



CHRIS HANI
DISTRICT MUNICIPALITY
SUSTAINING GROWTH
THROUGH OUR PEOPLE

ANNUAL REPORT
FOR THE FINANCIAL YEAR
2008/2009





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**PART ONE:
INTRODUCTION AND OVERVIEW**



CHRIS HANI
DISTRICT MUNICIPALITY





1.1 FOREWORD BY THE EXECUTIVE MAYOR



Mafuza Sigabi
Executive Mayor

As in the previous years, we present this annual report giving a comprehensive detail of our programmes and activities for the financial year 2008/09. I am encouraged and honoured to provide a brief foreword to this annual report for I am convinced that we have made important advances towards the goal of a better life for our people.

We have taken part in activities that promote social cohesion, unity in our district and the economic enhancement of our people. But while we actively participate in these activities, the challenges of poverty, underdevelopment and unemployment remain high and require more and more resources, both human and financial.

In previous years we engaged in many activities that were not ends in themselves but needed us to develop implementation plans to take them forward. One such activity was the National Launch of the Liberation Heritage Route that took place in our district. Its objectives were to honour the fallen heroes of our struggle, preserve the struggle memories, put our history into relevant context, promote social cohesion and promote economic development through tourism. Flowing from this event we were able to launch the Chris Hani Tourism Logo which was designed to represent what our struggle heroes stood for. As we do each year, we again declared the month of April as Chris Hani Month as he was slain on the 10 April 1993, just a year before the first democratic elections. The Chris Hani Month this year was marked by launching projects like the Nguni Project, which benefited a number of farmers in the district, the sorghum project, sanitation and others.

We identified iconic sites during the research and we are now embarking on developing strategies to brand, launch, manage and maintain these. In an effort to expose our young people to sporting activities and make maximum use of available resources, we joined hands with business in hosting a Formula 1 Powerboat competition at Bonkolo Dam, the first of its kind in our district. The event was well attended and successful.

We have also seen one of our guest houses, The Victoria Manor, being awarded three-star status in the national competition for the best guest houses. Mrs Nyawula and her family made us proud and we also feel proud of her illustrious achievement and wish her prosperity in her endeavours to provide safe and healthy accommodation.

A return visit from Diepholtz District Municipality, Lower Saxony, Germany, in 2008 was a significant occasion that was welcomed by our stakeholders, including business, SMMEs, our staff and the public. The partnership that we have signed continues to yield good results and we need to further strengthen our ties.


Our efforts to eradicate basic services backlogs have been strengthened by the successful hosting of service providers for water and sanitation services which culminated in the compilation of a district-wide business plan. We are happy to see the Department of Water and Environmental Affairs taking a keen interest in approving most of these plans and we hope they will be implemented in the near future. We also hosted a district-wide Co-operatives Indaba to encourage the establishment, co-ordination and support of SMMEs.

We can safely say that the year under review has been a successful one. Without our councillors, management and staff we would not have been able to make these strides. We shall continue to work with our communities, our civil society partners, the business sector and sector departments in improving the lives of our people. We wish to invite people, business, sector departments and all out there to make use of our website, www.chrishanidm.gov.za in

providing us with your comments, views and advice. We hope our mainstream and community media will continue supporting us in reaching out and strengthening our dialogue with communities as part of our public participation and information sharing efforts.

We participated in delivering a successful, free and fair 2009 General Election. This election saw the renewal of the mandate of the African National Congress to govern this country, a government that should continue playing a constructive role in resolving conflicts in the continent and the world under the Presidency of Honourable Jacob Gezeyihlekisa Zuma.

Take time to read this report and provide us with your comments to help us to grow from strength to strength.



CLR M S SIGABI
EXECUTIVE MAYOR



1.2 PRIORITIES FOR 2008/09

The following priority needs were identified:

LOCAL ECONOMIC DEVELOPMENT

The main activities were:

- Resuscitation of irrigation schemes
- Livestock Improvement
- Forestry Development
- Tourism Promotion and
- SMME Development

We managed to secure a private partner for the Shiloh irrigation scheme and implementation will start in the next financial year in partnership with the Department of Agriculture. We have partnered with ASGISA Eastern Cape in the livestock programme and many farmers in the Sakhisizwe Local Municipality received cattle through this partnership. Nguni cattle were also given to many farmers in various local municipalities. The Chris Hani Liberation Heritage Route is the flagship project especially for Tourism Promotion. Most of the funding for the above-mentioned programmes was spent, except in certain areas where there were some delays.

POVERTY ALLEVIATION AND FOOD SECURITY

Massive Food Production in partnership with Department of Agriculture was the main activity and the allocated funding was spent.

WATER AND SANITATION

A number of projects were funded under the Municipal Infrastructure Grant which was spent before the end of the financial year.

MUNICIPAL HEALTH AND ENVIRONMENTAL MANAGEMENT

FOOD SAFETY

- 170 Hawkers were provided with basic equipment in 3 local municipalities. We also continued with our food handling premises competition to improve the standard of food quality.
- Land Care Management (Lapesi eradication)
- We continued with the eradication of lapesi in 3 Local Municipalities and 2 484 jobs were created.

WASTE MANAGEMENT PROJECT

- 4 local municipalities received financial support towards cleaning towns and townships

CORPORATE GOVERNANCE INCLUDING IGR, MONITORING AND EVALUATION AND INTEGRATED PLANNING

- All our Local Municipalities adopted their IDPs and funds from Department of Local Government and Traditional Affairs were transferred to them. IGR structures were established but participation needs to be improved.

FIRE SERVICES AND DISASTER MANAGEMENT

- There were no major incidents during the financial year. Most of the funds were spent on vehicles for Fire Services and given to local municipalities.

SPECIAL PROGRAMMES SUCH AS YOUTH, WOMEN, CHILDREN, THE ELDERLY AND PEOPLE WITH DISABILITIES

- Various programmes took place including Mayor's Cup as part of promoting football towards 2010 Soccer World Cup.

TRANSPORT (REGULATION OF PASSENGER SERVICES)

- The District Municipality completed the Integrated Transport Plan with the assistance of the National Department of Transport.

MEMBERS OF THE MAYORAL COMMITTEE



Mafuza Sigabi
Executive Mayor



Nonceba Pasha
Speaker



Mthetheli Xuma
Portfolio Head:
Corporate Services



Raymond Shweni
Portfolio Head:
Finance



Nozithembiso Dzedze
Portfolio Head:
SPU and HIV/AIDS



Thumeka Bikwana
Portfolio Head:
Engineering



Mxolisi Koyo
Portfolio Head:
IPED



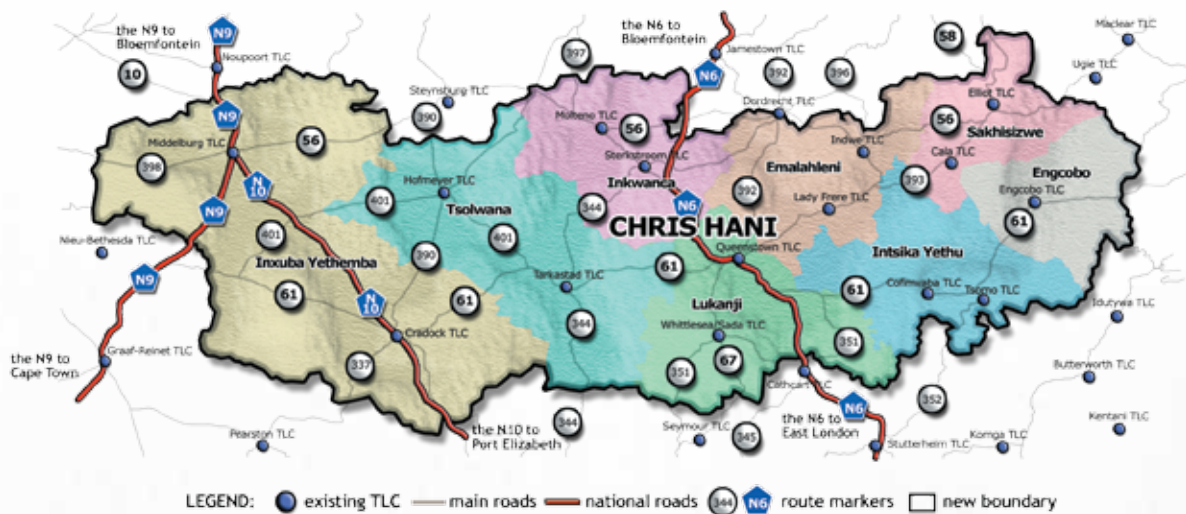
Lindiwe Gunuza-Nkwentsha
Portfolio Head: Health
and Community Services

1.3 EXECUTIVE SUMMARY

1.3.1 BACKGROUND

Chris Hani District Municipality (CHDM) is established by a notice in terms of Section 12 of the Municipal Systems Act, 32 of 2000. It is a democratically elected Category C municipality, comprising proportionally representative councillors and ward councillors from eight category B municipalities under its jurisdiction. The Council forms part of the local sphere of government, located close to the people. The CHDM exercises its duties and functions through its constituent municipalities. They are:

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



1.3.2 VISION

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

1.3.3 MISSION

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

1.3.4 VALUES

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

1.3.5 GUIDING PRINCIPLES

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

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

1.3.6 DEMOGRAPHIC PROFILE

Chris Hani District Municipality had a total population of 809 581 (StatsSA 2001). A more recent study by StatsSA put the figure at 798 597 with 203 041 households (StatsSA, 2008). The lack of up-to-date, reliable demographic data is a major challenge in undertaking any form of strategic planning. In addition the lack of accurate death and birth data due to Home Affairs population registration system of not recording this data per municipality or district make it difficult to make accurate population growth tables.

The following tables and charts provide a brief overview of the demographics of the District, based on the 2001 Census Data (StatsSA). The following key attributes are noted:

- Approximately 71% of the population reside in rural areas.
- The largest populations occur in the Intsika Yethu, Lukhanji, Engcobo and Emalahleni municipalities.
- Just more than half of the Chris Hani Municipal population is female (53.76%), which implies that the District and Local Municipalities need to ensure that women's issues remain high on the political agenda.
- The elderly population is relatively small (7.3%) in relation to the potentially economically active population (53.9%), which suggests that the economically active sector of the population (15yrs-65yrs) should be able to support the elderly population. However, due to the high unemployment rate, the reality is that many of the potentially economically active population are economically dependent on pensioners and grant-earners within the household.
- Furthermore, it is important to note that 54.4% of the population is under the age of 20. This suggests a need for educational facilities and a focus on educational skills and training as well as youth specific programmes and projects.

CHDM POPULATION:

Ages	Municipalities								CHDM
	Inkwanca	Tsolwana	Inxuba Yethemba	Sakhisizwe	Emalahleni	Engcobo	Intsika Yethu	Lukhanji	
0-4	1915	3018	5333	6611	11960	17437	18271	16727	81272
5-9	2209	3919	6062	8805	17868	23123	26518	20368	108872
10-14	2717	4664	6739	9876	20903	25370	30099	24097	124465
15-19	2422	4602	7206	8613	18544	20518	24506	24439	110850
20-24	171	2775	4821	4800	8894	9766	10464	16194	57885
25-29	1409	2063	4550	3421	5422	7024	6894	13098	43881
30-34	1132	1676	4409	2772	4526	5860	6354	10933	37662
35-39	1136	1522	4022	2845	5032	5642	6692	10905	37796
40-44	1061	1399	3769	2836	5363	6044	7217	10287	37976
45-49	1023	1351	3206	2509	4536	4792	646	8299	26362
50-54	808	1093	2749	2070	3726	4220	5806	6447	26919
55-59	591	948	2019	1506	329	3525	4910	4996	18824
60-64	703	1110	1864	1883	4722	5083	6345	5710	27420
65-69	433	867	1147	1453	3451	3775	5029	3940	20095
70-74	337	582	931	1229	2728	3016	4479	3150	16452
75-79	245	369	633	664	1711	1604	2453	1953	9632
80+	377	551	828	956	2725	1597	2748	2989	12771
Total	18689	32509	60288	62849	122440	148396	169431	184532	799134

1.4 OVERVIEW OF THE MUNICIPALITY



Mpilo Mbambisa
Municipal Manager

1.4.1 INTRODUCTION

The year under review has been quite challenging with the National and Provincial elections choosing a new leadership with the following key priorities of the ruling party:

- Creating decent jobs
- Rural development
- Health
- Education
- Fighting Crime and Corruption.

Our district was also honoured by the visit of the National Council of Provinces in their programme “Taking Parliament to the People” and they spent the whole week interacting with our communities. Our district celebrated Chris Hani month during April with various service delivery launches across the district and a closing ceremony at Sabalele, Chris Hani’s birth place. The achievements during the 2008/09 financial year will be highlighted in terms of the five key areas of the local government strategic agenda which are aligned to our scorecard as follows:

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

1.4.2 MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

Our staff complement increased to 418 as a result of the Department of Water Affairs and Forestry water services staff who were transferred to the district and 33 new appointments. A total of 146 employees received training as part of skills development in line with the Workplace Skills Plan. Some of the training was facilitated by SALGA and Department of Local Government and Traditional Affairs. As part of capacity building 24 employees received assistance through the Study Assistance Bursary Scheme to pursue further studies in Engineering, Finance and Administration.


We also assisted 5 learners with practical experience in the workplace which is a requirement in their studies. 10 internal audit interns were also recruited and placed in all our local municipalities as part of our shared services project.

As part of strengthening governance in the institution, 8 policies and 7 By-laws were developed and adopted by Council. We purchased 12 new vehicles including Mobile Clinics and Fire Services vehicles which have been handed over to Local Municipalities.

1.4.3 SERVICE DELIVERY AND INFRASTRUCTURE

INFRASTRUCTURE

The District Municipality continues to eliminate water and sanitation backlogs, 18 135 household were provided with water, 12 436 households provided with sanitation and 523 bucket toilets were eradicated. A total of R168 million (Municipal Infrastructure Grant Allocation) was spent before the end of the financial year. Two major schemes -- Machubeni and Whittlesea Water Treatment Works -- were refurbished with the assistance of the Department of Water Affairs and Forestry. The Water Conservation and Demand Management study was implemented at Lukhanji and Emalaheni local municipalities through the installation of bulk water meters and repairing of leaks. Amatola Water continued their support in Water Services Provision in our 4 rural municipalities and the 48-hour turn-around time has been achieved in most reported cases. The



contractor learnership programme under the Expanded Public Works Programme (EPWP) has reached its final stage and 2 278 work opportunities were created. A target of 16 584 work opportunities has been set for 2009/10 on phase 2 of the EPWP. The 3 year Service Level Agreement (SLA) on roads maintenance with the Department of Roads and Transport has spent R20 million on blading 2 148km and re-gravelling 70km in the Inxuba Yethemba local municipality.

MUNICIPAL HEALTH SERVICES

As part of Food Safety Programme and Hawkers' Development Project, 170 hawkers received cool boxes, water cans, tables and gazebos. 60 food handling premises participated in the formal food competition. The lapesi eradication project created 2 484 jobs as part of Education and Sustainability Conference in partnership with DEAT, DWAF, WESSA and DOE. 36 schools participated in the school greening project which aims to address nutrition by planting vegetables using a more environmental friendly and water- saving approach.

HIV AND AIDS

A baseline survey was conducted in an attempt to determine the HIV/AIDS prevalence rate in the workforce. A wellness support group was also established aiming at developing internal programmes for the wellbeing of employees. Some Local Municipalities were assisted in establishing Ward AIDS Councils to coordinate HIV and AIDS activities at Ward level. During this financial year 2 successful door-to-door campaigns were held at Inxuba Yethemba and Ngcobo. The functioning of our District AIDS Council (DAC) led it to receiving a recognition award for being the best performing DAC in the Eastern Cape.

PRIMARY HEALTH CARE

Three Mobile clinics were purchased to service rural/farming communities of Inkwanca and Inxuba Yethemba Local Municipalities. Dispensing facilities were upgraded in all fixed clinics. 4 791 initiates attended initiation school and circumcision committees were established.

1.4.4 LOCAL ECONOMIC DEVELOPMENT

PLANNING

The Integrated Development Plan (IDP) was adopted by Council in May 2009 and funding was transferred to our local municipalities to assist them in developing their own IDPs. The Performance Management Framework was reviewed and adopted by Council. The District Municipality completed its Corporate Geographical Information System (GIS) which attempts to capture and map all development interventions with spatial implications.

LIVESTOCK IMPROVEMENT

About 60 Nguni cattle were delivered to farmers in all local municipalities as part of our livestock development programme and shearing sheds were constructed at Inkwanca and Sakhisizwe local municipalities. A partnership agreement was signed with ASGISA-EC and about 300 cattle were given to farmers in the Sakhisizwe Local Municipality.

CROP PRODUCTION

The Massive food project was implemented in various irrigation schemes in partnership with the Department of Agriculture. A private partner was secured for the dairy planned in the Shiloh irrigation scheme. Sorghum was planted in the Emalahleni Local Municipality in partnership with the Department of Agriculture and NDA.

TOURISM

The Chris Hani Liberation Route icon guide was launched and a promotional video was developed. Chris Hani District Municipality sponsored a successful Formula 1 Powerboat race in Queenstown. The tourism month celebrations which included a launch of our Tourism logo were held at Inxuba Yethemba Local Municipality.

SMME DEVELOPMENT

The District funded a cooperatives indaba that resulted to the establishment of the Chris Hani Cooperatives Forum. Various small projects were funded e.g. a car wash at Lukhanji LM which is fully operational.

1.4.5 FINANCIAL VIABILITY

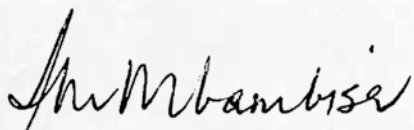
The annual budget and adjustment budget were adopted by Council within the legislative timeframes. The Annual Financial Statements were submitted to the Auditor General on time. E-Venus roll-out was completed at Intsika Yethu Local Municipality. The District Municipality provided loans to Inxuba Yethemba, Inkwanca and Ngcobo Local Municipalities due to cash-flow problems. The Municipality has spent all R168 million that was allocated in the Municipal Infrastructure Grant. The only contract scheduled for 2 years is with Amatola Water for Water Services Provision.

1.4.6 GOOD GOVERNANCE AND PUBLIC PARTICIPATION

The IDP and Budget road-shows were held in all local municipalities. The Chris Hani month celebrations were also used for consultation with our communities. The Communication Strategy was reviewed and implemented. A risk management policy and strategy was adopted by Council. Service Providers were procured to assist local municipalities with the internal audit function. Intergovernmental Relations structures were established but participation needs to improve. Council has a number of cases, mostly with service providers on contractual matters that are being handled by their lawyers.

1.4.7 CHALLENGES

- Staff turn-over and skills retention especially in engineering
- The Municipality has been unable to recruit the Chief Financial Officer during the financial year
- Delays in the organisational review project funded by DBSA
- Huge water and sanitation backlogs that require more funding
- Drought experienced in some villages resulting in drinking water being carted
- The future of our roads staff
- Huge funding required for the resuscitation of irrigation schemes
- No conditional grant for LED projects which therefore depend on partnerships
- Disclaimer – audit opinion
- Poor participation of communities in municipal programmes
- Accountability of community development workers as they are employed by Department of Local Government and Traditional Affairs.



M MBAMBISA
MUNICIPAL MANAGER

**PART TWO:
PERFORMANCE REPORTS**



CHRIS HANI
DISTRICT MUNICIPALITY

Corporate Services Directorate





2.1.1 OVERVIEW

The operations of the Corporate Services Directorate are mainly a support function to the service delivery arm or directorate of the institution. Its operations are based on the strategies and objectives as outlined in the Integrated Development Plan of the institution IDP. It is responsible for the following components: Human Resources, Administration and Legal Services, Fleet Management Services.

2.1.2 PERFORMANCE AUDIT COMMITTEE REPORT FOR THE YEAR ENDED 30 JUNE 2009

2.1.2.1 INTRODUCTION

In terms of Municipal Financial Management Act 56 of 2003, the Municipal Act 32 of 2000 and the Planning and Performance Management Regulations of 2000, a municipality must, inter alia, implement a system to monitor performance and consequently establish a Performance Audit Committee. Chris Hani District Municipality (CHDM) appointed a Performance Audit Committee in February 2007. The Committee aims to provide an object review and assessment of performance of the municipality, the employees and the performance management system itself to provide advice and recommendation thereof.

2.1.2.2 SUMMARY OF MEETINGS HELD DURING THE FINANCIAL YEAR ENDED 30 JUNE 2009

There were a number of meetings during 2009 financial year on the following dates, 22 August 2008, 21 October 2008, December 2008, 4 February 2009 and 16 May 2009. On the 3 October 2008, the Provincial Legislature Portfolio Committee met with Performance Audit Committee, and the Audit Committee regarding their expectations from these committees. In addition to the latter Performance Audit Committee were actively involved with performance assessment and the Section 57 managers and the Municipal Manager.

2.1.2.3 COMMITTEE MEMBERS AND OFFICIALS

The committee consisted of the following members during the 2008/2009 financial year:

- Mr. B Khohliso (Chairperson- resigned 21 October 2008)
- Mr.Q.H.Faltain(Member- commenced 21 October 2009)
- Dr.W. Plaatjies (Acting Chairperson)
- Ms T. Putzier (Member)
- Mr .J.F. vd Walt (Councillor)
- Ms. N Bikwana (Councillor – last meeting 4 February 2009)
- Ms. Makalima (Councillor – commenced 18 November 2009)
- Ms. V. Dusubana (Internal Audit)

2.1.2.4 FUNCTIONS OF THE COMMITTEE

This is the second report that we have compiled for the year ended 30 June2009.

A performance audit is an independent auditing process aimed at ensuring that satisfactory management measures have been instituted to confirm that resources are both acquired economically as well as used efficiently and effectively. Essentially, it entails “optimal (best) use of available resources” “to achieve the stated goals”, in the “least expensive way”

The primary objective of a performance audit committee is to confirm independently that measures exist and are effective, and to provide management and the other legislative bodies with information, by means of a structured reporting process, on adequate and inadequate management measures, and to explain the effects thereof.

Another objective of a performance audit committee is to bring possible areas for improvement to the attention of management, and to encourage management to take the necessary corrective steps to improve its management measures.

2.1.2.5 FINDINGS OF THE COMMITTEE REGARDING AREAS FOR IMPROVEMENT

A summary of the activities for the period 1 July 2009 to the 30 June 2009 included the following:

Performance Audit Charter

The Performance Audit Charter of Chris Hani District Municipality (CHDM) was adapted by Council in September 2008 as the guiding document for existence and operation of Chris Hani District Municipality Performance Audit Committee.

Quarterly Reports

The committee's aim with regard to quarterly performance reports is focused on risk management and performance measures to ensuring that the CHDM's resources are used effectively, efficiently and economically, as per section 62 of the Municipality Finance Management Act (Act no. 56 of 2003). In this regard Performance Audit Committee introduced a standardized reporting format for Quarterly Reports for Directorates and department that actively seeks to proactively evaluate performance and where inhibitors to performance are timeously indentified. Uptake on the new reporting format is however extremely sluggish.

Staffing Issues

The following staffing issues were raised with management but remain unresolved since last years' (2008) report:

- Operating without a CFO and a member of Finance directorate acting in this capacity. Performance Audit Committee again addressed this issue in a letter to the executive mayor, Speaker, the Mayoral Committee and the Municipal manager in May 2009. Only in October the CFO was appointed.
- The strategic Manager has resigned and the Council has not taken a decision as to whether the post is going to be filled. This burden have squarely fallen onto the municipal manager. The municipal manager has a huge workload as seven unit report to him, as well as the HOD's. The Performance Audit Committee again addressed this issue in a letter to the executive mayor, Speaker, the Mayoral Committee and the Municipal manager in May 2009 and to date still remains unresolved.
- The IPED Director contract expired at the end of July 2008. The Committee is very concerned on how the matter is being dealt with .The committee wrote a letter to the Council to express the committee's concern on how Council achieves continuity. The Performance Audit Committee again addressed this issue in a letter to the executive mayor, Speaker, the Mayoral Committee and the Municipal manager in May 2009 and to date still remains unresolved.
- The Supply Chain Management still remains a challenge. Council needs to resolve this issue as it negatively impacts on all directorates, and hence service delivery of the District.
- In general, the committee is very concerned about the staff turnover, the lack of retention strategy and the morale of the employees. The matter was addressed in the letter from the committee to the Council in August 2008. The Committee recommends curtailing the high staff turnover; Council should contractually bind staff to a period equal to their length of study and an external consultant must be contracted to benchmark for remuneration scales for CHDM. The Committee also recommends a retention strategy we designed and it should be followed up with succession planning.

2.1.2.6 INTERNAL AUDIT UNIT

Section 165 of MFMA defines the role of the internal unit and its responsibilities to include advising the CFO and reporting to the Performance Audit Committee on the implementation of the internal plan and matters relating to, amongst others, performance management loss of control and compliance with the MFMA. The CHDM internal audit unit cannot fulfil its responsibilities due to a lack of resources (staff) and the fact that it has to assist local municipalities within the district. Since 2008 no positive movement has occurred.

2.1.2.7 WAY FORWARD

We finalized our Performance Audit Committee Charter that will regulate the activities of the committee. This in itself is a great milestone of the Performance Audit Committee.

We would like to highlight and comment on the following achievements:

- Service delivery has improved albeit marginally.
- National Launch of the Route was commendable.
- Launching the CHDM Tourism Logo.
- Full Municipal Infrastructure Grant funding was spent. It was encouraging to see no rollover of funds.
- Interventions by the Department of Local Government are good initiative to assist in turning the bad audit reports into a good one in the future.

Going forward, we again implore that an external service provider be engaged to perform a complete performance audit of CHDM, then the committee can focus and target certain underperforming areas.

2.1.2.8 CONCLUSION

We would like to thank the Council, Municipal Manager and Department Heads, and in particular, Performance Audit Committee secretary, Sylvia Pieterse for the support they have provided during the period review.

Dr W Plaatjies (acting Chairperson)

On behalf of the Performance Audit Committee, 25 November 2009

2.1.3 HUMAN RESOURCES SECTION

The Chris Hani District Municipality total workforce is 418 employees, of whom 291 are permanent employees, 102 are as a result of staff transferred by the Department of Water Affairs and 25 are temporary staff members.

The table below shows the number of employees who have since terminated their service and those that have commenced employment. It is noted with deep regret that four employees who have been adding value to the Municipality and community at large have passed away.

APPOINTMENT	RESIGNATIONS	RETIREMENTS	DEATHS
33	17	14	4

It is important to note that six of the above appointments were as a result of promotion to management and supervisory level.

The Municipality values stability in the workplace and through the Local Labour Forum all labour related issues are discussed and resolved between the employer component and the labour components represented by South African Municipal Workers Union [SAMWU] and Independent Municipal Allied Trade Union [IMATU]

FINANCIAL INFORMATION ON MEDICAL AID SCHEMES

NAME OF SCHEME	NUMBER OF MEMBERS AS AT 30 JUNE 2009	EMPLOYER'S ANNUAL COST
Bonitas	119	R 156 803.04
Key Health	2	R 41 860.80
LA Health	78	R 1 630 755.60
Samwumed	28	R 292 442.40
Medicover	2	R 30 758.16
Medshield	1	R 13 290.12

NAME OF SCHEME	NUMBER OF MEMBERS AS AT 30 JUNE 2009	EMPLOYER'S ANNUAL COST
Best Med	1	R 10 966.56
Fed Health	5	R 47 620.92
Total	236	R 3 637 524.60

FINANCIAL INFORMATION ON PENSION FUNDS

NAME OF SCHEME	NUMBER OF MEMBERS AS AT 30 JUNE 2009	EMPLOYERS ANNUAL COST
Cape Joint Retirement Fund	224	R 5 116 841.28
Cape Joint Pension Fund	12	R 196 557.84
Municipal Employee Pension Fund	1	R 14 139.00
Sanlam Annuity	3	R 51 215.76
Liberty Life	2	R 23 440.32
Sanlam Retirement Fund	28	R 339 446.16
Sala Pension Fund	5	R 103 581.72
Government Employee Pension Fund	101	R 819 918.84
Total	376	R 6 665 140.56

The above financial information reflects the Council's annual portion of contribution to the medical aid and pension funds.

2.2.2.1 TRAINING AND DEVELOPMENT

This function includes equipping employees and councillors with necessary skills and knowledge to deliver on IDP Objectives or render quality services to the communities. It further involves the process of opening opportunities to students to do practical/experiential work in the Council to satisfy the requirements of their academic qualifications.

Within the financial year 08/09 an amount of R 469 900.00 was used for training interventions in line with the adopted and approved Workplace Skills Plan. A total of 146 employees received training.

The training done was as follows and some training interventions included local municipalities within the district. It should further be noted that other training is facilitated through SALGA and the provincial government.

No	Training Course	No of Councillors	No of Officials
1.	Cartography with ArcGIS	0	1
2.	CPMD	3	3
3.	Pre Assessment Microsoft Office	0	38
4.	Government Media: Essential tools for Editors and Journalists	0	2
5.	Project Management	0	37
6.	Asset Management	0	2
7.	Targeted Recruitment & Selection	0	9
8.	TeamMate Training	0	2
9.	Microsoft Office	0	22
10.	Five Keys to Food Safety	0	20
11.	CPMD Advanced	2	0
12.	Local Government Law & Administration	1	0
13.	Advanced Local Government Law & Administration	1	0
14.	Executive Municipal Leadership Development	1	0



Study Assistance Bursary Scheme for Employees

As part of building capacity of the workforce the District is providing study assistance to those employees who wish to further their studies. The above is of assistance to both the employee and the organization in that when the skills of employees are enhanced the level of performance or productivity is also improved.

Within the financial year 2 employees received assistance to further their studies in the following fields:

- Engineering
- Financial
- Administration

Experiential Training and Internship Programme

There is an experiential training programme in place which seeks to expose learners to the working environment in order to bridge the gap between theory and practice. A total of 5 learners were given an opportunity to gain practical experience within the Engineering section, Municipal Manager's Office, Supply Chain section, Environmental Health section and Corporate Services Office. The programme runs for the maximum of three months.

2.2.2.2 COMPLIANCE WITH OCCUPATIONAL HEALTH AND SAFETY LEGISLATION

The human resources unit has responsibility for implementing the requirements of the OHS Act as well as the Compensation for Injuries and Diseases Act. Safety-related policies and plans were adopted for implementation by Council.

During the financial year 08/09 six employees were injured on duty and all the necessary administrative measures were completed. Challenges were experienced in achieving co-operation with local municipalities with regard to health and safety matters and compliance with the SHE Plan.

2.2.2.3 POLICIES AND BY LAWS

Within the financial year the following policies were adopted by Council for implementation. The main purpose of the policies is to ensure compliance with legislation, alignment with strategic objectives, to address operational issues and to drive corporate governance. The policies have been communicated to employees on an ongoing basis:

- Internet and E-mail Policy
- Computer Acquisition Policy
- Cash Management & Investment Policy
- Scarce Skills Policy
- Fraud Prevention Plan
- Overtime Policy
- PMS Policy
- Debt Collection and management policy

In addition to the above policies the following by-laws were adopted by Council:

- Air Quality Management by-law
- Accommodation Establishment by-law
- Barbers, Hairdressers, & Beauticians by-law
- Management of Human Remains by-law
- Municipal Health by-law
- Waste Management by-law
- Pre- school Institutions by-law.

2.2.2.4 OTHER PROGRAMMES OR PROJECTS

As part of providing support to the service delivery arm of the institution the following programmes or projects were identified for implementation:

Employee Perception Survey

The objective of the survey is to ascertain the current climate within the organisation, focusing on a number of work-related themes (e.g. job satisfaction, employee commitment, morale and motivation, leadership and management style, relationships and trust, communication, etc.). In order to maintain superior performance, employee commitment and an overall genial work environment, the municipality has demonstrated a commitment to its employees and wishes to understand their perceptions and concerns as well as the internal working environment.

