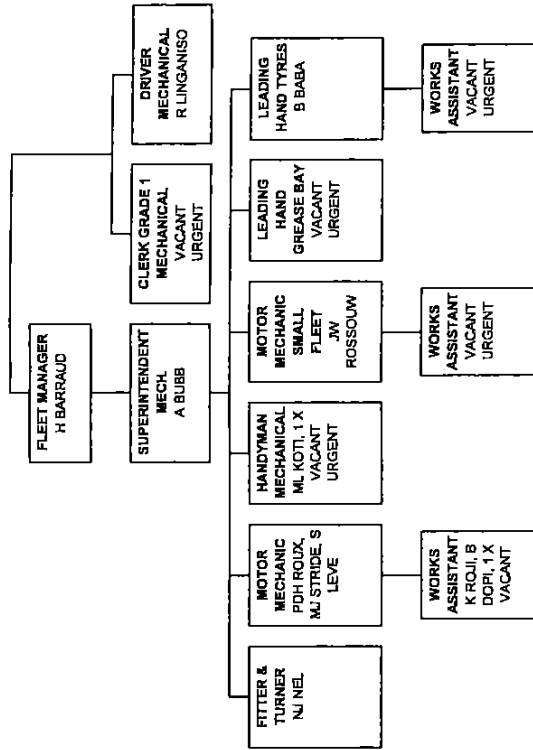


[Handwritten signatures and initials]



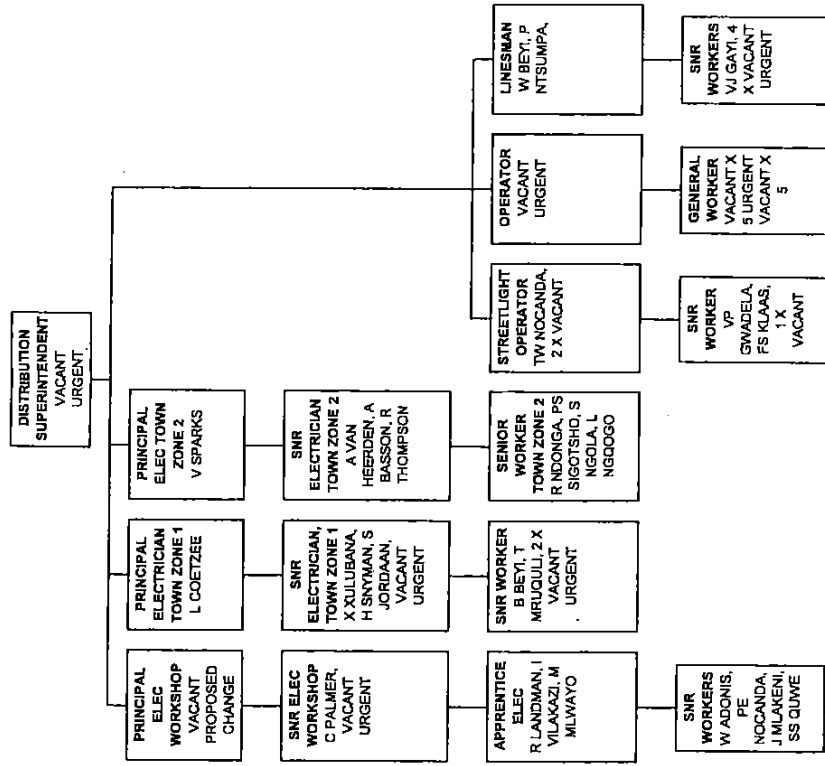
[Handwritten signatures and initials]

TS FLEET MANAGEMENT



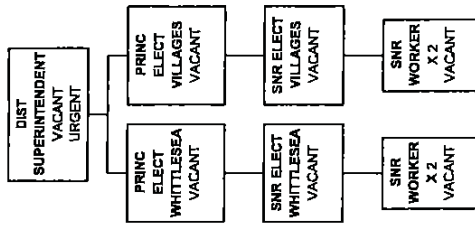
Handwritten signatures and initials:
 Xan
 [Signature]
 [Signature]
 [Signature]

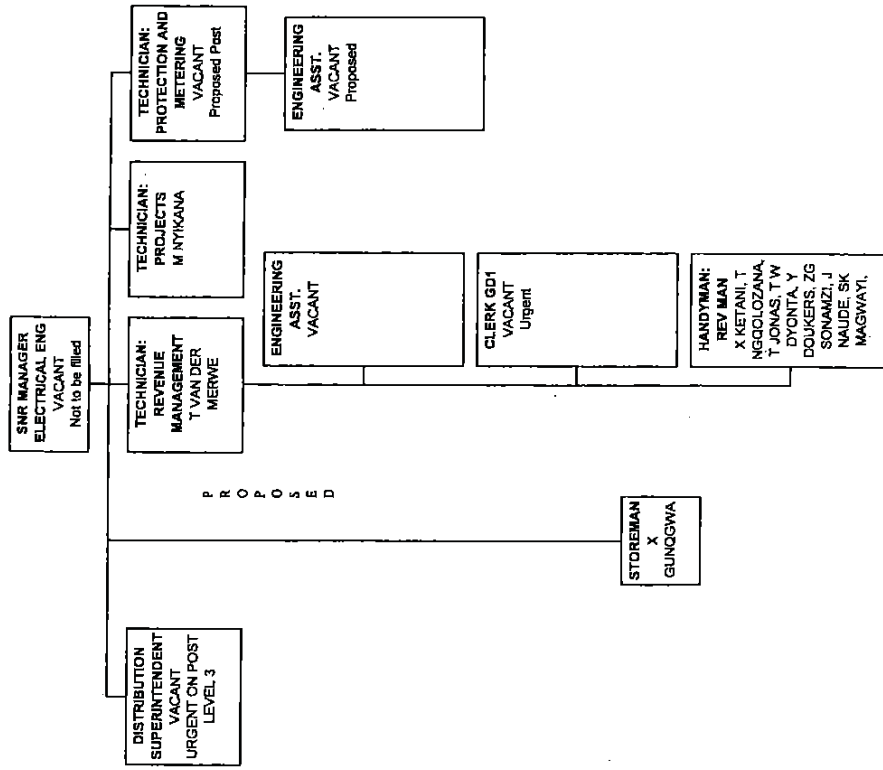
Handwritten signature:
 [Signature]



Xen
Mhlophe
1/1/11

[Signature]





BUILDING
CONTROL
OFFICER
VACANT
Urgent

BUILDING
INSPECTORS
2 X VACANT
R ADAMS, T
ROOI,

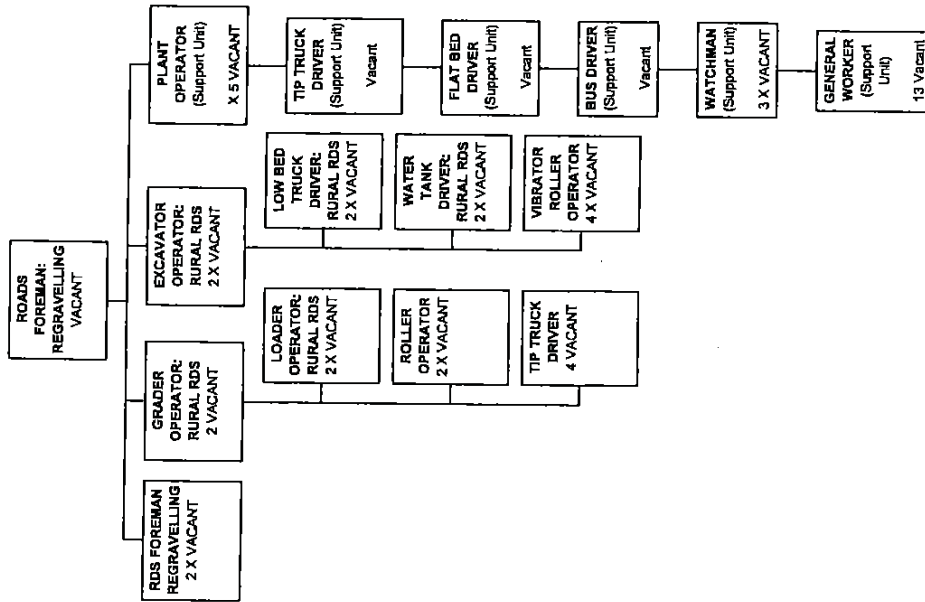






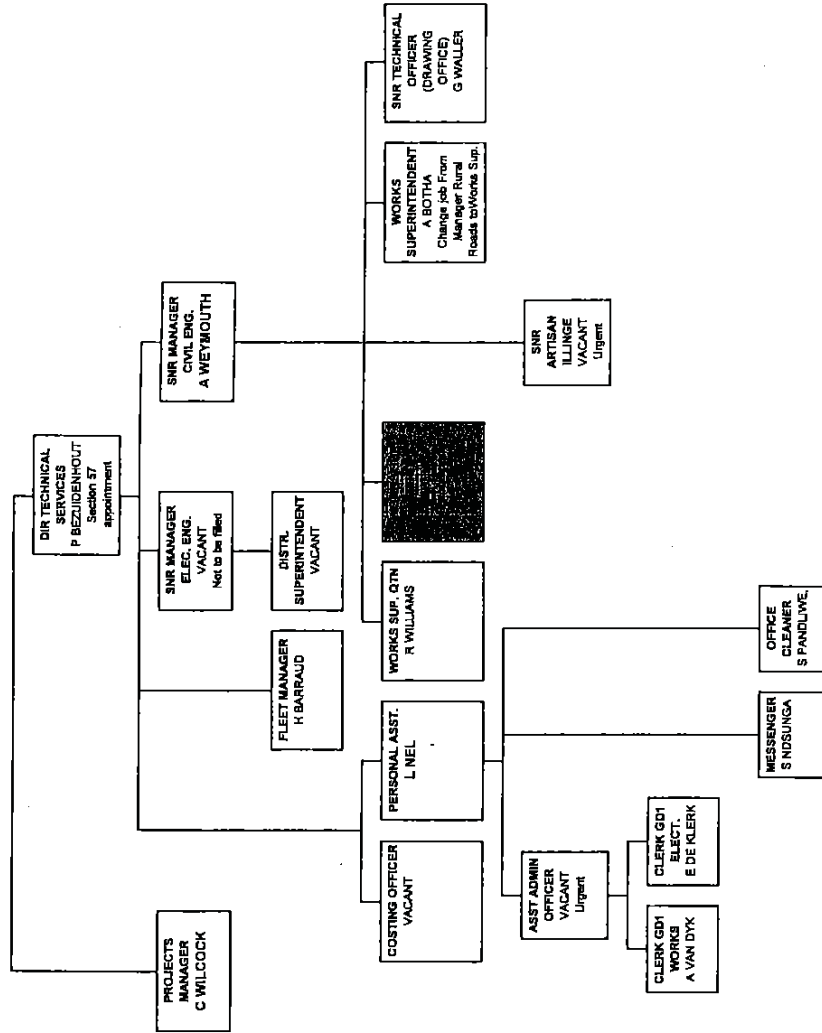
YBou

DMUW



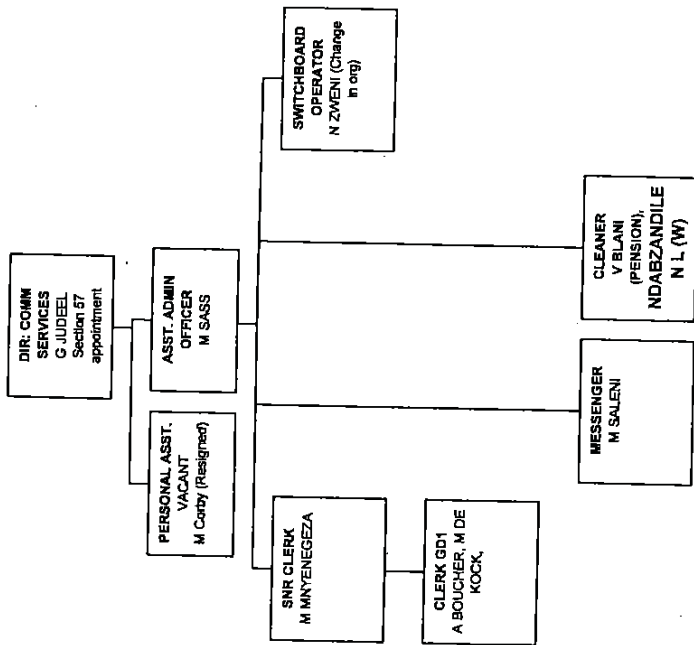
[Handwritten signatures and initials]



TS MANAGEMENT

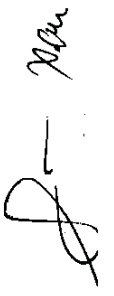


Handwritten signatures and initials:
 Xsu
 MARD
 P
 A
 H

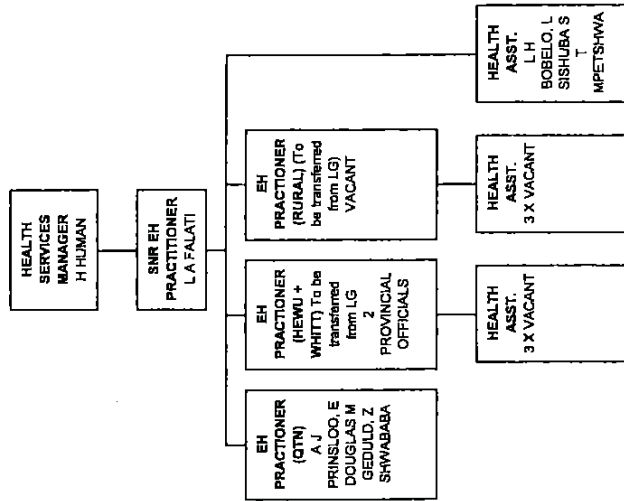
Handwritten signature:



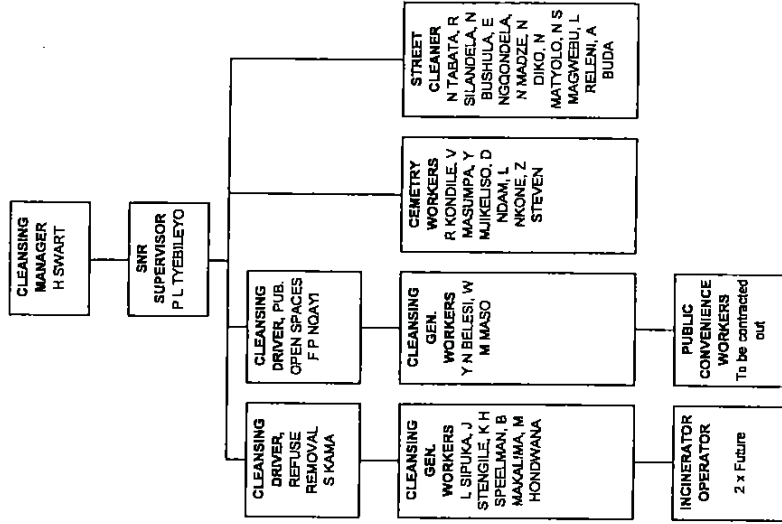


 M. SASS

ENVIRONMENTAL HEALTH



[Handwritten signatures and initials]

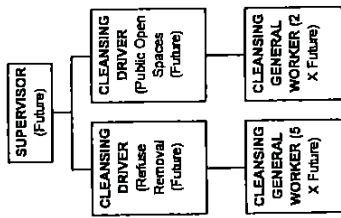
WHITTLESEA
CLEANSING
CREW



[Handwritten signatures and initials]

AKHAR

ILLING &
TYLDEN
CLEANSING
CREW



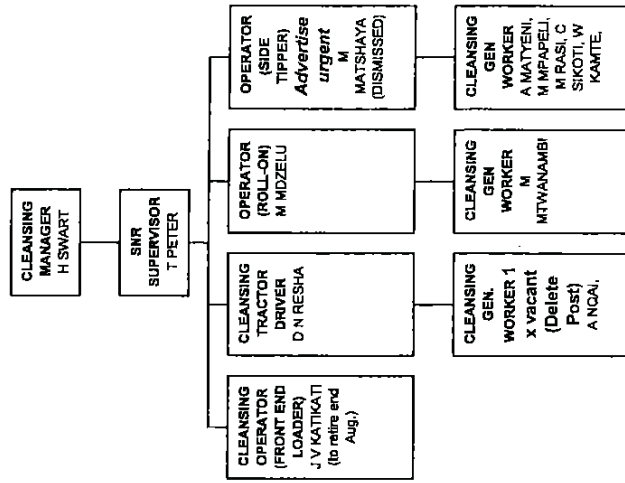
[Handwritten signatures and initials]

[Handwritten signature]

[Handwritten signature]

[Handwritten signature]

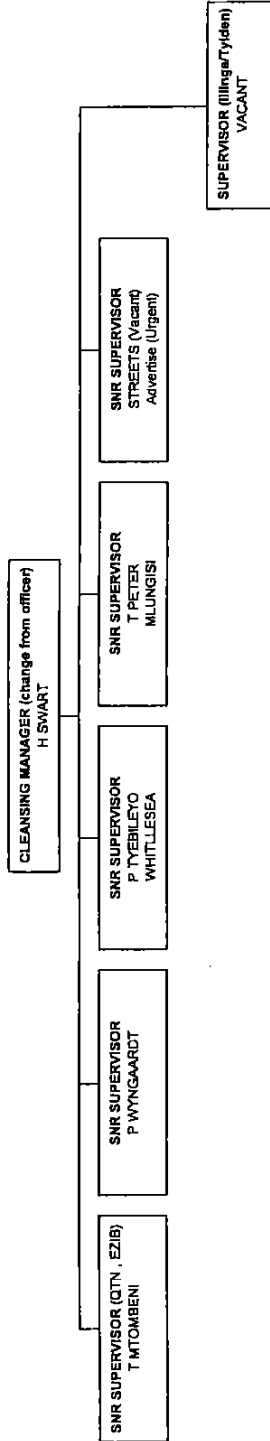
CLEANSING
MLUNGISI
CREW



[Handwritten signature]

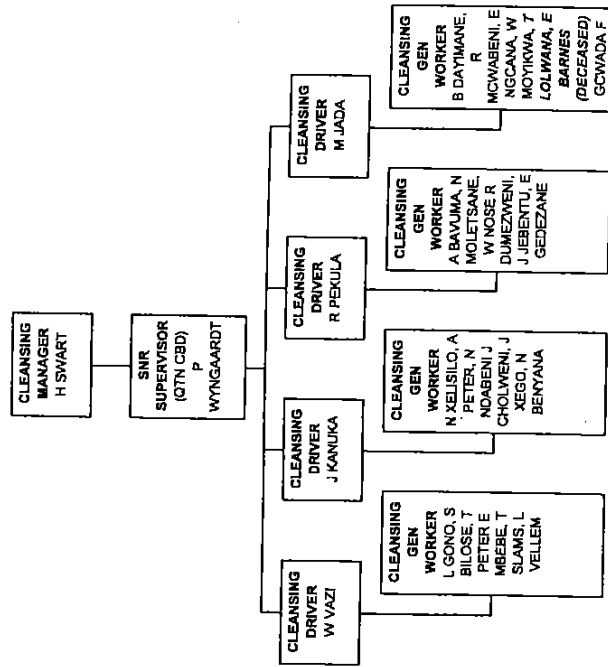
[Handwritten notes and signatures]

CLEANSING SECTION



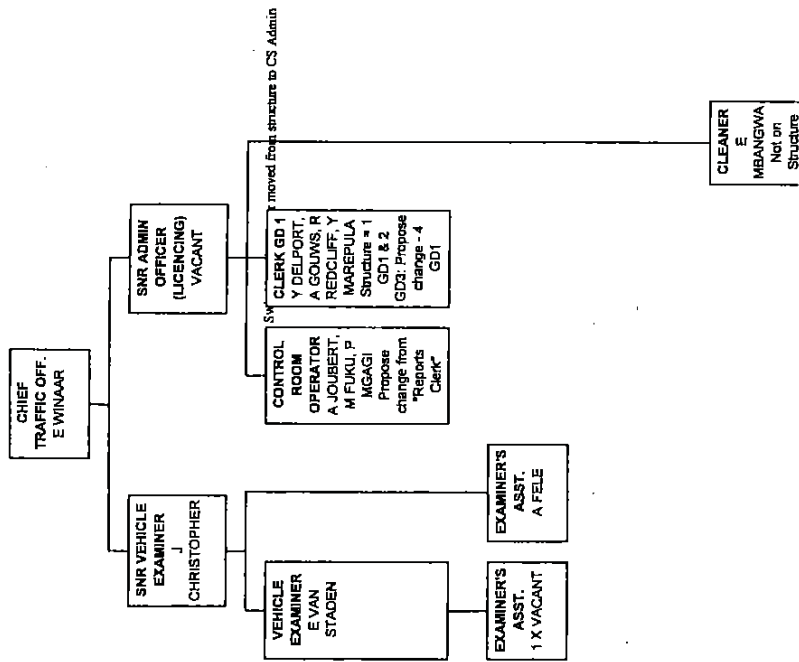
[Handwritten signatures and initials]

CLEANSING
SECTION
CBD



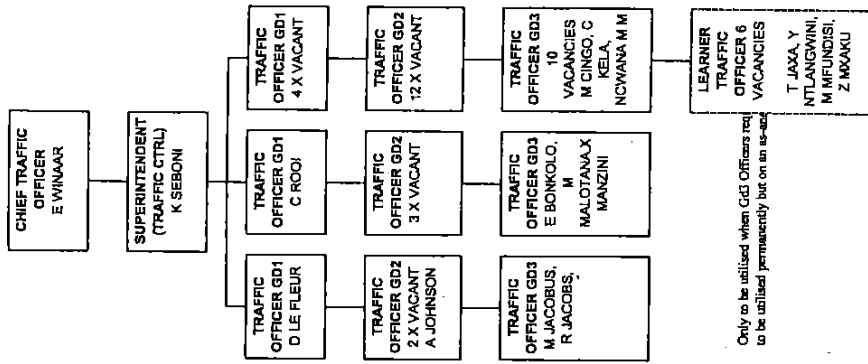
[Handwritten signatures and initials]

VEHICLE EXAMINATIONS



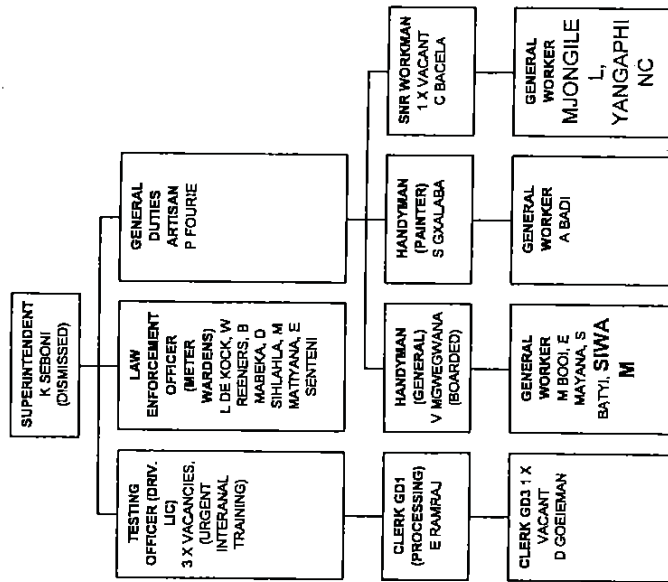
[Handwritten signatures and initials]




TRAFFIC LAW ENFORCEMENT



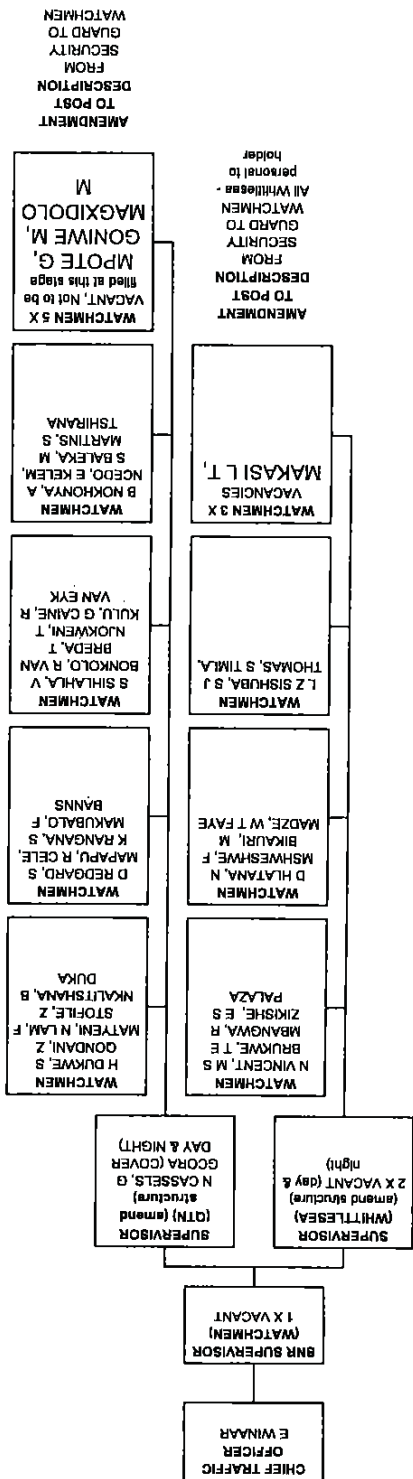
[Handwritten signatures and initials]