Integrated Wellness Strategy

The CHDM has recognised the impact of societal factors on the performance of the organisation. To this end the general wellness of the employees has been seen to have a direct impact on absenteeism rates, performance, and productivity and staff retention issues. The effective management of wellness of the individual, and ultimately the organisation, can be seen to be influenced by emotional, environmental, intellectual, occupational, physical, social, financial and spiritual factors, which need to be addressed from proactive, preventative and curative perspectives in order to optimise personal wellness.

Through competitive bidding the above two projects have been awarded to the Service Provider for commencement in the next financial year.

2.1.4 ADMINISTRATION AND LEGAL SERVICES

Administration and Legal Services is responsible for providing secretariat support to Council Committees and administrative support to the entire institution.

Council has 5 committees comprising the following:

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

2.1.4.1 MAYORAL COMMITTEE AND DISTRICT COUNCIL MEETING.

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

The administration unit also provides secretariat support to the following committees of Council: Performance Audit Committee, Management meetings, Bid committee meetings and Heads of Departments meetings.

In the financial year the unit has upgraded the telephone system to ensure its effectiveness.

2.1.5 FLEET MANAGEMENT SECTION

The section provides fleet services for the municipality and in doing so it is guided by the Fleet Management policy. Council vehicle are centralised and managed within this unit with the exception of primary health care.

2.1.5.1 VEHICLES PURCHASED

Date	Description	Registration	Value
July 2008	Isuzu vacuum tanker	FBP 227 EC	R 1 024 155
July 2008	Isuzu water tanker	FBP232 EC	R 966 962
August 2008	Ford Fiesta	FBN 081 EC	R 115 520
August 2008	Toyota Quantum	FBZ 192 EC	R 247 100
January 2009	Mazda 3	FDK 739 EC	R 183 000
January 2009	Mazda Drifter	FDR 893 EC	R 256 000
January 2009	Mercedes Benz Fire	FDM 819 EC	R 203 620
April 2009	Nissan Mobile Clinic	FFH 461 EC	R 271 495
April 2009	Nissan Mobile Clinic	FFH 464 EC	R 271 495
April 2009	Nissan Mobile Clinic	FFH 465 EC	R 271 495
June 2009	Toyota Hilux Fire	FFZ 729EC	R 249 811
June 2009	Toyota Landcruiser	FFZ 731 EC	R370 236
Total			R6 264 889

2.1.5.2 ACCIDENTS

The following accidents occurred. An excess payment of R2 500 is payable for damage exceeding R2 500. Damage less than R2500 was paid by Council.

Date	Description	Registration	Value
22 September 2008	Isuzu D/Cab	DBT 195 EC	R 112 700
23 September 2008	Ford Ranger	CWY 454 EC	R 70 000
07 October 2008	Ford Fiesta	FBN 081 EC	R 5 600
16 October 2008	Toyota Hilux	DYL 723 EC	R 4 124
29 January 2009	Mazda Drifter	DPM 135 EC	R 2 417
11 January 2009	Toyota Quantum	FBZ 192 EC	R 1 877
29 January 2009	Ford Fiesta	DVH 396EC	R 1 464
17 February 2009	Ford Bantam	DFB 185 EC	R 2 739
10 February 2009	Isuzu D/Cab	DVC 801 EC	R 2 581
20 March 2009	Ford Fiesta	FBN 081 EC	R 96 000
05 May 2009	Mazda Drifter	DPM 135 EC	R 15 270
13 May 2009	Kia Pregio	DBY 603 EC	R 15 462
Total			R 330 234

The amount paid by Council for damage to the above mentioned vehicles amounts to R 39 348.

2.1.5.3 DISPOSAL OF VEHICLES

The following vehicles were sold per public auction on 28 November 2008.

Date	Registration	Value
Opel Kadett	BYG 082 EC	R15 500
VW Golf	BYS 357 EC	R15 000

2.1.5.4 REPAIR AND MAINTENANCE

The following repairs and maintenance were done.

Date	Value
July 2008	R 29 023
August 2008	R 17 759
September 2008	R 25 247
October 2008	R 28 557
November 2008	R 32 307
December 2008	R 88 972
January 2009	R 19 643
February 2009	R 18 589
March 2009	R 59 911
April 2009	R 31 432
May 2009	R 45 049
June 2009	R 19 054
Total	R415 543

The amount of R39 348 for repairs of accident damage is also included in the above amount.

2.1.5.5 POWER TRACK VEHICLE MANAGEMENT SYSTEM

The following expenses occurred for the installation of Power Track Vehicle Management Systems and monthly rental thereof.

Date	Value
November 2008	R 87 780
January 2009	R 15 960
February 2009	R 70 383
Total	R174 123

All vehicles managed by the Fleet Management Officer are equipped with Power Track Vehicle Management Systems as prescribed by the Fleet Management Policy.

2.1.5.6 CONTROL

Fleet Management is currently in a good state. Various control measures are in place such as:

- Power Track Vehicle Management System
- Daily booking register
- Over speeding reports
- Daily checklist
- Accident reports and
- Drivers license register.

Engineering Directorate



Makhaya Dingu
Director of Engineering



2.2.0.1 INTRODUCTION

A huge allocation of the Chris Hani District Municipality capital budget is being managed by the Directorate. The high demand from communities to have access to basic services, puts pressure on the directorate to ensure that it manages and delivers these services within the stipulated times. The directorate is pivotal in the fight against unemployment and poverty which is translated into contracts that benefit communities, small entrepreneurs and the private sector. The district municipality's economic growth is mainly sustained by the construction industry which in turn is supported by funds through programmes from different sector departments. As a directorate it has to ensure that these funds benefit the community as a whole through good governance, accountability and transparency. Achieving the millennium development goals still remains our biggest challenge.

2.2.0.2 STRATEGIC OBJECTIVES

- Eliminate backlogs in water and sanitation
- Operate and Maintain water service schemes
- Provide a transport plan
- Maximise job creation through Expanded Public Works Programme
- Provide bulk infrastructure
- Maintain roads at Inxuba Yethemba Local Municipality

2.2.1 EXPANDED PUBLIC WORKS PROGRAMME

EPWP is currently on its second Phase where unemployed people are employed for longer periods. The target of Government is to achieve full-time equivalent employment of 230 days per year for each person employed. The Government had further established an incentive grant to be awarded to Municipalities that meet the Government target.

2.2.1.1 TARGETS

CHDM was given a target of creating 2 689 work opportunities for 2008-09 and achieved 2 278. The projects implemented under the Vukuphile Programme were the Gqobonco/Nkondlo Water Supply and Tsomo RDP2 Water Supply which benefited 679 households and created 339 jobs, and benefited 527 households and created 280 jobs respectively. The target for 2009-10 is to create 1382 full-time equivalent jobs which are equal to 16 584 work opportunities.

Listed below are the projects implemented under Vukuphile learnership for 2009-10. These projects started in June 2009 and are expected to be completed by June 2010.

PROJECT NAME	PROJECT TYPE	PROJECT BUDGET
Gqobonco/Nkondlo EPWP 6	Water provision	R2 100 899.16
Gqobonco/Nkondlo EPWP 7	Water provision	R2 524 290.78
Gqobonco/Nkondlo EPWP 8	Water provision	R1 966 157.70
Gqobonco/Nkondlo EPWP9	Water provision	R2 635 022.43
Gqobonco/Nkondlo EPWP10	Water provision	R2 458 120.74
Ward 15- Banzi B	Water provision	R2 590 289.93
Ward 15- Banzi C	Water provision	R3 181 690.06
Ward 15- Banzi D	Water provision	R2 227 351.89
Ward 15- Banzi E	Water provision	R3 478 630.74
Ward 15- Banzi F	Water provision	R2 549 034.00

2.2.2 MUNICIPAL INFRASTRUCTURE GRANT (MIG)

The DM is involved in the implementation of capital projects throughout its area of jurisdiction through MIG funds which are made available by the Department of Housing and Local Government (DPLG). The DM has spent all the R168 million allocated funds in the 2008-2009 financial year. Engineering staff successfully managed to plan and implement 62 of its projects. Listed below are Basic Service Delivery & Infrastructure achievements in the 2008-2009 financial year.

Target	Target (households)	Target date	Achievements
Eradicate buckets	613	June 2009	523 Buckets eradicated
Provide basic water	18 295	June 2009	18135
Provide basic sanitation	33 726	June 2009	12436

The challenges that faced the Engineering Department were the turnover of staff which has hindered operations in achieving some targets. Staff who resigned were the PMU manager and two area managers who were key in the delivery of services.

2.2.2.1 PERFORMANCE REPORT

MEASURABLE OUTCOME	MUNICIPAL INFRASTRUCTURE GRANT (MIG)
Activities/Project Description	Implementation of Capital Projects for CHDM
Project Leader	Mr M Dungu
Budget 2008/09	R168 053 000
Key Deliverables	Completed functional water and sanitation scheme
Due Date	March 2009
Percent Complete	100 %
Budget Spent	R168 053 000
Stakeholders/partners	DWAF, DPLG, DHLGTA
Challenges	Scarce skills on contractors

2.2.3 WATER SERVICES PROVISION

Two years have passed since the appointment of the Amatola Water Board to assist the district municipality with the provision of water in certain parts of the district. The Amatola Water Board was also to assist with building the capacity of the 4 Local Municipalities who are not Water Service Providers to become fully operational WSPs by the end of their contract.

External factors like prolonged periods of drought hindered these operations. A number of water sources dried up and towns like Queenstown, Takastad, Hofmeyr and Middleburg were hard hit. This put a further strain in our operational budget: as water schemes ran dry huge volumes of water had to be carted using hired water trucks.

The Water Services Provision agreement with the Amatola Water Board came into an end on 30 June 2009, and Council resolved not to extend the contract but to appoint municipalities which were serviced by Amatola Water Board as Water Services Providers. This is in line with the recommendations of the Section 78 assessment. Council also resolved to capacitate all 8 municipalities by establishing the WSP units within each LM in order for them to be able to perform the function.

In the 2008/2009 financial year Water Services had the following programmes:

2.2.3.1 OPERATIONS AND MAINTENANCE

The Operations and Maintenance programme was allocated R46 million to service the entire district where Amatola Water Board was servicing the rural areas of the municipalities on the eastern side (Emalahleni LM, Engcobo LM, Sakhisizwe LM, Intsika Yethu LM) while those municipalities were only responsible for servicing towns. Inkwanca LM, Tsolwana LM, Lukhanji LM and Inxuba Yethemba LM were appointed as Water Service Providers on behalf of CHDM.

2.2.3.2 REFURBISHMENT OF SCHEMES

The Department of Water Affairs (DWA) funded a refurbishment programme which covered the Machubeni Water Treatment Works and Whittlesea Water Treatment works and was successfully completed.

Water Services Authority (WSA) Capacity Building Programme

The WSA Capacity Building Programme funded by the Department of Water Affairs assisted CHDM in developing the following strategies and documents:

- Revenue Collection Strategy
- Consumer Charter
- Groundwater Management Plan
- Electrification of diesel engines proposal
- Draft Water Services Providers Business Plans for 2009-10
- Database of boreholes that are not registered or monitored.

2.2.3.3 WATER CONSERVATION AND DEMAND MANAGEMENT

The water conservation and demand management study was funded by DWA and was implemented at Lukhanji LM through the installation of bulk water meters at the water works and at Emalahleni LM through the identification and repair of leaks to prevent loss of water in Lady Frere town.

2.2.3.4 FUTURE OF WATER SERVICES

Council resolved that at the end of the Amatola Water contract all 8 municipalities would resume the WSP function. But a need was identified that Council would have to capacitate municipalities by establishing WSP units within each LM. Councils of all local municipalities resolved to accept CHDM's provision function, which allowed CHDM to perform only the regulatory function of being a Water Services Authority. In preparation for the new WSA/WSP arrangement the following had been achieved by the end of June 2009:

- Budgets for all WSPs had been allocated
- Critical posts for the WSP units were approved and advertised
- Draft WSP Business Plans were completed
- Draft WSP Contracts were completed
- Transferred ex-DWA staff had been introduced to affected LMs for incorporation in the WSP structure and operations.

2.2.4 ROADS

The 3-year Service Level Agreement (roads maintenance contract) with the Department of Roads and Transport (DoT) has reached its final period as the contract will be ending at the end of March 2010. An indication was received that DoT is willing to conclude another contract. The District Municipality was commended by the community and DoT for its commitment and the high quality of the roads it has maintained.

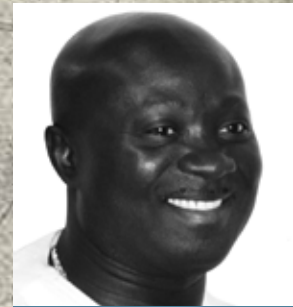
2.2.4.1 PERFORMANCE REPORT

MEASURABLE OUTCOME	ROADS & STORMWATER
Activities/Project Description	Routine Roads Maintenance function on the Provincial Roads network located within the Inxuba Yethemba LMA for a period of 3 years with an option to extend.
Project Leader	Mr M Dungu
Budget 2007/08	R 20 000 000
Key Deliverables	<ul style="list-style-type: none">• Full spectrum of routine road maintenance activities. (Mainly regravelling/re construction and blading)• Blading – 2148 Km/Regravelling (a minimum of 70 Km p/year)• Three year Service Level Agreement (1 April 2007 – 31 March 2010)• Fixed budget of 66 Million for the three years.
Due Date	March 2008
Percent Complete	100 %
Budget Spent	R20 000 000
Stakeholders/partners	Department of Roads & Transport
Challenges	Option to extend this agreement.

CONCLUSION

Staff turnover and skills retention will remain the biggest threat to the department as the trend remained the same as in the previous year. The year ahead should see the department concentrating more on its regulatory function, compared to provision, and that could be challenging in the light of the strong compliance requirement of the Department of Water Affairs. Visibility at Local Municipality and project level will be one of our targets to foster good relationships and project monitoring.

Integrated Planning and Economic Development Directorate



Danso Agyemang
Director of IPED





2.3.1 INTRODUCTION

The core business of the Directorate of Integrated Planning and Economic Development (IPED) is to create and facilitate an enabling environment for community participation, job-creation and the promotion of co-ordination and integration within the framework of the Inter Governmental Relations Framework.

The Directorate is responsible for planning: both strategic planning and statutory planning. This encompasses the areas of Integrated Development Planning, Town and Regional Planning, Local Economic Development (LED), Housing Co-ordination, the Geographical Information System (GIS) and Performance Management System in pursuance of its mandate. The stated objective of the Directorate is to be "an integrated, capacitated directorate that excels at facilitating coordinated service delivery in partnership with stakeholders"

2.3.2 PURPOSE

As a compliance issue this report is presented in terms of the prescripts of the Municipal Finance Act of 2001. The report further provides insight to the Directorate's achievements regarding its Key Performance Areas (KPA) challenges encountered.

The report finally highlights the contribution of the directorate towards the strategic goal of the District Municipality in services provision.

2.3.3 OVERVIEW

An Integrated Development Plan (IDP) is a strategic document that guides Council in decision making which is further aligned to the 5-year Local Government Strategic Agenda. The Directorate in a 5-year cycle develops an IDP and reviews it on an annual basis to reflect on changing circumstances and to address service delivery challenges.

The process of crafting the IDP is consultative and time-consuming as all major stakeholders need to be consulted for input. The District Municipality has completed its Corporate Geographical Information System (GIS) which attempts to capture and map all development intervention with spatial implications. The strategic emphasis regarding Local Economic Development (LED) continues to be around livestock improvement through the introduction of the Nguni breed in all eight Local Municipalities with the strategic partnerships of ASGISA, Zulukama, the Department of Agriculture and the Department of Economic Development (DEDAE).

The tourism sector continues to receive support from Council as millions are invested in the declaration of identified sites as national, provincial and local Heritage Sites. The Liberation Heritage Route is being developed through centres of attraction and education. In the field of agriculture, the revitalisation of the irrigation schemes is a priority of Council. However to maximise impact it has been decided that all resources would be channelled into one scheme to ensure effective operationisation. In this context Shiloh Irrigation scheme was identified and a private partner secured to undertake dairy production. The Department of Agriculture has been a major contributor to the development of the dairy project at Shiloh which is expected to be operational in the 2009/10 financial year.

The Performance Management System (PMS) is aligned to the 5-year Local Government Strategic Agenda and the Municipal IDP. Performance Agreements of Section 57 Employees have been developed and implemented. How to

implement the system to employees below section 57 continues to be a challenge to senior management as a result of non co-operation from labour unions.

The implementation of housing co-ordination and land-use management continues to be a challenge due to the limited financial and human resources at category B municipal level. The District Municipality had hoped that the review of its Spatial Development Framework (SDF) would ensure that development would take place in an integrated and sustainable manner and that guidelines for land use management would be formulated. However due to limited co-operation, the SDF has only completed the analysis phase. It will be completed in the new financial year and provide guidance for the several local municipalities that have recently commenced with their revisions. Hopefully the completed document on the challenges experienced with the implementation of the National Spatial Development Perspective (NSDP) of which the District was a pilot project will provide some solutions to the challenges of implementing land-use management systems.

On the institutional side, the Directorate has finally managed to achieve a full complement of staff with the engagement of an IDP Planner, a GIS Technician and an agricultural technician.

2.3.4 PERFORMANCE REPORTS

IDP

MEASURABLE OUTCOME	LEGAL COMPLIANCE IMPLEMENTATION OF LOCAL GOVERNMENT STRATEGIC PLAN SATISFYING COMMUNITY NEEDS
Activities/Project Description	Approved IDP
Project Leader	Ms. B. Viedge
Budget 2008/9	R 1,129,000.00
Key deliverables	Approved IDP
Due date	June 09
Percent complete	100 %
Budget spent	R 1,129 000
Stakeholders/partners	<ul style="list-style-type: none"> • LM & DM Officials • All Sector Departments • Community members
Challenges	Insufficient co-operation from stakeholders

HOusing

MEASURABLE OUTCOME	ACCESS TO HOUSING IMPROVES QUALITY OF LIFE. REDUCED TRAVEL COST AND TIME OF STAFF MEMBERS ENHANCES PERFORMANCE.
Activities/Project Description	Regular reporting & co-ordination on sector plans and housing delivery
Project Leader	Mr. D-P. Agyemang
Budget 2008/9	None
Key deliverables	<ul style="list-style-type: none"> • Housing Manager appointed or provincial official dedicated to the DM for coordination. • Land for Housing identified. • Developer identified for housing delivery • Housing Sector Plans completed
Due date	June 09
Percent complete	%
Budget spent	None
Stakeholders/partners	<ul style="list-style-type: none"> • Dept of Housing • LM Housing Officials • Community members
Challenges	<ul style="list-style-type: none"> • Clarity on the DMs role in Housing delivery. • Accreditation pilot exercise ongoing.

Forestry Development

MEASURABLE OUTCOME	JOB CREATION, POVERTY ALLEVIATION
Activities/Project Description	Appointment of service provider to construct the pole treatment plant, Engcobo charcoal project start operating, Tree Nursery project business plan developed. Sakhisizwe Charcoal project plant installation.
Project Leader	Mrs. Z.R. Msutu
Budget 2008/09	R 5 000 000
Key Deliverables	Engcobo Charcoal project is operational, Tree nursery project business plan developed, Sakhisizwe charcoal project institutional arrangements done.
Due Date	End March, 2009
Percentage Complete	70%
Budget Spent	R 3 700 000
Stakeholders/Partners	Engcobo, Sakhisizwe, Intsika Yethu Local Municipalities, Department of Agriculture Forestry and Fisheries, Sawmillers, DEDEA, DEAET, Department of Rural Development and Land Reform, Local Communities.
Challenges	Sawmill project not to start because of the shortage of raw material to supply the project, Service provider for the installation of the pole treatment plant not appointed due to the shortage of funds.

Chris Hani Liberation Heritage Route

MEASURABLE OUTCOME	SERVICE PROVIDER APPOINTED ,ICON SITE GUIDE HAS BEEN PRODUCED AND LAUNCHED
Activities/ Project description	<ul style="list-style-type: none"> • Development of LHR and other tourism attractions' Promotional Video(DVD) • Training Seminars for LED and Tourism officials on LHR Issues • Development of Conservation Management Plans for all the sites
Project leader	M. Madyibi
Budget 2008/09	R 2 231 185,37
Key Deliverables	Appointment of Implementing agent for CHDM LHR, implementation of Phase 2 of LHR
Due Date	End September 2009
Percentage Complete	30%
Budget Spent	R611 036 89
Stakeholders	CHDM, DSRAC, LMs, NHC
Challenges	<ul style="list-style-type: none"> • Lack of involvement by Political Originations and other relevant stakeholders • Lack of support and commitment by some of the local municipalities • Lack of skilled Heritage Practitioner to drive the project at both CHDM and at local level

Destination Management and Marketing

MEASURABLE OUTCOME	DEVELOPMENT AND LAUNCH OF CHDM TOURISM BRAND (LOGO). SUCCESSFUL HOSTING OF EVENTS I.E. FORMULA 1 POWER BOAT, QUEENSTOWN CARNIVAL, FLEA MARKET EVENT
Activities/ project description	Marketing of the CHDM as a tourist destination
Project Leader	M. Madyibi
Budget 2008/09	R200 000
Key deliverables	<ul style="list-style-type: none"> • Creation of Signage for CHDM tourism Attractions • Host tourism Events • Organise Exhibition and trade shows(Indaba , getaway & adventure shows) • Tourism month(heritage activities) • Development of Safety & Security Plans • Development of advertising tools
Due date	End June 2009
Percentage Complete	100%
Budget Spent	R199 198,25
Stakeholders	LM, Community, Tourism operators
Challenges	Limited Budget

Livestock Improvement (Marketing Facilities)

MEASURABLE OUTCOME	AGRICULTURAL STRATEGY DEVELOPED
Activities/ project description	<ul style="list-style-type: none"> • 4 sale pens constructed; 2 in Emalahleni, 1 in Intsika Yethu and 1 in Sakhisizwe LM. • Several auction sales have been held throughout the District.
Project Leader	M. Daweti
Budget 2008/09	R 99 698,41
Key deliverables	Construction of sale pens
Due date	30th June 2009
Percentage Complete	100%
Budget Spent	R94 716.74
Stakeholders	Farmers Union, NWGA
Challenges	Ownership of the structures , farmer Capacitation,

Cheese Factory

MEASURABLE OUTCOME	VALUE ADDITION
Activities/ project description	<ul style="list-style-type: none"> • Forensic investigation implemented • Employment of security firm
Project Leader	M. Daweti
Budget 2008/09	R325 048,36
Key deliverables	Cheese production
Due date	30th June 2009
Percentage Complete	80%
Budget Spent	R325 048.36
Stakeholders	Emerging Farmers, Commercial farmers Union, Emalahleni LM, ECDC
Challenges	Securing private partners for the factory to operate, Conclusion of forensic investigation

Nguni Project

MEASURABLE OUTCOME	IMPROVED NUTRITIONAL VALUES, BETTER ANIMALS PRODUCED
Activities/ project description	Distribution of Nguni animals in all 8 Local Municipalities.
Project Leader	M. Daweti
Budget 2008/09	R5 200 000
Key deliverables	12 Nguni cattle Delivered to each LM
Due date	April 2009
Percentage Complete	100 %
Budget Spent	R5 128 170,61
Stakeholders	Univ. of Fort Hare, Commercial Farmers, Communities, LMs
Challenges	Difficulty in getting quality Nguni cattle

Sterkstroom Wool and Mutton Production Project

MEASURABLE OUTCOME	PURCHASE OF SHEARING EQUIPMENT PRODUCTION OF HIGH GRADE WOOL
Activities/ project description	<ul style="list-style-type: none"> • Mentor employed (contract completed) • NWGA & DoA training • Shearing shed equipment delivered • Shearing shed at Sibonile built
Project Leader	M. Daweti
Budget 2008/09	R1 000 000
Key deliverables	Shearing shed constructed
Due date	June 2009
Percentage Complete	100%
Budget Spent	R1 000 000
Stakeholders/Partners	NWGA, Inkwanca LM, Community
Challenges	None

High Value Cropping

MEASURABLE OUTCOME	JOB CREATION, POVERTY ALLEVIATION
Activities/ project description	Growing crops in crop production tunnels at irrigation schemes and Tylden and Fodder production Projects. Negotiations with Thina Sinako and Africare to establish a cut flower project
Project Leader	M. Daweti
Budget 2008/09	R1 250 000
Key deliverables	Tunnels constructed
Due date	June 2009
Percentage Complete	20%
Budget Spent	R298 676,73
Stakeholders/Partners	DoA, LM, Community, Africare
Challenges	Delays by DoA

Cabinet Lekgotla Report

MEASURABLE OUTCOME	TIMEOUS SUBMISSION OF REPORT
Activities/ project description	Calling of inputs from stakeholders
Project Leader	M. Danyela
Budget 2008/09	None
Key deliverables	Quality report submitted
Due date	End June 2009
Percentage Complete	100%
Budget Spent	None
Stakeholders/Partners	Sector Depts. Provincial Govts. DPLG, LMs, Communities, Civil society
Challenges	Non or late submission of reports by Sector Departments

Chris Hani Month events

MEASURABLE OUTCOME	PROJECT LAUNCHES, HANDOVERS AND IMPLEMENTATION
Activities/ project description	<ul style="list-style-type: none"> • Launch of Sorghum Belt Programme and handover of tractors at Emalahleni Municipality • Handing over of two shearing sheds at Sakhisizwe Municipality • Handing over of stock sale pen, dipping tank and storage facility at Ncora, Intsika Yethu Municipality • Launch (in partnership with ASGISA-EC) of Livestock Improvement Programme at Sakhisizwe Municipality • Handing over of a tractor to LRAD beneficiaries at Inkwanca Municipality • Main event held at Sabalele village (Intsika Yethu Municipality) where 20 head of cattle were handed over to the community
Project Leader	IPED Department
Budget 2008/09	-
Key deliverables	Various project implementation
Due date	April 2009
Percentage Complete	100%
Budget Spent	-
Stakeholders/Partners	LM, Communities, Sector Departments
Challenges	Meaningful participation by all Municipalities

Co-operative Development

MEASURABLE OUTCOME	CO-OPERATIVE INDABA
Activities/ project description	<ul style="list-style-type: none"> • Co-operative Indaba launch • Registering of CHDM Co-operative Movement as legal entity
Project Leader	P. Pukwana
Budget 2008/09	-
Key deliverables	<ul style="list-style-type: none"> • Co-operative Indaba • Registration of Co-operative as legal entity
Due date	June 2009
Percentage Complete	100%
Budget Spent	-
Stakeholders/Partners	LM, Communities, Co-operative members
Challenges	<ul style="list-style-type: none"> • Limited funding • Inaccessibility to capital markets • Uncommitted coop members • Lack of information and inability to network • Lack of mentorship and big business support • Lack of space from which to operate

PMS

MEASURABLE OUTCOME	LEGAL COMPLIANCE IMPLEMENTATION OF LOCAL GOVERNMENT STRATEGIC PLAN IMPROVED SERVICE DELIVERY
Activities/Project Description	Accountability agreements completed and signed by middle management
Project Leader	Mr. D-P. Agyemang
Budget 2008/9	R750 000.00
Key deliverables	Approved and implemented PMS
Due date	June 09
Percent complete	100 %
Budget spent	R640 000

Stakeholders/partners	DM Officials Community members Labour/Unions
Challenges	Insufficient co-operation from stakeholders Resistance from staff members and trade unions

Spatial, Urban & Rural Planning

MEASURABLE OUTCOME	REVISED SDF CORPORATE GIS IMPLEMENTATION COMPLIANCE WITH LEGISLATION
Activities/Project Description	<ul style="list-style-type: none"> • SDF revision • Corporate GIS implementation
Project Leader	Ms. N. Dlamini
Budget 2008/9	R600,000
Key deliverables	<ul style="list-style-type: none"> • Corporate GIS server functioning and intranet site • Revised SDF document
Due date	June 09
Percent complete	60 %
Budget spent	R350 000
Stakeholders/partners	<ul style="list-style-type: none"> • LM officials • DM officials • Community
Challenges	<ul style="list-style-type: none"> • Poorly capacitated officials • Insufficient funding of software and hardware • Poor document management

Tourism SMME Support

MEASURABLE OUTCOME	PROCUREMENT OF EQUIPMENT FOR SMMES HAS BEEN DONE, SMME S HAVE BEEN TRAINED
Activities/Project Description	<ul style="list-style-type: none"> • Training (customer care, business management, hospitality operations etc) of • Emerging Product owners • Assist in grading of accommodation Establishments (HDI)
Project Leader	Mr. M. Madyibi
Budget 2008/09	R798 000
Key Deliverables	<ul style="list-style-type: none"> • Capacity building Programmes for SMME • Exhibition and tradeshows Grading of Accommodation Sector
Due Date	End June 2009
Percentage Complete	99,9%
Budget Spent	R769 034,34
Stakeholders	CHDM, Emerging Product Owners and ECTB
Challenges	Insufficient budget

Tourism Institutional Framework

MEASURABLE OUTCOME	INTSIKA YETHU LOCAL TOURISM ORGANISATION HAS BEEN ESTABLISHED AND IS OPERATIONAL MIDDLEBURG KAROO TOURISM HAS BEEN ESTABLISHED AND IS OPERATIONAL CHDM INSTITUTIONAL POLICY FRAMEWORK HAS BEEN DEVELOPED AND ALL THE LOCAL MUNICIPALITIES HAVE BEEN WORK SHOPPED ON THE DOCUMENT
Activities/Project Description	Revival and establishment of Tourism Structures within the district
Project Leader	M. Madyibi
Budget 2008/09	R882 853,35
Key Deliverables	<ul style="list-style-type: none"> • Revival and formation of DTO • Formation and revival of CTAs, CTOs , LTOs
Due Date	End June 2009

Percentage Complete	99,9%
Budget Spent	R886 720,35
Stakeholders	CHDM, LTOs CTOs, LMs, DEAT, DEDEA
Challenges	<ul style="list-style-type: none"> • Limited budget to fund LTOs • Lack of tourism personnel at local municipalities • Lack of stakeholder cooperation • Local Municipalities do not budget for Tourism Development

Livestock Improvement (wool production)

MEASURABLE OUTCOME	AGRICULTURAL STRATEGY DEVELOPED
Activities/ project description	Signed agreement with the National Wool Growers Association NWGA for capacitation and construction of 5 shearing sheds; 2 in Sakhisizwe and 1 in Intsika Yethu, 1 in Lukhanji and 1 in Engcobo LM.
Project Leader	M. Daweti
Budget 2008/09	1 906 663,91
Key deliverables	Construction of shearing sheds and farmer capacitation
Due date	30th June 2009
Percentage Complete	80% of sheds complete
Budget Spent	100%
Stakeholders	Farmers Union, NWGA
Challenges	Animal health, nutrition and farmer commitment

Koffiefontein farm

MEASURABLE OUTCOME	LIVESTOCK PRODUCTION
Activities/ project description	Manager hired (contract ended March 2009) Training from National Development Agency (NDA)
Project Leader	M. Daweti
Budget 2008/09	Ro
Key deliverables	Production of quality stock
Due date	30th June 2009
Percentage Complete	100%
Budget Spent	100%
Stakeholders	Emerging Farmers, Farmers Union, DoA
Challenges	Project sustainability

Cala Abattoir

MEASURABLE OUTCOME	VALUE ADDITION
Activities/ project description	Waste management implementation plan Construction
Project Leader	M. Daweti
Budget 2008/09	R798 414,11
Key deliverables	Livestock slaughtering/ marketing
Due date	30th June 2009
Percentage Complete	30%
Budget Spent	Ro
Stakeholders	Emerging Farmers, Commercial farmers, Sakhisizwe LM, ASGISA-EC
Challenges	Securing private partners, Delays in construction and environmental certificates

Goat Project

MEASURABLE OUTCOME	IMPROVED NUTRITIONAL VALUE, JOB CREATION
Activities/ project description	<ul style="list-style-type: none"> • 70 male goats to be delivered • Infrastructure drawings
Project Leader	M. Daweti
Budget 2008/09	R1 500 000
Key deliverables	Concept document produced. Goat pen structure constructed.
Due date	June 2009
Percentage Complete	20%
Budget Spent	R154 000
Stakeholders	LMs, Farming community
Challenges	Delay in procurement processes, Delays by service provider

Massive food production

MEASURABLE OUTCOME	JOB CREATION POVERTY ALLEVIATION INCREASED CROP
Activities/ project description	<ul style="list-style-type: none"> • Funds transferred to Intsika Yethu and Engcobo to establish 150 ha maize each. • 1200 ha of sorghum planted at Emalahleni • Threshing of crops • Negotiating markets • Funds transferred to Emalahleni for sorghum crop completion
Project Leader	M. Daweti
Budget 2008/09	R1 500 000
Key deliverables	Increased crop harvested
Due date	June 2009
Percentage Complete	90%
Budget Spent	R1 500 000
Stakeholders/Partners	DoA, LM, Community
Challenges	Lack of cooperation from LMs

Irrigation Schemes-Crop Production

MEASURABLE OUTCOME	IMPROVED CROP PRODUCTION AND HARVESTING
Activities/ project description	<ul style="list-style-type: none"> • Harvesting of summer crop • Establishment of commodity groups • Dairy infrastructure construction at Shiloh
Project Leader	M. Daweti
Budget 2008/09	R3 000 000
Key deliverables	Seedling delivery, Capacity building
Due date	End June, 2008
Percentage Complete	90%
Budget Spent	R3 000 000
Stakeholders/Partners	DoA, LMs, farmers
Challenges	Delays by DoA

Regional/LED Strategy

MEASURABLE OUTCOME	IMPROVED LOCAL ECONOMY
Activities/ project description	<ul style="list-style-type: none"> • Ensure the coordinated and integrated approach in implementation of LED initiatives throughout the District. • Align LM LED strategies or plans to the DM strategy
Project Leader	M. Danyela
Budget 2008/09	R583 000,00
Key deliverables	RLED strategy developed
Due date	End June, 2009
Percentage Complete	100%
Budget Spent	R583 000,00
Stakeholders/Partners	Civil society, Communities, LMs, Sector Depts, LED Forums, Farmers Union, Business Community
Challenges	Speeding up implementation of the strategy

Building Bridges project

MEASURABLE OUTCOME	BUSINESS FORUMS
Activities/ project description	Establishment of 6 business forums
Project Leader	P. Pukwana
Budget 2008/09	R0 (Thina Sinako funding)
Key deliverables	District Business Forum & 8 LM business forums
Due date	June 2009
Percentage Complete	80 % Tsolvana, Sakhisizwe and DM forums not established
Budget Spent	R 0
Stakeholders/Partners	<ul style="list-style-type: none"> • LM LED Officials • Local Businesses • Established business forum
Challenges	<ul style="list-style-type: none"> • Limited support • Limited funding • Poorly capacitated LED officials • Limited will

SMME Development

MEASURABLE OUTCOME	FUNDING OF SMMES
Activities/ project description	Funding of SMMEs
Project Leader	P. Pukwana
Budget 2008/09	R700,000
Key deliverables	Funding of Chester Genie Lamps : Lukhanji, Clean Rite Car Wash : Intsika Yethu, Masikhanye Dry Cleaners & Laundry Cooperative : Inkwanca, Lady Frere Business Cooperative : Emalahleni, Nomandla's School Uniforms and Injongo Yethu/Africare projects
Due date	June 2009
Percentage Complete	100 %
Budget Spent	R700,000
Stakeholders/Partners	<ul style="list-style-type: none"> • LM LED Officials • Local Businesses
Challenges	<ul style="list-style-type: none"> • The available funds are grossly insufficient to make any meaningful impact on SMME development. • Limited of space for SMMEs to thrive. • Limited of business skills. • Lack of relevant information and networking opportunities



2.3.5 CONCLUSION

The report focussed on achievement in relation to Key Performance Areas (KPA) regarding Local Economic Development (LED), Integrated Development Planning (IDP), Performance Management System (PMS) and Geographical Information System (GIS). The associated challenges were outlined and remedial measures taken to ameliorate the situation where possible.