LAW ENFORCEMENT



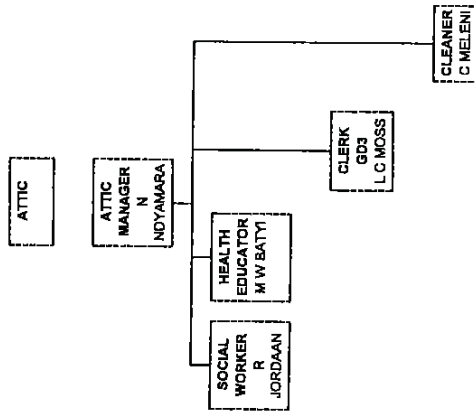



 Xqu Atuko
 #

SECURITY

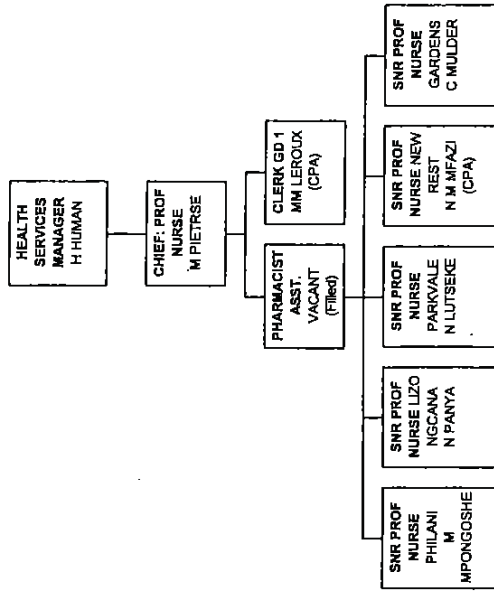



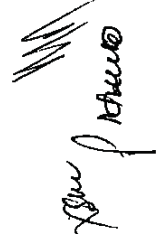

Handwritten signatures and notes:
 P. du Toit
 M.
 J. de Vries
 J. de Vries

Confirm appointments

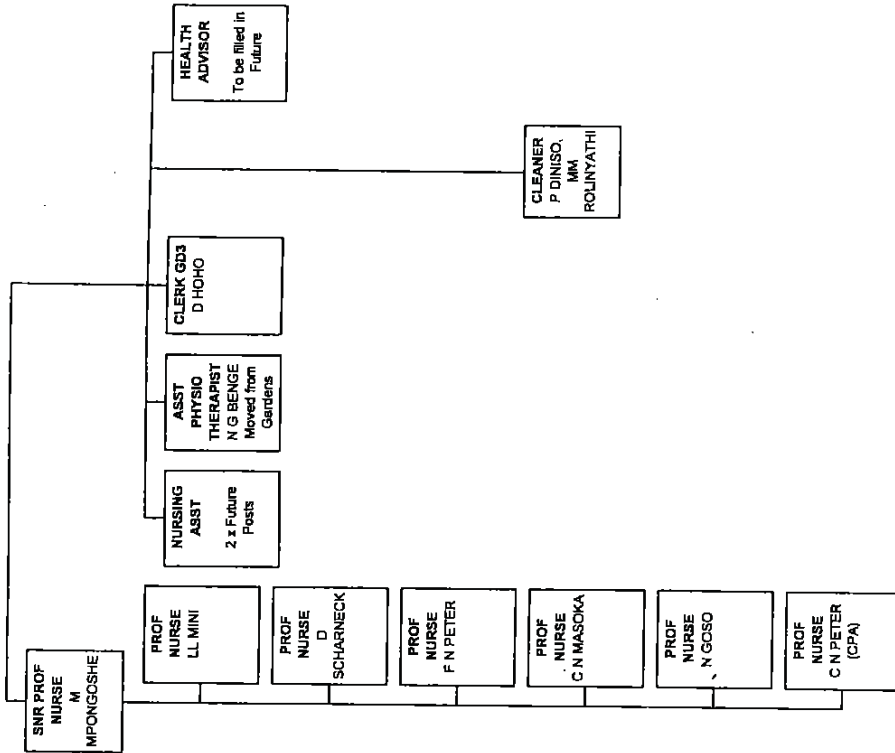


John
MORRIS



PHILANI CLINIC

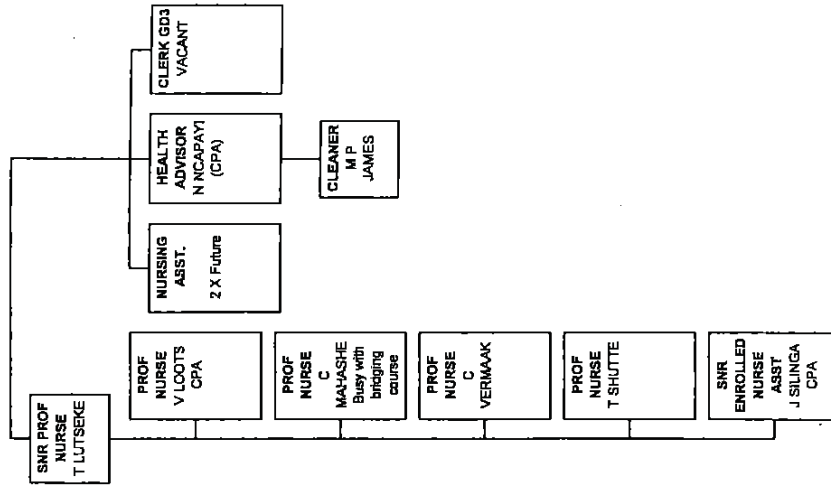


202

Handwritten signature

Handwritten signature

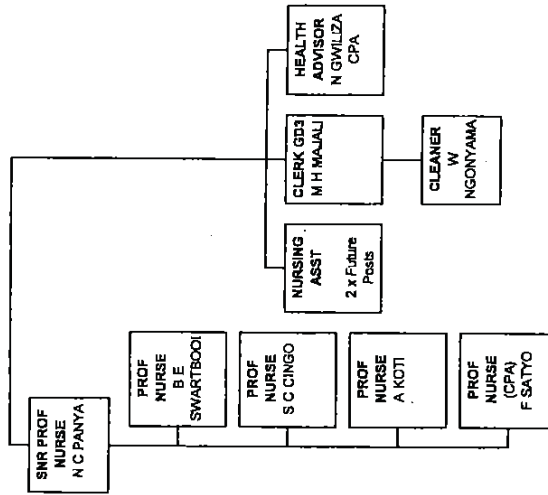
PARKVALE
CLINIC



[Handwritten signatures and initials]

[Large handwritten signature]

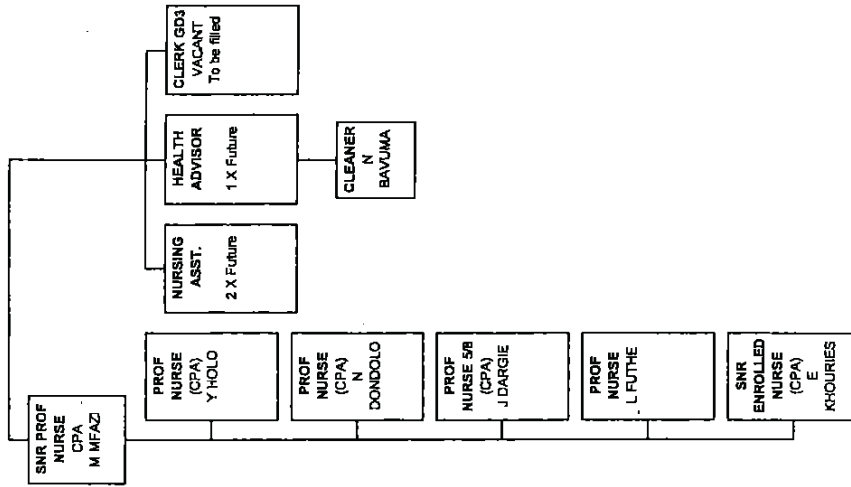
LZDZ
NGGANA



[Handwritten signatures and initials]
Name
NAME

[Large handwritten signature]

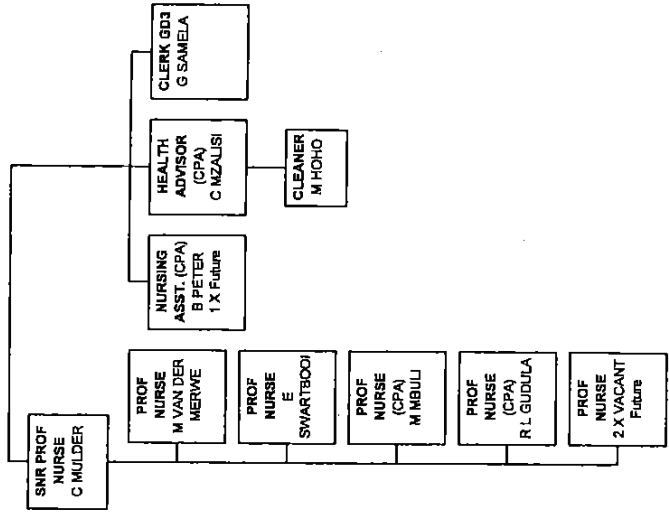
NEW REST CLINIC



[Handwritten signatures and initials]

Xen
Kuro

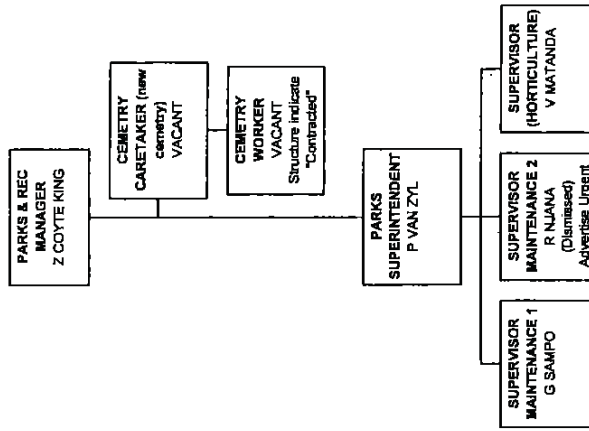
GARDENS CLINIC



Xhwa
Xhwa

[Signature]

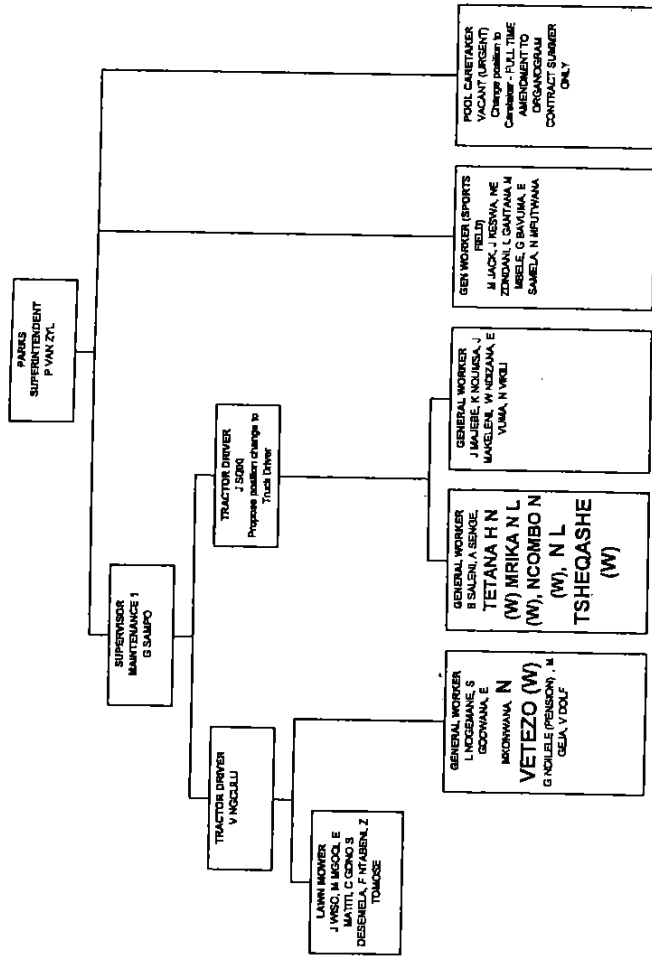
PARKS SECTION



[Handwritten signatures and initials]

[Handwritten signature]

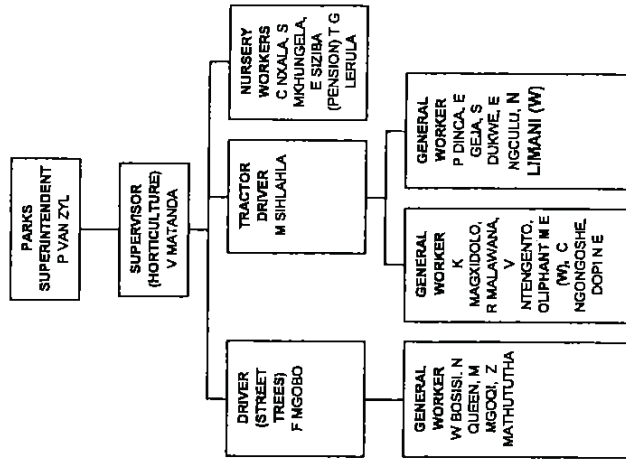
PARKS SECTION



Ben
APRIL 20

208

PARKS SECTION

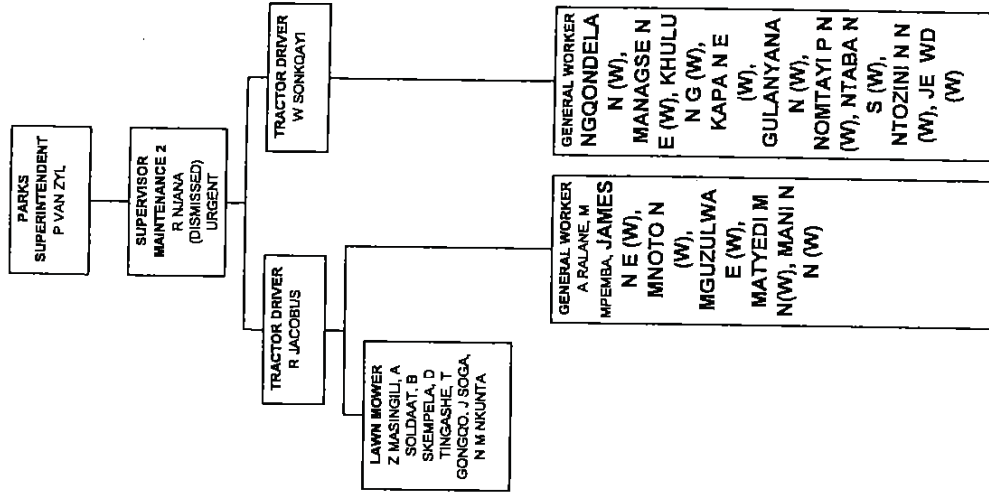


[Handwritten signatures and initials]

[Handwritten signature]

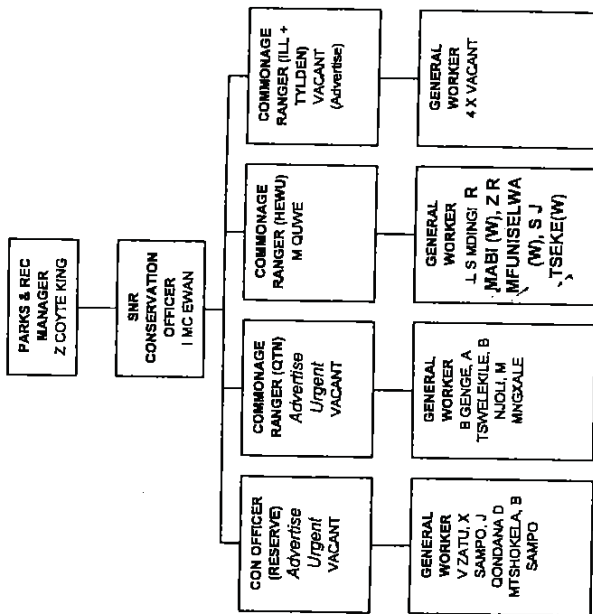
PARKS SECTION
MAINTENANCE UNIT

2



Handwritten signatures and initials:
 Xenu
 [Signature]
 [Signature]
 [Signature]