The Directorate's strategic interventions have been in areas of partnerships where successful private partners have been secured at the Shiloh Dairy and Cala abattoir projects. The strong partnership entered into with Accelerated Shared Growth Initiative South Africa (ASGISA-EC) has seen much financial injection to massive food programme and livestock improvement programme.

The District Municipality continues to provide strategic support to local municipalities for the crafting of their respective IDPs and in particular the Spatial Development Frameworks (SDF). The District Municipality again assisted emerging businesses especially within the tourism sector where most bed and breakfast entities have been assisted materially to receive a three AAA accreditations and better, in preparation for the impending 2010 Soccer World Cup.

The year under review also witnessed the successful hosting of the National Council of Provinces (NCOP) and the Premier's Executive outreach programmes, where a number of a successful LED projects were showcased, for example the sorghum project at Lady Frere.

The District Municipality also produced a credible IDP having gone through a 3-day vigorous assessment. The Municipal Performance Management System (PMS) was reviewed and aligned to all relevant legislative and policy frameworks especially the 5-Year Local Government Strategic Agenda. This was to ensure alignment, compliance and effective implementation of the system. The challenge still remains as to how to cascade the system to levels below the section 57 employees.

A major achievement was the twinning arrangement established between Landtreis Diepholz municipality in Germany and the Chris Hani District Municipality facilitated through the IPED Directorate. As a result of this partnership a Memorandum of Understanding (MoU) was reached where both district municipalities agreed to exchange knowledge and information to enhance the relationship. There on-going discussion to link local business community to the German Business Chamber for further cooperation with anticipated enthusiasm to boost local business.

It is safe to conclude that notwithstanding the myriad of challenges confronted with during the year under review the directorate excelled in executing its mandate.

Health and Community Services Directorate



Nokuthula Mgijima
Director of Health &
Community Services



2.5.0.1 INTRODUCTION

Health and Community Services directorate is charged with the execution of the Key Performance Areas (KPAs) hereunder:

- Municipal Health Services (MHS)/Environmental Management
- Primary Health Care Services, and
- HIV/AIDS Coordination (internal and external).

Under each section there are programmes and projects that are to be implemented within the CHDM area of jurisdiction.

2.5.0.2 STRATEGIC OBJECTIVES

- To provide Municipal Health Services (MHS) and Environmental Management to all the 8 Local Municipalities.
- To ensure provision of comprehensive Primary Health Care Services within the CHDM area of jurisdiction.
- Ensure proper coordination of HIV/AIDS within the CHDM area of operation.
- To provide the internal HIV/AIDS to all the employees as well as councillors of CHDM.

2.5.0.3 KEY ISSUES FOR 2008/09

An amount of R 7 150 000 was allocated by the council to undertake and implement the projects under MHS/EM with the amount of R 2 643 500 allocated for the programmes and projects of HIV/AIDS for internal as well as external coordination. For implementation of PHC Services an amount of R 1 850 000 was allocated. The following projects and programmes are done within the 3 sections.

2.4.1 MUNICIPAL HEALTH SERVICES/ ENVIRONMENTAL MANAGEMENT

2.4.1.1 FOOD SAFETY

Hawkers' Development Project

The main aim of this project is to uplift the standard of food quality with regard to the informal sector. The project was accepted with open arms by hawkers' associations and their inputs and co – operation in these projects was commendable and appreciated. CHDM assisted 60 hawkers from Lukhanji LM; 60 hawkers at Intsika Yethu LM and 50 hawkers from Emalahleni LM with the following equipment: cool boxes, water cans, tables and gazebos in assisting hawkers towards compliance with minimum standards in terms of the relevant legislation. This is not done in isolation but is coupled with health and awareness education on good personal hygiene.

Formal Food Competition

In an attempt to improve the standard of food quality and of the food handling premises a formal food competition has been launched in the last financial year with the intention of getting to all the local municipalities within the CHDM boundaries. Lukhanji was piloted last year, and in this financial year Inxuba Yethemba was targeted. Two local municipalities also participated in the competition: Inkwanca LM and Emalahleni LM. 60 food premises participated in the competition.

2.4.1.2 LAND CARE MANAGEMENT (LAPESI ERADICATION)

This project is the flagship of the section as it creates a number of jobs with the local municipalities where it is implemented. The land care management project is an annual project that is focusing on the removal of lapsesi which is a noxious weed severely infests CHDM grazing land. Three local municipalities are participating: Lukhanji; Emalahleni and Intsika Yethu. The project created the following employment opportunities:

- Supervisors: 54
- Labourers: 2 430

Due to the success of this project another R3 million was allocated to CHDM by the Department of Economic Development and Environment Affairs (DEDEA) as part of the Expanded Public Works Programme (EPWP).

2.4.1.3 WASTE MANAGEMENT PROJECT

CHDM in this financial year has taken a conscious decision of reducing the number of local municipalities that are to receive support in this program. Four (4) LMs received financial support which is Inxuba Yethemba; Tsolwana; Lukhanji and Inkwanca. Inkwanca LM has been used as a pilot of introducing wheelie bin system and will be the first LM to implement this system within CHDM area of operation.

2.4.1.4 OBSERVATION OF ENVIRONMENTAL DAYS

Arbour week event was held in Intsika Yethu LM at Maduma Village at Tsomo where 400 fruit trees were planted in the village with each household receiving 2 trees. Coupled to the fruit trees, eco circles were distributed to each household which is a water-saving system to improve the nutritional level of each household.

As part of the observation of Environmental Days, CHDM hosted the first ever, Environmental, Education and Sustainability Conference in partnership with DEAT, DWAF, WESSA and DOE.

The Conference was linked to international projects such as UN Decade for Education for Sustainable Development (UNESD), the Environmental Association of Southern Africa (EEASA), the Makana Regional Centre of Expertise, the DWAF 2020 Vision Programme and the WESSA/WWF Eco-Schools Programme.

The conference provided opportunities to strengthen the practices of our province's educators from all fields through sharing ideas, providing a platform for collaborative projects, sharing learning support materials, encouraging critical debate and sharing professional development opportunities.

Water Week is celebrated on a National level and the theme for this year was: "Water is Life –Securing the Nations Needs across Generations and Borders".

- CHDM in collaboration with DWAF celebrated National Water Week by organising schools to clean the Komani River as well as doing bio-monitoring of river systems in the CHDM area. Learners were issued with water-testing kits from DWAF and monitored river systems in the vicinity of their schools, supported by Environmental Health Practitioners from CHDM.
- The schools were assisted by a group of 15 workers 15 from the Lukhanji Greening Project, five from each area (Ezibeleni, Whittlesea and Mlungisi).
- Rubbish was picked up from the banks of the river and surrounding areas and was removed by the Lukhanji LM.
- The whole process was supported by an educational awareness campaign given by the EHPs from CHDM to make hawkers attend to pollution and waste management.

2.4.1.5 SCHOOL GREENING PROJECT

In addressing issues of climate change and disasters within our area, CHDM continues trying to mitigate and prevent problems that might occur. One project is school greening which aims at addressing issues of nutrition. It has introduced a system of planting vegetables using a more environmentally friendly and water-saving approach. 36 schools across the district are participating in this project.

2.4.1.6 HIV/AIDS MAINSTREAMING

HIV/AIDS is an issue facing the whole community of South Africa hence it is no longer perceived only as a health issue but also as a developmental one. This suggests that the directorates within CHDM are to mainstream HIV/AIDS. Two home-based care centres in Tsolwana LM have been identified as beneficiaries with the assistance of HIV/AIDS section within the directorate. They are the Othandweni and Siyaphila home-based care centres.

2.4.1.7 INDIVIDUAL ACHIEVEMENTS

The section was privileged to have the Assistant Director: MHS/EM being recognised for his contribution towards the profession of Environmental Health, nationally and provincially.

The following awards were received by Mr. Nel from Health and Community Services:

- Provincial Alfred Nzo Award of excellence – Winner
- National Alfred Nzo Award of excellence – First runner-up
- Presidential Award SAIEH – Winner

The awards recognised individuals who made a significant contribution towards the profession on local, provincial and International level.

2.4.2 PRIMARY HEALTH CARE SERVICES (PHC)

CHDM in an attempt to improve the level of services to its inhabitants as enshrined in the Constitution has set aside funding to undertake these projects: 3 mobile clinics have been purchased to service the rural and farming community of Inkwanca and Inxuba Yethemba LMs respectively. Upgrading of dispensing facilities in all the fixed clinics has been done. Coordination of circumcision is continuing with minor challenges. This year Chris Hani District had 4 791 initiates attending initiation school. Traditional surgeons and nurses comply with the act that governs circumcision, which has been achieved through a number of workshops conducted within this area by the designated Medical Officers. Coupled to the workshops, circumcision committees have been established.

2.4.3 HIV/AIDS COORDINATION

This section continues to impact positively in all the local municipalities of CHDM and within the workplace through programmes that are implemented. With respect to internal programmes a World AIDS Day for the workplace was observed with resounding success. A baseline survey has been conducted in an attempt to determine the prevalence rate of HIV/AIDS within the CHDM workforce, achieving 80% coverage.

This was done collaboratively with Condom and STI Week. The outcomes of the baseline survey will assist the municipality in coming up with support programmes to improve the wellbeing of all the employees and councillors. A wellness support group was established and is continuing, covering every area that might affect the wellbeing of the employees and councillors.

CHDM prides itself by giving technical support to all the local municipalities in assisting them to develop and implement HIV/AIDS internal programmes. Evidence of this is the fact that three of the LMs have HIV/AIDS policies: Inkwanca; Emalahleni and Sakhisizwe.

Through external coordination of HIV/AIDS, local municipalities are leading stakeholders toward the functioning of the District AIDS Council (DAC). Inxuba Yethemba and Ngcobo local municipalities have established Ward AIDS Councils as vehicles for Local AIDS Councils to implement HIV/AIDS programmes at grassroots level i.e. at the level of a ward.

In observing HIV/AIDS days the CHDM DAC has taken a clear resolution to deal with these days in a more progressive way of reaching out to the communities. This is achieved through the door-to-door campaigns held at LM level. In this financial year 2 door-to-door campaigns were held in the 2 LMs mentioned above with overwhelming success.

As an exit strategy to the door-to-door program, 5 groundbreakers were identified at ward level to continue with the work already resumed in mopping up all the households that could not be reached during the campaigns. This is achieved through training of the groundbreakers on basic HIV&IDS. 125 groundbreakers were trained and paid for 3 months.

With regard to the full and proper functioning of LACs, CHDM continues to support the LACs financially. Eastern AIDS Council has been engaged to continue with the assistance given to other LMs towards the appointment of HIV/AIDS coordinators at LM level. It has managed to support Tsolwana and Sakhisizwe local municipalities.

HIV/AIDS is a developmental issue and involving all stakeholders within the structures becomes of cardinal importance. The partnerships created with various NGOs and the business sector is evidence of a step forward in the fight against HIV/AIDS.

Functioning of the DAC has led to it receiving a recognition award of being the best performing DAC in the Eastern Cape in a provincial World AIDS day event held in Ukhahlamba District Municipality. Coupled to this award are partnerships with other stakeholders. AFRICARE, an NGO within the CHDAC, received an award for being the best NGO in the Eastern Cape in making a difference with programmes of HIV/AIDS within the communities.

2.4.3.1 PERFORMANCE REPORT

MEASURABLE OUTCOME	FOOD SAFETY: FOOD HANDLING COMPETITION FORMAL SECTOR.
Activities/ Project Description	To increase participation from 26% to 35% by mobilising businesses for best FHP complying with the regulations that governs food handling R918.
Project Leader	Ms Ngindana and Mr. Vellem
Budget 2008/09 Key Deliverables	<ul style="list-style-type: none"> • R 150 000 • Meeting held with the EHPs of relevant LMs. The EHPs will sensitise their businesses. Service Provider has been appointed for printing of the booklets. Booklets have been delivered to the premises that are interested in participating in the competition. Entry forms have been submitted by managers of the premises and EHPs. Evaluation of premises has been done by the Senior EHPs. Trophies have been purchased that will be given to the winning food premises during the awards giving event. The award ceremony will be on the 30 July 2009.
Due Date	30 June 2009
Percentage Complete	95%
Budget Spent	R 91930.00
Stakeholder/ Partners (source of funding)	Equitable Share and business sector
Challenges and Proposed Solutions	Lack of commitment from other businesses. Elections interfered with time-frame to finalise project. Date for awards delayed due to political commitments of portfolio head.
MEASURABLE OUTCOME	FOOD SAFETY: FOOD HAWKERS (INFORMAL SECTOR)
Activities/ Project Description	Ensure that hawkers comply with the minimum standards required by R918.
Project Leader	Ms Ngindana and Mr Vellem
Budget 2008/09 Key Deliverables	<ul style="list-style-type: none"> • R 100 000 • Hawkers Mobilisation and PSC established. Quotations for equipment have been received. Equipment has been purchased. Last batch of equipment will be delivered to Intsika Yethu before the end of the month.
Due Date	30 June 2009
Percentage Complete	(100 %)
Budget Spent	R 91 930.00

Stakeholder/ Partners (source of funding)	Equitable Share and Hawkers
Challenges& Proposed Solutions	Official handover of the material to beneficiaries delayed due to Chris Hani Month.
MEASURABLE OUTCOME	WASTE MANAGEMENT
Activities/ Project Description	Cleaning and greening of Tsolwana, Inxuba Yethemba and Lukhanji Municipalities. Piloting of the wheelie bin system at Inkwanca Local Municipality.
Project Leader	Ms A. Matoti
Budget 2008/09 Key Deliverables	R 2, 5 million Meetings have been held with the municipalities. Business plans have been prepared, submitted and approved. The tender for the wheelie bins has been advertised. We are awaiting the adjudication and will then the award the tender.
Due Date	April 2009
Percentage Complete	70% (100%)
Budget Spent	R1 334 021.00 with R1m delayed by procurement processes.
Stakeholder/ Partners (source of funding)	Equitable Share LM as partners.
Challenges & Proposed Solutions	Non-expenditure of the LMs. LMs deviating from business plans, resulting in slow implementation of the project i.t.o. greening. The solution is to have a meeting with the LMs and assist in fast tracking the project especially the LMs doing the recreational parks. Problems with tender evaluation and adjudication.
MEASURABLE OUTCOME	ERADICATION OF ALIEN PLANTS(LAPESI)
Activities/ Project Description	PSC has been formed. Three wards have been identified in each of the three municipalities. The identified wards have been communicated to the councillors through the council meeting. Equipment and chemical have been procured. The project has been fully implemented by all the LMs.
Project Leader	Ms A. Ntengenyane, Ms Mapekula and Mr Nkondeshe
Budget 2008/09 Key Deliverables	• R3 million – meeting conducted with the department of Agriculture and all the LMs. PSC has been established. 3 wards per LM have been identified. Meeting with all ward committees from the 3 LMs was conducted to finalise the lists. The project has been fully implemented by all the LMs.
Due Date	June 2009
Percentage Complete	98%
Budget Spent	R2 717 88.39
Stakeholder/ Partners (source of funding)	Equitable Share, Dept of Agriculture for technical assistance and LMs.
Challenges& Proposed Solutions	Emalaheni Municipality has started late due to a vacant post at a strategic level.
MEASURABLE OUTCOME	HEALTH EDUCATION AND AWARENESS UNIT
Activities/ Project Description	Needs analysis by the section and development of promotional material as required.
Project Leader	Ms Ntengenyane
Budget 2008/09 Key Deliverables	• R 200 000 • Needs analysis identified. Continuous project. Provision of material to officials submitted their needs.
Due Date	30 September 2008
Percentage Complete	100%
Budget Spent	R 143 000.00
Stakeholder/ Partners (source of funding)	Equitable Share
Challenges& Proposed Solutions	Procurement delays
MEASURABLE OUTCOME	SCHOOL GREENING
Activities/ Project Description	Delivery of equipment to all the schools that are participating in this school greening initiative.
Project Leader	Mr. A. Ngxoxo

Budget 2008/09 Key Deliverables	<ul style="list-style-type: none"> • R600 000 • 34 schools have been identified based on the criteria set by MHS. Business Plans were submitted by schools to MHS. Adjudication was completed. Eco circles, wormeries, garden utensils, 5000 litre Jojo water tanks purchased. Billboards are awaited from the service provider. Seedlings are distributed to schools. This office awaits the sample of the billboards from the service provider.
Due Date	30 June 2009
Percentage Complete	100%
Budget Spent	R600 000
Stakeholder/ Partners (source of funding)	Equitable Share stakeholder, Dept of Education
Challenges& Proposed Solutions	<ul style="list-style-type: none"> • Delivering of material and cooperation by Department of Education. • Schools must come to collect school greening material to strengthen the partnership and to show commitment.
MEASURABLE OUTCOME	OBSERVATION OF ENVIRONMENTAL DAYS
Activities/ Project Description	World Environment Day celebrations
Project Leader	Ms Mapekula, Mr. Nkondeshe & Mrs. Dlulane.
Budget 2008/09 Key Deliverables	<ul style="list-style-type: none"> • World Environment Day celebrations R400 000 • Observation of Arbour Day. • Arbour Week event was held at Maduma Village in Tsomo where 400 trees were planted in the village and 2 trees per household and eco circles were distributed to each household. • Water Week celebrations were held in Lukhanji LM and Emalahleni LM. 3 schools from each LM with 25 learners per school participated in the events which involved the cleaning of the Komani river, bio monitoring of the river water by taking samples, educating learners about health and hygiene and water conservation. • Environmental week was celebrated by hosting an Environmental education Conference at the Queens Hotel. Several Departments and schools from EC and CHD attended the conference. Learners presented the results of the samples taken during water week. Presentations were also done by other Depts that are environment related. • Winners at the District level went to East London to compete on a Provincial Event. Saving on project due to participation in Provincial event
Due Date	30 June 2009
Percentage Complete	100%
Budget Spent	R275 988.81
Stakeholder/ Partners (source of funding)	Equitable Share, with the following stakeholders Intsika Yethu LM Maduma village, WESSA, DWAF, Dept of Education.
Challenges& Proposed Solutions	Procurement section delays
MEASURABLE OUTCOME	COMMUNITY GARDENS
Activities/ Project Description	Mainstreaming of HIV/AIDS at Home Based Care Centres.
Project Leader	Ms Ndaku and Rittles
Budget 2008/09 Key Deliverables	<ul style="list-style-type: none"> • R200 000 • The beneficiaries have been identified and their needs. It is Othandweni and Siyaphila Home Based Care Centres at Tsolwana LM. PSC has been formed. Process of finalising quotations and procuring the needs that were identified. The identified needs have been procured and delivered to the centres.
Due Date	30 June 2009
Percentage Complete	95%
Budget Spent	R88 031.07
Stakeholder/ Partners (source of funding)	Equitable Share.
Challenges& Proposed Solutions	<ul style="list-style-type: none"> • Procurement of necessary material and equipment. Transportation of material and equipment to projects sites. • Solution: Better Project planning and co-operation with procurement.
MEASURABLE OUTCOME	FOOD SAFETY
Activities/ Project Description	To take food and water samples within the CHDM. Conduct inspection to the food handling premises and accommodation.
Project Leader	A. Ngxoxo and S. Vellem

Budget 2008/09 Key Deliverables	<ul style="list-style-type: none"> • Water: 482 • Food : 317 • Inspections conducted : 514
Due Date	June 2009
Percentage Complete	100%
Budget Spent	Operational
Stakeholder/ Partners (source of funding)	Equitable Share
Challenges and Proposed Solutions	<ul style="list-style-type: none"> • Terrains where water samples are to be taken and the geographical spread • Cost of samples • Lack of HR to focus on all sample areas.

HIV/AIDS COORDINATION

MEASURABLE OUTCOME	IMPLEMENTATION OF WORKPLACE PROGRAMME
Activities/ Project Description	To conduct a KAP Baseline Survey for all the CHDM employees and councillors.
Project Leader	Ms Mpande
Budget 2008/09 Key Deliverables	<ul style="list-style-type: none"> • R250 000 • TORs were developed with the sensitisation of workforce on the survey to be conducted, SP by the name of Epicentre appointed. Baseline survey conducted. Report on the study made available with a clear implementation report. The outcomes of the report were tabled during the wellness day and the candlelight event.
Due Date	June 2009
Percentage Complete	100%
Budget Spent	R199 000
Stakeholder/ Partners (source of funding)	Equitable Share
Challenges & Proposed Solutions	Participation by councillors on the survey. Non participation of the Queenstown based offices in VCT done by Epicentre as part of the TORs.
MEASURABLE OUTCOME	AWARENESS ON HIV/AIDS TO CHDM STAFF
Activities/ Project Description	Observation of World AIDS day, STIs & condom week, candlelight and wellness month within the workplace.
Project Leader	Ms P. Mpande
Budget 2008/09 Key Deliverables	<ul style="list-style-type: none"> • R240 000 • World AIDS day conducted on the 28 Nov 2008 at J.J. Serfontein. Candle light and STI week was conducted in all the CHDM offices on the 23 to 26 February 2009. Wellness and candle light were conducted on the 26 June 2009 at the army base sports ground.
Due Date	June 2009
Percentage Complete	100%
Budget Spent	R230 000
Stakeholder/ Partners (source of funding)	Equitable Share, business sector donations e.g. Bonita, Crickley Dairy, LA Health, Pick 'n Pay, Amatola Water etc
Challenges & Proposed Solutions	Participation by the councillors on workplace programmes.
MEASURABLE OUTCOME	MAINSTREAMING OF HIV/AIDS BY ALL THE DIRECTORATES
Activities/Project Description	Develop a mainstreaming policy for the CHDM directorates.
Project Leader	Ms Mpande
Budget 2008/09 Key Deliverables	<ul style="list-style-type: none"> • R50 000 • Framework developed and forwarded to Corporate Services as the custodian of policy formulation.
Due Date	June 2009
Percentage Complete	50%
Budget Spent	R0.00
Stakeholder/ Partners (source of funding)	Equitable Share, Corporate Services Directorate.

Challenges& Proposed Solutions	Mainstreaming is still a challenge within the directorates. None adoption of the policy by the council structures.
MEASURABLE OUTCOME	ESTABLISHMENT OF A VCT SITE
Activities/ Project Description	To have a VCT site and appoint a VCT nurse within the CHDM workplace.
Project Leader	Ms P Mpande
Budget 2008/09	R310 000
Key Deliverables	The matter was discussed at length with the HIV/AIDS committee. The outcomes of the meetings were to have the VCT off-site and hire an office and nurse not on a permanent basis. Office space has not materialised. During all the HIV/AIDS days VCT were conducted and also Epicentre were conducted. VCT support groups were established but termed as wellness support groups. This has been ongoing with support from other stakeholders within and outside, including Dept of Health, Social Development, NGOs, Finance directorate, etc
Due Date	June 2009
Percentage Complete	0%
Budget Spent	R0.00
Stakeholder/ Partners (source of funding)	Equitable Share Allocation.
Challenges& Proposed Solutions	Stigma still linked to disclosure and confidentiality. Office space for having VCT clinic off-site.
MEASURABLE OUTCOME	TECHNICAL SUPPORT IN TWO(2) LMS
Activities/ Project Description	Implementation of workplace programmes with the identified LMs.
Project Leader	Ms P Mpande
Budget 2008/09	• R60 000
Key Deliverables	• Inxuba Yethemba LMs has been sensitised and the meeting to move forward with the program. Emalahleni LM does have a policy and Sakhisizwe LM is awaiting the adoption of its policy. The candlelight and the wellness programme have been implemented in partnership with Inkwanca LM. Emalahleni and Sakhisizwe did participate in the programme.
Due Date	June 2009
Percentage Complete	100%
Budget Spent	R6 000
Stakeholder/ Partners (source of funding)	LMS
Challenges& Proposed Solutions	Lack of support in other LMs and capacity challenge.
MEASURABLE OUTCOME	COMMUNICATION STRATEGY
Activities/ Project Description	To enhance the existing communication programme. All internal HIV/AIDS programme to be in the intranet and the inner view magazine. To develop peer educators service directory and the DAC stakeholders. To display all HIV/AIDS projects and programmes through screens in all the CHDM buildings.
Project Leader	Ms P. Mpande
Budget 2008/09	• R100 000
Key Deliverables	• All HIV/AIDS programmes both internal and external have been inserted in the intranet and the inner view magazine. The service directory photo of the peer educators and the DAC stakeholders has been taken awaiting a Service Provider to develop the directory. With regard to the display, investigations have been done and the delay is with procurement.
Due Date	June 2009
Percentage Complete	50%
Budget Spent	R0.00
Stakeholder/ Partners (source of funding)	Equitable Share, ICT & Communications
Challenges& Proposed Solutions	Delays by the procurement office.
MEASURABLE OUTCOME	ESTABLISHMENT OF WARD AIDS COUNCILS
Activities/ Project Description	To establish WACs a Tsolwana and Inxuba Yethemba LMs respectively.
Project Leader	Mrs. Kolo

Budget 2008/09 Key Deliverables	<ul style="list-style-type: none"> • R40 000 • All 9 WACs at Inxuba Yethemba have been established. For Tsolwana only 2 have been established. All the 16 WACs at Ngcobo LM have been established. Over and above this Emalahleni LM managed to establish 10 WACs out of the 16. WACs from Inxuba Yethemba have been inducted to come up with a clear implementation plan.
Due Date	June 2009
Percentage Complete	100%
Budget Spent	R0.00
Stakeholder/ Partners (source of funding)	Emalahleni; Tsolwana; Inxuba Yethemba and Ngcobo LMs. Equitable Share allocation.
Challenges & Proposed Solutions	Tsolwana LM lost the person who was running the project. Non-assistance by Ward councillors as they assist towards the development of WACs.
MEASURABLE OUTCOME	OBSERVATION OF HIV/AIDS DAYS
Activities/ Project Description	To observe all the HIV/AIDS calendar events within the CHDM area.
Project Leader	Mrs. Kolo
Budget 2008/09 Key Deliverables	<ul style="list-style-type: none"> • R307 400 • DWAD was held successfully at Inxuba Yethemba LM from 10 to 14 November 2008. STI and Condom week was scheduled to be held at Tsolwana LM but due to administration problems it did not materialise. Candlelight memorial was held and a door-to-door campaign at Ngcobo LM from 11 to 15 May 2009.
Due Date	30 June 2009
Percentage Complete	100%
Budget Spent	R300 000
Stakeholder/ Partners (source of funding)	DAC, Tsolwana; Inxuba Yethemba and Ngcobo LACs. Equitable Share allocation.
Challenges and proposed solutions	Tsolwana LAC administrative challenges. ECAC has assisted by appointing an HIV/AIDS Coordinator to be the custodian of the HIV/AIDS programmes.
MEASURABLE OUTCOME	RESEARCH PROGRAMME FOR HIV/AIDS
Activities/ Project Description	Review and development of a user friendly questionnaire; training of ground breakers and appointment of data capturers to capture all the questionnaires which follow up the door-to-door campaign.
Project Leader	Mrs. Kolo
Budget 2008/09 Key Deliverables	<ul style="list-style-type: none"> • R221 350 for payment of stipends to ground breakers. R424 750 for the training of ground breakers for Inxuba Yethemba and Ngcobo LMs respectively. • The existing questionnaire was forwarded to a person who was to assist us to come up with user-friendly and credible questionnaires. All the ground breakers for Inxuba Yethemba and Ngcobo were trained and have been appointed with a stipend of R600 for a period of three months. Data capturers have been appointed for a period of 6 months on a rotational basis.
Due Date	June 2009
Percentage Complete	100%
Budget Spent	R430 050
Stakeholder/ Partners (source of funding)	Equitable Share Inxuba Yethemba and Ngcobo LACs.
Challenges and proposed solutions	Review of the questionnaire not materialised.
MEASURABLE OUTCOME	LOCAL AIDS COUNCIL AND WARD AIDS COUNCIL ASSISTANCE OR SUPPORT
Activities/ Project Description	To give assistance to all the LMs towards the implementation of the HIV/AIDS programmes and the support to the Ward AIDS Councils those established.
Project Leader	Mrs. Kolo
Budget 2008/09 Key Deliverables	<ul style="list-style-type: none"> • R480 000 • Letters written to LMs informing them of allocations. They have to submit clear plans for the utilization of their allocations. Plans were submitted and transfers were made after scrutiny by the directorate. Inkwanca Ward AIDS Forums did submit a plan to access support from the district and their allocation has been transferred to them.
Due Date	June 2009
Percentage Complete	100%

Budget Spent	R125 000
Stakeholder/ Partners (source of funding)	Equitable Share and local municipalities
Challenges and proposed solutions	Late submission of plans by other LMs. Discussed with the respective LMs and problem resolved. Delays in the establishment of WACs causes non-transfer of funds for WACs support.
MEASURABLE OUTCOME	FUNCTIONING OF THE DISTRICT AIDS COUNCIL
Activities/ Project Description	Proper functioning of the DAC, LACs and WACs. For the LAC to have their own strategic documents. LACs to submit reports to be tabled to the DAC on a quarterly basis.
Project Leader	Mrs. Kolo
Budget 2008/09 Key Deliverables	<ul style="list-style-type: none"> • R60 000 • The strategic planning document for the DAC was reviewed with the assistance from ETU and ECAC. Lukhanji Strategic planning document was done assisted by ETU. All the LACs submitted reports to the DAC.
Due Date	June 2009
Percentage Complete	100%
Budget Spent	R40 000
Stakeholder/ Partners (source of funding)	Equitable Share; LACs and WACs
Challenges and proposed solutions	Lukhanji not submitting reports due to the non availability of HIV/AIDS coordinator.
MEASURABLE OUTCOME	STRENGTHENING OF NGOS THAT DEAL WITH HIV/AIDS PROGRAMMES.
Activities/ Project Description	To identify all the NGOs that deal with HIV/AIDS within the district. Information sharing with the identified NGOs on their functioning. To have quarterly meeting with NGOs.
Project Leader	Mrs. Kolo
Budget 2008/09 Key Deliverables	<ul style="list-style-type: none"> • R100 000 • There is a list of all identified NGOs in place. At DAC level they are represented and there is a working relation with the NGOs. This is evident by Africare having recognised by ECAC as the best NGO at provincial level supporting HIV/AIDS programmes.
Due Date	June 2009
Percentage Complete	80%
Budget Spent	R5000
Stakeholder/ Partners (source of funding)	Equitable Share, LAC and the NGOs.
Challenges and proposed solutions	Lack of coordination at LAC level.
MEASURABLE OUTCOME	COORDINATION OF DAC STAKEHOLDERS
Activities/ Project Description	Develop calendar year event with clear concept document for each day to be observed. Resource mobilisation towards the programmes. Establish partnership with business sector on issues of HIV&AIDS.
Project Leader	Mrs. Kolo
Budget 2008/09 Key Deliverables	<ul style="list-style-type: none"> • R50 000 • A year calendar of event activity was developed. For DWAD and candlelight events all the DAC stakeholders pledged resources towards the success of both programmes at Inxuba Yethemba and Ngcobobo respectively. In terms of partnership with business: a letter was written and received a positive response with businesses interested in joining with the DAC in the fight against HIV/ AIDS. Kula Acoustics was assisted by the HIV/AIDS unit in their HIV/AIDS event.
Due Date	June 2009
Percentage Complete	100%
Budget Spent	R10 000
Stakeholder/ Partners (source of funding)	LMs
Challenges and proposed solutions	None
PRIMARY HEALTH CARE SERVICES	
MEASURABLE OUTCOME	TO IMPROVE THE ACCESSIBILITY OF PHC SERVICES TO THE INHABITANTS OF CHDM.

Activities/ Project Description	To procure two mobile services.
Project Leader	Mrs. Baliso
Budget 2008/09	• R1million
Key Deliverables	• Three mobile clinics have been procured and delivered to Molteno; Sterkstroom and Cradock towns. The mobiles were delivered during Chris Hani month.
Due Date	March 2009
Percentage Complete	100%
Budget Spent	R860 000
Stakeholder/ Partners (source of funding)	Equitable Share
Challenges and proposed solutions	None, Department of Health provincially not giving the district funding for capital projects e.g. purchase of mobile vehicles.
MEASURABLE OUTCOME	UPGRADING OF DISPENSING FACILITIES IN ALL THE CLINICS.
Activities/ Project Description	To purchase fridges for all the fixed clinics and upgrade the dispensing areas.
Project Leader	Mrs Baliso
Budget 2008/09	• R100 000
Key Deliverables	• Fridges delivered to all clinics. The dispensing areas have been upgraded to meet minimum requirements.
Due Date	June 2009
Percentage Complete	100%
Budget Spent	R97 000
Stakeholder/ Partners (source of funding)	Equitable Share
Challenges& Proposed Solutions	Delays in the procurement processes.
MEASURABLE OUTCOME	TO IMPROVE THE EXISTING CLINICS AT ELUXOLWENI AT HOFMEYR.
Activities/ Project Description	To upgrade and renovate Eluxolweni clinic at Hofmeyr.
Project Leader	Mrs. Baliso
Budget 2008/09	• R750 000
Key Deliverables	• NONE
Due Date	June 2009
Percentage Complete	0%
Budget Spent	0
Stakeholder/ Partners (source of funding)	Equitable Share and the Technical Services directorate.
Challenges& Proposed Solutions	Delays in getting the service providers from procurement. Lack of support and commitment by the technical services directorate as this is a project to be supervised by them.
MEASURABLE OUTCOME	GOOD GOVERNANCE; PUBLIC PARTICIPATION; ACCOUNTABILITY AND TRANSPARENCY.
Activities/ Project Description	To develop by-laws for MHS. To conduct social needs cluster meetings and to visit projects on a quarterly basis.
Project Leader	N Mgijima
Budget 2008/09	• Operational
Key Deliverables	• Projects visited Lapesi, observed all the environmental days, been part of all the door-to-door campaigns at Ngcobo as well as at Inxuba Yethemba. By-laws developed in the gazetting stage as they have been approved by the council.
Due Date	June 2009
Percentage Complete	80%
Budget Spent	Operational
Stakeholder/ Partners (source of funding)	Equitable share and the constituencies of areas visited and Corporate Services Directorate.
Challenges& Proposed Solutions	IGR structures that never materialised.

2.4.4 DISASTER MANAGEMENT UNIT

This year is the year when we can safely say that we did not face the challenges presented by any major disasters. We had a few incidents that kept us on our toes, but these were not severe. The manner in which we handled the incidents in collaboration with our satellite centres – which have been very helpful in terms of response and damage assessments – is another milestone of which we are very proud.

2.4.4.1 ESTABLISHMENT OF DISASTER MANAGEMENT CENTRE AND SATELLITE CENTRES

Disaster Management Centre

The Disaster Management Centre, established in terms of Section 43 of the Disaster Management Act, 57 of 2002, is fully operational with the limited resources it has.

Disaster Management Satellite Centres

Our 6 satellite centres are manned by officials employed contractually through the assistance of the province which pays their stipends. They are still operational and assist a great deal when there is an incident, both in prompt response and in damage assessments. These satellite centres are located strategically in the following areas:

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

They are still more offices than centres because suitable structures are not available or local municipalities are unwilling to make available structures that could be used as satellite centres in all of the abovementioned municipalities.

We have three officials in each of the satellite centres except for Inxuba Yethemba where we have only one administrator because that part of the district is not a problem area.

These officials assist us in responding to incidents reported and to do damage assessments. They are multi-skilled as they are trained on various issues like first aid, fire fighting, disaster management, etc.

2.4.4.2 EQUIPMENT/RESOURCES


Vehicles and other resources

We currently have three 4X4 Double Cabs and one sedan which we use in responding to calls. We are awaiting another 4X4 which shall be delivered soon to increase our fleet to 5 including the sedan. Ideally we need to have a response vehicle in each of the satellite centres for prompt response. We should not have to depend on the local municipalities as they experience a lot of challenges accessing vehicles to respond to disasters or to conduct damage assessments after the incident.

In the main centre we have computers and printers which the province and the district municipality have bought us.

We also have:

- Telephones and a switchboard
- A colour photocopier
- 2 fax machines
- Digital cameras
- GPS units and
- Furniture



In the Satellite Centres also have computers and printers bought by the province. They also have:

- Photocopiers
- Digital cameras and
- Furniture

All our personnel from the main centre and the satellite centres are provided with protective clothing to use when responding, whether during summer or winter. We do not have identification cards at present.

Standby generator

In the period under review we managed to procure a standby generator which is powerful enough to provide electricity for the whole centre during any power failure. It automatically starts in seconds during a power failure and switches itself off seven minutes after power is restored. We remain operational even during power shedding and our communication system can never be rendered dysfunctional.

2.4.4.3 CAPACITY BUILDING PROGRAMMES

During the period under review we trained Chris Hani District Municipality personnel on certificated course on: Disaster Damage Assessment, conducted by Border Training Centre and Sphere Project conducted by DiMTEC (University of Free State).

2.4.4.4 INTER GOVERNMENTAL RELATIONS

Disaster Management Advisory Forum

Our District Disaster Management Advisory Forum is still functioning. We enjoy the support of some sector departments with the exception of the Department of Education, Department of Social Development, Department of Sports, Recreation and Culture and Department of Home Affairs, which is critical especially with regard to foreign nationals in our country.

We have also changed our meetings which were held monthly to be bi-monthly so that we get enough time to implement programmes agreed to and have something to report back to the forum.

As the Disaster Management Centre we also play a role in the following structures:

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

Disaster Management Framework

We are on the last lap towards the adoption of our Disaster Management Framework. We will make copies of our final draft document and place it in the offices of our Local Municipalities and invite people through newspapers, leaflets and community radios to inspect the document and propose amendments and/or additions. The frameworks were consulted in their respective areas but we feel that we should give them one last chance to look at the framework before tabling it before Council for adoption.

Disaster Management Plans

A Scientific Risk Assessment was conducted in the area by a service provider and a Disaster Management Plan has been drafted and presented twice to us. They are now busy finalising their final draft and will present it to the Mayoral Committee to look at it before taking it to the Council for adoption.

During risk assessment there were field trips to most of the wards of all our municipalities to check and photograph critical areas.

2.4.4.5 INCIDENTS OCCURRED DURING THE PERIOD UNDER REVIEW

As noted above there were no major incidents during the period under review except for the snow that always affects motorists in the Nico Malan Pass, Barkly Pass and Penhoek Pass.

On the afternoon of the 25 June 2009 snow fell heavily at Penhoek Pass causing difficulty for traffic to move freely and safely.

In the afternoon of the same date a tanker carrying hazardous material travelling towards Queenstown and a big truck (horse and trailer) travelling towards Jamestown jack-knifed because of the snow and blocked both lanes causing a serious traffic jam.

The queue of vehicles heading to and from Jamestown continued to grow although the road was closed. People forcefully went to the closed point in desperation and that congested the road even more seriously making it impossible to attempt to turn on both sides of the crash site.

There were a number of big trucks, buses, minibuses and small vehicles stuck on the pass. Our officials worked tirelessly trying to assist the motorists and provide relief where possible.

A City-to-City bus travelling from Queenstown and many other trucks and other vehicles crammed the road through the night.

People stuck on the road were in dire need of water and an ablution system. That forced us as Disaster Management to hire 6 minibus taxis to cart the bus commuters to the Disaster Management Centre where they would have access to toilets and be served hot tea, soup and be catered for.

When the snow melted and the road opened the bus came back to Queenstown to pick up its passengers up and continued its journey.

COSTS OF THE INCIDENT

The costs incurred in assisting the people stuck on the snow amounted to R16 200 including transport and catering.

2.4.4.6 PREVENTION OF DISASTERS

Education and Awareness

We have a programme of Education and Awareness that we conduct in wards and at schools. This is one of our most successful programmes enabling us to interact with our communities to teach them about disasters and disaster management.

We have already covered the following municipalities:

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

2.4.4.7 INTERNATIONAL STRATEGY FOR DISASTER REDUCTION (ISDR)

We are continuing with the International Strategy for Disaster Reduction (ISDR) that is an initiative of UNESCO aimed at reducing the risk of disasters. The Department of Education is allowing schools to participate in the programme although not supporting it financially.

We have managed to get the Department of Health on board and participating in the programme utilising hospital staff because the theme for 2008-2010 is "Hospitals safe from Disasters." The DoH also contributed to the programme financially and their contribution was used to procure promotional material.

This programme is drawing people from all walks of life to come and see their children performing and educating them about disasters through drama, visual art and choral music.

We have seen this programme attracting other district municipalities to join us. We had Motheo District Municipality from Free State, which came with its choirs and groups of drama and visual art.

This programme starts at local municipality level and the winners compete at district level. All schools in this district have consistently participated since we started with the programme.

2.4.4.7 BACKLOG OF RECONSTRUCTION

In an attempt to provide shelter to the homeless and destitute families the Emergency Housing Section of the Department of Housing initiated a programme of providing temporary shelters. This is continuing although it is going with a snail's pace.

2.4.4.8 BUDGET

ALLOCATION	UTILISATION	AMOUNT
Province	Operational Budget Relief	R 576 000 R 414 000
TOTAL ALLOCATION FULLY SPENT		R 990 000
Chris Hani DM	Standby Generator Response Vehicle Scientific Risk Assessment Policy Framework	R 366 437 R 392 000 R 490 000 R 500 000
TOTAL BUDGET		R 1 748 437

2.4.4.9 CONCLUSION

Despite the challenges still facing us in terms of resources we are doing well through the assistance by the province and the District Municipality. There needs to be a dedicated fund allocated to Disaster Management if we want it to fulfil its constitutional mandate. The equipment we need to function optimally is very expensive and without it we will never do justice to performing our function. An ideal communication system alone will cost millions of rands to install.

It is also critically important that the roles of all municipal categories are spelt out. If we are serious when we say "disaster management is everyone's responsibility" we should clearly define everyone's roles. That will ease the tensions we always have with our local municipalities.

2.4.5 FIRE AND EMERGENCY SERVICES UNIT

Fire Services continues to support LMs in a more meaningful way enabling them to assist with Fire Services in their respective areas.

2.4.5.1 STRATEGIC OBJECTIVES

- Establish permanent satellite fire station in LMs
- Purchase of specialised fire fighting vehicles and equipment
- Recruit and capacitate staff on fire fighting skills
- Ensure that the farming communities, emerging farmers, communities, traditional leaders, owners of the land and the LMs are all represented during the initiation stages of the formation of the (FPA) Fire Protection Association.

The following vehicles have been handed over to local municipalities:

Type of vehicle	Make	Location
Skid Unit	Isuzu	Emalahleni
Skid Unit	Isuzu	Intsika Yethu
Medium Pump	Mercedes Benz- Atego	Intsika Yethu
Skid Unit	Isuzu	Engcobo
Medium Pump	Mercedes Benz- Atego	Engcobo
Medium Pump	Mercedes Benz- Atego	Lukhanji
Major Pump: Fully equipped with TNT Jaws of Life	Mercedes Benz- Atego	Lukhanji

As part of skills development fire fighters were trained on the Fire Fighting Course 2 and a course on Handling of Hazardous Substances known as Hazmat Awareness and Hazmat Operations.

2.4.5.2 CHALLENGES

- Lack of sustainable funding
- Shortage of trained staff
- Shortage of specialised fire fighting vehicles.
- Shortage of fire fighting equipment
- Lack of satellite fire stations for operations
- Shortage of water supply.

2.4.5.3 PERFORMANCE REPORT

MEASURABLE OUTCOME	ESTABLISHED SATELLITE FIRE STATION IN LMS.
Activities/Project Description	<ul style="list-style-type: none"> • Purchase specialised all terrain fire fighting vehicle. • Manage, control, coordinate and extinguish veld/bush fires.
Project Leader	T. Thompson
Budget 2008/09	R1 932 112,14
Key deliverables	Strengthen service delivery
Due date	30 November 2008
Percent complete	100%
Budget spent: 2009	R1 932 112,14
Stakeholders/partners	<ul style="list-style-type: none"> • Marce Fire Fighting Technology. • DHL & TA Project Completed
Challenges	N/A

MEASURABLE OUTCOME	ESTABLISHED SATELLITE FIRE STATION ON LMS.
Activities/Project Description	<ul style="list-style-type: none"> • Purchase of specialised all terrain fire fighting vehicle • Manage, control, coordinate and extinguish veld/bush fires
Project Leader	T. Thompson
Budget 2008/09	R2 322 886,91
Key deliverables	Strengthen service delivery
Due date	31 January 2009
Percent complete	100%
Budget spent: 2009	R2 322 886,91
Stakeholders/partners	<ul style="list-style-type: none"> • Marce Fire Fighting Technology • Magnum Fire • Chris Hani District Municipality: Equitable share
	Project Completed
Challenges	N/A
MEASURABLE OUTCOME	ESTABLISHED SATELLITE FIRE STATION ON LMS
Activities/Project Description	<ul style="list-style-type: none"> • Purchase of 4 x 4 bust tender • Manage, control, coordinate and extinguish veld/bush fires
Project Leader	T. Thompson
Budget 2008/09	R249 811,80
Key deliverables	Strengthen service delivery
Due date	30 June
Percent complete	100%
Budget spent: 2009	R249 811,80
Stakeholders/partners	<ul style="list-style-type: none"> • Weirs Toyota Queenstown • Equitable share
	Project Completed
Challenges	N/A
MEASURABLE OUTCOME	ESTABLISHED SATELLITE FIRE STATION ON LMS.
Activities/Project Description	<ul style="list-style-type: none"> • Purchase of bush tender • Manage, control, coordinate and extinguish veld/bush fires.
Project Leader	T. Thompson
Budget 2008/09	R368 503,31
Key deliverables	Strengthen service delivery
Due date	30 June
Percent complete	100%
Budget spent: 2009	R368 503,31
Stakeholders/partners	<ul style="list-style-type: none"> • Weirs Toyota Queenstown • Equitable share
	Project Completed
Challenges	Imported vehicle with standard colour
MEASURABLE OUTCOME	ESTABLISH SATELLITE FIRE STATION ON LMS
Activities/Project Description	Purchase specialised fire fighting vehicle and equipment.
Project leader	T. Thompson
Budget 2008/9	R1 402 621.97
Key deliveries	Purchase medium pump all terrain Fire Fighting Vehicle -LMS
Due date	The project must be delivered by 12 December 2009
Percent complete	10%
Budget spent	N/A

Stakeholders/partners	• Fire Raiders • DHLG & TA
Challenges	The delay of imported parts to manufacture the specialised fire fighting vehicle
MEASURABLE OUTCOME	ESTABLISH SATELLITE FIRE STATION ON LMS
Activities/Project Description	Purchase specialised fire fighting vehicle and equipment
Project leader	T. Thompson
Budget 2008/9	R1 402 621.97
Key deliveries	Purchase medium pump all terrain Fire Fighting Vehicle -LMS
Due date	The project must be delivered by 30 November 2009
Percent complete	10%
Budget spent	N/A
Stakeholders/partners	• Fire Raiders • DHLG & TA
Challenges	The delay of imported parts to manufacture the specialised fire fighting vehicle

2.4.5.4 CHALLENGES

The challenges that are experienced within the directorate are as follows:

- Non finalisation of Municipal Health Services (MHS) devolution processes
- Progress on the provincialisation of Primary Health Care Services (PHC)
- Lack of integrated planning, especially with the programmes that are overlapping as this has a negative impact on service delivery
- Insufficient funding for Primary Health Care Services with specific reference to capital programmes as the mobile clinics are deteriorating day by day
- Retention of staff and recruitment is a crisis with specific reference to the professional nurses
- Delays in establishment of Ward AIDS Council (WACS) by some local municipalities
- Limited human resources under HIV/AIDS unit
- In terms of fire services when procuring vehicles the problem is the waiting period of imported parts of the vehicles.
- Limited funding for this function
- Delays in procurement hamper service delivery.

Budget and Treasury Directorate



Piti Pambaniso
Acting Chief Financial Officer



2.5.0.1 INTRODUCTION

For the financial year, 1 July 2008 to 30 June 2009, the Budget and Treasury Office has been a hive of activity whilst providing the financial support services expected from it by the other Directorates and Sections of Council.

The Budget and Treasury Office had to manage a total operational budget of R 191 110 230 for the financial year under review. It also had to manage the capital budget amounting to R 270 160 124.

2.5.0.2 STRATEGIC OBJECTIVES

- Ensure continued compliance with all accounting, statutory and legal requirements including the implementation of the MFMA and GRAP accounting standards.
- Implement revenue generating strategies and lobby for additional equitable share from National Revenue to increase the RSC Levies replacement component.
- Recover outstanding monies owed by the Provincial Government in respect of Agency Function subsidies and other liabilities.
- Recover outstanding debts owed by other District and Local municipalities and other sundry debtors.
- Provide support to other internal Directorates and Local Municipalities.
- Implement financial control in respect of Water and Sanitation services.

2.5.0.3 DESCRIPTION OF ACTIVITY

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

- Accounting System Administration
- Budget Control and General Administration
- Financial Accounting and Financial Management, further divided as follows:
 - Income
 - Grants and subsidies
 - Water & Sanitation Services
 - Other Project funding
- Expenditure
- Creditors
- Payroll
- Project payments

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

- Provision of relevant, accurate and reliable financial information to all users including Councillors, managers and other stakeholders to facilitate informed decision making.
- Provision, maintenance and implementation of sound financial management policies, controls and systems.
- Ongoing introduction of budgetary and accounting reforms in line with the requirements of MFMA and GRAP.
- Production of annual budget and GRAP compliant annual financial statements.
- Maintenance of an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds. All efforts are made to pay monies due to suppliers and service providers within 30 days of receiving a valid invoice or statement in line with the requirements of the Supply Chain Management policy, unless other arrangements have been agreed upon.
- Provision of financial advice to Council and all other Council structures including Mayoral and Portfolio Committees.
- Administration of the investment and insurance portfolios of Council.
- Management of conditional grants.

- Asset Management.
- Revenue Management.
- Capacity building in the form of continued training of financial management Interns, Councillors and officials.

2.5.0.4 KEY ISSUES FOR 2008/2009

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

- During the first quarter, the Annual Financial Statements had to be prepared and submitted to the office of the Auditor General. Although some difficulties were experienced in the preparation of the statements, great progress was made in capacitating more staff in this process. The financial statements were submitted to the office of the Auditor General on time.
- During the second quarter, the office of the Auditor General had to be accommodated in order to perform the statutory audit of the financial statements for the year ended 30 June 2008. The actual audit commenced during September 2008, shortly after the submission of the annual financial statements preceded by an interim audit that commenced during the month of August.
- During the third quarter, the office of the Auditor General completed their audit processes in respect of the 2008 financial year and produced the final management and audit reports before the end of the quarter. The adjustment budget was prepared, tabled and adopted on February 2009. Immediately after this, the draft budget processes were started and the draft budget was adopted by Council on 25 March 2009.
- During the fourth quarter, an action plan on matters raised by the Auditor General was prepared and tabled before Council together with the audit report. The year-end action plan towards the preparation of annual financial statements was also prepared and the planned processes were commenced concurrently with the MFMA GRAP implementation plan that was already being implemented. The final draft budget was completed, tabled and adopted by Council on 26 May 2009.

2.5.0.5 PERFORMANCE REPORT

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

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

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

MEASURABLE OUTCOME	SOUND FINANCIAL MANAGEMENT
Activities/Project Description	<ul style="list-style-type: none"> • Convert to an electronic, fully integrated asset register. • Put annual budget process plan in place. • Adhere to the MTEF budget time frames. • Address prior audit report issues and prepare for current audit.
Project Leaders	Mr. Pambaniso, Mr. Lolwana & Ms Myataza
Budget 2008/2009	R300 000 for Asset Register

Key Deliverables	<ul style="list-style-type: none"> • Asset identification and bar-coding are continuously underway, awaiting final report on identified asset register software. • IDP/Budget Implementation plan developed. • Approved budget captured and monitored. • Action plan to address audit issues developed and audit working papers prepared. Attending to audit issues in terms of the action plan.
Due Date	June 2009
Percent Complete	80%
Budget Spent	R202 482 as at end June 2009
Stakeholders/Partners	Service provider to assist with Asset register.
Challenges	Ensuring continued compliance with legislative requirements. Acquisition and implementation of identified system.
MEASURABLE OUTCOME	ACCOUNTING & REPORTING
Activities/Project Description	<ul style="list-style-type: none"> • Submit financial statements to Auditor General. • Prepare in-year reports on time.
Project Leaders	Mr. Pambaniso
Budget 2008/2009	N/A
Key Deliverables	<ul style="list-style-type: none"> • 2008 Financial statements submitted on 31 August 2009. • Information for Annual Report submitted. • Monthly reports distributed to all HODs, quarterly and monthly compliance reports submitted electronically to National and Provincial state departments.
Due Date	June 2009
Percent Complete	80% as at end June 2009
Budget Spent	In house
Stakeholders/Partners	National and Provincial state departments
Challenges	<ul style="list-style-type: none"> • Continued monitoring of and updating in terms of GRAP and other regulations. • Timely completion of monthly bank reconciliations and reports due to internal capacity arrangements.
MEASURABLE OUTCOME	FINANCIAL SUSTAINABILITY
Activities/Project Description	Transform from RSC Levy collection to WSA/WSP.
Project Leaders	Mr. Pambaniso, Mr. Silangwe, Ms. Myataza
Budget 2008/2009	N/A
Key Deliverables	Billing to all billable consumers in rural areas.
Due Date	June 2009
Percent Complete	20%
Budget Spent	In house
Stakeholders/Partners	Technical services, DWAF & affected local municipalities.
Challenges	<ul style="list-style-type: none"> • Identification of all unknown deposits to Council bank account. • Identification of suitable revenue source to replace levies. • Implementation of Billing processes in rural areas for water.
MEASURABLE OUTCOME	INTERNAL INSTITUTIONAL CAPACITY
Activities/Project Description	<ul style="list-style-type: none"> • Fill existing vacancies and new ones as they arise. • Provide MFMA training to core staff compliment.
Project Leader	Mr Pambaniso
Budget 2008/2009	N/A
Key Deliverables	<ul style="list-style-type: none"> • 5 vacancies advertised but not yet filled. • Identify Service provider for MFMA competency levels requirements training. • Some HODs loaded on MFMA learning module.
Due Date	June 2009
Percent Complete	10%
Budget Spent	In house
Stakeholders/Partners	Corporate services & National treasury

Challenges	<ul style="list-style-type: none"> • Internal recruitment process delaying rather than assisting. • Not adequately trained staff employed to fill critical positions. • Employee attitudes towards work and inability/reluctance to institute remedial Council disciplinary • Measures by the employer. • Problems experienced with link to install training material. • Service provider for MFMA competency levels requirements training still to commence assessment process.
MEASURABLE OUTCOME	EXTERNAL INSTITUTIONAL CAPACITY
Activities/Project Description	<ul style="list-style-type: none"> • Roll out e-Venus accounting system to willing Local Municipalities. • Ensure smooth running of the last two implementing local municipalities.
Project Leader	Mr Pambaniso Mr. Silangwe
Budget 2008/2009	R2 000 000
Key Deliverables	<ul style="list-style-type: none"> • Complete implementation at Intsika Yethu LM. • Proceed to implement at next LM. • Presentation made to Inxuba Yethemba in the absence of any progress with Tsolwana.
Due Date	June 2009
Percent Complete	30 %
Budget Spent	R913 872 as at end June 2009
Stakeholders/Partners	Accounting system Service provider & Local Municipalities
Challenges	<ul style="list-style-type: none"> • Next LM (Tsolwana) showed new interest in proceeding with the implementation, but then did not honour the arranged meeting during the first quarter. • Other local municipalities are silent about taking on the District Council's offer.

2.5.0.5 CHALLENGES

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

Sound Financial Management

- Poor communication of newly acquired assets or assets to be written off/disposed of by the originating Directorates to the Budget & Treasury Office.

Accounting and Reporting

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

Financial sustainability

- The abolition of the RSC Levies continues to make it difficult to improve on the cost coverage ratio achieved for 2006. The levy replacement portion within the Equitable Share allocation that is supposed to compensate for the loss of RSC levy income is actually less than the levy income that has been lost.
- The implementation of the billing process to directly bill the rural consumers for Water and Sanitation services previously done by DWAF has not been effected due to the lack of sufficient information.

Internal Institutional Capacity

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

External Institutional Capacity

- Roll-out of the accounting system to the local municipalities must be monitored closely to avoid any delays and implementation setbacks experienced thus far.

- The possible rescheduling/timing of the roll-out to the various local municipalities should also be considered to ensure that the new system is put to use on all available modules.
- As at year end no local municipality is scheduled for implementation in an attempt to restart the roll-out of the accounting system.

2.5.0.7 CONCLUSION

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

2.5.1 INFORMATION COMMUNICATION TECHNOLOGY UNIT

2.5.1.1 INTRODUCTION

The mandate of the Information Communication Technology Unit is to provide information and communication technology service and support to the District Municipality and to provide secure, reliable and consistent platform for information accessibility.

The unit is responsible for driving technological innovations, aligning ICT to the organisational strategic plan (IDP) and supplying and supporting ICT infrastructure for approximately 200 computers in 5 remote sites.

2.5.1.2 STRATEGIC OBJECTIVES

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

2.5.1.3 DESCRIPTION OF ACTIVITY

The ICT unit is the support function reporting to the Municipal Manager. The function of the unit is co-sourced. Information systems are in-house and the infrastructure is supported internally with second line support from an external service provider. The District Municipality has a service level agreement with a service provider.