NATURE
CONSERVATION



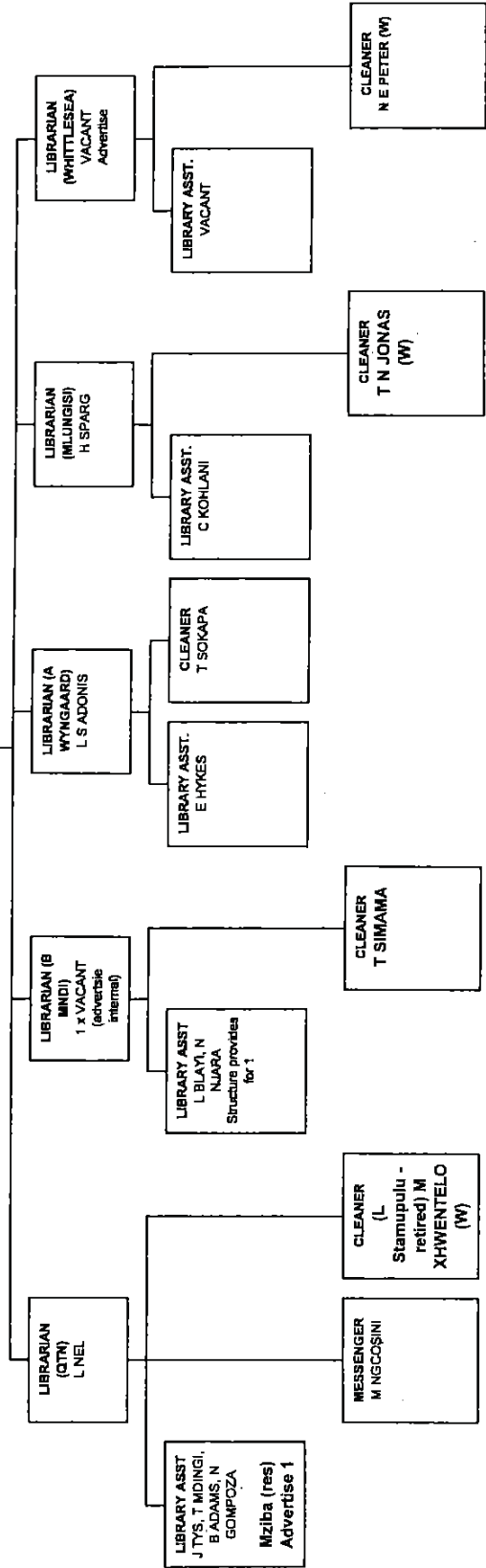
Handwritten signatures and initials:
 Xeni
 M...
 M...
 M...
 M...

Large handwritten signature:

LIBRARY SERVICES

PARKS & REC
MANAGER
Z COYTE KING

CHIEF
LIBRARIAN
VACANT
(ADVERTISE URGENTLY)



Xson
DNED

To: Municipal Manager
From: Internal Auditor
Date: 16 July 2008

Ref No: 5/15/1/2/1/1

EXPENDITURE - CREDITORS

1. INTRODUCTION

An Audit was done on Creditors of the Lukhanji Municipality to determine that the necessary "internal control" measures were adhered to and that the work was carried out in a satisfactory manner. It was also identified as one of the "High Risk" areas.

2. THE FOLLOWING AUDIT PROCEDURES WERE VERIFIED:

- 2.1 To determine that effective budget control is in place at all times.
- 2.2 Check to see that the correct amount has been paid to the creditor by checking invoices, orders, requisitions, delivery notes, vouchers and cheques.
- 2.3 Check that all expenditure is approved before any payments are made.
- 2.4 Check to see that the correct creditors has been paid.
- 2.5 Check to see that the necessary internal control exists e.g. vouchers have been checked by Senior Staff.
- 2.6 Check to see if the necessary authorization has been given.
- 2.7 Check that two signatories are on the cheques at all times.
- 2.8 See that discounts receivable have been deducted.
- 2.9 Check that invoices have been stamped, signed and passed for payment by relevant Officials.
- 2.10 To determine that payments are made only on original invoices.
- 2.11 To determine that the budget is not over-spent.
- 2.12 To see that the vouchers and cheques are correctly filed.
- 2.13 To determine that the payments have been processed.
- 2.14 To determine that all supporting documentation is attached.
- 2.15 See that the expenditure has been allocated.

- 2.16 To determine that the expenditure were budgeted for under the correct activity and item.
- 2.17 That the VAT has been correctly treated per transaction.
- 2.18 To determine that Creditors/Suppliers are timeously paid.
- 2.19 To determine whether the lowest quotations was accepted.
- 2.20 To determine whether the reconciliation in front of files: Compiled by, Received by and date, is always signed by the Officials, and that the Cheque No's have been quoted on the reconciliation.
- 2.21 To determine whether the Direct Payment Vouchers, Matched by Votes checked by, Received, Invoiced, Ready for Payment are completed at all times, before payment is made.

3. **RISK**

- 3.1 Not all valid liabilities are recorded.
- 3.2 Creditors invoices and payments are incorrectly recorded in the system.
- 3.3 Creditors are paid for goods and services not actually received, or at prices not the same as orders placed.
- 3.4 Creditors are not paid per agreed creditors terms (late payments).
- 3.5 Creditors aging is not monitored.
- 3.6 Creditors are incorrectly paid and/or incorrect creditors are paid.
- 3.7 VAT is claimed contrary to SARS regulations and requirements.
- 3.8 The same invoice or credit note are presented more than once for processing/payment.
- 3.9 Payments to creditors are not authorised and made to the payee only (restrictive payments).

4. **QUERIES ORIGINATED FROM THE AUDIT**

- 4.1 Cheque no 515342 dated 13/7/07 ifo AA Smiles (Paymaster for R48 227-46, there are no signatures where the contract workers sign for the monies received on the Daily Payment voucher file.
- 4.2 Cheque No's 88103 and 516858 the Daily Payment vouchers was never signed by a Senior Official.

- 4.3 Cheque No 5687 electronic transfer ifo G Judeel dated 20/7/07 for the amount of R10 230-00 uniform allowances for the Nursing Admin Office, Gardens Clinic, Lizo Ngcana, New Rest, Parkvale and Philani Clinic. Why was this not paid directly to the Nursing Staff?
- 4.4 It was also found that in some cases that invoices were not stamped or signed by the Official that receive the goods.
- 4.5 Electronic transfer no 7249 dated 21/11/07 ifo Juta Publishers for the amount of R4 090-74, invoices dated back as far as 11/6/07 for R3 535-00, invoice dated 8/10/07 for R349-89 and invoice dated 19/10/07 for R205-85 payment was only made on 21/11/07.
- 4.6 In some cases it was also found that payments are made on a copy of the invoice.
- 4.7 Cheque no 516858 dated 21/11/07 ifo P Bezuidenhout for R464-79 to attend a South African Revenue Protection Association meeting. Is the Expenditure Municipal related?
- 4.8 Cheque no's 8743 for R50 656-32 dated 14/3/08, 9289 for R87 309-53 and 9291 for R70 429-65 dated 30/4/08 all ifo Greg's Motors in Whittlesea.

The following vehicles Reg no's CSX036EC, BZW367EC, BNB462EC, CLC567EC, CLG866EC and CBP011EC the same km reading or hour meter or no readings appear on the invoices when fuel or diesel is purchased.

4.9 FOR EXAMPLE:

Date	Litres Petrol	Litres Diesel	Amount	Reading for CSX036EC
1/1/08		64-42	R489-60	3139
14/1/08		40-00	R304-40	3139
23/1/08		20-00	R152-20	3139
24/1/08		63-85	R485-90	3139
1/2/08		101-03	R768-90	3139
12/2/08		82-90	R636-70	3139
20/2/08		71-55	R549-50	3139
25/2/08		101-64	R780-65	3139
3/3/08		85-05	R653-20	3139
10/3/08		100-90	R853-65	3139
17/3/08		101-37	R857-60	3139
20/3/08		100-07	R846-60	3139
25/3/08		70-77	R598-75	3139

31/3/08		90-89	R769-00	3139
---------	--	-------	---------	------

4.10

Date	Litres Petrol	Litres Diesel	Amount	Reading for BZW367EC
11/1/08		99-86	R760-00	168870
17/1/08		104-09	R792-15	168870
23/1/08		108-71	R827-30	168870
1/2/08		109-78	R835-50	168870
11/2/08		116-60	R895-50	168870
14/2/08		115-85	R889-75	168870
22/2/08		97-48	R748-60	168870
27/2/08		102-46	R786-90	168870
4/3/08		96-86	R743-90	168870
6/3/08		106-34	R899-65	168870
11/3/08		110-82	R937-55	168870
14/3/08		90-27	R763-70	168870

4.11

Date	Litres Petrol	Litres Diesel	Amount	Reading for BNB462EC
8/1/08		104-57	R795-80	38470
17/1/08		115-60	R879-75	38470
23/1/08		115-61	R879-80	38470
1/2/08		104-14	R792-55	38470
5/2/08		103-90	R798-00	38470
12/2/08		83-37	R640-30	38470
27/2/08		105-44	R809-75	38470
6/3/08		106-24	R898-80	38470
13/3/08		115-92	R980-70	38470
27/3/08		116-89	R988-90	38470

4.12

Date	Litres Petrol	Litres Diesel	Amount	Reading for CLC567EC
------	---------------	---------------	--------	----------------------

3/1/08		181-31	R1379-80	No Reading
10/1/08		234-31	R1783-10	206345
15/1/08		164-36	R1250-75	206345
22/1/08		234-19	R1782-20	206345
1/2/08		214-50	R1632-40	206345
8/2/08		236-72	R1818-10	206345
14/2/08		243-20	R1867-80	206345
25/2/08		219-27	R1684-10	206345
27/2/08		198-89	R1527-50	206345
5/3/08		219-00	R1852-75	206345
12/3/08		170-82	R1445-15	No Reading
14/3/08		205-35	R1737-26	206345
20/3/08		224-18	R1896-60	206345
27/3/08		200-72	R1698-10	206345

4.13

Date	Litres Petrol	Litres Diesel	Amount	Reading for CLG866EC
11/1/08		103-17	R785-10	No Reading
21/1/08		105-56	R803-30	No Reading
7/2/08		110-64	R849-70	No Reading
7/3/08		101-65	R860-00	No Reading
27/3/08		112-15	R948-80	No Reading

4.14

Date	Litres Petrol	Litres Diesel	Amount	Reading for CBP011EC
1/2/08	42-28		R309-10	226610
4/2/08	22-28		R162-90	226610
6/2/08	56-61		R423-45	226610
8/2/08	22-25		R166-45	226610
10/2/08	25-36		R189-69	226608
12/2/08	26-76		R200-15	226610
14/2/08	19-71		R147-40	226610

15/2/08	17-49		R130-85	226610
18/2/08	16-05		R120-00	226610
19/2/08	33-28		R749-00	226610
20/2/08	15-35		R114-80	226610
21/2/08	17-88		R133-75	226610
25/2/08	19-30		R144-35	226610
26/2/08	14-85		R111-08	226610
28/2/08	21-12		R158-00	226610
1/3/08	13-38		R100-10	226609
3/3/08	9-99		R74-70	226610
4/3/08	16-90		R126-40	226609
6/3/08	22-34		R180-75	226609
7/3/08	7-65		R61-90	226609
10/3/08	14-02		R113-40	226609
11/3/08	10-01		R80-98	226609
12/3/08	13-65		R110-45	226609
14/3/08	19-36		R156-60	226609
16/3/08	18-66		R150-95	226608
17/3/08	12-73		R103-00	226609
18/3/08	14-80		R119-70	226608
21/3/08	24-51		R198-30	226608
25/3/08	21-16		R171-20	226608
26/3/08	16-70		R135-10	226608
28/3/08	15-38		R124-40	226608
30/3/08	17-26		R139-65	226608
31/3/08	17-66		R142-85	226608

The faulty kilometer readings and hour meter readings have been queried on numerous occasions in the past, and still nothing has been done to rectify the situation.

5. RECOMMENDATIONS

- 5.1 Although a separate file is kept where the Contract Workers sign for their wages, it is recommended that the Contract Workers sign for payments and be filed on the Daily Payment Voucher File for audit purposes.

- 5.2 That the Daily Payment Vouchers be signed by a Senior Official at all times.
- 5.3 It is recommended that all invoices should be stamped and signed indicating that the goods was received in good order.
- 5.4 Credit payments to be made within 30 days of the invoice date, and where necessary discount to be deducted.
- 5.5 That payments must only be made on original invoices.
- 5.6 That it is **once again** recommended that the above-mentioned vehicles faulty readings to be repaired as soon as possible to avoid any irregularities.
- 5.7 As requested by the Paymaster, it is again recommended that a memo be submitted to various Directorates informing them that the Contracts must be attached to payment schedules before payment is made, with the correct calculations.

6. **CONCLUSION**

As mentioned before it is still felt that the monthly account of Gregs Motors in Whittlesea is still far too high.

It seems there is still a lack of "Internal Control" regarding the vehicles.

Kindly explain Points No's 4.3 and 4.7 at your earliest convenience.

Yours faithfully

D E MINNIE
INTERNAL AUDITOR

To: Municipal Manager
From: Internal Auditor
Date: 18/9/2008

Ref No: 5/15/1/2/1/1

INCOME : DEBTORS

1. INTRODUCTION

An Audit was done on the Income and Debtors of the Lukhanji Municipality to determine whether the necessary "Internal control" measures were adhered to and that the work is carried out in a satisfactory manner. This was also identified as one of the "High Risk" areas. The gross debtors increased from R175 845 796 at 30 May 2007 to R208 072 599 at the close of June 2008. An increase of R32 226 803 (18,33%) which indicates a serious problem in Debt Collections.