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

- Service delivery: Management of ICT services that involves a number of management practices to ensure that the services are provided as expected by Council, management and users. Service delivery involves:
 - Service level management
 - Capacity management
 - Availability management
 - Security management
- Service support: Specification, implementation and support of hardware and software infrastructure including:
 - Desktop support (computers, printers, laptops and other ICT equipment)
 - Server support

- Network support (WAN, LAN, network equipment)
- ICT systems security
- Systems/Application
- Email and internet
- Service Desk (helpdesk and consumable provisioning)
- Problem Management (Fault monitoring and recovery and problem analysis)
- Configuration Management
- ICT assets management

2.5.1.4 PERFORMANCE REPORT

MEASURABLE OUTCOME	ENHANCEMENT OF SHAREPOINT PORTAL (INTRANET)
Activities/Project Description	<ul style="list-style-type: none"> • Budget • Remote access to CHDM intranet • Create user groups on intranet use • Administration and security on SharePoint portal
Project Leader	T. Somtombo/M Mashologu
Budget 2008/09	R300 000
Key deliverables	<ul style="list-style-type: none"> • Site visit • SCM processes and appointment of service provider • Interview user departments • Training of user departments on content management
Due date	21 June 2009
Percent complete	70%
Budget spent	R106 188.33
Stakeholders/partners	<ul style="list-style-type: none"> • CHDM departments • Communications Unit • Service Provider/Microsoft
Challenges/Comments	<ul style="list-style-type: none"> • Site visit undertaken • SharePoint task team trained on SharePoint administration and InfoPath • Ongoing enhancement of the system • There will be no appointment of SP, development and administration undertaken internally. • Interviewing of user departments outstanding • Training of user departments on content management outstanding
MEASURABLE OUTCOME	REVIEW MASTER SYSTEMS PLAN
Activities/Project Description	<ul style="list-style-type: none"> • Budget • Review of the existing 3-year master systems plan
Project leader	T. Somtombo/M. Mashologu
Budget 2008/09	R75 000
Key deliverables	Solicit proposals for reviewing MSP SCM processes and appointment of Service Provider
Due date	March 2009
Percent complete	100%
Budget spent	Ro
Stakeholders/partners	<ul style="list-style-type: none"> • CHDM • Service Provider
Challenges/Comments	<ul style="list-style-type: none"> • SITA completed reviewing the document and it is now with CHDM for acceptance. • Because it has been years since the development of the initial document most data is outdated. • Development of another 3-year MSP budgeted for in the next financial year. New project
MEASURABLE OUTCOME	ICT AUDIT
Activities/Project Description	<ul style="list-style-type: none"> • Budget • Assessment of ICT infrastructure • Compilation of report with recommendations on state of ICT infrastructure

Project leader	T. Somtombo/ M. Mashologu
Budget 2008/09	R300 000
Key deliverables	<ul style="list-style-type: none"> • Develop ToR for appointment of Service Provider • SCM processes and appointment of service provider • Service Provider to conduct audit
Due date	30 June 2009
Percent complete	70%
Budget spent	Ro
Stakeholders/partners	<ul style="list-style-type: none"> • CHDM • Service Provider
Challenges	<ul style="list-style-type: none"> • Service provider appointed • Project kickoff meeting undertaken • Project plan to be presented • Audit to be undertaken • Audit report to be developed
MEASURABLE OUTCOME	REVIEW OF ICT POLICIES
Activities/Project Description	<ul style="list-style-type: none"> • Review of ICT policies • Approval of ICT policies by Council
Project leader	T. Somtombo/ M. Mashologu
Budget 2008/09	Ro
Key deliverables	<ul style="list-style-type: none"> • Review two policies per quarter • Develop a booklet of acceptable use of ICT resources for users to sign
Due date	30 June 2009
Percent complete	95%
Budget spent	Ro
Stakeholders/partners	<ul style="list-style-type: none"> • CHDM • Corporate Services
Challenges and Comments	<ul style="list-style-type: none"> • Two policies approved by Council • Two ICT policy workshops took place and 6 policies were developed • Policies to undergo other processes towards Council approval
MEASURABLE OUTCOME	SOFTWARE LICENSING
Activities/Project Description	<ul style="list-style-type: none"> • Appointment of a Large Account Reseller • Software Audit • Software purchase • Budget
Project leader	T. Somtombo
Budget 2008/09	R1.1m
Key deliverables	<ul style="list-style-type: none"> • Software audit • Purchasing of licenses
Due date	December 2008
Percent complete	100%
Budget spent	R1.1m
Stakeholders/partners	CHDM
Challenges	

2.5.2 SUPPLY CHAIN MANAGEMENT UNIT

2.5.2.1 INTRODUCTION

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

2.5.2.2 STRATEGIC OBJECTIVES

- Regulate the functioning of operational activities by way of a sufficient and uninterrupted flow of goods & services to CHDM
- Purchase goods and services of the required quality to get maximum value for money
- Continually find and develop reliable alternative sources of supply
- Ensure lasting good relations with reliable suppliers
- Keep losses and the investment in inventory at a minimum, while taking into account safety and economic considerations
- Achieve healthy co-operation and co-ordination with different departments within CHDM
- Develop policy procedures and systems which will ensure that administrative costs of supply are kept to a minimum.

2.5.2.3 SUPPLY CHAIN PERFORMANCE FOR CAPITAL PROJECTS AWARDED IN 2008/2009

	NO OF PROJECTS	AMOUNT AWARDED	% AWARDED
Total Capital Projects Awarded	59	R91 459 425.50	
No with outstanding performance	6	R3 571 303.05	3.9%
No with satisfactory performance	22	R15 375 111.67	16.8%
No with poor performance	8	R 996 632.4	1.1%

2.5.2.4 PERFORMANCE REPORTS

MEASURABLE OUTCOME	DEVELOPMENT & MAINTENANCE OF SUPPLIER DATABASE
Activities/Project Description	<ul style="list-style-type: none"> • Advertise • Categorise • Verification & Qualification • Allocate • Implementation • Monitoring
Project Leader	Ms N. Fumbez
Budget 2007/08	R550 0000
Key deliverables	To have a compliant database in order to ensure supplier rotation and equitable sharing of opportunities
Due date	Sept 08
Percent complete	75%
Budget spent	R450 000
Stakeholders/partners	BEE Online (Consultant) Service Providers
Challenges	<ul style="list-style-type: none"> • Time-frames not met • Service Level Agreement delayed • Limited corporation from user departments

MEASURABLE OUTCOME	ACQUISITION OF GOODS & SERVICES
Activities/Project Description	To acquire goods & services in a manner that is within the policy and legislation
Budget 2007/08	Operational & Capital Budget
Key deliverables	Spend 90% of the allocated funds by June 2008
Due date	June 08
Percent complete	
Budget spent	
Stakeholders/partners	
	Service Providers
Challenges	<ul style="list-style-type: none"> • Late/non-delivery of goods & services • Limited expenditure planning by user departments • Limited monitoring of expenditure
MEASURABLE OUTCOME	POLICY DEVELOPMENT
Activities/Project Description	To review SCM Policy
	To have a policy within the legislative framework that will assist the council deliver on its objectives
Project leader	Ms N. Fumbeza
Budget 2007/08	R30 000
Key deliverables	<ul style="list-style-type: none"> • Invite comments on stakeholders • Consolidate • Conduct workshops • Legal testing • Adoption • Implementation and monitoring
Due date	June 08
Percent complete	
Budget spent	R30 000
Stakeholders/partners	<ul style="list-style-type: none"> • Service Providers • Public Institutions & Departments
Challenges	Inputs not submitted on time
MEASURABLE OUTCOME	FORMATION OF DISPOSAL COMMITTEE & POLICY
Activities/Project Description	To have an effective disposal committee
	To formulate a disposal strategy
Project leader	Ms N. Fumbeza
Budget 2007/08	Ro
Key deliverables	Appointment of members
	Training
	Draft disposal strategy
	Implementation of strategy and reporting
Due date	Jun-08
Percent complete	10%
Budget spent	
Stakeholders/partners	
Challenges	Disposal Committee not appointed
MEASURABLE OUTCOME	SCM PERFORMANCE REPORTING
Activities/Project Description	To have monthly Report
	To have quarterly reports
	To have annual Reports on SCM Performance

Project leader	Ms N Fumbeza
Budget 2007/08	Ro
Key deliverables	To compile monthly performance reports
	To compile quarterly performance reports
	To compile annual performance reports
Due date	Monthly, quarterly and annually
Percent complete	75%
Budget spent	
Stakeholders/partners	
Challenges	Database not complete to report on operational activities

2.5.2.5 CHALLENGES

- Targets on development of SMMEs were not clearly defined in the SCM Policy which would ensure evaluation of the SCM unit.
- Accommodation is a big challenge – evident in deliveries, inventory controls, contract management and archiving. A long-term strategy is in place to deal with this challenge.
- Service Provider empowerment is still a challenge and more attention is to be given this area.
- CHDM is striving for the better performance of Service Providers in the next financial year with the hope that the programmes that are in place for SMME development will assist our service providers' performances.

Good Governance Directorate





2.6.1 COMMUNICATIONS UNIT

2.6.1.1 INTRODUCTION

The effective and necessary participation of citizens in local government is proving to be a major challenge for local government. The Chris Hani District Municipality, in response to this, established a communications unit which must produce a Communications Strategy to guide its communication activities on an annual basis. Basic legislative and policy framework taken into consideration when drafting the strategy are:

- Constitution of the Republic of South Africa Act 108 of 1996: Section 32 gives a right to everyone to access any information held by the state
- Municipal Systems Act 32 of 2000 Chapter 4, which encourages public participation of communities and stakeholders
- Promotion of Access to Information Act No. 14 of 2000 which fosters a culture of transparency and accountability to promote effective access to information.

The strategy is also guided by the CHDM Integrated Development Plan (IDP), the Provincial Growth and Development Plan (PGDP), the National Government Communications Plan and the SALGA National Communications Conference Resolutions (May 2006).

2.6.1.2 OBJECTIVES OF THE UNIT

- Develop, implement and review Chris Hani District Municipality's Communications Strategy
- Develop and implement Chris Hani District Municipality's Marketing Strategy
- Render communication support to all municipal programmes and policies
- Encourage community participation
- Advise the Council on the stakeholder needs and perceptions.

2.6.1.3 DESCRIPTION OF ACTIVITY

Government communication is a strategic and planned process aimed at ensuring effective dialogue between government and communities. Because local government is the closest sphere of government to communities, municipalities should fulfil a wide range of communication functions in their attempt to provide the public with open access to information on the programmes and policies of the municipality. Communication activities include media liaison (media statements, radio interviews/talks-shows), media production (newsletters, information booklets, brochures, photography and videography); enhancing the Chris Hani brand (corporate identity, promotional material and advertorials), website management; production of annual report; dissemination of information; community participation encouragement (izimbizo and information days; state, provincial and district addresses; institutionalised days, road-shows), establishment and functionality of communication structures in the district.

2.6.1.4 KEY FUNCTIONS FOR 2008/09

- Dissemination of information through implementing communication strategy (media liaison, media production, media monitoring, photography, information dissemination, brand management; internal communication, communication support to all departments)
- Marketing of Chris Hani District Municipality
- Production of Annual Report, and
- Website maintenance.

Communication strategy

The District Communication Strategy was reviewed and workshopped with relevant stakeholders. Its implementation progressed well during the year despite challenges ranging from staff shortages, uncoordinated communication activities within local municipalities, to minimal resources necessary to carry out some of the activities.

Media monitoring and Environmental Assessments

Media Monitoring, which seeks to monitor how the media portrays the municipality and how the municipality is perceived, was performed on a quarterly basis and reported. For environmental assessments the unit relies on information from the Government Communication and Information Systems, and at times CDW coordinators. We currently do not have the capacity to conduct these.

Media Liaison

Media liaison forms part of the implementation of the District Communications Strategy. During the period under review, media statements were issued either to promote events or to report on the activities of Council. To maximise community interaction and allow for feedback, talk shows and radio interviews were held in both community and mainstream media.

Branding and Marketing

Chris Hani District Municipality undertook to standardise branding of the municipality by sourcing a service provider to prepare branding guidelines. The guidelines are intended to maintain consistency in all branded items of the District Municipality, thereby enhancing its image. The branding guidelines were adopted by Council in July 2008.

The unit is currently implementing branding roll-out plan which seeks to popularise the new logo and phase out the old one. The marketing strategy is not yet in place but marketing attempts are proceeding: Advertorials have been placed in various tourism magazines and directories to market the area as a tourism and investment destination.

Public Participation

The unit has engaged in various actions to encourage public participation in the activities of Council. The radio talk shows with call-in time provide the municipality with the feedback that it needs; notices for Council meetings, IDP roadshows characterised by public engagements, and the state of the district address, which is broadcast live, also allow the public to comment.

Corporate events

The communications unit supported and participated in various events that took place during the year under review. The support involved media liaison, marketing, branding and providing related resources, financial and otherwise, and producing publications and promotional material. The events of note were the Chris Hani Month, IDP roadshows, HIV and AIDS door-to door campaign, Presidential inauguration, SONA, SOPA, co-operatives indaba, ISDR Day, Water week, Environmental Day and all institutionalised days etc.

Municipal website

The municipal website www.chrishanidm.gov.za is operational and contains information as prescribed in the MFMA (Act 56 of 2003). The website is also intended to market the municipal programmes and is therefore updated on a weekly basis. The intranet which serves as a platform for information sharing for our internal publics is also a responsibility of the Communications Unit.

Annual Report

The Unit is responsible for putting together and providing images for the CHDM Annual Report.

2.6.1.5 CHALLENGES

- The Unit is understaffed
- No established customer-care desk results in uncoordinated dealing with queries
- Mechanisms to encourage community participation are minimal
- Integrated communication activities are lacking within the district
- Resources are lacking which compels the unit to use service providers on minor productions
- Content sourcing for media liaison and media production
- No communications policy to regulate communication activities.

2.6.1.6 PERFORMANCE REPORT

MEASURABLE OUTCOME	REVIEW OF COMMUNICATION STRATEGY, DEVELOP ACTION PLAN AND IMPLEMENTATION
Activities/Project Description	• Review of the district communication strategy.
Project Leader	Communications Manager
Budget 2008/09	
Key deliverables	<ul style="list-style-type: none"> • Adoption and Implementation of the Communication strategy: Stakeholder engagement, Environmental analysis • Collate information, • Communicate programmes, • Disseminate information, • Strengthen communication structures.
Due date	June 2009
Percent complete	100%
Budget spent	
Stakeholders/partners	<ul style="list-style-type: none"> • GCIS • OTP • Local Municipalities, media houses. • Government departments, communities, business
Challenges	<ul style="list-style-type: none"> • Human resources, no integration and proper coordination of activities that local municipalities also engage in, to avoid duplication e.g. Mayoral Izimbizo • Some local municipalities with no communication units and no plans to establish units, no communication strategies or communicators. Where the units are established they are charged with additional duties outside communications. Uncoordinated communication caused by non-integration of communication initiatives by municipalities and government departments.
MEASURABLE OUTCOME	PRODUCTION OF PUBLICATIONS
Activities/Project Description	<ul style="list-style-type: none"> • Develop and Produce newsletters, booklets and information leaflets, A5s, posters • Collate relevant information • Translation of information to widely spoken languages • Distribute productions
Project leader	Communications Manager
Budget 2008/09	R200 000
Key deliverables	<ul style="list-style-type: none"> • Promote municipal programmes & initiatives to the community; give feedback on the quarterly activities. Provide vital information on government services • Research, collect and verify information. • Edit information. • Appoint service provider
Due date	June 2009
Percent complete	95%
Budget spent	R190 000

Stakeholders/partners	CHDM departments, service providers
Challenges	<ul style="list-style-type: none"> • Lack of Co-operation from departments in terms of giving information at the time required which leads to late publication of the newsletter. • Shortage of personnel and slow supply chain processes
MEASURABLE OUTCOME	COMMUNICATE CHDM PROGRAMMES, PLANS, ACHIEVEMENTS, CHALLENGES AND ENCOURAGE COMMUNITY PARTICIPATION
Activities/Project Description	<ul style="list-style-type: none"> • Research and organise media interviews on pertinent issues (political leadership taking the lead) • Issue media statements, maintain good relations with media houses • Media monitoring and advise on perceptions • Promote community participation platforms
Project leader	Communications Manager
Budget 2008/9	R1m
Key deliverables	<ul style="list-style-type: none"> • An informed community that is able to make informed decisions Collect information • Frame media plans • Schedule talk show slots for the whole financial year including ad hoc requirements • Information dissemination
Due date	June 2009
Percent complete	100%
Budget spent	R980 000
Stakeholders/partners	Media Houses
Challenges	Information not forthcoming from departments. Delays in processing Communications Policy which facilitates flow of information. Shortage of personnel means media statements not issued as often as they should be. Reluctance of directorates to designate communication custodians as required for easy flow of information. Inability to produce A5s due to lack of resources (equipment and human resources)
MEASURABLE OUTCOME	MARKET CHDM PROGRAMMES AND COMPLY WITH MFMA
Activities/Project Description	Maintain a compliant website. Research and upload information.
Project leader	Communications Manager
Budget 2008/09	R50 000
Key deliverables	Functional Municipal website that allows internal & external stakeholders to be conversant with the operations of municipality. Market district municipality.
Due date	June 2009
Percent complete	90%
Budget spent	R10 000
Stakeholders/partners	CHDM departments and sections, service provider
Challenges	Information acquisition remains a challenge (notices, job advertisements, tender adverts – advertised in media without informing communications to upload same on the website). No communication reps in departments. Workload impacting negatively.
MEASURABLE OUTCOME	TO PRODUCE A COMPLIANT ANNUAL REPORT AND MEET DEADLINES
Activities/Project Description	<ul style="list-style-type: none"> • Collate and compile information from departments and sections • Appoint service provider • Design and Production • Publication • Distribution
Project leader	Communications Manager
Budget 2008/09	R200 000
Key deliverables	Inform public about achievements, challenges and financial standing of the district municipality.
Due date	June 2009
Percent complete	100%
Budget spent	R155 000
Stakeholders/partners	CHDM departments, service provider
Challenges	Some departments not adhering to set reporting format and some units not reporting despite numerous calls for information.

MEASURABLE OUTCOME	TO DEVELOP A MANUAL AND COMPLY WITH PROMOTION OF ACCESS TO INFORMATION ACT
Activities/Project Description	<ul style="list-style-type: none"> • (Review and implementation) • Consultation (stakeholder involvement) • Consolidation and editing of comments • Produce reviewed manual • Council adopt manual
Project leader	Communications Manager
Budget 2008/09	R10 000
Key deliverables	Facilitate access to information that is of public interest
Due date	June 2009
Percent complete	0%
Budget spent	R0
Stakeholders/partners	<ul style="list-style-type: none"> • HODs, Archives section • General public
Challenges	Project delayed – shortage of staff to implement. Placing of responsibility with Communications being investigated.
MEASURABLE OUTCOME	TO DEVELOP A SUSTAINABLE BRAND FOR THE INSTITUTION
Activities/Project Description	<ul style="list-style-type: none"> • Development of corporate identity manual and implementation • Create templates, banners, promotional material, corporate gifts, tablecloths, paper bags, name tags, business cards, and stationery.
Project leader	Communications Manager
Budget 2008/09	R300 000
Key deliverables	To have a uniform corporate identity that enhances the face of the municipality. Production of corporate identity manual, rebranding of institution per plan,
Due date	June 2009
Percent complete	100%
Budget spent	R300 000
Stakeholders/partners	Service providers, internal departments
Challenges/comments	Funding insufficient for roll out plan to be completely implemented. Supply chain processes too slow. Cooperation from departments minimal
MEASURABLE OUTCOME	TO DEVELOP A MARKETING STRATEGY TO MARKET CHRIS HANI DM AND IMPLEMENT MARKETING PROGRAMMES
Activities/Project Description	Develop and implement a marketing strategy, source service provider
Project leader	Communications Manager
Budget 2008/09	R500 000
Key deliverables	Market district as a tourism and investment destination
Due date	June '09
Percent complete	10%
Budget spent	R0
Stakeholders/partners	Service providers, IPED, tourism organizations, Business
Challenges	Delay in the appointment of Marketing and Events officer -

2.6.2 INTERNAL AUDIT SERVICES UNIT

2.6.2.1 OVERVIEW

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve Chris Hani District Municipality's operations.

It is aimed to evaluate and improve the effectiveness of the Risk Management, Internal Control processes and Governance process

CHDM Internal Audit was established in 2002, placed under the Municipal Manager's office, reporting directly to the Municipal Manger on administrative issues and reports functionally to both the Audit Committee and the Performance Audit Committee

The Unit has got a staff complement of three with the Senior Internal Auditor operating as a Chief Audit Executive. The Internal Audit team is a professional qualified and affiliated with the Institute of Internal Auditors. The Municipality budgeted an amount of R143 000 towards continued professional development which was not fully spent as most of the training attended was provided by the office of the Accountant General.

The Audit Committee and Performance Audit Committees comprise of members who are neither Councillors nor officials of the district municipality

2.6.2.2 STRATEGIC OBJECTIVES

The Internal Audit work will normally include, but not be restricted to, review, appraise and report on the following:

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

2.6.2.3 PERFORMANCE REPORT

MEASURABLE OUTCOME	PROVISION OF SUPPORT TO LOCAL MUNICIPALITIES ON A SHARED BASIS
Activities/Project Description	<ul style="list-style-type: none"> • Seeking Funding for the Internship Programme • Appointment of Interns • Draft terms of reference for service providers • Appointment of service providers to execute the Internal Audit plans • Monitoring of the appointed service providers
Project Leader	Mrs. V. Dusubana
Budget 2008/09	R2 000 000.00
Key deliverables	<ul style="list-style-type: none"> • Reports on the adequacy and effectiveness of internal controls in the local municipalities • Training of Interns by the appointed service providers
Due date	June 2009
Percent complete	<ul style="list-style-type: none"> • 50% • Funding of R200 000 for the Internship programme was granted to CHDM by the OTP where ten unemployed graduates were recruited and placed with different local municipalities and the district • The Interns were trained by PWC on the Internal Audit methodology and drawing up of working papers, were trained by National Treasury on the Internal Audit Framework
Budget spent	Ro
Stakeholders/partners	Consultants
	LMS
Challenges	The tender for co-sourcing of internal audit was advertised on the local and national newspapers but we did not receive sufficient responses we had to re advertise and that consequently delayed the project.
MEASURABLE OUTCOME	DEVELOPMENT OF A RISK MANAGEMENT FRAMEWORK AND POLICY
Activities/Project Description	<ul style="list-style-type: none"> • To draft terms of reference for the service provider • To appoint a service provider • To conduct workshop for Councillors and officials • Adoption of the policy • Appointment of the risk management committee
Project leader	Mrs V. Dusubana
Budget 2008/09	R500 000.00
Key deliverables	<ul style="list-style-type: none"> • Risk Management Framework • Risk Management Policy • Risk Management Committee
Due date	June 2009
Percent complete	100%
Budget spent	Ro (Funding provided by the DPHLG & TA through the Turnaround Plan)
Stakeholders/partners	Consultants
	<ul style="list-style-type: none"> • Councillors • Management
Challenges	
MEASURABLE OUTCOME	QUALITY ASSURANCE REVIEW FOR THE INTERNAL AUDIT UNIT
Activities/Project Description	Appointment of the Service Provider
Project leader	Mrs. V. Dusubana
Budget 2008/09	R100 000.00
Key deliverables	Quality Assurance report
Due date	June 2009
Percent complete	0%
Budget spent	Ro

Stakeholders/partners	Internal Audit Team Consultants Management
Challenges	
MEASURABLE OUTCOME	EXECUTION OF THE INTERNAL AUDIT PLAN
Activities/Project Description	<ul style="list-style-type: none"> • Review of Annual Financial Statements • Performance Management System • Policies and Procedures • Income and Debtors • Fixed Assets and Fleet Management • MFMA Compliance • DORA Compliance • Follow up on prior year Internal Audit Findings • Follow up on prior year External Audit Findings • Risk Assessments • SCM
Project leader	Mrs. Dusubana
Budget 2008/09	R100 000.00
Key deliverables	Report on the adequacy and effectiveness of Internal Controls in the above mentioned areas Performance report for the institution
Due date	June 2009
Percent complete	40%
Budget spent	Internal
Stakeholders/partners	Internal Audit Team Consultants Management
Challenges	Due to delays incurred in appointing the service provider the Internal Audit plan could not be finalised. Only four projects were undertaken and completed by the Internal Audit staff i.e. review of AFS, Follow up of prior year external audit findings, Risk Assessments and PMS

2.6.2.4 CONCLUSION

The effectiveness of Internal Audit was reviewed by the Audit Committee where certain deficiencies were highlighted and the Unit is in the process of rectifying those areas.



2.6.3 SPECIAL PROGRAMMES UNIT (SPU)

2.6.3.1 INTRODUCTION

The mandate of this unit is to champion the redress of the marginalized, disadvantaged or vulnerable groups because of patriarchy, age or being differently-abled who are often outside of the mainstream of decision-making and power. The unit also seeks to broaden the consciousness of society in general about the challenges facing the targeted groups and provide real opportunities for advancing the interests of targeted groups.

These target groups include women by virtue of gender oppression and thus the triple oppression that they face, youth as a social strata that were particularly affected by apartheid but also the position that they occupy in society as a transitional stage between child-hood and adulthood, people with disabilities who have special needs and face discrimination, children who are the most vulnerable sector in any society and the elderly who too have special needs.

2.6.3.2 OBJECTIVES OF SPU

The central function of the SPU is to ensure the mainstreaming and integration of gender, disability, youth, children and the elderly issues into all of Municipality's structures, processes, methods and strategies. The unit capacitates and coordinates programmes through regular meetings and focal points at the district level and all local counterparts. It must monitor and evaluate progress made by various municipal departments in mainstreaming issues affecting targeted groups.

2.6.3.3 MAINSTREAMING AND INTEGRATION OF TARGETED GROUPS

Generally all municipal departments are integrating and mainstreaming issues affecting targeted groups on economic participation, education and skills development, information, communications and technology, policy development and implementation. A lot of improvement needs to be done particularly around supply chain and procurement areas.

The following programmes were undertaken by internal departments to empower targeted groups across the district municipality on learnerships in electricity distribution, municipal finance, administration, tourism, infrastructure, agriculture and manufacturing. Indeed targeted groups benefited directly from school greening, community garden, cleaning campaign, and lapses.

Learners were chosen from all local municipalities and participated in the E-Cooperatives programmes in a partnership with the Presidential National Commission on Information Society and Development and an ICDL project undertaken together with the Department of Communication benefited young people from all local municipalities.

The following projects and programmes were supported Hewu Music Academy, Glen Grey Youth Gardening, Shiloh Irrigation Disability, Chris Hani Football tournament, Girl Guides and Queenstown F1 Power-boat Youth Development program.

The following institutional days were observed a successful institutional National Women's Day, National Children's Day by children across the district, International Day of People with Disabilities, Youth Day in Sakhisizwe local municipality and young people from our district participated in the national youth debate on a number of difficult subject matters, in partnership with the office of the public protector and South African Human Rights Commission, Human Rights Day was observed targeting farm areas.

The International 16 Days of Activism against women and children abuse campaign was observed and the National Closure of the campaign addressed by the State President was hosted in partnership with our district municipality. In progress is the development of the youth and women policies and strategies to ensure the effective mainstreaming.

The SPU coordinating committee and SPU forum are functioning although there is a room for improvement. In progress is the strengthen of the youth council, disability forum, children's advisory council, elderly forum and work is still undertaken to establish the Progressive Women's Forum. Importantly the foundation to host an inaugural district Mayors cup has been laid to contribute in social cohesion and sports development.

**Part Three:
Audited Statements and
other Financial Information**



CHRIS HANI
DISTRICT MUNICIPALITY



3.1 INTRODUCTION TO THE ANNUAL FINANCIAL STATEMENTS

MEMBERS OF THE COUNCIL

COUNCILLORS		PROPORTIONAL COUNCILLORS
M S Sigabi	ANC	
Mrs Pasha	ANC	
Z R Shweni	ANC	
N T Bikwana	ANC	
T E Bobo	ANC	
N C Dzedze	ANC	
M C Gobinca	ANC	Commencement: 01/04/2009
L Gunuza-Nkwentsha	ANC	
N C Koyo	ANC	
N P Makalima	ANC	
N Matswele	ANC	
N Mvana	ANC	Resignation Date: 28/02/2009
T P Nobongoza	ANC	
L E Noqha	ANC	
M S Rulument	ANC	
M R Xuma	ANC	
J F Van der Walt	DA	
A W Nkungwana	UDM	

I am responsible for the preparation of these financial statements, which are set out hereunder, 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 remuneration of Councillors and in-kind benefits 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.



M MBAMBISA
MUNICIPAL MANAGER
31 August 2009

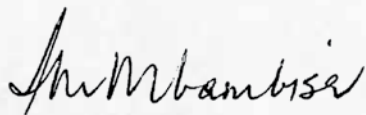
GENERAL INFORMATION

EXECUTIVE MAYOR		M.S Sigabi		
SPEAKER		N. Pasha		
MUNICIPAL MANAGER		M. Mbambisa		
CHIEF FINANCIAL OFFICER		P.T. Pambaniso (Acting)		
MEMBERS OF THE MAYORAL COMMITTEE	Executive Mayor	Speaker		
	Chief Whip	R. Shweni		
	Councillors:	M. Koyo	N. Dzedze	
		L.G. Nkwentsha	N. Mvana	
		M. Xuma		
GRADING OF THE LOCAL AUTHORITY	Grade 8			
AUDITORS	External –	Auditor General	Internal –	Internal Unit
PRIMARY BANKER	FNB			
REGISTERED OFFICE	15 Bells Road	Private Bag X7121		
	Queenstown	Queenstown		
	5319	5320		
	Telephone: (045) 808-4600	Facsimile: (045) 838-1556		
	E-Mail: webmaster@ chrisanidmi.gov.za			
	Website: http://www. chrisanidm.gov.za			

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 8 to 98, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

These Annual Financial Statements will be presented to the Council for information during September 2009.



M MBAMBISA
MUNICIPAL MANAGER
31 August 2009

P T PAMBANISO (Acting)
CHIEF FINANCIAL OFFICER
31 August 2009

3.2 AUDIT REPORT TO THE ANNUAL FINANCIAL STATEMENTS

Report of the Audit Committee (AC) issued in terms of the Municipal Finance Management Act NO. 56 of 2003 (MFMA), for the year ended 30 June 2009.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE OF MEETINGS

The AC consists of the members listed hereunder and meets at least four (4) times per annum as per its terms of reference. During the reporting period six (6) meetings were held. During the year Mr J Emslie resigned and was replaced by Ms Zoleka Madikazi.

Name	No.of Meetings Attended
Mr A Yeboah [ACCA, MSc (UK)] (Chairperson)	6
Mrs T Putzier B.COM (UCT)	6
Mr J Emslie CA (SA) (resigned)	2
Ms Z Madikazi CA (SA) (replaced Mr j Emslie)	0

AC RESPONSIBILITIES

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

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

INTERNAL CONTROL ISSUES

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

In the view thereof Management addressed risk management identification by engaging an external expert in risk management, albeit the workshop being held beyond the financial year.

The AC recommends that the manner and attitude of management towards risk management must be taken more seriously since the very process underscores how the external auditor will view the risk appetite of the municipality.

THE EFFECTIVENESS OF INTERNAL CONTROL

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

The AC confirms that after conducting Internal Audit Assessment, the unit conforms to LEVEL 3 category, (Established), of the Institute of Internal Auditors quality maturity model. (See appendix A).

CAPACITY ISSUES NOTED AND RECOMMENDATION

The AC has noted persistent capacity problems facing the Municipality especially in the Finance Directorate. This has affected the preparation of the annual financial statements and service delivery in general. In an attempt to address capacity in this Directorate, the AC recommended immediate appointment of a second DEPUTY DIRECTOR OF FINANCE in charge of financial reporting. Due to the reported challenge, most of the recommendations made by

the AC could not be carried out, (eg non-disclosure of infrastructural assets especially water assets) resulting in disclaimer of opinion by the Auditor General in the audit report.

EVALUATION OF ANNUAL FINANCIAL STATEMENTS

The AC has:

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

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

EVALUATION OF AUDIT COMMITTEE

The AC is yet to be evaluated by council since its inception into office. An interim report was made to council in May 2009 in which we recommended that for smooth coordination of council activities, at least one council member attends AC meetings as an observer. This recommendation is yet to be implemented.



APPENDIX A

QUALITY MATURITY MODEL OF INTERNAL AUDIT

The Institute of Internal Auditors has issued a “quality maturity model” that includes a roadmap for improving internal audit practices over time. The model comprises five basic levels.

LEVEL 1: INTRODUCTORY

The internal audit function at this level has no quality assurance and improvement programme in place. Typically, a Level 1 internal audit department would be fairly new, or one that has not yet conformed to the quality requirements within the IIA’s International Standards for the Professional Practice of Internal Audit.

LEVEL 2: EMERGING

The internal audit function conducts periodic and ongoing self assessments, or internal quality assessments, monitoring the department’s compliance with the Standards.

LEVEL 3: ESTABLISHED

The internal audit activity obtains an independent evaluation of its self-assessment and improvement efforts at least every five years.