2. THE FOLLOWING PROCEDURES WERE CHECKED AND VERIFIED:

- 2.1 That a receipt is issued for all monies received and that takings are being banked daily.
- 2.2 To determine whether the receipts are in number sequence for e.g. the Pre-Paid: Conlog, Actaris and all the other income and also handwritten receipts.
- 2.3 To determine at the end of the day the cashiers is cashing up by the Supervisor with his/her own password and that the cashier does not know what the amount is for the receipts issued until the Supervisor runs a printout.
- 2.4 Check if the total amount corresponds with the printout. If there is a shortage the amount is paid in immediately, in the case of a surplus, a receipt must be issued in the cashiers name.
- 2.5 To see that the cashiers does a deposit clearing to determine whether all the cash, cheques, postal orders are entered and banked correctly.
- 2.6 To determine that all "unpaid" cheques are banked separately and marked "re-deposit".
- 2.7 Check that the cashiers and Supervisor signs the necessary balancing records.
- 2.8 To determine whether all post-dated cheques are entered into the register and check to see if there are any cheques that have to be receipted with the necessary internal control procedures.
- 2.9 To determine whether cheques, cash and postal orders received through the post are entered into the Remittance Register.
- 2.10 Check that the nature of remittance, signatures of the Official/Cashiers to whom handed over, receipt the cheques and entered the receipt number next to each cheque.
- 2.11 To determine whether the Revenue Manager check the Remittance Register at least once every week for "internal control" purposes.

- 2.12 To determine whether the correct votes are used before entering it into the General Ledger.

3. **RISK / THREAT**

- 3.1 Policies and procedures relative to income and debtors are not documented / or updated.
- 3.2 Appropriate segregation of duties and reporting lines are not defined.
- 3.3 Rates charged are not as per statutory requirements and/or Council approved services.
- 3.4 The debtors master file does not contain accurate up to date and approved charges.
- 3.5 Not all existing Rate Payers are contained in the systems.
- 3.6 New or previous Rate Payers are not timeously added to / removed from the system.
- 3.7 Not all services are charged as required.
- 3.8 Service charges are not accurate or reasonable.
- 3.9 Service Payers are not invoiced or reminded of their obligation.
- 3.10 Charges to Debtors are not the same as in the General Ledger.
- 3.11 Interest is not accurately and timeously raised on overdue amounts.
- 3.12 Interest charges is not accurately recorded in the General Ledger.
- 3.13 Credit notes or adjustments to debtors and income are not authorised, accurate or timeously processed.
- 3.14 Processing is not performed in correct periods (cut-off).
- 3.15 Manuel receipts are not timeously and accurately processed in the system.
- 3.16 Not all monies received are receipted and banked.
- 3.17 Daily cashing up and depositing of receipts is not timeously performed.
- 3.18 Debtor payments / accounts ageing / timely collections is not monitored.
- 3.19 Overdue debtor accounts are not followed up.
- 3.20 There is no valid, beneficial contract governing the relationship with debt collections.
- 3.21 The performance of debt collections is not reviewed.
- 3.22 Debtors recoverability is overstated eg the provisions for bad debt is not adequate.
- 3.23 "Unknown" deposits are not monitored and timeously allocated to debtors or relevant accounts.

4. **THE FOLLOWING ORIGINATED FROM THE AUDIT**

ATTENDANCE REGISTERS

As queried how many times before. Here are a few examples regarding the attendance registers:

- 4.1 On 1/8/08 M Christoffels signed the register on arrival, but never signed off for departure.
- 4.2 A Jordaan signed the register for arrival on 6/8/08 never signed off for departure.
- 4.3 P P Mdebuka never signed the register on 4/8/08 and there is no comments on the register indicating vacation leave, sick leave or any other leave.
- 4.4 P Mahlasela signed the register at 7h40 for arrival, but never signed off for departure.
- 4.5 T Dani signed on up to lunch time 13h45 on the 1st of August and the 7th of August but never signed off.
- 4.6 AA Smiles also signed on Arrival on 4/8/08 never signed off.
- 4.7 On 6/8/08 G Lolwana signed the attendance register on arrival at 7h45 never signed off for departure.

RECOMMENDATION

Although the different Section Heads signed the attendance register on a daily basis, there is still a lack of control regarding the registers. It is recommended that stricker control measures be implemented, before signing the registers by the Official in charge.

5. FACE VALUE DOCEMTNATION

- 5.1 Refuse receipt books (Tip Site) receipt no's 5301 to 7000 (34 books) not in use anymore, and also receipt book no's 5030 - 5050, 5293 - 5300 and 4500 - 4500 (only 1). These receipts are still for R30, as the new tariffs are R40 per receipt for Tip Site.
- 5.2 Clinic receipt books no's 123201 - 140000 a total of 42 books not in use anymore. These receipts are for R5 each, with the new tariffs they are now R10 each.

RECOMMENDATION

It is recommended that the abovementioned receipt books to be destroyed by the Internal Auditor in the presence of the Official in charge, to avoid any irregularities.

6. POST DATED CHEQUE REGISTER

During the audit it was found that a cheque of R720-20 ifo D Botha - Account No 100048759 dated 31/7/08 was still in the register and not banked on 13/8/08.

It is recommended that the cheque be deposited immediately and a copy of the receipt to be forwarded to the Internal Auditor.

7. REMITTANCE REGISTER

- 7.1 The new Remittance Register's pages are now equally numbered and are in sequence.
- 7.2 The last time the remittance register was signed was on 14/7/08 and up to 14/8/08 still not been signed.
- 7.3 Signature of the Official to whom was handed over from the cashiers, signed the register and also signed for checking the remittance register. This is unacceptable, for eg receipt no's 24052 - 24081 dated 31/3/08 and receipts no's 26599, 26600, 26602, 26603, 26604, 26605, 26606, 26607, 26608, 26609 etc dated 5/5/08.

RECOMMENDATION

It is recommended that the Remittance Register to be checked and signed at least once every week.

That the Register be checked and signed by the Revenue Manager and not the cashiers Supervisor, under Signature of Official checking register and date check made for "internal control" purposes. This is to avoid fraud or any other irregularities.

8. The handwritten receipt book at Directorate Finance no 56101 - 56200 was never signed and stamped for correctness of the receipts and that all numbers are in sequence.
- 8.1 The method of payments for eg Cash, Cheque, Postal Orders and other is not always clearly marked for eg receipt no's 56122, 56123, 56124, 56125, 56126, 56127 and 56128.

RECOMMENDATION

It is recommended that all handwritten receipt books and any other face value documentation to be checked, signed and stamped at all times, before issuing it to the Officials for correctness, and that the method of payments on the receipts be clearly marked at all times.

9. **HIVES AND CONTAINERS**

Although most of the Hives and Containers lease agreements has been cancelled, due to non payments and several registered Letter of Demands and Final Notices were issued with no response or payments progress (return from Post Office as unclaimed). Therefore it is fruitless sending letters with no response.

It is recommended that the remaining rentals which is un-accruable to be written off as bad debt with the necessary permission.

10. **THE FOLLOWING SERVICES MADE UP THE OUTSTANDING DEBTORS BALANCES: ELECTRICITY, ASSESSMENT RATES, REFUSE, SEWERAGE, WATER AND SUNDRY SERVICES**

HEREWITH A FEW EXAMPLES OF OUTSTANDING BALANCES AS AT 29 JULY 2008 : EXCEEDING R50 000-00

ACCOUNT NUMBER	DEBTORS NAME	OUTSTANDING BALANCES
100066748	Civil & General	R121 880-65
20000022025	Dept of Health	R90 230-85
20000022464	Beje ZA	R50 824-89
20000022473	Heaton Group of Companies	R408 828 75
90845026260	Quick Chix	R58 004-41
90845028822	Tshukuse MN	R54 124-46
97165200017	Ngaborn TT	R74 960-60
97180100017	Nonesi Hotel	R134 793-30
20000021628	Lukhanji Leisure (Pty) Ltd	R66 757-90
1106705132	Unideals Thirteec CC	R171 257-31
5258700111	Dept of Public Works	R112 723-00

5445313010	Transnet Ltd	R141 090-56
100041824	Transnet Ltd	R118 446-63
100028816	Provincial Government	R64 173-45
7075300026	Dept of Public Works	R143 144-87
7819600018	Queens Col Boys High Sch	R91 387-57
7819700015	Qtn Girls High	R147 383-88
29930700026	Water & Sanitation Services	R96 034-12
100018666	Ornate Inv CC	R79 367-94
100004993	Blaauw TH	R57 332-23
10762100012	Queens Square CC	R366 327-01
12280000010	District Roads Engineer	R70 238-22
12280001011	Provincial Administration	R383 876-52
12000200018	District Roads Engineer	R126 165-45
13301500016	Dept of Public Works	R82 341-26
16523600010	Kaytee Inv (Pty) Ltd	R100 779-32
17320400016	Local Government & Works	R67 072-28
20053202013	Dept Openbare Werke	R59 585-93
100046018	Echo Lake Ind	R81 171-68
20523200013	Moutgo (Pty) Ltd	R175 230-60
21112607125	Aloe Bakery	R210 290-17
24766500013	Pieterse B	R73 988-59
100007927	Lukhanji Bricks	R61 840-64
29070400114	Frontier Hospital	R157 743-41
29183300013	Komani Hospital	R144 437 36
29260100017	Dept Openbare Werke & Grondsake	R87 002-03
19261001011	Sandringham Sports Club	R62 275-87
29369800115	Education and Culture	R117 195-37
29824400027	Prov Office Dev (Pty) Ltd	R1 069 811-09
31815500016	Dept Public Works	R52 288-98
31815600013	Dept Public Works	R71 512-16
100048209	Diversified Parking System	R701 843-37

37757500019	Smouse / Mun F	R71 189-21
41207300140	Tradeskills 114 (Pty)	R142 506-19
50876000112	Department of Agriculture	R68 053-90
41433400115	Crickley Dairy	R99 590-64
41434300018	Stateline Pressed Metal	R54 778-59
100071577	CMI Prop CC	R51 708-56
20000022504	Leopont 566 Prop (Pty) Ltd	R124 322-62
47605300018	Bilatye N	R54 349-43
47608600018	Nkwanca EN	R57 129-15
47609600011	Xelelo KW	R58 211-12
47613700011	Gasela ML	R62 922-65
47624900019	Nqampi P	R64 854-17
47628800014	Mabeka M	R54 361-03
47629400019	Myburg NO	R70 277-01
47653200010	Tafeni BE	R55 907-84
47685300016	August LI	R58 802-53
47685700014	Van Heerden / Mkefa	R51 076-94
47686800014	Tromp S	R63 387-73
47688100011	Bhozo NF	R56 506-12
47689200011	Adams FJ	R72 609-41
47695600018	Sondlo NJ	R59 808-14
47695700015	Valela NM	R65 075-32
47696800015	Ralane MN	R67 816-41
47697600014	Rasmeni K	R59 406-02
47715800013	Makeleni V	R58 095-18
47717600015	Klaas ZR	R56 357-48
47885400011	Madubedube BB	R55 068-86
47896300018	Wiggels S	R74 781-36
47990700017	Maneli V	R51 462-09
47991200015	Melulu NS	R78 722-98
48102420016	Ningiza NG	R52 063-29

51021600016	Zenzile NH	R54 092-57
100025727	Dept: Public Works (Edlelweni)	R217 257-91
53067200014	Ralarala T	R50 201-63
53070500015	Mahashe LG	R61 904-48
55300300015	Ngqase SD	R53 215-21
55321300010	Koltane VA	R54 964-31
55333600018	Spayire BS	R54 655-31
55333700015	Sidandala NA	R53 911-11
56293100017	Benge MF	R55 080-45
57342600010	Kupiso MW	R65 196-57
57356600013	Tawana TA	R56 667-59
58268100013	May NS	R50 346-95
100025758	Dept Public Works (Tembelihle)	R420 744-17
58492500014	Speelman SM	R58 557-46
58495600010	Burwana M	R58 961-58
100025772	Dept of Public Works (Nkwanca)	R156 365-02
59461600012	Mgontsi MA	R89 770-23
59467500013	Bangaza B	R127 855-69
59469000014	Ndlovu ND	R51 813-10
59471000011	Thomas Z	R78 627-40
100025789	Dept of Public Works (Kwa Komani)	R289 573-53
62188000027	Nqweniso CN	R60 476-82
100025806	Dept of Public Works (Levuyo Lerumo)	R108 048-90
63246900019	Ramokgopu J	R92 028-48
63247100016	Balele WN	R72 996-83
63248300013	Shuda L	R87 468-08
63258400011	Mbengo NB	R53 207-49
63267400019	Qtn Boys Boxing Club	R50 538-82

100025813	Dept of Public Works (Nonesi)	R217 750-05
100025820	Dept of Public Works (Van Coller)	R99 874-42
64201000014	Zoya EM/CN	R81 149-82
64207300013	Mbizweni NE	R67 699-81
64364500116	ANC Womans League	R69 179-09
66134700010	Vundla XAM	R58 748-38
66155300017	Klaas LN	R62 874-77
71041000012	Witbooi JP	R64 505-25
71078600018	Sizani SM	R68 945-28
72119100016	Mpumela GN	R56 999-77
74180100010	Nonesi Hotel	R173 612-19
75028300120	Sishuba G	R67 542-12
83143600011	Mdolo SH	R50 357-09
84202001117	Ikhala Public Fet. College (Ezibeleni)	R301 718-51
84202003119	Ezibeleni Hospital	R75 739-38
84204000112	Seating Mechanical	R60 480-11
84204500117	Eyomzi General Dealer	R53 570-07
87764100018	Tyobeka PL	R72 917-59
87787500017	Qakana GM	R54 101-51
690001040190	TW Hebe's Tavern	R133 478-01
1000011890	Hewu Properties TA Masonic Hotel	R83 130-19
1000521090	Lewis Furnishers (Queens Furn)	R92 420-00

11. **FURTHERMORE FIND EXAMPLES OF DEBTOR INCREASES OVER THE FINANCIAL YEAR:**

ACCOUNT NUMBER	DEBTORS NAME	FROM: 2/7/07	TO: 29/7/08
1106705132	Unideals Thirteec CC	R152 478-95	R171 257-31
5445313010	Transnet Ltd	R119 992-78	R141 090-56
7075300026	Dept of Public Works	R56 909-38	R143 144-87

7819700015	Qtn Girls High	R61 735-42	R147 383-88
7931220022	Water & Sanitation Serv	R53 100-74	R96 034-12
12280001011	Provincial Administration	R131 528-87	R383 876-52
13301500016	Dept Public Works	R53 636-52	R82 341-26
100046018	Echo Lake Inv	R55 332-63	R81 171-68
21112607125	Aloe Bakery	R74 837-82	R210 290-17
29070400114	Frontier Hospital	R90 161-34	R157 743-41
31815600013	Dept Public Works	R57 727-14	R71 512-16
100048209	Diversified Parking System	R626 820-67	R701 843-37
37757500019	Smouse/ Mun F	R55 380-49	R71 189-21
41207300140	Tradeskills 114 (Pty)	R76 307-49	R142 506-19
20000022504	Leopont 566 Properties	R51 770-33	R124 322-62
47991200015	Melulu NS	R68 914-68	R78 722-98
100025727	Dept Public Works (Edlelweni)	R181 662-74	R217 257-91
100025758	Dept Public Works (Tembelihle)	R365 862-97	R420 744-17
100025772	Dept Public Works (Nkwanca)	R128 578-55	R156 365-02
100025789	Dept Public Works (Kwa Komani)	R231 793-88	R289 573-53
100025806	Dept Public Works (Luvuyo Lerumo)	R94 699-53	R108 048-90
100025813	Dept Public Works (Nonesi)	R186 274-06	R217 750-05
100025820	Dept Public Works (Van Coller)	R82 127-49	R99 874-42
59461600012	Mgontsi MA	R79 415-55	R89 770-23
59467500013	Bangaza B	R112 750-26	R127 855-69
5947100011	Thomas Z	R68 562-67	R78 627-40
74180100010	Nonesi Hotel	R122 949-97	R173 612-19
84202001117	Ikhala Public Fet College	R226 870-56	R301 718-51
690001040190	T W Hebe' Tavern	R 96 942-68	R133 478-01

1000011890	Hewu Prop. CC (Masonic Hotel)	R61 321-20	R83 130-19
1000521090	Lewis Furnishers (Queen's Furn)	R88 766-97	R92 420-00
29824400027	Prov Office Dev (Pty) Ltd	R429 638-59	R1 069 811-09

CONCLUSION

Bad debts results to a negative impact on the Councils cash flow, and the Councils ability to operate as a growing concern in future.

As mentioned before that the Directorate: Finance look back into the matter for bad debt, which is unaccruable and be written off on the authority of the Council after all reasonable steps have been taken to recover the debt.

12.1 What steps has been taken to collect the outstanding balances owing to the Council?

Kindly explain point no 12.1 at your earliest convenience.

Yours faithfully

D E MINNIE
INTERNAL AUDITOR

To: Municipal Manager
From: Internal Auditor
Date: 28/10/2008

Ref No: 5/15/1/2/1/1

TRAFFIC DEPARTMENT

1. INTRODUCTION

An Audit was done at the Traffic Department of the Lukhanji Municipality, to determine whether the necessary “internal control” measures were adhered to and that the work is carried out in a satisfactory manner. This was also identified as one of the “high risk” areas.

2. THE FOLLOWING PROCEDURES WERE CHECKED AND VERIFIED:

- 2.1 To determine whether a receipt is issued for all monies received at the Traffic Department and paid in at the Directorate: Budget & Treasury on a daily basis.
- 2.2 To determine whether the receipts are in number sequence and also the handwritten receipts are stamped and signed for correctness.
- 2.3 At the end of the day the Cashiers is cashing up by the Supervisor and that the Cashiers sign the Cashiers Processing Sheet as well as the Supervisor for e.g. Compiled By and Checked By, for correctness.
- 2.4 To determine that all shortages are paid in immediately, and Cashiers surpluses being banked.
- 2.5 Special and temporary licence applications are stamped by the Cashier and also the length of validity of the licence in the designated section.
- 2.6 To determine that permits issued require all the necessary information.
- 2.7 To see that Applications for Learners Licences require all the information and issuing of Learners Licences that the fees paid and receipt number with the signature of data capturing Official appears.
- 2.8 To determine that Applications for Driving Licences that all the necessary information appears on the form for e.g. receipt no, amount paid, signature, date and the eye test results are fully completed.

3. THE FOLLOWING QUERIES ORIGINATED FROM THE AUDIT

ATTENDANCE REGISTERS

Here are a few examples regarding the attendance register:

- 3.1 On 26/9/08 W Mjobo signed the register on arrival at 7h30 but never signed for lunch or departure.

- 3.2 On 29/9/08 N Pongolo, M Saleni and V Duma signed the register for arrival also did not sign off for departure.
- 3.3 On 30/9/08 E van Staden and F Banns signed on for arrival but never signed off for departure.
- 3.4 On 30/9/08 the following people signed on arrival: S Adolph, B Mabeka, E Senteni and T Matiyane but never signed off for departure.
- 3.5 There are also no comments next to R Jacobs name on 30/9/08 to indicate vacation/sick leave or time off etc.
- 3.6 On 1/10/08 N Pongolo and M Saleni never signed the attendance register for arrival, although these employees were on duty.
- 3.7 From 29/9/08 up to 1/10/08 the attendance register was never signed by the Official in charge, or a Senior Official for control purposes. In some cases there is no indication whether the employees were on duty or not, as there is no application of leave form number or any comments.

RECOMMENDATIONS:

It is recommended that the Official in charge or a Senior Official sign and check the attendance register on a daily basis for “internal control” purposes with comments next to the persons name e.g. sick/vacation/compassionate leave, time off, with the application of leave from number next to it, to balance back to the Leave Record Cards at the Human Resource Department.

4. **RECEIPT BOOKS:**

- 4.1 Receipt No 50888 the method of payment is not clearly marked.
- 4.2 Receipt No 50837 mistake was made on the receipt, but was never cancelled.
- 4.3 Receipt No's 50807 and 50881 the method of payment indicates cheque and cash.

RECOMMENDATIONS:

- 5.1 The method of payment on the receipts must be clearly marked for e.g. cash, cheque, postal order or other at **all** times.
- 5.2 When any kind of mistake is made on a receipt, the receipt must be cancelled immediately and a new receipt must be issued. The original receipt must be stapled to the copy and the words “cancelled” written on it, and signed by the Official who cancelled it.
- 5.3 The method of payment to be marked correctly, and not two different payments for e.g. cash and cheques.

6. **TESTING BOOKS**

- 6.1 The Testing Books for Light Motor Vehicles Code B, Light Motor Code EB, Heavy Motor Vehicles and Motor Cycles with the different Codes to be sorted out by the Superintendent: Traffic or the Chief Traffic Officer, as the register does not correspond with the books on hand.

7. **CONCLUSION**

A 100% audit will be done on the face value documentation as soon as the books are sorted and indicates which testing books are still in use with the responsible person and which books are completed under the necessary headings in the Register with signatures and dates returned.

Yours faithfully

DE MINNIE
INTERNAL AUDITOR

To: Municipal Manager
From: Internal Auditor
Date: 28 November 2008

Ref No: 5/15/1/2/1/1

SALARIES AND WAGES

1. INTRODUCTION

An Audit was done on the salaries and wages of the employees at Lukhanji Municipality to determine that the necessary "internal control" measures were adhered to and that the work was carried out in a satisfactory manner. It was also identified as one of the "High Risk" areas.

2. AUDIT FINDING

AS PER SECTION 65 OF THE MFMA ACT:

EXPENDITURE MANAGEMENT:

- (1) The accounting officer of a municipality is responsible for the management of the expenditure of the municipality.
- (2) The accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure (a) that the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds.

The master file amendment form is completed by the paymaster, but there is still no formal authorisation and review of new employees inputted into the system.

RISK

Unauthorised employees could be on the payroll.

RECOMMENDATION

Master file amendment forms should be completed and reviewed by management.

3. APPLICATION OF CONVERSION OF LEAVE TO CASH

Application of conversion of leave to cash ifo E V Winnaar, Employee No 388: was paid out for 44 days instead of 74 days. The calculation on the form Section: Human Resources was incorrectly calculated s/b 122 days minus 74 days and not 44 days as indicated equals the balance of 48 days. The 74 days was approved by management for conversion of leave to cash.

RISK

Wrong calculations would lead to inaccurate leave payouts.

RECOMMENDATION

The balance of 30 days to be paid out to the above-mentioned person and that the reconciliations between the different directorates be done on a monthly basis, to avoid unrecorded leave and inaccurate payouts.

4. APPLICATION FOR EARLY BONUS

Application for early bonus ifo C Pitt, Employee No 551 was approved, but was never signed by anybody at the Municipal Managers Department before payment was made.

RISK

Duplication of bonus could occur.

RECOMMENDATION

It is recommended that the Municipal Manager sign the application forms for early bonuses at all times and be reviewed by the Expenditure Manager before any payment is made.

5. INCREMENTAL CERTIFICATES

Incremental certificates for the months of July, August and September 2008 at the Budget and Treasury Directorate was signed by the employee and employer and to be found in order.

6. EMPLOYMENT CONTRACTS

Employment contracts ifo M Sigayayi and S Manqunyana, the employee and employer and only one witness signed the contract.

Casual Labour Register week ending 19 September 2008 was never signed or approved for payment.

RECOMMENDATION

Although the employee and employer signs the contracts there must be 2 witnesses at all times. Casual Labour register must be approved and signed by the Director or a Senior Official at all times.

7. COUNCIL UIF

As per Section 62 of the MFMA : The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure (b) proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards, (c) that the municipality has and maintains effective, efficient and transparent systems:

- (i) of financial and risk management and internal control and
- (ii) of internal audit operating in accordance with any prescribed norms and standards; that

unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented.

All full time councillors are required to work the normal working hours per month.

It was evident that the full time councillors does not pay UIF, which is compulsory for all employees working more that 24 hours per month.

RISK

Councillors are paid the incorrect amounts, resulting in non adherence to hours and regulations.

RECOMMENDATION

It is recommended that full time councillors pay UIF on a monthly basis same as all the other full time employees pays at the Municipality.

8. TERMINATION OF SERVICES

During the audit it was found that employees whose services have been terminated, were not removed from the salary system, which means that there could still be payments made through the salary system subsequent to their termination.

RISK

If employees are not removed off the salary system immediately, there is a risk that payments may still be made to the employee after his service has been terminated.

RECOMMENDATION

There should be no access allowed into the employees salary file once their service has been terminated, all their details should be completely deleted from the salary system.

9. SALARY CONTROL ACCOUNT

As queried before on 27 June 2007 the salary control account does not balance back to the General Ledger for the previous financial years ending June 2005 and June 2006 amounts to R1 249 379-97.

The salary control reconciliations for the months of July 2008 up to October 2008 has still not be done.

RECOMMENDATION

It is recommended that the salary control account to be reconciled for those two financial years, as soon as possible and that the General Ledger and salary control account be reconciled on a monthly basis to avoid any irregularities.

10. **EMPLOYEE COSTS: OVERTIME - NUMBER OF HOURS OF OVERTIME WORKED**

AUDIT FINDING:

THE BASIC CONDITIONS OF EMPLOYMENT ACT (NO 75 OF 1997) STATES THE FOLLOWING:

- OVERTIME: (1) Subject to this Chapter, an employer may not require or permit an employee to work,
- (a) overtime except in accordance with an agreement;
 - (b) more than three hours overtime a day; or ten hours overtime a week.

Instances were found where staff is working far more overtime as permitted by the Basic Conditions of Employment Act.

HERE ARE A FEW EXAMPLES OF EMPLOYEES EXCEEDING THE OVERTIME HOURS FOR THE MONTHS OF JULY, AUGUST AND SEPTEMBER 2008:

Pay No	Employee Name	Basic Salary	Hrs Overtime 1.5	Hrs Overtime 2.0	Overtime Amount
0089	N T Matiyane	R6 731-00	69	48	R7 746-59
00159	D B Sihlahla	R6 870-00	58	32	R5 984-13
212	N E Vilakazi	R10928-00	37	32	R7 533-28
213	B Beyi	R4 038-00	23	11	R1 315-89
360	M Fuku	R6 478-00	44	56	R6 651-86
390	D R Le Fleur	R11 199-00	34	40	R8 463-91
393	Z R Mfundisi	R7 157-00	93	48	R9 723-80
394	C M Kela	R7 624-00	79	40	R8 730-03
396	F Z Magxunyana	R6 870-00	102.5	48	R9 897-60
397	B M Mabeka	R7 305-00	109	48	R10 935-33
398	M Jacobus	R8 537-00	93	42	R11 007-38
399	M M Ncwana	R8 148-00	62	54	R9 447-00
401	X Manzini	R7 624-00	72	16	R6 157-20
402	C M Bonkolo	R8 148-00	82.5	40	R9 576-25
574	ZJ Matyeni	R4 038-00	24	48	R3 074-28
760	S Makubalo	R4 038-00	12	36	R2 096-10

801	S D Baleka	R4 038-00	178	76	R9 682-44
844	T Njokweni	R4 038-00	12	36	R2 096-10
846	B Nokhonya	R4 038-00	94	49	R5 566-31
886	B V Nqundwana	R6 022-00	32	44	R4 724-64
939	M V Blekiwe	R6 022-00	52	44	R5 766-84
1095	L Brown	R11 199-00	38	22	R6 525-61

FOR THE MONTH OF AUGUST 2008:

Pay No	Employee Name	Basic Salary	Hrs Overtime 1.5	Hrs Overtime 2.0	Overtime Amount
0089	N T Matiyane	R6 731-00	93	24	R7 280-63
00159	D B Sihlahla	R6 870-00	101	33	R8 619-53
212	N E Vilakazi	R10 928-00	60	17.5	R7 880-00
213	B Beyi	R4 038-00	50	25	R2 911-25
360	M Fuku	R6 478-00	40	24	R4 035-96
390	D R le Fleur	R11 199-00	42	25	R7 300-93
393	Z R Mfundisi	R7 157-00	103	32	R9 021-87
394	C M Kela	R7 624-00	95	24	R8 378-19
396	F Z Magxunyana	R6 870-00	96.5	25	R7 717-95
397	B M Mabeka	R7 305-00	211	53	R17 804-15
398	M Jacobus	R8 537-00	55	16	R5 639-13
399	M M Ncwana	R8 148-00	79	35.5	R8 906-50
401	X Manzini	R7 624-00	49.5	24	R5 376-56
402	C M Bonkolo	R8 148-00	86	32	R9 071-00
574	Z J Matyeni	R4 038-00	96	48	R5 589-60
760	S Makubalo	R4 038-00	96	48	R5 589-60
801	S D Baleka	R4 038-00	176	56	R8 757-04
844	T Njokweni	R4 038-00	96	36	R5 030-64
846	B Nokhonya	R4 038-00	81	24	R3 947-66
886	B V Nqundwana	R6 022-00	52	36	R5 211-00
939	M V Blekiwe	R6 022-00	44	36	R4 794-12
1095	L Brown	R11 199-00	62.5	23.5	R9 093-88

FOR THE MONTH OF SEPTEMBER 2008:

Pay No	Employee Name	Basic Salary	Hrs Overtime 1.5	Hrs Overtime 2.0	Overtime Amount
0089	N T Matiyane	R6 731-00	67	32	R6 387-54
00159	D B Sihlahla	R6 870-00	85	34	R7 747-67
212	N E Vilakazi	R10 928-00	39	11	R5 074-72
213	B Beyi	R4 038-00	57	17	R2 783-16
360	M Fuku	R6 478-00	45	60	R7 006-88
390	D R le Fleur	R11 199-00	25.5	40	R7 640-14
393	Z R Mfundisi	R7 157-00	98.5	48	R10 064-45
394	C M Kela	R7 624-00	72	33	R7 652-52
396	F Z Magqunyana	R6 870-00	95	48	R9 451-76
397	B M Mabeka	R7 305-00	118.5	53	R11 957-23
398	M Jacobus	R8 537-00	85	24	R8 643-38
399	M M Newana	R8 148-00	72	48	R9 588-00
401	Y Manzini	R7 624-00	69	23	R6 575-01
402	C M Bonkolo	R8 148-00	68	25	R7 144-00
801	S D Baleka	R4 038-00	90	56	R5 752-63
846	B Nokhonya	R4 038-00	95	48	R5 554-67
886	B V Nqundwana	R6 022-00	40	48	R5 419-44
939	M V Blekiwe	R6 022-00	79	36	R6 617-97
1095	L Brown	R11 199-00	21.5	15.5	R4 086-60

RISK

Section 10(1)(b) of the Basic Conditions of Employment Act has been contravened.

RECOMMENDATION:

Employees should not be allowed to work more than 10 hours of overtime during a week. It is also recommended that more employees be employed to avoid all the overtime worked during a month.

CONCLUSION

It has come to my attention that some employees work until a certain time, but claim more hours, because it is 1.5 daily tariff for Saturdays and x2 for Sundays and Public Holidays. Some employees overtime claims for the month is more than their basic salaries. For the months of July, August and September 2008, the expenditure for overtime worked, amounts to R943 594-16.

All the overtime worked could also have a negative impact on the financial position of the Council.

Yours faithfully

D E MINNIE
INTERNAL AUDITOR

To: Municipal Manager
From: Internal Auditor
Date: 8 May 2009

Ref No: 5/15/1/2/1/1

GENERAL COMPUTER CONTROLS

1. INTRODUCTION

An audit was done on the basic computer controls at the Lukhanji Municipality to determine whether the “internal control” procedures are in place and that the work is carried out in a satisfactory manner. This was also identified as one of the “High Risk” areas.

2. THE FOLLOWING WERE CHECKED AND VERIFIED

- 2.1 To determine whether the Information Technology Policies and procedures are in place.
- 2.2 To determine whether the general controls are in place before any processing of transactions gets underway.
- 2.3 To determine whether access controls are in place eg information is accessible only to relevant employees.
- 2.4 To determine the effectiveness of physical security to protect facilities against natural and environmental hazards and attack or abuse by unauthorized people.
- 2.5 To see that data software and hardware are safeguarded eg there is a safe to store all backups.
- 2.6 To check whether the security policies are in place and based on principals rather than detailed procedures.
- 2.7 To determine whether there are backups strategies used in order to assist in reconstructing systems or information should it be lost or damaged by fire, floods etc.
- 2.8 To determine whether the Change Control procedures are in place.
- 2.9 To verify controls over passwords.

3. CONDITION

At present the IT Manager have not yet implemented Change Control procedures and a Disaster Recovery Plan.

4. ROOT CAUSE

Objectives are not clearly communicated to all employees and management does not obtain feedback signifying that the communication has been effective.

5. RISK

- 5.1 Change Control Procedures: Non-compliance with the approved change control procedures could result in the Municipality not being able to ensure that the system changes would be appropriate to the needs of the Municipality, or unauthorized changes might be made.

- 5.2 Disaster Recovery Plan: In the event of disasters the plan would not be easily available, there could be a risk of operations and maintenance on the system being disrupted for a considerable period of time should a disaster occur.

RECOMMENDATIONS:

- 6.1 Change control procedures should be fully complied with to ensure that the system changes are appropriate to the needs of the Municipality and that the changes are documented thoroughly tested and approved by IT and user management. That all changes are authorised.
- 6.2 Disaster recovery plan should be distributed to the IT resources sites and communicated to employees to ensure that in the event of disaster, employees are aware of the plan and the plan is easily accessible.
- 6.3 In some cases it was found that employees does not use passwords.
- (i) It is recommended that the control over passwords should be unique to each individual (group passwords should not be used).
 - (ii) Passwords should consist of at least five characters, be random, and a mix of letters and numbers.
 - (iii) Passwords users for terminated or transferred personnel should be removed from the system at the time of termination or transfer.
 - (iv) Passwords should not be displayed on terminals at any time, be printed on any reports or logged in transactions logs.
 - (v) Listing of passwords should not exist.
 - (vi) Personnel should be prohibited from disclosing their passwords to others.
 - (vii) Passwords should be changed regularly. This should be required by the system where at all possible to effectively ensure that passwords are regularly changed.
 - (viii) Passwords should not be obvious eg birthdays, names, name backwards, common words etc.

7. **CONCLUSION**

In ensuring these recommendations, the policies and procedures to be implemented effectively, as soon as possible and also the Controls over passwords.

Yours faithfully

D E MINNIE
INTERNAL AUDITOR

To: Municipal Manager
From: Internal Auditor
Date: 8 October 2009

RefNo: 5/15/1/2/1/1

EXPENDITURE - CREDITORS

1. INTRODUCTION

An Audit was done on Creditors of the Lukhanji Municipality to determine that the necessary "internal control" measures were adhered to and that the work was carried out in a satisfactory manner. It was also identified as one of the "High Risk" areas.

2. THE FOLLOWING AUDIT PROCEDURES WERE VERIFIED:

- 2.1 To determine that effective budget control is in place at all times.
- 2.2 Check to see that the correct amount has been paid to the creditor by checking invoices, orders, requisitions, delivery notes, vouchers and cheques.
- 2.3 Check that all expenditure is approved before any payments are made.
- 2.4 Check to see that the correct creditors has been paid.
- 2.5 Check to see that the necessary internal control exists e.g. vouchers have been checked by Senior Staff.
- 2.6 Check to see if the necessary authorization has been given.
- 2.7 To determine that there are two signatories on the cheques at all times.
- 2.8 See that discounts receivable have been deducted.
- 2.9 Check that invoices have been stamped, signed and passed for payment by relevant officials.
- 2.10 To determine that payments are made only on original invoices.
- 2.11 To see that vouchers and cheques are correctly filed.
- 2.12 To determine that all supporting documentation is attached.
- 2.13 That the VAT has been correctly treated per transaction.
- 2.14 To determine that Creditors/Suppliers are timeously paid.
- 2.15 To determine whether the reconciliation Compiled by, Received by and date is always signed by the Officials and that the cheque no's have been quoted on the reconciliation.

- 2.16 To determine whether the Direct Payment Vouchers, Matched by Votes checked by, Received, Invoiced, Ready for Payment are completed at all times, before payment is made.
3. In terms of Section 65 (2)(c) and (e) of the Municipal Finance Management Act (Expenditure Management). The accounting officer must take all reasonable steps to ensure that the municipality has and maintains a system of internal control in respect of creditors and payments, and to ensure that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.

3.1 **A FEW EXAMPLES WAS SELECTED FOR TESTING: THE FOLLOWING EXPENSES WERE IDENTIFIED AS NOT BEING PAID WITHIN 30 DAYS OF THE INVOICE**

Cheque No	Cheque Date	Supplier	Cheque Amount	Invoice Date
13087	9/3/09	CAB Holdings	R69 288-78	31/1/09
13085	6/3/09	Bytes Tech, Group	R19 952-25	29/8/08
89942	11/3/09	Glassfit	R273-47	19/12/08
13110	11/3/09	Gestetner	R1 414-00	29/1/09
14278	23/6/09	Queen Casino	R2 370-00	5/6/08

- 3.2 Cheque no 13123 ifo Brewery Lane Service Station for R25 317-99 order form no 6854 and 6501 was never signed by the official in charge. Also official fuel order form no 6866 dated 6/1/09 and 7184 for vehicle DBD840EC and DYV774EC was also not signed for fuel purchased.
- 3.3 During the audit it was found that some cheques was never filed to the Daily Payment Vouchers.

These cheques are lying in steel cabinets and is not attached to the DPV's for eg:

- (i) Cheque no 87608 dated 2/3/07 ifo B Minya for R115-00.
- (ii) Cheque no 513280 ifo M Peter also for R115-00 dated 17/11/06.
- (iii) Cheque no 513560 ifo. V Hulushe for R300-00 dated 15/12/06.
- (iv) Cheque no 519775 ifo Lizo R Mahola for R500-00 dated 16/10/08.
- (v) The following cancelled cheques with No's 89215 dated 30/6/08, 518522 dated 27/5/08 and 518537 dated 28/5/08 was never filed or attached to the Daily Payment Vouchers.

4. Cheque no's 14412 dated 26/6/09 for R45 877-80 and 14461 for R39 627-86 dated 30/6/09 all ifo Gregs Motors in Whittlesea.

The following vehicles with Reg No's CLC567EC, BZW367EC and CSX036EC had either the same km readings and/or hour meter and/or no readings which appeared on the invoices when fuel or diesel were purchased:

4.1 HEREWITH EXAMPLES:

Date	Litre's Petrol	Litres's Diesel	Amount	Reading: CLC567EC
2/4/09		329.83	2 282-40	206345
6/4/09		266.12	1 841-55	206345
9/4/09		255.63	1 768-95	206345
17/4/09		319.43	2 210-50	206345
20/4/09		261.96	1 812-80	206345
23/4/09		243.98	1 688-35	206345
29/4/09		248.56	1 720-05	206345
4/5/09		259.56	1 796-20	206345
7/5/09		233.70	1 635-90	206345
12/5/09		250.10	1 750-75	206345
15/5/09		231.50	1 620-50	206345
18/5/09		255.72	1 790-10	206345
22/5/09		260.19	1 821-30	206345
26/5/09		237.24	1 660-65	206345
29/5/09		227.25	1 590-80	206345
Date	Litre's Petrol	Litres's Diesel	Amount	Reading: BZW367EC
2/4/09		114.11	789-65	168870
23/4/09		111.17	769-30	168870
29/4/09		109.81	759-90	168870
4/5/09		118.51	820-10	168870
7/5/09		109.87	769-10	168870
12/5/09		120.55	843-85	168870
14/5/09		118.53	829-70	168870
18/5/09		122.16	855-10	168870
21/5/09		116.70	816-90	168870
29/5/09		114.61	802-25	168870

Date	Litre's Petrol	Litre's Diesel	Amount	Reading: CSX036EC
2/4/09		98.89	684-30	3139
7/4/09		99.79	690-55	3139
8/4/09		62.50	432-50	3139
14/4/09		100.55	695-85	3139
17/4/09		96.85	670-20	3139
21/4/09		98.94	684-65	3139
29/4/09		97.89	677-40	3139
6/5/09		94.95	664-65	3139
12/5/09		106.47	745-30	3139
14/5/09		95.51	668-60	3139
21/5/09		96.76	677-30	3139
26/5/09		98.52	689-65	3139

ROOT CAUSE

Transactions and other significant events are properly classified but are not promptly recorded.

RISK

Non-compliance with the MFMA which could result in legal action being taken against the Municipality.

RECOMMENDATION

Management must review creditor payments regularly to ensure that payments of creditors are made within 30 days of the invoice date, unless an extended credit period has been granted to the Municipality.

That the official fuel order form for purchasing of petrol or diesel from Brewerly Lane Service Station be signed by the responsible official in charge at all times.

Furthermore it is recommended that the cheques which is lying in steel cabinets to be filed to the Daily Payment Vouchers at all times.

It is once again recommended, where it is possible, that the vehicles faulty readings to be repaired as soon as possible to avoid any irregularities.

CONCLUSION

Kindly explain Points no's 3.1, 3.2 and 3.3 at your earliest convenience.

D E MINNIE
INTERNAL AUDITOR

AUDIT 2

7. AUDIT ACTION PLAN

RESOLVED

That the Audit Action Plan to address issues raised by the Auditor General for the year ended 30 June 2007, be noted.

8. CLOSURE

The meeting terminated at 10:38.

CONFIRMED:

CHAIRPERSON: _____

DATE: _____

AUDIT 1

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON TUESDAY, 09 DECEMBER 2008 AT 10:30 IN THE BOARD ROOM, OFFICE OF THE MUNICIPAL MANAGER

PRESENT

MRS T. PUTZIER	MR V. HARTLEY
MR P. BACELA MUNICIPAL MANAGER	MR E. MINNIE INTERNAL AUDITOR
MR I. SCHOEMAN CHIEF FINANCIAL OFFICER	MR E. WINNAAR CHIEF TRAFFIC OFFICER
MR P. MBALISWANA MANAGER: ADMINISTRATION	

1. OPENING AND WELCOME

The Chairperson, Mrs T. Putzier, opened the meeting and welcomed all present.