LEVEL 4: PROGRESSIVE

A quality assurance and improvement programme is integrated into the operations of the internal audit activity. The activity generally complies with the Standards and Code of Ethics, and obtains an external quality assurance review at least every five years.

LEVEL 5: ADVANCED

An active and fully integrated quality assurance and improvement programme exists within the daily operations of the internal audit function. An external quality assurance is conducted at least every three years. All staff members follow a rigorous continuing education programme. Finally the function should be sharing its best practices with other organizations, providing resources to participate in peer reviews, and completing various other outreach efforts to improve the practice of internal auditing.

3.3 FOREWORD TO THE ANNUAL FINANCIAL STATEMENTS

During the 2008/2009 financial year the municipality was under severe pressure to ensure compliance to various changes in legislation and continue with implementation of Generally Recognised Accounting Practice (GRAP) standards. The municipality was however able to meet the challenges set by a changing legislative and accounting environment.

The district municipality, as part of improving service delivery to the community, implemented proper communication channels through the local municipalities that have the Ward Committee and Community Development Workers systems at their disposal.

Although capital projects were limited to those financed from external grant funding the municipality has successfully implemented the projects identified in the Integrated Development Plan/Budget for 2008/2009 financial year. The municipality will continue in the 2009/2010 financial year to implement uncompleted projects for the previous financial year and those projects identified in the IDP/Budget for the current year.

Service delivery and the eradication of infrastructure backlogs remain a serious concern to all in local government. All role-players must ensure that they work together to overcome the legacy of the past and ensure that we uplift the living conditions of our people.

I hereby wish to thank the members of the Mayoral Committee and Council together with staff for their commitment during the year, ensuring that we meet the set targets for the year.

I thank you.



CLR M S SIGABI
EXECUTIVE MAYOR



3.4 REPORT OF THE AUDITOR GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

INTRODUCTION

1. I was engaged to audit the accompanying financial statements of Chris Hani District Municipality which comprise the statement of financial position as at 30 June 2009, the statement of financial performance, the statement of changes in net assets, 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 [95] to [184].

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 South African Statements of Generally Recognised Accounting Practice (GRAP) and in the manner required by the Local Government: 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)(d) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

Other debtors

4. The corresponding figure for other debtors did not reconcile to the prior year audited financial statements as it increased by R7.3 million. This increase is not supported by sufficient and appropriate documentation and as a result it was not possible to confirm that this amount was due to the municipality and recorded at the correct amount.

TRADE AND OTHER RECEIVABLES

5. Chris Hani District Municipality as the Water Services Authority (WSA) appointed the local municipalities in the district as Water Services Providers (WSP). As per the service level agreements the local municipalities must collect the water services revenue and maintain the assets on behalf of the district municipality. All water revenue, expenses, assets and liabilities should be recorded in the books of the district municipality. The municipality did not account for any of the water transactions and balances. Due to poor record keeping by the relevant local municipalities, it was not possible, even after performing alternative procedures, to determine the amount by which trade receivables, revenue, expenditure, other assets and creditors are understated.

PROPERTY, PLANT AND EQUIPMENT (PPE)

6. Completed infrastructure assets and those under construction were expensed instead of being capitalised as required by GRAP 17. In addition, the fixed asset register used to support the amounts in the financial statements did not provide sufficient evidence to identify and trace assets from the floor to the register and vice versa. As a result property,

plant and equipment including capital work-in-progress is understated by R143.2 million, expenditure is overstated by R77 million and accumulated surplus is understated by R65 million.

PROVISIONS

7. In the audit report for the year ended 30 June 2008, I reported that the leave provision could not be verified. Management have not effected any adjustments to the balance as previously disclosed or provided evidence that the leave balances which formed the basis of the leave provision as previously disclosed were correct, and as a result, the corresponding figure for the leave provision of R4 million is still could not be verified.
8. Errors in the number of days leave due to employees at the beginning of the year were not corrected. As a result the closing leave balances which form the basis of the leave provision are not accurate or recorded at the correct amount. The lack of appropriate records prevented the quantification of this misstatement.

CREDITORS

9. The corresponding figure for creditors did not reconcile to the prior year audited financial statements as it increased by R9.3 million. This increase is not supported by sufficient and appropriate documentation and as a result it was not possible to confirm that this amount was owed by the municipality and recorded at the correct amount.
10. Management did not accrue for all retentions due to suppliers on its completed projects as a result the retentions payable on completed projects as disclosed in the statement of financial position and note 10 is understated by R8.7 million while expenditure is understated by the same amount.

UNSPENT CONDITIONAL GRANTS AND RECEIPTS

11. In the audit report for the year ended 30 June 2008, I reported that the balance of unspent grants was adjusted by journal entries totaling R18 million that were not supported by adequate and appropriate supporting documentation and for which no evidence of council approval was provided. Management have not effected any adjustments to the corresponding figures as previously disclosed, and as a result, the corresponding figure for unspent grants is understated and corresponding figure for accumulated surplus is overstated by R18 million.
12. Unspent conditional grants and receipts of R128.1 million disclosed in the statement of financial position does not reconcile to the amount of R119 million disclosed in note 20. No documentations or explanation has been supplied for the difference of R9.1 million.

ACCUMULATED SURPLUS

13. In the audit report for the year ended 30 June 2008, I reported that accumulated surplus was adjusted by journal entries totalling R24.2 million without adequate and appropriate supporting documentation. No adjustments have been processed or documentation provided to confirm that these journals were appropriate. As a result it was not possible to verify that the accumulated surplus at the end of the year under review and the corresponding figure contained all appropriate entries, was accurate and recorded at the correct amount.
14. The corresponding figure of the accumulated surplus does not reconcile to the prior year audited financial statements and decreased by R4.8 million. This decrease is not supported by sufficient and appropriate supporting documentation. As a result it was not possible to confirm that the corresponding figure for the accumulated surplus was recorded at the correct amount.



EMPLOYEE RELATED COSTS

15. The salaries paid to employees who are employed on the roads projects are deducted from employee costs and included in project expenditure. As the employees are full time employees of the municipality and not employed on the project, employee costs are understated and project expenditure is overstated by R5.5 million.

IRREGULAR EXPENDITURE

16. Irregular expenditure of R77.7 million is not disclosed in the financial statements. This irregular expenditure was a result of non – compliance with the supply chain management policy and irregular salary payments.

FINANCIAL INSTRUMENTS

17. The municipality did not comply with the provisions of the International Accounting Standards (IAS) 32 and 39 in respect of the disclosure, recognition and measurement of financial instruments. All applicable disclosures of IFRS 7 have not been made. Due to a lack of documentation it was not possible to assess the impact of this non-disclosure on the financial statements.

UNAUTHORISED EXPENDITURE

18. Unauthorised expenditure of R3.8 million relating to overspending of a main division of the budget and expenditure that was not in accordance with the objective of the main division of the budget was omitted from the amount of R23 million unauthorised expenditure disclosed in note 37.1 to the financial statements.

FRUITLESS AND WASTEFUL EXPENDITURE

19. Fruitless and wasteful expenditure of R1.7 million relating to penalties and interest on incorrect VAT claims submitted to the South African Revenue Services was omitted from the amount disclosed in note 37.1 to the financial statements.

DISCLAIMER OF OPINION

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

OTHER MATTERS

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

UNAUDITED SUPPLEMENTARY SCHEDULES

21. The supplementary information set out on pages XX to XX 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 MFMA

22. Contrary to section 69 of the MFMA the draft service delivery and budget implementation plan and drafts of the annual performance agreements for all senior managers was not presented to the mayor within 14 days after approval of the annual budget.
23. Unauthorised expenditure of R8,1 million from the 2007-08 financial year as well as an amount of R350 866 that was transferred to the statement of financial performance in that year has not been condoned, and authorised in an adjustment budget or certified by council as required by section 32 of the MFMA
24. The municipality did not submit electronic or signed returns on their conditional grants spending for the year as required by section 71 of the MFMA.

25. The mayor did not submit to council the quarterly reports by budget and finance within the specified period as required by section 52 of the MFMA.

26. Contrary to section 11 of the MFMA the accounting officer did not table in council and submit to Treasury and to the Auditor-General a consolidated report of all withdrawals made in terms of subsection 1 (b) to (j) within 30 days of the end of each quarter.

27. Contrary to section 127 of the MFMA the 2008 annual report was not submitted to the Auditor-General after it was tabled in council.

MUNICIPAL SYSTEMS ACT (MSA)

28. Contrary to section 19 of the MSA no evidence was provided that the municipal manager gave notice to the public determining time, date and venue of every ordinary meeting of the council and special or urgent meetings of the council.

GOVERNANCE FRAMEWORK

29. 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:

INTERNAL CONTROL DEFICIENCIES

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

Par. no.	Basis for disclaimer of opinion	CE	RA	CA	IC	M
4	Other debtors			5		1
5	Trade and other receivables – water transactions not disclosed	5				
6	Property, plant and equipment – understated	5				1
7-8	Provisions			3		
9-10	Creditors			5,3		
11-12	Unspent conditional grants and receipts			5		1
13-14	Accumulated surplus			5		
15	Employee costs – salaries misallocated	5				
16	Irregular expenditure – SCM and salaries	5		3,4		1
17	Financial instruments – inadequate disclosure	1				
18	Unauthorised expenditure understated	5		3		
19	Fruitless and wasteful expenditure not disclosed					1

CONTROL ENVIRONMENT

31. Management did not establish and maintain an environment throughout the municipality that was supportive of internal control and conscientious management. The failure to create a stable control environment through the adoption of approved policy and procedure frameworks contributed largely towards the same matters that were reported in the previous financial year, being reported on again. Furthermore there was a lack of review and reconciliations to ensure competent and error free reporting.

32. The non-submission of documentation and information was continuously brought to the attention of management but did not receive appropriate attention.

CONTROL ACTIVITIES

33. Manual or automated controls were often not found in the municipality's systems. These deficiencies were also not addressed even though they often have been raised in prior audit reports. Policy and procedures frameworks have not been created and implemented for all major accounting cycles.

Legend	
CE = Control environment	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting officer/accounting authority does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
CA = Control activities	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7

KEY GOVERNANCE RESPONSIBILITIES

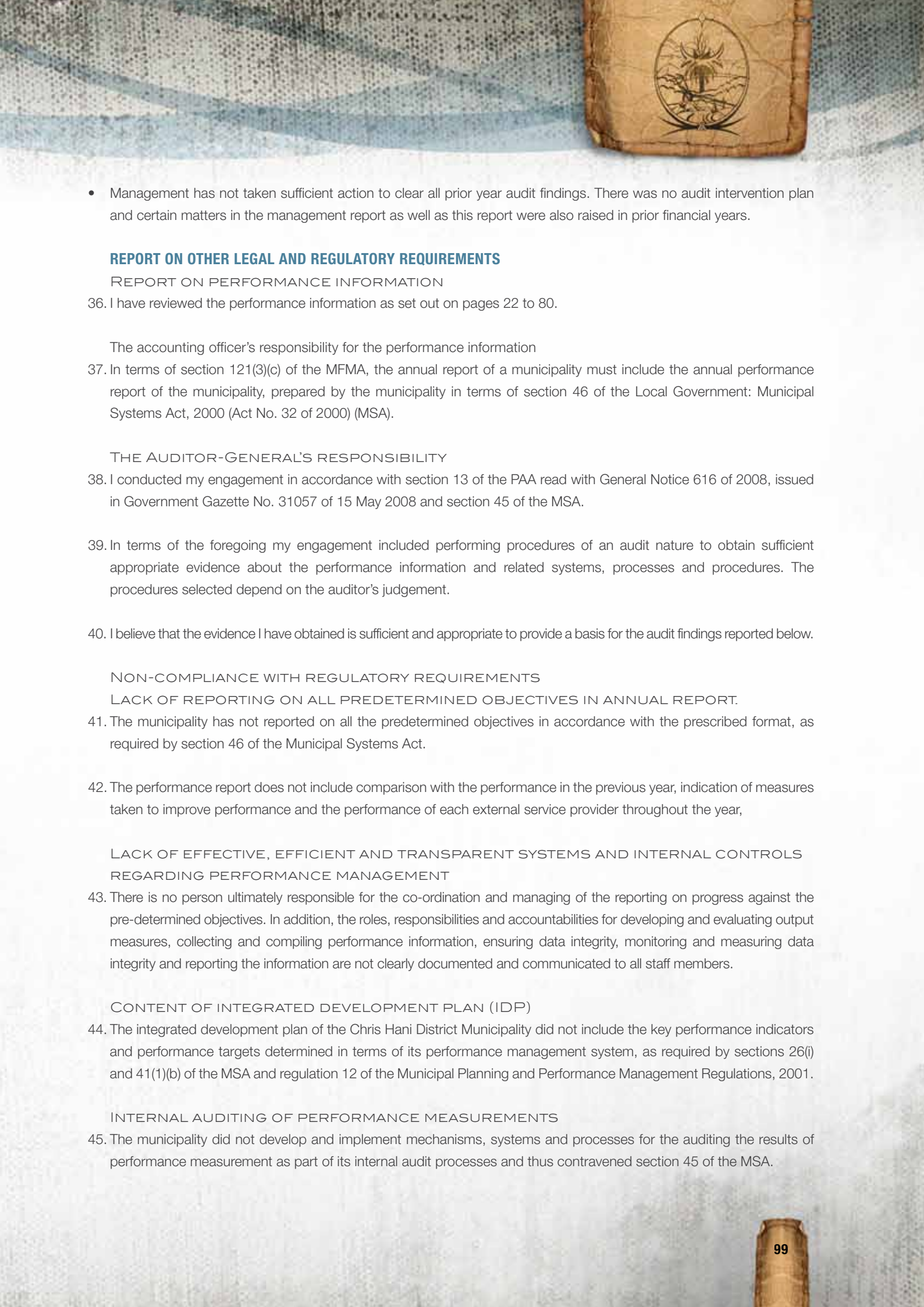
34. MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

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.		✓
Quality of financial statements and related management 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		
	•The municipality had an audit committee in operation throughout the financial year.	✓	

No.	Matter	Y	N
	•The audit committee operates in accordance with approved, written terms of reference.	✓	
	•The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.	✓	
7.	Internal audit		
	•The municipality had an internal audit function in operation throughout the financial year.	✓	
	•The internal audit function operates in terms of an approved internal audit plan.	✓	
	•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(c)(i) of the MFMA.		✓
12.	Delegations of responsibility are in place, as set out in section 79 of the MFMA.	✓	
Follow-up of Audit Finding			
13.	The prior year audit findings have been substantially addressed.		✓
14.	Oversight resolutions have been substantially implemented.		
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 presented and approved for the financial year under review for the purposes of monitoring the performance in relation to the budget and delivery by the municipality against its mandate, predetermined objectives, outputs, 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.		✓

35. The control environment in the municipality is not conducive to sound governance and accountability as the leadership has not ensured that the control environment has received the appropriate attention. The following key governance responsibilities have not been effectively addressed:

- Not all information was presented for audit purposes and management also did not present a copy of the annual report prior to the issue of the audit report. Senior management was also not always available to respond to audit queries.
- There is a lack of monitoring over financial accounting processes. This resulted in material amendments to the financial statements. Financial accounting processes have not been assessed and adjusted to ensure that all processes support the information requirements of the GRAP framework.
- Although the municipality has a risk committee, it was not functional in the 2008-09 financial year. The municipality also did not have a disaster recovery plan in place for the year.
- The internal audit department did not submit quarterly reports to the audit committee to follow up on previously reported audit findings.
- Out of the ten internal audits planned for the year in terms of the internal audit annual plan, only two were carried out. In addition, no audits of performance information were carried out.
- The significant deficiencies in the design and implementation of internal control in respect of the financial, risk assessment and compliance with applicable laws and regulations areas were attributed to a lack of implemented controls and a lack of monitoring and supervision by management.
- A risk assessment process was last undertaken in the 2008 financial year
- As is evident from the findings in this report the accounting record system of the municipality was not in all respects adequate to allow for the preparation of the annual financial statements.

- 
- Management has not taken sufficient action to clear all prior year audit findings. There was no audit intervention plan and certain matters in the management report as well as this report were also raised in prior financial years.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

REPORT ON PERFORMANCE INFORMATION

36. I have reviewed the performance information as set out on pages 22 to 80.

The accounting officer's responsibility for the performance information

37. 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

38. 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.

39. 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.

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

NON-COMPLIANCE WITH REGULATORY REQUIREMENTS

LACK OF REPORTING ON ALL PREDETERMINED OBJECTIVES IN ANNUAL REPORT.

41. The municipality has not reported on all the predetermined objectives in accordance with the prescribed format, as required by section 46 of the Municipal Systems Act.

42. The performance report does not include comparison with the performance in the previous year, indication of measures taken to improve performance and the performance of each external service provider throughout the year,

LACK OF EFFECTIVE, EFFICIENT AND TRANSPARENT SYSTEMS AND INTERNAL CONTROLS REGARDING PERFORMANCE MANAGEMENT

43. There is no person ultimately responsible for the co-ordination and managing of the reporting on progress against the pre-determined objectives. In addition, the roles, responsibilities and accountabilities for developing and evaluating output measures, collecting and compiling performance information, ensuring data integrity, monitoring and measuring data integrity and reporting the information are not clearly documented and communicated to all staff members.

CONTENT OF INTEGRATED DEVELOPMENT PLAN (IDP)

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

INTERNAL AUDITING OF PERFORMANCE MEASUREMENTS

45. The municipality did not develop and implement mechanisms, systems and processes for the auditing the results of performance measurement as part of its internal audit processes and thus contravened section 45 of the MSA.

Usefulness and reliability of reported performance information

46. 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 integrated development plan:

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

47. The following objectives recorded in the quarterly performance reports are not recorded in the IDP:

- Ensure that hawkers comply with minimum standards
- Implementation of training identified in the WSP
- Implement keys to food safety training
- Implement Health and Safety Programme

48. The following objectives recorded in the quarterly performance reports were not budgeted for in the SDBIP:

- Implementation of Food safety
- Implement Keys to food safety training
- Implement NSF project
- Implement Health and Safety Programme
- Develop a sustainable brand for the institution

49. The IDP does not include a measurable target in respect of Nguni bulls to be purchased during the year and as a result the key deliverable could not be verified against the intended target. In addition, as per the SDBIP R1 million was allocated for this objective, but as per the annual performance report R5,2 million was budgeted. The actual expenditure was R5,1 million.

APPRECIATION

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

Auditor-General

East London 11 March 2010



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

3.5 REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the financial position of Chris Hani District Municipality at 30 June 2009 and the results of its operations and cash flows for the year then ended.

The Statement of Financial Position at 30 June 2009 indicates an increase in Net Assets, and an increase in Non-current Liabilities and in Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of identifying, componentising and measuring immovable assets. The increase in Non-current Liabilities is primarily as a result of additional Long-term Loans being taken up for infrastructure expansion and refurbishment and an increase in Retirement Benefit Liabilities.

2. KEY FINANCIAL INDICATORS

The following indicators give some insight into the financial results of the year under review. No figures are provided for the previous year because of the change in format of the Annual Financial Statements presented.

FINANCIAL STATEMENT RATIOS:

INDICATOR	2009	2008
Surplus/(Deficit) before Appropriations	31 430 675	553 845
Surplus/(Deficit) at the end of the Year	131 280 279	93 685 252
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	15.14%	14.84%
Remuneration of Councillors	1.14%	1.01%
Collection Costs	0.00%	0.00%
Depreciation and Amortisation	0.00%	1.03%
Impairment Losses	3.10%	0.31%
Repairs and Maintenance	3.94%	0.21%
Interest Paid	0.11%	0.18%
Bulk Purchases	0.00%	0.00%
Contracted Services	1.23%	0.01%
Grants and Subsidies Paid	57.99%	58.56%
General Expenses	17.34%	23.85%
Current Ratio:		
Creditors Days	19	38

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with an explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

The services offered by Chris Hani District Municipality can generally be classified as General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2009 are as follows:

DETAILS	Actual 2008/2009 R	Actual 2007/2008 R	Percentage Variance %	Budgeted 2008/2009 R	Variance actual/ budgeted %
Income:					
Opening surplus/(deficit)	45 751 861	63 925 731	(28.43)%	-	-
Operating income for the year	468 910 776	460 858 668	1.75%	461 270 354	1.66%
Appropriations for the year	(5 149 409)	(10 189 754)	(49.46)%	-	-
	509 513 227	514 594 645	(0.99)%	461 270 354	10.46%
Expenditure:					
Operating expenditure for the year	437 480 101	460 304 823	(4.96)%	461 270 354	(5.16)%
Sundry transfers	(6 164 352)	8 537 962	(172.20)%	-	-
Closing surplus/(deficit)	78 197 479	45 751 861	70.92%	-	-
	509 513 227	514 594 645	(0.99)%	461 270 354	10.46%

3.1 GENERAL SERVICES

This entails the management of infrastructure and other grants, which are used primarily for infrastructure development, local economic development and tourism marketing and development.

DETAILS	Actual 2008/2009 R	Actual 2007/2008 R	Percentage Variance %	Budgeted 2008/2009 R	Variance actual/ budgeted %
Income	468 910 776	460 858 668	1.75%	461 270 354	1.66%
Expenditure	361 488 922	375 642 209	(3.77)%	354 218 713	2.05%
Surplus/(Deficit)	107 421 854	85 216 459	26.06%	107 051 641	-
Surplus/(Deficit) as % of total income	22.91%	18.49%		23.21%	

3.2 TRADING SERVICES:

This entails the construction, operation and maintenance of all water schemes located within the area of jurisdiction of the municipality.

DETAILS	Actual 2008/2009 R	Actual 2007/2008 R	Percentage Variance %	Budgeted 2008/2009 R	Variance actual/ budgeted %
Income	-	-	-	-	-
Expenditure	75 991 179	84 662 614	(10.24)%	107 051 641	(29.01)%
Surplus/(Deficit)	(75 991 179)	(84 662 614)	(10.24)%	(107 051 641)	-
Surplus/(Deficit) as % of total income	-	-		-	

4. RECONCILIATION OF BUDGET TO ACTUAL

4.1 OPERATING BUDGET

DETAILS	2009 R	2008 R
Variance per Category:		
Budgeted surplus before appropriations	-	-
Revenue variances	7 640 422	6 519 488
Expenditure variances:		
Employee Related Costs	5 050 699	(1 231 083)
Remuneration of Councillors	286 549	(18 830)
Collection Costs	572 209	213 321
Depreciation and Amortisation	3 084 800	(1 648 508)
Impairment Losses	(13 573 358)	(1 439 981)
Repairs and Maintenance	18 286 180	706 118
Interest Paid	(15 245)	(350 894)
Contracted Services	576 150	192 606
Grants and Subsidies Paid	(4 694 545)	10 195 138
General Expenses	14 234 752	(12 563 971)
Loss on disposal of Property, Plant and Equipment	(17 939)	(19 559)
Actual surplus before appropriations	31 430 675	553 845

DETAILS	2009 R	2008 R
Variance per Service Segment:		
Budgeted surplus before appropriations	-	-
Executive and Council	(834 295)	197 931
Finance and Administration	(10 727 469)	7 464 840
Planning and Development	232 510	637 110
Health	4 664 229	1 979 750
Community and Social Services	983 850	256 683
Public Safety	4 537 698	1 921 342
Environmental Protection	(1 382 220)	(241 328)
Roads and Transport	3 525 175	1 789 901
Water	31 060 462	(6 960 529)
Other	(629 267)	(6 491 855)
Actual surplus before appropriations	31 430 675	553 845

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with a criptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

5. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2009 amounted to R131 280 279 (30 June 2008: R93 685 252) and is made up as follows:

	R
Capital Replacement Reserve	36 835 517
Government Grants Reserve	16 247 284
Accumulated Surplus	78 197 479
Total	131 280 279

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The Government Grants Reserves are utilised to offset the cost of depreciation of assets funded from Government Grants over the lifespan of such assets. Amounts equal to the cost of assets acquired from Government Grants are transferred to the reserve annually.

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 16 and the Statement of Change in Net Assets for more detail.

6. DEFERRED REVENUE

Deferred Revenue has been restated to adhere to the provisions of GAMAP 9, Revenue (paragraphs 42 - 46, revenue from non-exchange transactions), in accounting for assets acquired from Government Grants. Refer to Note 31.1 on "Change in Accounting Policy" for details of the restatement.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2009 was R7 652 081 (30 June 2008: R8 626 446).

Refer to Note 13 and Appendix "A" for more detail.

8. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2009 was R17 770 499 (30 June 2008: R15 228 332).

This liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

Refer to Note 14 for more detail.

9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R2 731 024 as at 30 June 2009 (30 June 2008: R2 597 771) and is made up as follows:

	R
Provision for Long-term Service	2 731 024
Total	2 731 024

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Note 15 for more detail.

10. CURRENT LIABILITIES

Current Liabilities amounted R158 272 276 as at 30 June 2009 (30 June 2008: R173 953 676) and is made up as follows:

	Note	R
Provisions	Note 9	5 938 709
Creditors	Note 10	23 200 056
Unspent Conditional Grants and Receipts	Note 11	128 151 274
Operating Lease Liabilities	Note 12	7 873
Current Portion of Long-term Liabilities	Note 13	974 365
Total		158 272 276

Non-current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R30 355 515 as at 30 June 2009 (30 June 2008: R22 721 984).

Refer to Note 6 and Appendices "B, C and E (2)" for more detail.

12. INTANGIBLE ASSETS

The net value of Intangible Assets were R190 as at 30 June 2009 (30 June 2008: R190).

These are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 7 for more detail.

13. LONG-TERM RECEIVABLES

Long-term Receivables of R0 at 30 June 2009 (30 June 2008: R7 695) is made up as follows:

	R
Officials: Car Loans	7 695
	7 695
Less: Short-term portion included in Current Assets	7 695
	-

Refer to Note 8 for more detail.

14. CURRENT ASSETS

Current Assets amounted R287 350 454 as at 30 June 2009 (30 June 2008: R271 361 607) and is made up as follows:

		R
Other Debtors	Note 2	24 395 431
VAT Receivable	Note 3	8 181 691
Bank Balances and Cash	Note 4	254 765 637
Current Portion of Long-term Debtors	Note 8	7 695
		287 350 454

Refer to the indicated Notes for more detail.

15. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 10 and 27, and Appendix "F" for more detail.

16. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 57.

17. GENERAL RECOGNISED ACCOUNTING PRACTICE (GRAP)

In order to adhere to principles and procedures prescribed by law and the directions of National Treasury, the Annual Financial Statements have been converted to the new reporting GRAP-format.

18. EXPRESSION OF APPRECIATION

We are grateful to the Executive Mayor, members of the Mayoral Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER (Acting)
31 August 2009

3.6 STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009

	Note	2009 R	2008 R
ASSETS			
Current Assets			
		287 350 454	271 361 607
Other Debtors	2	24 395 431	41 809 813
VAT Receivable	3	8 181 691	6 493 750
Bank, Cash and Cash Equivalents	4	254 765 637	222 948 015
Current Portion of Long-term Receivables	8	7 695	110 029
Non-Current Assets			
		30 355 705	22 729 870
Property, Plant and Equipment	6	30 355 515	22 721 984
Intangible Assets	7	190	190
Long-term Receivables	8	-	7 695
Total Assets		317 706 159	294 091 477
LIABILITIES			
Current Liabilities			
		158 272 276	173 953 676
Provisions	9	5 938 709	4 871 497
Creditors	10	23 200 056	48 135 584
Unspent Conditional Grants and Receipts	11	128 151 274	120 016 096
Operating Lease Liabilities	12	7 873	3 084
Current Portion of Long-term Liabilities	13	974 365	927 415
Non-Current Liabilities			
		28 153 604	26 452 549
Long-term Liabilities	13	7 652 081	8 626 446
Retirement Benefit Liabilities	14	17 770 499	15 228 332
Non-current Provisions	15	2 731 024	2 597 771
Total Liabilities		186 425 880	200 406 225
Total Assets and Liabilities		131 280 279	93 685 252
NET ASSETS			
		131 280 279	93 685 252
Accumulated Surplus/(Deficit)	16	131 280 279	93 685 252
Total Net Assets		131 280 279	93 685 252

3.7 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

Budget		Note	Actual	
2008 R	2009 R		2009 R	2008 R
			REVENUE	
5 500 000	-	19	-	-
72 000	72 000	18	101 312	68 941
8 000 000	3 300 000	19	25 340 104	9 896 474
100 000	11 224	19	-	-
440 497 180	457 737 130	20	441 845 289	450 543 600
170 000	150 000	21	1 266 415	349 653
-	-		357 655	-
454 339 180	461 270 354		468 910 776	460 858 668
			EXPENDITURE	
67 067 596	71 270 545	22	66 219 846	68 298 679
4 607 265	5 277 771	23	4 991 222	4 626 095
220 000	572 209		-	6 679
3 084 800	3 084 800	24	-	4 733 308
-	-	25	13 573 358	1 439 981
1 695 034	35 535 851		17 249 671	988 916
481 000	471 291	26	486 536	831 894
256 050	5 962 569	27	5 386 419	63 444
279 731 363	249 005 146	28	253 699 691	269 536 225
97 196 072	90 090 172	29	75 855 420	109 760 043
-	-		17 939	19 559
454 339 180	61 270 354		437 480 101	460 304 823
-	-		31 430 675	553 845
			SURPLUS/(DEFICIT) FOR THE YEAR	

Refer to Appendix E(1) for explanation of budget variances

The prior year's comparative figures for both Revenue and Expenditure Items have been restated due to the recording of changes in Accounting Policies and corrections of error. Please refer to notes 31.4 and 32 for detail of the restatements mentioned.

The prior year's comparative figure for Government Grants and Subsidies Received has been restated by an amount of R1 175 893 as a result of the reversal of IAS 20 implemented during 2007/2008. Please refer to Note 31.4 for detail of the restatement.

The prior year figure of Employee Related Costs has been restated with an amount of R2 709 555 to correctly record the expenditure incurred by the municipality in terms of IAS 19. Please refer to Note 31.4 for detail of the restatement.

The prior year figure of General Expenses has been restated with an amount of R9 904 to correctly record the expenditure incurred by the municipality in terms of GRAP 13. Please refer to Note 31.4 for detail of the restatement.

3.8 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009

Description	Revaluation Reserve	Total for Accumulated Surplus/ (Deficit) Account	Total
	R	R	R
2008			
Balance at 30 June 2007	-	98 518 512	98 518 512
Change in Accounting Policy (Note 27)		(15 967 618)	(15 967 618)
Correction of Error (Note 28)		10 580 513	10 580 513
Restated Balance	-	93 131 407	93 131 407
Surplus/(Deficit) for the year		553 845	553 845
Transfer to CRR		-	-
Property, Plant and Equipment purchased		-	-
Grants utilised to obtain PPE		-	-
Interest received		-	-
Offsetting of Depreciation		-	-
Balance at 30 June 2008	-	93 685 252	93 685 252
2009			
Change in Accounting Policy (Note 27)		-	-
Correction of Error (Note 28)		6 164 352	6 164 352
Restated Balance		99 849 605	99 849 605
Surplus/(Deficit) for the year	-	31 430 675	31 430 675
Transfer to CRR		-	-
Property, Plant and Equipment purchased		-	-
Grants utilised to obtain PPE		-	-
Interest received		-	-
Offsetting of Depreciation		-	-
Balance at 30 June 2009	-	131 280 279	131 280 279

Details on the movement of the Funds and Reserves are set out in Note 16.

3.9 CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 R	2008 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from Ratepayers, Government and Other		484 539 278	465 569 364
Cash paid to Suppliers and Employees		(469 499 901)	(428 707 833)
Cash generated from/(utilised in) Operations	33	15 039 377	36 861 531
Interest received	19	25 340 104	9 896 474
Interest paid	26	(486 536)	(831 894)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		39 892 945	45 926 111
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	6	(7 816 141)	(2 404 984)
Proceeds on Disposal of Property, Plant and Equipment		558 204	39 117
Decrease/(Increase) in Long-term Receivables	8	110 029	57 421
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		(7 147 908)	(2 308 446)
CASH FLOWS FROM FINANCING ACTIVITIES			
New Loans raised	13	-	-
Loans repaid	13	(927 415)	(446 139)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		(927 415)	(446 139)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	4	31 817 622	43 171 526
Cash and Cash Equivalents at the beginning of the year		222 948 015	179 776 489
Cash and Cash Equivalents at the end of the year		254 765 637	222 948 015

3.10 ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with the Accounting Standards as prescribed by the Minister of Finance in terms of Government Gazette number 31021, Notice Number 516, dated 9 May 2008, and also in terms of the standards and principles contained in Directives 4 and 5 issued by the ASB in March 2009.

The Accounting Framework of the municipality, based on the preceding paragraphs, is therefore as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changing in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
GAMAP 9	Paragraphs relating to Revenue from Non-exchange Transactions
IPSAS 20	Related Party Disclosures
IPSAS 21	Impairment of Non Cash-generating Assets
IFRS 3	Business Combinations
IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 32	Financial Instruments: Presentation
IAS 36	Impairment of Assets
IAS 39	Financial Instruments: Recognition and Measurement
IFRIC 4	Determining whether an Arrangement contains a Lease

1.1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the year ended 30 June 2008, the municipality complied with the minimum required standards in terms of General Notice 522 of 2007, but has elected to early adopt the following requirement(s) in GRAP, GAMAP or SA GAAP, which were exempted:

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

For the year ended 30 June 2009 the municipality has adopted the accounting framework as set out above. The details of any resulting changes in accounting policy and comparative restatements are given in Notes 31 and 32 to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

- (a) Is required by a Standard of GRAP; or
- (b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the performance or cash flow.

1.2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

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

1.2.1 Revenue Recognition

Accounting Policy clause 9.2 on Revenue from Exchange Transactions and Accounting Policy clause 9.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.


In making their judgement the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (Revenue from Exchange Transactions) and GAMAP 9 (Revenue) as far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above) and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial Assets and Liabilities

The classification of Financial Assets and Liabilities into categories is based on judgement by management.

1.2.3 Impairment of Financial Assets

Accounting Policy clause 5.4 on Impairment of Financial Assets describes the process followed to determine the value with which financial assets should be impaired. In making the estimation of the impairment the management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39: Financial Instruments - Recognition and Measurement. The management of the municipality is satisfied that impairment of financial assets recorded during the year is appropriate. Details of the impairment loss calculation are provided in



Notes 2 and 8 to the Annual Financial Statements.

1.2.4 Useful lives of Property, Plant and Equipment

As described in Accounting Policy clause 2.3, 4 & 5, the municipality depreciates its property, plant and equipment, Intangible Assets and Investment Property over the estimated useful lives of the assets, which is determined when the assets are brought into use. As mentioned in the said policy, the estimated useful life of the assets and the depreciation methods of the assets were however not reviewed during the current or prior financial years. The useful lives and residual values of the assets are based on industry knowledge.

1.2.5 Impairment: Write-down of PPE and Inventories

Significant estimates and judgements are made relating to PPE impairment tests and write down of Inventories to Nett Realisable Values.

1.2.6 Defined Benefit Plan Liabilities

As described in Accounting Policy clause 12.3, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 14 and 15.1 to the Annual Financial Statements.

1.3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

1.5 OFFSETTING

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

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 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 103 Heritage Assets - issued July 2008

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

- IAS 19 Employee Benefits - effective 1 January 2009

- IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009
- IAS 39 Financial Instruments: Recognition and Measurement - portions of standard effective 1 July 2009

Management has considered all the of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

See Note 50 to the Annual Financial Statements for more detail.

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.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality and if the cost or fair value of the item can be measured reliably.

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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 equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value its cost was measured at the carrying amount of the asset given up.

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

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, except for Infrastructure Assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

2.3 DEPRECIATION

Depreciation on assets other than land is calculated on cost, using the straight-line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Depreciation only commences when the asset is available for use, unless stated otherwise.

The depreciation rates are based on the following estimated useful lives:

Asset Class	Years	Asset Class	Years
Infrastructure		Other	
Roads and Paving	10 - 100	Buildings	25 - 30
Pedestrian Malls	15 - 30	Specialist Vehicles	10 - 15
Electricity	15 - 60	Other Vehicles	5 - 15
Water	15 - 100	Office Equipment	3 - 15
Sewerage	15 - 60	Furniture and Fittings	5 - 15
Housing	30	Watercraft	15 - 20
		Bins and Containers	5 - 15
Community		Specialised Plant and	
Improvements	25 - 30	Equipment	10 - 15
Recreational Facilities	15 - 30	Other Plant and	
Security	15 - 25	Equipment	2 - 15

Residual values, estimated useful lives and depreciation methods were not reviewed in the previous and current financial years as required by GRAP 17. The municipality applied ASB directive 4 which states that the municipality need not comply with the measurement requirements of GRAP 17 for the years ending 30 June 2009 and 2010 but must comply with the measurement requirements for the year ending 30 June 2011. It must however identify and correctly classify all PPE on an assets register during the 2009 and 2010 years.

2.4 LAND

Land is stated at historical cost and is not depreciated as it is regarded as having an infinite life.

2.5 INCOMPLETE CONSTRUCTION WORK

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

2.6 FINANCE LEASES

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE

controlled by the municipality or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

2.7 HERITAGE ASSETS

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

2.8 INFRASTRUCTURE ASSETS

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

2.9 DERECOGNITION OF PROPERTY, PLANT AND EQUIPMENT

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not included in revenue.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from sales proceeds are included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

2.10 IMPAIRMENT

2.10.1 Impairment of Cash Generating 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 amount of the asset.

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

The recoverable 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 amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable 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.



An impairment loss is recognised for cash-generating units if the recoverable 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.
- The 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 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.

2.10.2 Impairment of Non-cash Generating 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.

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 non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a non-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.

An impairment loss is recognised for non-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.
- The 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.

2.11 TRANSITIONAL ARRANGEMENTS

The estimated useful lives and the depreciation methods were not reviewed in the previous financial year as required by GAMAP 17 as these requirements were exempted in terms of General Notice 522 of 2007. The estimated useful lives and depreciation methods have not been reviewed for the year ended 30 June 2009 in accordance with the transitional arrangements of ASB Directive 4.

The municipality did not perform impairment testing on its cash generating assets in the previous financial year as required by IAS 36/AC128, as this requirement has been exempted in terms of General Notice 522 of 2007. The testing for impairment of cash generating assets has not been performed for the year ended 30 June 2009 in accordance with the transitional arrangements of ASB Directive 4.

The municipality did not perform impairment testing on its non-cash generating assets in the previous financial year as required by IAS 36/AC128, as this requirement has been exempted in terms of General Notice 522 of 2007. The testing for impairment of non-cash generating assets has not been performed for the year ended 30 June 2009 in accordance with the transitional arrangements of ASB Directive 4.

3. INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

Identifiable non-monetary assets without physical substance which are held for use in the production or supply of goods or services for rental to others or for administrative purposes are classified and recognised as Intangible Assets. 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 recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- It is technically feasible to complete the intangible asset so that it will be available for use;
- Management intends to complete the intangible asset and use or sell it;
- There is an ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with IPSAS 21/IAS 36.

Intangible Assets are initially recognised at cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is 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, AMORTISATION AND IMPAIRMENT

Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period – however, such intangible assets are subject to an annual impairment test.

Intangible Assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

3.3 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.

3.4 TRANSITIONAL PROVISIONS

Costs incurred on intangible assets (other than on computer software) were expensed and not capitalised in the previous financial year as required by IAS 38 as this requirement was exempted in terms of General Notice 522 of 2007. The municipality accounted for all costs incurred that meet the intangible asset definition and recognition requirements as intangible assets for the financial year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of GRAP 102, GRAP 3 and ASB Directive 4.

4. INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

Investment Property includes property (land or a building, or part of a building, or both land and 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.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the municipality (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-current Assets Held-for-Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

4.2 SUBSEQUENT MEASUREMENT

Investment Property is measured using the cost model and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4.3 TRANSITIONAL PROVISIONS

Investment Properties were not recognised in the previous financial year as required by IAS 40 as these requirements were exempted in terms of General Notice 522 of 2007. Investment properties are recognised, and subsequently measured in accordance with the cost model, in terms of GRAP 16 and have been disclosed for the financial year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of GRAP 16, GRAP 3 and ASB Directive 4.

5. FINANCIAL INSTRUMENTS

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

5.1 FINANCIAL ASSETS – CLASSIFICATION

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

- Listed Investments (Shares)
- Unlisted Investments (Local Authority Stock)
- Investments in Fixed Deposits (Banking Institutions, etc)
- Long-term Receivables
- Consumer Debtors
- Other Debtors
- Bank, Cash and Cash Equivalents

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

Type of Financial Asset	Classification in terms of IAS 39.09
Listed Investments	Held at fair value through profit or loss
Unlisted Investments – Stock	Held at fair value through profit or loss
Bank, Cash and Cash Equivalents	Available for sale
Bank, Cash and Cash Equivalents – Call Deposits	Available for sale
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Investments in Fixed Deposits	Held to maturity
Bank, Cash and Cash Equivalents – Notice Deposits	Held to maturity

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

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

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

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

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and Receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

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

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, which 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: Available for Sale.

5.2 FINANCIAL LIABILITIES – CLASSIFICATION

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

- Long-term Liabilities
- Creditors
- Bank Overdraft
- Short-term loans
- Current Portion of Long-term Liabilities
- Consumer Deposits

There are two main categories of *Financial Liabilities*, the classification based on how they are measured. Financial liabilities may be measured at:

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

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

Any other financial liabilities are classified as Other Financial Liabilities and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

In accordance with IAS 39.09 the Financial Liabilities of the municipality are all classified as "Other Financial Liabilities".

5.3 INITIAL AND SUBSEQUENT MEASUREMENT

5.3.1 Financial Assets:

Held-to-maturity Investments and Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Financial Assets at Fair Value and Available-for-Sale are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.



5.3.2 Financial Liabilities:

Financial liabilities at fair value are initially and subsequently measured at fair value. Other financial liabilities are measured at amortised cost using the Effective Interest Rate Method.

5.4 IMPAIRMENT OF FINANCIAL ASSETS

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

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

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

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

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

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

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

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

5.5 DERECOGNITION OF FINANCIAL ASSETS

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

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

5.6 DERECOGNITION OF FINANCIAL LIABILITIES

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

5.7 TRANSITIONAL PROVISIONS

Financial Assets and Liabilities and the information relating thereto were presented and disclosed in accordance with the requirements of the old version of IAS 32 in the previous financial year and not in accordance with the requirements of the new IAS 32 and IFRS 7 as these requirements were exempted in terms of General Notice 522 of 2007. Financial Assets and Liabilities and the information relating thereto are presented and disclosed for the financial year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of the new version of IAS 32 and IFRS 7 and GRAP 3.

Financial Instruments were initially measured at cost and not at fair value in the previous financial year as required by IAS 39.43, AG 64, AG 65, AG 79 and SAICA Circular 9 as this requirement was exempted in terms of General Notice 522 of 2007. Financial instruments are now initially measured at fair value for the financial year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of IAS 39.43, IAS 39 AG.64, IAS 39 AG.65, IAS 39 AG.79, SAICA Circular 9 and GRAP 3.

6. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

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

Risks and exposure are disclosed as follows:

CREDIT RISK

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

LIQUIDITY RISK

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



maturities is disclosed in Note 40.9 to the Annual Financial Statements.

Risk management of Financial Assets and Liabilities were presented and disclosed in accordance with the requirements of the old version of IAS 32 in the previous financial year and not in accordance with the requirements of IFRS 7 as these requirements were exempted in terms of General Notice 522 of 2007. Risk management of Financial Assets and Liabilities are presented and disclosed for the financial year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of IFRS 7 and GRAP 3.

7. INVENTORIES

7.1 INITIAL RECOGNITION

Inventories comprise current assets held-for-sale, current assets for 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.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

7.2 SUBSEQUENT MEASUREMENT

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge, they are valued at the lower of cost and current replacement cost.

Water and purified affluent are valued at purified cost insofar as it is stored and controlled in reservoirs and distribution network at year-end.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arise. 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.

7.3 TRANSITIONAL PROVISIONS

The recognition of immovable capital assets and purchased water that meet the definition and recognition criteria of inventory as inventories in accordance with the requirements of GAMAP 12 were exempted in the previous financial year in terms of General Notice 522 of 2007. Immovable capital assets that meet the definition and recognition criteria of inventory are recognised as inventories for the financial year ended 30 June 2009 in accordance with the requirements of GRAP 12 and ASB Directive 4.

8. NON-CURRENT ASSETS HELD-FOR-SALE

8.1 INITIAL RECOGNITION

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally 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.

8.2 SUBSEQUENT MEASUREMENT

Non-current Assets and Disposal Groups classified as held-for-sale are measured at the lower of their previous 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.

8.3 TRANSITIONAL PROVISIONS

It was accounted for the disposal of Non-current Assets and Disposal Groups in the previous financial year in accordance with the requirements of GAMAP 17, IAS 38, IAS 40 or IAS 41, as appropriate, and not in accordance with the requirements of IFRS 5 as these requirements were exempted in terms of General Notice 522 of 2007. It is accounted for the disposal of Non-current Assets and Disposal Groups for the year ended 30 June 2009 (and not retrospectively) in accordance with the requirements of GRAP 100 and ASB Directive 4.

9. REVENUE RECOGNITION

9.1 GENERAL

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

9.2 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.

9.2.1 Service Charges

Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year end when estimates of consumption up to year end are recorded as revenue without it being 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. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

9.2.2 Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on Unutilised Conditional Grants is allocated directly to the Creditor: Unspent Conditional Grants, if the grant conditions indicate that interest is payable to the funder.

9.2.3 Rentals Received

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

9.2.4 Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

9.2.5 Royalties

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis, are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

9.2.6 Tariff Charges

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

9.2.7 Revenue from Agency Services

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

9.2.8 Sale of Goods

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

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

9.3 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.

9.3.1 Public Contributions

Revenue from public contributions 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 are brought into use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

9.3.2 Other Donations and Contributions

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

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

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

9.4 TRANSITIONAL PROVISIONS

Revenue was initially recognised at cost and not at fair value in the previous financial year as the requirements of GAMAP 9.12 and SAICA circular 09/2006, which states that revenue should be recognised initially at fair value through discounting all future receipts using an imputed rate of return, have been exempted in terms of General Notice 522 of 2007. Revenue is initially recognised at fair value for the year ended 30 June 2009 (and retrospectively, where practicable) by discounting all future receipts using an imputed rate of return in accordance with the requirements of GRAP 9, GRAP 3 SAICA circular 09/2006.



10. GOVERNMENT GRANTS AND RECEIPTS

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

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

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

The municipality accounted for government grants and receipts in the previous financial year in accordance with the requirements of IAS 20. Government grants and receipts is accounted for the year ended 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of GAMAP 9.42 – .46 and ASB Directives 4 and 5.

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 or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

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.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

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.

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. EMPLOYEE BENEFITS

12.1 SHORT-TERM EMPLOYEE BENEFITS

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

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a provision in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

12.2 DEFINED CONTRIBUTION PLANS

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

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

12.3 DEFINED BENEFIT PLANS


A **defined benefit plan** is a plan that defines an amount of benefit that an employee will receive on retirement.

12.3.1 Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. The other Medical Aid Funds, with which the Municipality is associated, do not provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for using the "corridor method". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.



Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

12.3.2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

12.3.3 Exemption regarding defined benefit accounting in previous financial year

Defined benefit accounting in accordance with the requirements of IAS 19, as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information, has been exempted in the previous financial year in terms of General Notice 522 of 2007. The municipality has applied defined benefit accounting to the defined benefit plans for the financial year ended 30 June 2009 in accordance with the requirements of IAS 19.

12.4 PROVINCIALY-ADMINISTERED DEFINED BENEFIT PLANS

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 41 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

13. LEASES

13.1 THE MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. 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. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

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 recognised as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

13.2 THE MUNICIPALITY AS LESSOR

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

Operating lease rental revenue is recognised on a straight-line basis over the term of the relevant lease.

13.3 TRANSITIONAL PROVISIONS

The recognition of operating lease payments/receipts on a straight-line basis in accordance with the requirements of IAS 17 has been exempted in the previous financial year in terms of General Notice 522 of 2007 (provided that the municipality recognised the lease amounts on the basis of the cash flows in the lease agreement). The municipality recognised operating lease payments/receipts on a straight-line basis for the financial year ended 30 June 2009 in accordance with the requirements of GRAP 13 and ASB Directive 4.

14. BORROWING COSTS

Borrowing costs incurred relating to qualifying assets and all other borrowing costs incurred were recognised as expenses in the Statement of Financial Performance in the previous financial year in accordance with the benchmark treatment in the old IAS 23, i.e. expensing all borrowing costs. The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2009 in accordance with the requirements of GRAP 5 and ASB Directive 4.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. 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.



15. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

16. VALUE ADDED TAX

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

17. CASH AND CASH EQUIVALENTS

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

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

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

18. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for; expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state; and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

19. 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), and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

20. 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. If the expenditure is not condoned by the Council, it is treated as an asset until it is recovered or written off as irrecoverable.

21. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance. It was accounted for the effect of changes in foreign exchange rates in the previous financial year in accordance with the requirements of GAMAP 4, if applicable. The municipality accounted for the effect of changes in foreign exchange rates, if applicable, for the financial year ending 30 June 2009 (and retrospectively, where practicable) in accordance with the requirements of GRAP 4, GRAP 3 and ASB Directive 4.

22. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in Accounting Policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 31 for details of changes in accounting policies.

The retrospective application, where practicable, of changes in accounting policies affected by management in accordance with the requirements of GRAP 3 was exempted in the previous financial year in terms of General Notice 522 of 2007 (providing that these changes in accounting policies were applied prospectively by the municipality). The municipality applied changes in accounting policies affected by management retrospectively, where practicable, for the financial year ended 30 June 2009 in accordance with the requirements of GRAP 3.

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

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 32 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

The identification and disclosure of the impact of GRAP standards that have been issued but are not yet effective was exempted in the previous financial year in terms of General Notice 522 of 2007. The municipality identified and disclosed the impact of GRAP standards that have been issued but are not yet effective for the financial year ended 30 June 2009 in accordance with the requirements of GRAP 3.

23. RELATED PARTIES

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



24. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes 43 and 44 to the Annual Financial Statements.

25. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in Note 48 to the Annual Financial Statements.

26. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

27. COMPARATIVE INFORMATION

27.1 CURRENT YEAR COMPARATIVES:

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

27.2 PRIOR YEAR COMPARATIVES:

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

3.11 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1. GENERAL INFORMATION

Chris Hani District Municipality (the municipality) is a local government institution in Queenstown, Eastern Cape, and has 8 local municipalities under its jurisdiction. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction and overview of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by The Constitution.

2. OTHER DEBTORS

	2009	2008
	R	R
Payments made in Advance	-	1 161 443
Government Subsidy Claims	17 608 012	14 538 143
Projects	1 380 364	680 232
Recoverable Works	146 486	146 834
Short-term Loans	19 101 652	25 459 001
Sundry Deposits	808 590	666 899
Sundry Debtors	7 422 639	11 308 514
	46 467 743	53 961 067
Less: Provision for Impairment	(22 072 312)	(12 151 254)
Total Other Debtors	24 395 431	41 809 813

Other Debtors have been restated to correctly classify amounts to be included in Creditors. Refer to Note 32.3 on "Correction of Error" for details of the restatement.

The average credit period for *Government Grants and Subsidies* is dependent on the Government Department involved and the nature of the claim. No interest is charged on outstanding Government Grants and Subsidies. The subsidies are payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments.

Short-term Loans mainly comprise temporary advances made to local municipalities which are repayable within 12 months.

Included in **Sundry Deposits** is an amount of R646 299 (2008: R646 299) in respect of cash deposits made to Eskom for the supply of electricity.

Sundry Debtors are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality. Included in the total is an amount of R1 628 419 (2008: R794 887) in respect of uncleared bank reconciliation items.

2.1 RECONCILIATION OF PROVISION FOR IMPAIRMENT

	2009 R	2008 R
Balance at beginning of year	12 151 254	10 711 273
Impairment Losses recognised	13 573 358	1 439 981
Impairment Losses reversed	-	-
Amounts written off as uncollectable	(3 652 300)	-
Amounts recovered	-	-
Balance at end of year	22 072 312	12 151 254

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

The Provision for Impairment on Other Debtors (loans and receivables) exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

In determining the recoverability of a Debtor, the municipality considers any change in the credit quality of the Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

The following loans and receivables are included in the total amount of the Provision for Impairment :

	2009 R	2008 R
Government Subsidy Claims	7 956 900	-
Recoverable Works	7 975 832	-
Short-term Loans	4 775 788	12 151 254
Sundry Debtors	1 363 792	-
Total Provision for Impairment on Other Debtors	22 072 312	12 151 254

3. VAT RECEIVABLE

	2009 R	2008 R
Vat Receivable	8 181 691	6 493 750

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

4. BANK, CASH AND CASH EQUIVALENTS

	2009 R	2008 R
Bank, Cash and Cash Equivalents	254 765 637	222 948 015
Total Bank, Cash and Cash Equivalents	254 765 637	222 948 015

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments.

4.1 CURRENT INVESTMENT DEPOSITS

	2009 R	2008 R
Call Deposits	115 060 738	-
Total Current Investment Deposits	115 060 738	-

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5,90 % to 9,90 % per annum.

Deposits of R115 060 738 (2008: R0) are attributable to Unspent Conditional Grants.

4.2 BANK ACCOUNTS

	2009 R	2008 R
Cash in Bank	139 700 359	222 943 475
Total Bank Accounts	139 700 359	222 943 475

The Municipality has the following bank accounts:

Primary Bank Account

First National Bank - Cathcart Road Branch, Queenstown - Account Number 620 0251 0693:

	2009 R	2008 R
Cash book balance at beginning of year	222 943 475	179 771 949
Cash book balance at end of year	139 700 359	222 943 475
Bank statement balance at beginning of year	224 102 453	193 535 616
Bank statement balance at end of year	143 160 495	224 102 453

An amount of R128 151 274 (2008: R120 016 096) is attributable to Unspent Conditional Grants.

An amount of R36 835 517 (2008: R31 812 136) is attributable to the Capital Replacement Reserve.

Interest is earned at different rates per annum on favourable balances.

4.3 CASH AND CASH EQUIVALENTS

	2009	2008
	R	R
Bank, Cash and Cash Equivalents	4,540	4,540
Total Bank, Cash and Cash Equivalents	4 540	4 540

5. OPERATING LEASE ASSETS/RECEIVABLES

The municipality had no long-term arrangements to be classified as operating lease agreements for the two financial years.

6. PROPERTY, PLANT AND EQUIPMENT

The municipality has taken advantage of the transitional provisions set out in Directive 4 of the Accounting Standards Board on GRAP 17. The municipality is in the process of itemising and measuring all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2010. At present depreciation on Land-and-Buildings and Community Assets have been calculated on an averaging basis whereby an average useful life had been estimated for each category of community assets, using global historical costs recorded in the accounting records. Infrastructure Assets are assets taken over from the local municipalities and have not been measured in terms of Directive 4. Furthermore, the municipality has not assessed its items of property, plant and equipment for impairment, remaining useful life and residual value. It is expected that an assessment of these will be done by 30 June 2010.

30 JUNE 2009 – RECONCILIATION OF CARRYING VALUE

Description	Land and Buildings	Infra-structure	Community	Heritage	Other	Total
	R	R	R	R	R	R
Carrying values at 01 July 2008	15 903 819	-	164 761	-	6 653 404	22 721 984
Cost	18 351 226	-	358 571	-	17 400 074	36 109 871
- Completed Assets	18 351 226	-	358 571	-	17 400 074	36 109 871
- Under Construction	-	-	-	-	-	-
Correction of error (Note 33)	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	(2 447 407)	-	(193 810)	-	(10 746 669)	(13 387 887)
- Cost	(2 447 407)	-	(193 810)	-	(10 746 669)	(13 387 887)
- Revaluation	-	-	-	-	-	-
Acquisitions	30 000	-	-	-	7 786 141	7 816 141
Borrowing Costs Capitalised	-	-	-	-	-	-
Capital under Construction - Additions:	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Borrowing Costs Capitalised	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-
Depreciation:	-	-	-	-	-	-

Description	Land and Buildings	Infra-structure	Community	Heritage	Other	Total
	R	R	R	R	R	R
- Based on Cost	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-
Carrying value of Disposals:	(23 332)	-	-	-	(159 278)	(182 610)
- Cost	(50 000)	-	-	-	(799 947)	(849 947)
- Revaluation	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	26 668	-	-	-	640 669	667 336
- Based on Cost	26 668	-	-	-	640 669	667 336
- Based on Revaluation	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-
Capital under Construction - Completed	-	-	-	-	-	-
Other Movements	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-
Carrying values at 30 June 2009	15 910 487	-	164 761	-	14 280 267	30 355 515
Cost	18 331 226	-	358 571	-	24 386 268	43 076 065
- Completed Assets	18 331 226	-	358 571	-	24 386 268	43 076 065
- Under Construction	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	(2 420 739)	-	(193 810)	-	(10 106 001)	(12 720 550)
- Cost	(2 420 739)	-	(193 810)	-	(10 106 001)	(12 720 550)
- Revaluation	-	-	-	-	-	-
Carrying values at 01 July 2007	16 282 506	-	168 310	-	8 841 265	25 292 081
Cost	18 232 721	-	344 121	-	15 450 680	34 027 523
- Completed Assets	18 232 721	-	344 121	-	15 450 680	34 027 523

Description	Land and Buildings	Infra-structure	Community	Heritage	Other	Total
	R	R	R	R	R	R
- Under Construction	-	-	-	-	-	-
Correction of error (Note 33)	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	(1 950 215)	-	(175 811)	-	(6 609 416)	(8 735 442)
- Cost	(1 950 215)	-	(175 811)	-	(6 609 416)	(8 735 442)
- Revaluation	-	-	-	-	-	-
Acquisitions	118 505	-	14 450	-	2 272 029	2 404 984
Borrowing Costs Capitalised	-	-	-	-	-	-
Capital under Construction - Additions:	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Borrowing Costs Capitalised	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-
Depreciation:	(491 932)	-	(18 604)	-	(3 431 154)	(3 941 691)
- Based on Cost	(491 932)	-	(18 604)	-	(3 431 154)	(3 941 691)
- Based on Revaluation	-	-	-	-	-	-
Carrying value of Disposals:	-	-	-	-	(19 559)	(19 559)
- Cost	-	-	-	-	(285 595)	(285 595)
- Revaluation	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	266 036	266 036
- Based on Cost	-	-	-	-	266 036	266 036
- Based on Revaluation	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-
Capital under Construction - Completed	-	-	-	-	-	-
Other Movements	(5 260)	-	605	-	(1 009 176)	(1 013 832)
- Cost	(0)	-	-	-	(37 041)	(37 041)
- Revaluation	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-

Description	Land and Buildings	Infra-structure	Community	Heritage	Other	Total
	R	R	R	R	R	R
- Accumulated Depreciation	(5 260)	-	605	-	(972 135)	(976 790)
- Based on Cost	(5 260)	-	605	-	(972 135)	(976 790)
- Based on Revaluation	-	-	-	-	-	-
Carrying values at 30 June 2008	15 903 819	-	164 761	-	6 653 404	22 721 984
Cost	18 351 226	-	358 571	-	17 400 074	36 109 871
- Completed Assets	18 351 226	-	358 571	-	17 400 074	36 109 871
- Under Construction	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	(2 447 407)	-	(193 810)	-	(10 746 669)	(13 387 887)
- Cost	(2 447 407)	-	(193 810)	-	(10 746 669)	(13 387 887)
- Revaluation	-	-	-	-	-	-

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

6.1 ASSETS PLEDGED AS SECURITY

The municipality did not pledge any of its assets as security.

6.2 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

The municipality has not tested its items of Property, Plant and Equipment for any potential impairment losses on assets due to the exemptions granted for the measurement of assets in terms of ASB Directive 4, March 2009.

6.3 CHANGE IN ESTIMATE - USEFUL LIFE OF PROPERTY, PLANT AND EQUIPMENT RE-VIEWED

No review of the useful lives or depreciation methods applied to items of Property, Plant and Equipment has been performed by the municipality due to the exemptions granted for the measurement of assets in terms of ASB Directive 4, March 2009.

6.4 LAND AND BUILDINGS CARRIED AT FAIR VALUE

The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

7. INTANGIBLE ASSETS

	2009	2008
	R	R
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	190	190

THE MOVEMENT IN INTANGIBLE ASSETS IS RECONCILED AS FOLLOWS:

	2009 R Computer Software	2008 R Total
Carrying values at 01 July 2008	190	190
Cost	2,597,229	2,597,229
Accumulated Amortisation	(2,597,039)	(2,597,039)
Acquisitions during the Year:	-	-
Purchased	-	-
Internally Developed	-	-
Amortisation during the Year:	-	-
Purchased	-	-
Internally Developed	-	-
Transfers during the Year:	-	-
At Cost	-	-
At Accumulated Amortisation	-	-
Carrying values at 30 June 2009	190	190
Cost	2,597,229	2,597,229
Accumulated Amortisation	(2,597,039)	(2,597,039)
Carrying values at 01 July 2007	48,426	48,426
Cost	2,545,562	2,545,562
Accumulated Amortisation	(2,497,136)	(2,497,136)
Acquisitions during the Year:	-	-
Purchased	-	-
Internally Developed	-	-
Amortisation during the Year:	(791,617)	(791,617)
Purchased	(791,617)	(791,617)
Internally Developed	-	-
Transfers during the Year:	743,382	743,382
At Cost	51,668	51,668
At Accumulated Amortisation	691,714	691,714
Carrying values at 30 June 2008	190	190
Cost	2,597,229	2,597,229
Accumulated Amortisation	(2,597,039)	(2,597,039)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 24).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

7.1 INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

There are no classes of Intangible Assets regarded as having indefinite useful lives and all Intangible Assets are amortised.

7.2 IMPAIRMENT OF INTANGIBLE ASSETS

The municipality has not tested its items of Intangible Assets for any potential impairment losses on assets. Furthermore, no review of the useful lives or depreciation methods applied to items of Intangible Assets has been performed. The afore-mentioned actions have not been carried out by the municipality due to the exemptions granted in terms of ASB Directive 4, March 2009.

8. LONG-TERM RECEIVABLES

	Gross Balances	Provision for Impairment	Net Balances
	R	2009	2008
	R	R	R
As at 30 June 2009			
Car Loans	7 695	-	7 695
Study Loans	-	-	-
	<u>7 695</u>	<u>-</u>	<u>7 695</u>
Less: Current Portion transferred to Current Receivables:-			7 695
Car Loans			7 695
Study Loans			-
Total Long-term Receivables			<u>-</u>
As at 30 June 2008			
Car Loans	36 987	-	36 987
Study Loans	80 737	-	80 737
	<u>117 724</u>	<u>-</u>	<u>117 724</u>
Less: Current Portion transferred to Current Receivables:-			110 029
Car Loans			29 292
Study Loans			80 737
Total Long-term Receivables			<u>7 695</u>

Car Loans

In terms of the MFMA no Car Loans are granted to officials anymore. The outstanding amount is in respect of loans granted before 01 July 2005 and will continue until all loans have been repaid.

Study Loans

In terms of the MFMA no Study Loans are granted to officials anymore. The outstanding amount is in respect of assistance granted to employees which are recovered/expensed in the following financial year.