2. APOLOGIES

Mr I. McEwan and Mr G. Judeel.

3. MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON TUESDAY, 23 SEPTEMBER 2008 AT 10:00 IN THE BOARD ROOM, OFFICE OF THE MUNICIPAL MANAGER

RESOLVED

That the minutes of the Audit Committee meeting held on Tuesday, 23 September 2008 be confirmed with the following amendments:

“That it be noted that the Audit Committee raised a concern on the continuous absence of the Municipal Officials.

That the relevant Senior Officials of the Directorates affected with a particular audit query attend meetings of the Audit Committee where the matter will be discussed.”

4. INTERNAL AUDIT REPORT: INCOME: DEBTORS

RESOLVED

That the item be resubmitted with the Management's comments and responses from the affected Directorates.

5. INTERNAL AUDIT REPORT: TRAFFIC DEPARTMENT

RESOLVED

- a) That the Official in charge or a Senior Official sign and check the attendance register on a daily basis for “internal control” purposes with comments next to the persons name e.g. sick/vacation/compassionate leave, time off, with the application of leave from number next to it, to balance back to the Leave Record Cards at the Human Resource Department.
- b) That the method of payment on the receipts be clearly marked for e.g. cash, cheque, postal order or other at all times.
- c) That when any kind of mistake is made on a receipt, the receipt be cancelled immediately and a new receipt be issued.
- d) That the original receipt be stapled to the copy and the words “cancelled” written on it, and signed by the Official who cancelled it.
- e) That the method of payment be marked correctly and not two different payments for e.g. cash and cheques.

AUDIT 2

- f) That the Testing Books for Light Motor Vehicles Code B, Light Motor Code EB, Heavy Motor Vehicles and Motor Cycles with the different Codes to be sorted out by the Superintendent: Traffic or the Chief Traffic Officer, as the register does not correspond with the books on hand.

6. INTERNAL AUDIT REPORT: SALARIES AND WAGES

RESOLVED

That the item be discussed at the next meeting of the Audit Committee.

7. INTERNAL AUDIT PROGRAMME: FEBRUARY 2009 TO DECEMBER 2009

RESOLVED

- a) That it be noted that the Internal Audit Unit performs the audit function and the Directorates implement recommendations made by the Auditor on issues raised in Audit Reports.
- b) That the Internal Audit Programme be presented at the next meeting of the Audit Committee.

8. CLOSURE

The meeting terminated at 11:30.

CONFIRMED:

CHAIRPERSON: _____

DATE: _____

AUDIT 1

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON TUESDAY, 31 MARCH 2009 AT 08:30
IN THE BOARD ROOM, OFFICE OF THE MUNICIPAL MANAGER

PRESENT

T. PUTZIER
CHAIRPERSON

P. BACELA
MUNICIPAL MANAGER
(LUKHANJI MUNICIPALITY)

D. VAN WYK
DIRECTOR: ADMINISTRATION & H.R.
(LUKHANJI MUNICIPALITY)

I. SCHOEMAN
CHIEF FINANCIAL OFFICER
(LUKHANJI MUNICIPALITY)

E. MINNIE
INTERNAL AUDITOR
(LUKHANJI MUNICIPALITY)

T. H. SIJULA
INTERN: INTERNAL AUDIT UNIT
(LUKHANJI MUNICIPALITY)

N. P. MOMOZA
AUDIT UNIT
(CHDM)

K. LANTOI
INTERNAL AUDIT UNIT
(PRICEWATERHOUSE COOPERS)

APOLOGIES

I. McEWAN
AUDIT COMMITTEE
(LUKHANJI MUNICIPALITY)

V. HARTLEY
AUDIT COMMITTEE
(LUKHANJI MUNICIPALITY)

OPENING AND WELCOME

The Chairperson, Mrs T. Putzier, opened the meeting and welcomed all present. Having noted that:

- (i) The meeting has been convened by the Audit Unit of the Chris Hani District Municipality;
- (ii) No agenda has been circulated as undertaken by the Chris Hani District Municipality;
- (iii) No other audit committee members have been invited to attend and,
- (iv) By no fault on the part of the Lukhanji Municipality,

It therefore be

RESOLVED

- (a) That the meeting be adjourned.
- (b) Other municipalities in the proposed cluster immediately be advised that the planned audit meetings will not take place.
- (c) That the Chairperson of the Audit Committee liaise with the Audit Unit of the Chris Hani District Municipality to chart the way forward.

CLOSURE

There being no further business to discuss, the meeting adjourned at 9:05.

CONFIRMED:

CHAIRPERSON: _____

DATE: _____

AUDIT 1

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON THURSDAY, 07 MAY 2009 AT 11:20 IN THE BOARD ROOM, OFFICE OF THE EXECUTIVE MAYOR

PRESENT

T. PUTZIER
CHAIRPERSON

V. HARTLEY
AUDIT COMMITTEE
(LUKHANJI MUNICIPALITY)

P. BACELA
MUNICIPAL MANAGER
(LUKHANJI MUNICIPALITY)

D. VAN WYK
DIRECTOR: ADMINISTRATION & H.R.
(LUKHANJI MUNICIPALITY)

E. MINNIE
INTERNAL AUDITOR
(LUKHANJI MUNICIPALITY)

APOLOGIES

I. McEWAN
AUDIT COMMITTEE
(LUKHANJI MUNICIPALITY)

I. SCHOEMAN
CHIEF FINANCIAL OFFICER
(LUKHANJI MUNICIPALITY)

1. OPENING AND WELCOME

The Chairperson, Mrs T. Putzier, opened the meeting and welcomed all present.

2. AMMENDED INTERNAL AUDIT PROGRAMME FOR THE PERIOD FEBRUARY 2009 TO DECEMBER 2009

RESOLVED

That the amended Internal Audit Programme for the period February 2009 to December 2009 be approved.

3. INTERNAL AUDIT PLANS: 2009 TO 2011

RESOLVED

That the Internal Audit Plans for 2009 to 2011 be approved and be endorsed by the Chairperson of the Audit Committee, the Municipal Manager and Internal Auditor.

CLOSURE

There being no further business to discuss, the meeting adjourned at 11:35.

CONFIRMED:

CHAIRPERSON: _____

DATE: _____

AUDIT CLUSTER 1

MINUTES OF A MEETING OF THE NORTHERN CLUSTER AUDIT COMMITTEE HELD ON THURSDAY, 07 MAY 2009 AT 10:00 IN THE BOARD ROOM, OFFICE OF THE EXECUTIVE MAYOR, LUKHANJI MUNICIPALITY

PRESENT

T. PUTZIER
CHAIRPERSON

P. BACELA
MUNICIPAL MANAGER
(LUKHANJI MUNICIPALITY)

D. VAN WYK
DIRECTOR: ADMINISTRATION & H.R.
(LUKHANJI MUNICIPALITY)

P H STEYN
CHIEF FINANCIAL OFFICER
(SAKHISIZWE MUNICIPALITY)

M LUDIK
CHIEF FINANCIAL OFFICER
(EMALAHLENI MUNICIPALITY)

E. MINNIE
INTERNAL AUDITOR
(LUKHANJI MUNICIPALITY)

V HARTLEY
AUDIT COMMITTEE
(LUKHANJI MUNICIPALITY)

P Mc EWAN
DBSA
(SAKHISIZWE MUNICIPALITY)

O KWABANA
INTERN
(SAKHISIZWE MUNICIPALITY)

K. ZANTZI
(PRICEWATERHOUSE COOPERS)

N NTONASI
INTERN
(EMALAHLENI MUNICIPALITY)

V DUSUBANA
SNR. INTERNAL AUDITOR
(CHDM)

1. OPENING AND WELCOME

The Chairperson, Mrs T. Putzier, opened the meeting and welcomed all present.

2. APOLOGIES

Apologies have been received from the following

I. McEWAN
AUDIT COMMITTEE
(LUKHANJI MUNICIPALITY)

T SAMUEL
MUNICIPAL MANAGER
(SAKHISIZWE MUNICIPALITY)

J KWEPILE
MUNICIPAL MANAGER
(EMALAHLENI MUNICIPALITY)

I SCHOEMAN
CHIEF FINANCIAL OFFICER
(LUKHANJI MUNICIPALITY)

3. CONFIRMATION OF THE AGENDA

The attendees agreed to the items for discussion on the agenda.

4. DECLARATION OF INTEREST

Audit Committee members declared their interest in writing.

5. INTRODUCTIONS

All attendees introduced themselves.

AUDIT CLUSTER 2

6. SIGNING OF AGREEMENTS

AGREED

- (a) That all municipalities of the Northern Cluster Shared Audit Committee be provided with the following documentation:
 - (i) Terms of Reference of the Shared Audit Committee.
 - (ii) Agreement between the affected municipalities in relation to the Shared Audit Committee Structures.
 - (iii) Audit Committee Members Agreement.
- (b) That municipalities be provided with an opportunity to peruse the documents as in (a)(i) to (iii) above.
- (c) That the necessary agreements be endorsed at the next sitting of the Shared Audit Committee.

7. OTHER MATTERS

7.1 VENUE FOR AUDIT COMMITTEE MEETINGS

AGREED

That all Shared Audit Committee meetings be convened at the Lukhanji Municipality.

7.2 SECRETARIAT

AGREED

- (a) That the Lukhanji Municipality assess its capacity to determine whether the municipality will be able to provide permanent secretarial services to the Shared Audit Committee.
- (b) That the Lukhanji Municipality provide secretarial services in the interim until a report on the assessment, as in (a) above, has been considered by the Audit Committee.

7.3 DATE OF NEXT MEETING

AGREED

- (a) That the next meeting of the Shared Audit Committee be convened within the forthcoming fourteen days.
- (b) That the Lukhanji Municipality liaise with the CFO's of all municipalities and obtain three possible dates for the next meeting.

8. CLOSURE

There being no further business to discuss, the meeting adjourned at 11:05.

AUDIT CLUSTER 1

MINUTES OF A MEETING OF THE NORTHERN CLUSTER AUDIT COMMITTEE HELD ON TUESDAY, 26 MAY 2009 AT 14:00 IN THE BOARD ROOM, OFFICE OF THE MUNICIPAL MANAGER, LUKHANJI MUNICIPALITY

PRESENT

T PUTZIER
CHAIRPERSON

P BACELA
MUNICIPAL MANAGER
(LUKHANJI MUNICIPALITY)

D VAN WYK
DIRECTOR: ADMINISTRATION & H.R.
(LUKHANJI MUNICIPALITY)

P H STEYN
CHIEF FINANCIAL OFFICER
(SAKHISIZWE MUNICIPALITY)

M LUDICK
CHIEF FINANCIAL OFFICER
(EMALAHLENI MUNICIPALITY)

E MINNIE
INTERNAL AUDITOR
(LUKHANJI MUNICIPALITY)

V HARTLEY
AUDIT COMMITTEE
(LUKHANJI MUNICIPALITY)

J KWEPILÉ
MUNICIPAL MANAGER
(EMALAHLENI)

O KWABABANA
INTERN
(SAKHISIZWE MUNICIPALITY)

K ZANTZI
(PRICEWATERHOUSE COOPERS)

N NTOLOSI
INTERN
(EMALAHLENI MUNICIPALITY)

1. OPENING AND WELCOME

The Chairperson, Mrs T. Putzier, opened the meeting and welcomed all present.

2. APOLOGIES

Apologies have been received from the following

V DUSUBANA
SNR. INTERNAL AUDITOR
(CHDM)

T SAMUEL
MUNICIPAL MANAGER
(SAKHISIZWE MUNICIPALITY)

I SCHOEMAN
CHIEF FINANCIAL OFFICER
(LUKHANJI MUNICIPALITY)

3. DECLARATION OF INTEREST

Audit Committee members declared their interest in writing.

4. MINUTES OF THE NORTHERN CLUSTER AUDIT COMMITTEE MEETING HELD ON THURSDAY, 07 MAY 2009 AT 10:00 IN THE BOARD ROOM, OFFICE OF THE EXECUTIVE MAYOR, LUKHANJI MUNICIPALITY

RESOLVED

That the minutes of the Northern Cluster Audit Committee meeting held on Thursday, 07 May 2009 be confirmed.

AUDIT CLUSTER 2

5. SECRETARIAT OF AUDIT CLUSTER

RESOLVED

- (a) That the Lukhanji Municipality provide the secretarial services to the Northern Cluster Audit Committee.
- (b) That the Municipal Managers of Lukhanji, Emalahleni and Sakhisizwe Municipalities meet to discuss logistical arrangements relative to the secretariat.

6. SIGNING OF AGREEMENTS

RESOLVED

- a) That the Terms of Reference of the Northern Cluster Audit Committee be accepted.
- b) That the content of the Memorandum of Agreement for Audit Committee Members be endorsed.
- c) That the agreement between Lukhanji Municipality, Emalahleni Municipality and Sakhisizwe Municipality Relative to Shared Audit Committee Structures (Northern Cluster) be accepted and be endorsed.

7. PROPOSED DIARY OF ENGAGEMENTS FOR NORTHERN CLUSTER AUDIT COMMITTEE

RESOLVED

That discussion on the item be held in abeyance until the next meeting of the Audit Committee.

8. ITEMS TO BE DISCUSSED AT FORTHCOMING MEETINGS

RESOLVED

That members of the Audit Committee take note of the agenda items that will be disposed of at the next meeting of the Audit Committee.

9. REPLACEMENT OF AUDIT COMMITTEE MEMBER

RESOLVED

- (a) That members of the Audit Committee conduct a headhunt for the suitable replacement of an Audit Committee member in the place of Mr I Mc Ewen who has resigned.
- (b) That copies of CV's of suitable persons be submitted to the Municipal Manager of Lukhanji Municipality by Monday, 01 June 2009.
- (c) That the Secretariat remind all members of the decision as in (b) above and provide all with the contact details of each member serving on the Audit Committee.

10. CLOSURE

There being no further business to discuss, the meeting adjourned at 15:05.