Long-term Receivables are neither past due nor impaired as management have no concerns over the credit quality of these assets.

9. PROVISIONS

	2009 R	2008 R
Performance Bonuses	498 462	-
Staff Leave	4 317 249	4 033 416
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 14 below)	689 568	534 484
Current Portion of Non-Current Provisions (See Note 15 below):	433 429	303 597
Long-term Service	433 429	303 597
Total Provisions	5 938 709	4 871 497

Provisions have been restated to correctly classify amounts now included in Creditors. Refer to Note 32.3 on "Correction of Error" for details of the restatement.

Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

THE MOVEMENT IN CURRENT PROVISIONS ARE RECONCILED AS FOLLOWS:

Current Provisions:	Performance Bonuses R	Staff Leave R
30 June 2009		
Balance at beginning of year	-	4 033 416
Contributions to provision	498 462	283 833
Expenditure incurred	-	-
Balance at end of year	498 462	4 317 249
30 June 2008		
Balance at beginning of year	-	3 299 130
Contributions to provision	-	734 286
Expenditure incurred	-	-
Balance at end of year	-	4 033 416

Current Portion of Non-Current Provisions:	Long-term Service R	Post-retirement R
30 June 2009		
Balance at beginning of year	303 597	534 484
Transfer from non-current	433 429	689 568
Expenditure incurred	(303 597)	(534 484)
Balance at end of year	433 429	689 568
30 June 2008		
Balance at beginning of year	362 416	486 181
Transfer from non-current	303 597	534 484
Expenditure incurred	(362 416)	(486 181)
Balance at end of year	303 597	534 484

10. CREDITORS

	2009 R	2008 R
Trade Creditors	13 584 796	37 367 631
Retentions	3 529 077	-
Staff Bonuses	1 578 152	1 541 442
Sundry Deposits	8 335	8 335
Other Creditors	4 499 696	9 218 176
Total Creditors	23 200 056	48 135 584

Creditors have been restated to correctly classify amounts to be included in Creditors. Refer to Note 32.3 on "Correction of Error" for details of the restatement.

Furthermore Creditors have been restated to correctly classify amounts held for Staff Bonuses included in Creditors. Refer to Note 32.4 on "Correction of Error" for details of the restatement.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

11. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

11.1 CONDITIONAL GRANTS FROM GOVERNMENT

	2009 R	2008 R
	128 151 274	120 016 096
National Government Grants	96 177 198	92 911 026
Provincial Government Grants	29 058 769	26 975 453
Other Spheres of Government	2 915 307	129 617
Total Conditional Grants and Receipts	128 151 274	120 016 096

Unspent Conditional Grants have been restated to correctly classify amounts now included in Creditors. Refer to Note 32.3 on "Correction of Error" for details of the restatement.

The amount for Unspent Conditional Grants and Receipts are deposited in ring-fenced investment accounts until utilised.

See Note 20 for the reconciliation of Grants from Other Spheres of Government.

Refer to Appendix "F" for more detail on Conditional Grants.

12. OPERATING LEASE LIABILITIES/PAYABLES

Operating Leases are recognised on the straight-line basis as per the requirements of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:

	2009 R	2008 R
Balance at beginning of year	3 084	12 989
Operating Lease expenses recorded	(654 990)	(491 510)
Operating Lease payments effected	659 778	481 606
Total Operating Lease Liabilities	7 873	3 084

Operating Lease Liabilities have been restated to adhere to the disclosure provisions of GRAP 13. Refer to Note 31.1 on "Change in Accounting Policy" for details of the restatement.

12.1 LEASING ARRANGEMENTS

The Municipality as Lessee:

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

12.2 AMOUNTS PAYABLE UNDER OPERATING LEASES

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for

PROPERTY, PLANT AND EQUIPMENT, WHICH FALL DUE AS FOLLOWS:

	2009 R	2008 R
Buildings:	278 411	499 866
Up to 1 year	278 411	283 855
2 to 5 years	-	216 011
More than 5 years	-	-
Other Equipment:	1 036 500	145 823
Up to 1 year	271 801	90 638
2 to 5 years	764 698	55 185
More than 5 years	-	-

	2009 R	2008 R
Total Operating Lease Arrangements	1 314 911	645 689
The following payments have been recognised as an expense in the Statement of Financial Performance:		
Minimum lease payments	659 778	481 606
Total Operating Lease Expenses	659 778	481 606

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Buildings
- Office Equipment

The following restrictions have been imposed on the municipality in terms of the lease agreements on Office Equipment:

- The equipment shall remain the property of the rentor.
- The hirer shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment.
- The equipment shall be returned in good order and condition to the rentor upon termination of the agreement

13 LONG-TERM LIABILITIES

	2009 R	2008 R
Annuity Loans	8 626 446	9 553 861
Sub-total	8 626 446	9 553 861
Less: Current Portion transferred to Current Liabilities:-	974 365	927 415
Annuity Loans	974 365	927 415
Total Long-term Liabilities (Neither past due, nor impaired)	7 652 081	8 626 446

Long-term Liabilities have been restated to correctly classify amounts to be included in Long-term Liabilities. Refer to Note 32.3 on "Correction of Error" for details of the restatement.

13.1 SUMMARY OF ARRANGEMENTS

The Annuity Loan is repaid over a period of 7 (2008: 8) years and at an interest rate of 5,00% (2008: 5,00%) per annum. The Annuity Loans is not secured.

Refer to Appendix "A" for more detail on Long-term Liabilities.

14. RETIREMENT BENEFIT LIABILITIES

14.1 POST-RETIREMENT HEALTH CARE BENEFITS LIABILITY

	2009 R	2008 R
Balance at beginning of Year	15 228 332	12 844 865
Contributions to Provision	3 231 735	2 917 951
Balance at end of Year	18 460 067	15 762 816
Transfer to Current Provisions	(689 568)	(534 484)
Total Post-retirement Health Care Benefits Liability	17 770 499	15 228 332

Retirement Benefit Liabilities have been restated to adhere to the disclosure provisions of IAS 19. Refer to Note 31.3 on "Change in Accounting Policy" for details of the restatement.

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2009 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

	2009 R	2008 R
In-service Members (Employees)	206	203
Continuation Members (Retirees, widowers and orphans)	38	34
Total Members	244	237

The liability in respect of past service has been estimated as follows:

	2009 R	2008 R
In-service Members	10 635 693	10 185 740
Continuation Members	7 824 374	5 577 076
Total Liability	18 460 067	15 762 816

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bestmed
- Bonitas
- Discovery (Retired since 30/06/2008)
- Fed Health
- Gen Health
- GEMS (Retired since 30/06/2008)
- Keyhealth
- LA Health
- Medicovert (New since 30/06/2008)
- Resolution
- Samwumed

The Current-service Cost for the year ending 30 June 2009 is estimated to be R970 945, whereas the cost for the ensuing year is estimated to be R867 173 (2008: R789 358 and R970 945 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2009	2008
Discount Rate	9.11%	10.71%
Health Care Cost Inflation Rate	7.78%	9.58%
Net Effective Discount Rate	1.23%	1.03%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

Movements in the present value of the Defined Benefit Obligation were as follows:

	2009 R	2008 R
Balance at the beginning of the year	15 762 816	13 331 046
Current service costs	970 945	789 358
Interest cost	1 659 576	1 047 036
Benefits paid	(534 484)	(486 181)
Actuarial losses/(gains)	601 214	1 081 556
Present Value of Fund Obligation at the end of the Year	18 460 067	15 762 816
Actuarial losses/(gains) unrecognised	-	-
Total Recognised Benefit Liability	18 460 067	15 762 816

The amounts recognised in the Statement of Financial Position are as follows:

	2009 R	2008 R
Present value of fund obligations	18 460 067	15 762 816
Unfunded Accrued Liability	18 460 067	15 762 816
Unrecognised Actuarial Gains/(Losses)	-	-
Total Benefit Liability	18 460 067	15 762 816

The amounts recognised in the Statement of Financial Performance are as follows:

	2009 R	2008 R
Current service cost	970 945	789 358
Interest cost	1 659 576	1 047 036
Actuarial losses/(gains)	601 214	1 081 556
Total Post-retirement Benefit included in Employee Related Costs (Note 22)	3 231 735	2 917 951

The history of experienced adjustments is as follows:

	2009 R	2008 R	2007 R	2006 R	2005 R
Present Value of Defined Benefit Obligation	18 460 067	15 762 816	13 331 046	-	-
Deficit	18 460 067	15 762 816	13 331 046	-	-
Experienced adjustments on Plan Liabilities	(1 084 656)	-	-	-	-

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

	2009 R	2008 R
Increase:		
Effect on the aggregate of the current service cost and the interest cost	437,065	300,013
Effect on the defined benefit obligation	2,570,140	2,263,725
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(356,789)	(244,835)
Effect on the defined benefit obligation	(2,142,742)	(1,879,861)

The municipality expects to make a contribution of R2 956 million (2008: R2 631 million) to the Defined Benefit Plans during the next financial year.

The transitional Defined Benefit Liabilities for Post-retirement Medical Aid Benefits have been recognised in the Annual Financial Statements of the municipality as at 30 June 2007 in terms of IAS 19, Employee Benefits, paragraph 155(a). The municipality has elected to recognise the full increase in this Defined Benefit Liability immediately, thus the full transitional liability have been recognised as at 30 June 2007.

Refer to Note 41 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

15. NON-CURRENT PROVISIONS

	2009 R	2008 R
Provision for Long Service Awards	2 731 024	2 597 771
Total Non-current Provisions	2 731 024	2 597 771

Non-current Provisions have been restated to adhere to the disclosure provisions of IAS 19. Refer to Note 31.3 on "Change in Accounting Policy" for details of the restatement.

The movement in Non-current Provisions are reconciled as follows:

	2009 R	2008 R
Long-service Awards:		
Balance at beginning of year	2 597 771	2 261 167
Contributions to provision	566 682	640 201
	3 164 453	2 901 368
Transfer to current provisions	(433 429)	(303 597)
Balance at end of year	2 731 024	2 597 771

15.1 LONG SERVICE AWARDS

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years thereafter, to 45 years of continuous service to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2009 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 390 (2008: N/A) employees were eligible for Long-services Awards.

The Current-service Cost for the year ending 30 June 2009 is estimated to be R408 041, whereas the cost for the ensuing year is estimated to be R499 171 (2008: N/A and N/A respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2009 R	2008 R
Discount Rate	9.04%	N/A
Cost Inflation Rate	6.62%	N/A
Net Effective Discount Rate	2.27%	N/A
Expected Retirement Age - Females	63	N/A
Expected Retirement Age - Males	63	N/A

Movements in the present value of the Defined Benefit Obligation were as follows:

	2009 R	2008 R
Balance at the beginning of the year	2 901 368	2 623 583
Current service costs	408 041	390 206
Interest cost	302 305	207 083
Benefits paid	(303 597)	(362 416)
Actuarial losses/(gains)	(143 664)	42 912

	2009 R	2008 R
Present Value of Fund Obligation at the end of the Year	3 164 453	2 901 368
Actuarial losses/(gains) unrecognised	-	-
Total Recognised Benefit Liability	3 164 453	2 901 368

The amounts recognised in the Statement of Financial Position are as follows:

	2009 R	2008 R
Present value of fund obligations	3 164 453	2 901 368
Unfunded Accrued Liability	3 164 453	2 901 368
Actuarial gains/(losses) not recognised	-	-
Total Benefit Liability	3 164 453	2 901 368

The amounts recognised in the Statement of Financial Performance are as follows:

	2009 R	2008 R
Current service cost	408 041	390 206
Interest cost	302 305	207 083
Actuarial losses/(gains)	(143 664)	42 912
Total Post-retirement Benefit included in Employee Related Costs (Note 22)	566 682	640 201

The history of experienced adjustments is as follows:

	2009 R	2008 R	2007 R	2006 R	2005 R
Present Value of Defined Benefit Obligation	3 164 453	2 901 368	2 623 583	-	-
Deficit	3 164 453	2 901 368	2 623 583	-	-

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

	2009 R	2008 R
Increase:		
Effect on the aggregate of the current service cost and the interest cost	44,000	-
Effect on the defined benefit obligation	188,856	-
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(39,536)	-
Effect on the defined benefit obligation	(171,837)	-

The municipality expects to make a contribution of R2 043 million (2007: R1 742 million) to the defined benefit plans during the next financial year.

16. ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

	2009 R	2008 R
Capital Replacement Reserve (CRR)	36 835 517	31 812 136
Government Grants Reserve	16 247 284	16 121 256
Accumulated Surplus/(Deficit) due to the results of Operations	78 197 479	45 751 861
Total Accumulated Surplus	131 280 279	93 685 252

Accumulated Surplus has been restated to correctly classify amounts to be included in Creditors. Refer to Note 32.3 on "Correction of Error" for details of the restatement.

Furthermore, Accumulated Surplus has been restated to adhere to the provisions of GAMAP 9 (paragraphs 42 - 46), GRAP 13 and IAS 19 (Revenue, Leases and Employee Benefits). Refer to Note 31 on "Change in Accounting Policy" for details of the restatement.

The Capital Replacement Reserve is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

The Government Grants Reserve equals the carrying value of the items of property, plant and equipment financed from government grants. The Government Grants Reserve ensures consumer equity and is not backed by cash. Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

17. DEFERRED REVENUE

Deferred Revenue has been restated to adhere to the provisions of GAMAP 9 (paragraphs 42 - 46), Revenue on revenue from non-exchange transactions, in accounting for assets acquired from Government Grants. Refer to Note 31.2 on "Change in Accounting Policy" and Note 32.3 on "Correction of Error" for details of the restatement.

18. RENTAL OF FACILITIES AND EQUIPMENT

	2009 R	2008 R
Rental Revenue from Buildings	101 312	68 941
Total Rental of Facilities and Equipment	101 312	68 941

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

19. INTEREST EARNED

	2009 R	2008 R
External Investments:		
Investments	25 294 524	9 544 281
Other Interest	45 581	352 193
Total Interest Earned	25 340 104	9 896 474

Interest Earned has been restated to correctly classify revenue to be included in categories of Interest Earned. Refer to Note 32.1 on “Correction of Error” for details of the restatement.

Interest Earned on Financial Assets, analysed by category of asset, is as follows:

	2009 R	2008 R
Available-for-Sale Financial Assets	45 581	352 193
Held-to-Maturity Investments	25 294 524	9 544 281
Loans and Receivables	-	-
	25 340 104	9 896 474

20. GOVERNMENT GRANTS AND SUBSIDIES

	2009 R	2008 R
National Equitable Share	140 291 427	117 959 549
Provincial Health Subsidies	17 459 130	16 127 482
Provincial Road Subsidies	24 862 509	22 544 165
Other Subsidies	18 614 224	42 291 169
Operational Grants	201 227 291	198 922 365
Conditional Grants	240 617 999	251 621 236
National: Equitable Share	38 450 017	2 707 153
National: FMG	593 351	164 284
National: MIG	178 274 515	226 818 027
National: MSIG	1 855 189	2 726 076
National: DWAF	6 147 899	2 293 293
National: Sport and Development	5 936 287	297 299
Provincial: Treasury Grant	370 760	5 263
Provincial: DHLGTA Grant	6 375 672	16 436 568
Other Spheres of Government: Various Grants	2 614 310	173 273
Total Government Grants and Subsidies	441 845 289	450 543 600

Government Grants and Subsidies have been restated to correctly classify revenue to be included in category of Government Grants and Subsidies. Refer to Note 32.1 on “Correction of Error” for details of the restatement.

Furthermore, the comparative figures for Government Grants and Subsidies have been restated to adhere to the provisions of GAMAP 9 (paragraphs 42 - 46), Revenue on revenue from non-exchange transactions. Refer to Note 31.4 on “Change in Accounting Policy” for details of the restatement.

OPERATIONAL GRANTS

20.1 NATIONAL: EQUITABLE SHARE

	2009 R	2008 R
National: Equitable Share	140 291 427	117 959 549

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. In terms of the allocation made by DPLG the funds are also utilised for municipal health services, institutional reform and to enable the municipality to execute its functions as the district authority

20.2 PROVINCIAL: HEALTH SUBSIDIES

	2009 R	2008 R
Balance unspent at beginning of year	-	-
Current year receipts - included in Public Health vote	17 459 130	16 127 482
Conditions met - transferred to Revenue	(17 459 130)	(16 127 482)
Conditions still to be met - transferred to Current Assets (see Note 2)	-	-

This grant has been used to fund environmental health care services (included in Appendix "D"), which services are in a process of being transferred to Provincial Government. This grant will then fall away. No funds have been withheld.

CONDITIONAL GRANTS

20.3 NATIONAL: EQUITABLE SHARE

	2009 R	2008 R
Balance unspent at beginning of year	16 563 781	28 822 538
Current year receipts	38 594 500	-
Interest allocated	-	1 554 356
Conditions met - transferred to Revenue: Operating Expenses	-	(2 449 358)
Conditions met - transferred to Revenue: Capital Expenses	(38 450 017)	(257 795)
Other Transfers	-	(11 105 961)
Conditions still to be met - transferred to Liabilities (see Note 10)	16 708 263	16 563 781

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. In terms of the allocation made by DPLG the funds are also utilised for municipal health services, institutional reform and to enable the municipality to execute its functions as the district authority.

20.4 NATIONAL: FMG GRANT

	2009 R	2008 R
Balance unspent at beginning of year	1 880 587	1 373 804
Current year receipts	6 978 515	500 000
Interest allocated	-	171 067
Conditions met - transferred to Revenue: Operating Expenses	-	(164 284)
Conditions met - transferred to Revenue: Capital Expenses	(593 351)	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 10)	8 265 751	1 880 587

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

20.5 NATIONAL: MIG FUNDS

	2009 R	2008 R
Balance unspent at beginning of year	44 408 779	59 098 914
Current year receipts	167 018 415	205 904 609
Interest allocated	-	6 223 283
Conditions met - transferred to Revenue: Operating Expenses	(178 274 515)	(226 818 027)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 10)	33 152 678	44 408 779

The Municipal Infrastructure Grant (MIG) was allocated for the construction of basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure; and eradicate bucket sanitation systems. No funds have been withheld.

20.6 NATIONAL: MSIG FUNDS

	2009 R	2008 R
Balance unspent at beginning of year	3 369 853	4 741 192
Current year receipts	735 000	1 000 000
Interest allocated	-	354 737
Conditions met - transferred to Revenue: Operating Expenses	-	(2 726 076)
Conditions met - transferred to Revenue: Capital Expenses	(1 855 189)	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 10)	2 249 664	3 369 853

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld

20.7 NATIONAL - DEPARTMENT WATER AFFAIRS AND FORESTRY (DWAF)

	2009 R	2008 R
Balance unspent at beginning of year	17 729 024	7 260 192
Current year receipts	15 210 000	11 910 000
Interest allocated	-	954 586
Conditions met - transferred to Revenue: Operating Expenses	-	(2 293 293)
Conditions met - transferred to Revenue: Capital Expenses	(6 147 899)	-
Other Transfers	-	(102 461)
Conditions still to be met - transferred to Liabilities (see Note 10)	26 791 126	17 729 024

This grant was used for the operation and maintenance of sewerage and water schemes transferred from DWAF to the municipality and the payment of salaries of staff transferred from DWAF. No funds have been withheld.

20.8 NATIONAL - DEPARTMENT RURAL DEVELOPMENT AND LAND REFORM

	2009 R	2008 R
Balance unspent at beginning of year	402 614	1 310 207
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	(907 594)
Conditions still to be met - transferred to Liabilities (see Note 10)	402 614	402 614

Expenses were incurred to promote rural development and land reform. No funds have been transferred to the municipality.

20.9 NATIONAL - DEPARTMENT PUBLIC WORKS

	2009 R	2008 R
Balance unspent at beginning of year	337 766	337 766
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 10)	337 766	337 766

This grant was utilised for the maintenance of roads in the jurisdiction area of the municipality. No funds have been withheld.

20.10 NATIONAL: SPORT AND DEVELOPMENT

	2009 R	2008 R
Balance unspent at beginning of year	8 218 623	5 218 886
Current year receipts	5 987 000	3 500 000
Interest allocated	-	347 325
Conditions met - transferred to Revenue: Operating Expenses	-	(251 975)
Conditions met - transferred to Revenue: Capital Expenses	(5 936 287)	(45 324)
Other Transfers	-	(550 289)
Conditions still to be met - transferred to Liabilities (see Note 10)	8 269 336	8 218 623

This grant was received for the building and maintenance of libraries in the district. No funds have been withheld.

20.11 PROVINCIAL: OFFICE OF THE PREMIER

	2009	2008
	R	R
Balance unspent at beginning of year	21 569	21 569
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 10)	21 569	21 569

This grant was allocated to assist the municipality on staging national events e.g. Woman's Day, Heritage Day, etc. No funds have been withheld.

20.12 PROVINCIAL: TREASURY

	2009	2008
	R	R
Balance unspent at beginning of year	529 722	497 789
Current year receipts	-	37 197
Interest allocated	-	(5 263)
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(370 760)	-
Other Transfers	-	529 722
Conditions still to be met - transferred to Liabilities (see Note 10)	158 962	497 789

This grant was received to support the municipality in the improvement of its financial administration. No funds have been withheld.

20.13 PROVINCIAL: DEPARTMENT AGRICULTURE

	2009	2008
	R	R
Balance unspent at beginning of year	-	24 468
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	(24 468)
Conditions still to be met - transferred to Liabilities (see Note 10)	-	-

This grant was allocated for the soil conservation in different areas within the district. No funds have been withheld.

20.14 PROVINCIAL: DEPARTMENT ECONOMIC AFFAIRS AND TRADE (DEAT)

	2009 R	2008 R
Balance unspent at beginning of year	-	9 316
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	(9 316)
Conditions still to be met - transferred to Liabilities (see Note 10)	-	-

This grant was received to assist in local economic development and the promotion of tourism. No funds have been withheld.

20.15 PROVINCIAL: DEPARTMENT HOUSING, LOCAL GOVERNMENT & TRADITIONAL AFFAIRS (DHLGTA)

	2009 R	2008 R
Balance unspent at beginning of year	15 916 422	22 892 867
Current year receipts	1 341 759	11 298 334
Interest allocated	-	1 185 268
Conditions met - transferred to Revenue: Operating Expenses	-	(15 563 794)
Conditions met - transferred to Revenue: Capital Expenses	(6 375 672)	(872 775)
Other Transfers	(69 725)	(3 023 478)
Conditions still to be met - transferred to Liabilities (see Note 10)	10 812 784	15 916 422

This grant was allocated for the funding of various projects e.g. LED Strategy, IDP, PMS, PMS, etc to assist in the improvement of the performance of the municipality. No funds have been withheld.

20.16 PROVINCIAL - DEPARTMENT HEALTH

	2009 R	2008 R
Balance unspent at beginning of year	3 468 273	3 598 641
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	(130 368)
Conditions still to be met - transferred to Liabilities (see Note 10)	3 468 273	3 468 273

This grant is a contribution towards addressing HIV/AIDS issues in the areas of the local municipalities in the district and was used for the purchase of drugs, home-based care kits, etc. No funds have been withheld.

20.17 PROVINCIAL: DEPARTMENT ROADS & TRANSPORT

	2009 R	2008 R
Balance unspent at beginning of year	1 387 044	1 387 044
Current year receipts	4 100 000	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 10)	5 487 044	1 387 044

The Transport Grant was allocated for the maintenance of proclaimed roads in the jurisdiction area of the municipality. No funds have been withheld.

20.18 LOCAL GOVERNMENT - LOCAL MUNICIPALITIES

	2009 R	2008 R
Balance unspent at beginning of year	-	(18 558)
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	18 558
Conditions still to be met - transferred to Liabilities (see Note 10)	-	-

The local municipalities contributed towards a project to develop job descriptions and evaluate post levels within the municipalities. No funds have been withheld.

20.19 OTHER SPHERES OF GOVERNMENT

	2009 R	2008 R
Balance unspent at beginning of year	129 617	29
Current year receipts	5 400 000	289 775
Interest allocated	-	13 115
Conditions met - transferred to Revenue: Operating Expenses	-	(173 273)
Conditions met - transferred to Revenue: Capital Expenses	(2 614 310)	-
Other Transfers	-	(29)
Conditions still to be met - transferred to Liabilities (see Note 10)	2 915 307	129 617

The municipality receives grants from other spheres of government for various projects for social upliftment of the communities in the district. The grant was utilised for this purpose. No funds have been withheld.

20.20 CHANGES IN LEVELS OF GOVERNMENT GRANTS

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2009), government grant funding is expected to increase over the forthcoming three financial years.

21. OTHER REVENUE

	2009 R	2008 R
Commission on Collections	80 550	80 264
Tender Documents	190 430	154 320
Other Income	995 435	115 069
Total Other Income	1 266 415	349 653

The amounts disclosed above for Other Income are in respect of services, other than described in Notes 18 to 20, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

22. EMPLOYEE RELATED COSTS

	2009 R	2008 R
Employee Related Costs - Salaries and Wages	51 047 005	48 876 251
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	10 623 108	9 982 974
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	5 265 019	4 621 793
Housing Benefits and Allowances	1 015 828	892 892
Performance Bonuses	-	366 618
Defined Benefit Plan Expense:	3 798 417	3 558 152
Current Service Cost	1 378 986	1 179 564
Interest Cost	1 961 881	1 254 119
Net Actuarial (gains)/losses recognised	457 550	1 124 468
Less: Employee Costs allocated to Property, Plant and Equipment	(5 529 531)	-
Total Employee Related Costs	66 219 846	68 298 679

Employee Related Costs have been restated to correctly classify expenditure to be included in category of Employee Related Costs. Refer to Note 32.2 on "Correction of Error" for details of the restatement.

Furthermore Employee Related Costs have been restated to correctly classify the expense for Staff Bonuses. Refer to Note 32.4 on "Correction of Error" for details of the restatement.

Furthermore, the comparative figures for Employee Related Costs have been restated to adhere to the provisions of IAS 19, Employee Benefits. Refer to Note 31.4 on "Change in Accounting Policy" for details of the restatement.

No advances were made to employees. Loans to employees are set out in Note 8.

Remuneration of the Municipal Manager

	2009 R	2008 R
Annual Remuneration	450 450	409 500
Performance Bonus	-	60 721
Car and Other Allowances	173 356	157 596
Company Contributions to UIF, Medical and Pension Funds	120 588	109 194
Total	744 394	737 011

Remuneration of the Director: Finance (Acting)

	2009	2008
	R	R
Annual Remuneration	290 615	363 159
Acting Allowance	118 500	51 003
Performance Bonus	-	51 003
Car and Other Allowances	129 941	132 655
Company Contributions to UIF, Medical and Pension Funds	66 183	82 644
Total	605 239	680 463

Remuneration of the Director: Corporate Services

	2009	2008
	R	R
Annual Remuneration	418 990	304 955
Performance Bonus	-	57 765
Car and Other Allowances	172 181	124 546
Company Contributions to UIF, Medical and Pension Funds	103 292	42 942
Total	694 462	530 208

Remuneration of the Director: Integrated Planning and Development

	2009	2008
	R	R
Annual Remuneration	418 990	380 900
Performance Bonus	-	65 735
Car and Other Allowances	172 181	145 699
Company Contributions to UIF, Medical and Pension Funds	103 292	94 746
Total	694 462	687 080

Remuneration of the Director: Health Services

	2009	2008
	R	R
Annual Remuneration	418 990	380 900
Performance Bonus	-	65 659
Car and Other Allowances	172 181	145 699
Company Contributions to UIF, Medical and Pension Funds	103 292	79 488
Total	694 462	671 746

Remuneration of the Director: Technical Services

	2009	2008
	R	R
Annual Remuneration	418 990	380 900
Performance Bonus	-	65 735
Car and Other Allowances	172 181	156 529
Company Contributions to UIF, Medical and Pension Funds	103 292	101 273
Total	694 462	704 437

Remuneration of the Manager: Strategic Services

	2009 R	2008 R
Annual Remuneration	418 990	234 400
Performance Bonus	-	-
Car and Other Allowances	172 181	91 308
Company Contributions to UIF, Medical and Pension Funds	103 292	62 896
Total	694 462	388 604

The post was vacant as from 01 February 2008. An Acting Allowance was paid for the period 01 February 2008 to 30 June 2008.

No compensation was payable to key management personnel in terms of IAS 19 as at 30 June.

23. REMUNERATION OF COUNCILLORS

	2009 R	2008 R
Executive Mayor	403 932	363 903
Speaker	323 145	291 122
Mayoral Committee Members	1 716 711	1 637 562
Councillors	1 120 897	1 098 649
Sundry Allowances (Cellular Phones, etc)	1 426 537	1 323 504
Allowances allocated to Employee Related Costs in General Ledger	-	(88 645)
Total Councillors' Remuneration	4 991 222	4 626 095

In-kind Benefits

- The Councillors occupying the positions of Executive Mayor, Speaker and Mayoral Committee Members of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.
- Councillors may utilise official Council transportation when engaged in official duties.
- The Executive Mayor has use of Council owned vehicles for official duties.

24. DEPRECIATION AND AMORTISATION

	2009 R	2008 R
Depreciation: Property, Plant and Equipment	-	3 941 691
Amortisation: Intangible Assets	-	791 617
Total Depreciation and Amortisation	-	4 733 308

The municipality has taken advantage of the transitional provisions on the measurement of assets set out in Directive 4 of the Accounting Standards Board on GRAP 17. Therefore, no depreciation has been calculated for the current year.

25. IMPAIRMENT LOSSES

25.1 IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	2009 R	2008 R
Impairment Losses Recognised:	13 573 358	1 439 981
Other Debtors	13 573 358	1 439 981
Impairment Losses Reversed:	-	-
Other Debtors	-	-
Total Impairment Losses	13 573 358	1 439 981

26. FINANCE COSTS

	2009 R	2008 R
Loans and Payables at amortised cost	454 730	500 587
Other Interest Paid	31 806	331 307
Total Interest Paid on External Borrowings	486 536	831 894

The weighted average capitalisation rate on funds borrowed generally is 5,27% per annum (2008: 5,24% per annum).

27. CONTRACTED SERVICES

	2009 R	2008 R
Cash-in-Transit Services	16 110	16 846
Consultants' Fees	5 264 428	-
Security Services	105 882	46 598
Total Contracted Services	5 386 419	63 444

Included in Consultants' Fees is an amount of R5 056 367 in respect of architectural and planning fees of a new administration office block. It was not sure at year-end whether the building project will realise.

28. GRANTS AND SUBSIDIES PAID

	2009 R	2008 R
Community Projects	236 839 926	250 445 343
Free Basic Services	16 670 553	18 933 412
Problem Animal Control	12 000	30 000
Tourism	80 775	84 223
Other	96 438	43 246
Total Grants and Subsidies	253 699 691	269 536 225

Grants and Subsidies Paid have been restated to correctly classify expenditure to be included in category of Grants and Subsidies Paid. Refer to Note 32.2 on "Correction of Error" for details of the restatement.

Furthermore, the comparative figures for Grants and Subsidies Paid have been restated to adhere to the provisions of GAMAP 9 (paragraphs 42 - 46), Revenue on revenue from non-exchange transactions. Refer to Note 31.4 on "Change in Accounting Policy" for details of the restatement.

Community Projects are in respect of conditional grants utilised for the upliftment of housing and basic service needs of communities within the municipality's area of jurisdiction.

Free Basic Services are in respect of providing basic service levels to indigent/residential households.

Problem Animal Control is paid to enable farmers to prevent cruelty to animals. The grant is increased on an annual basis.

The Tourism Grant is paid annually in the municipality's aim to further local economic development of all communities.

The Executive Mayor makes grants available on application after consultation with the Municipal Manager on the merits of such an application.

29. GENERAL EXPENSES

	2009 R	2008 R
Included in General Expenses are the following:		
Advertising	1 193 223	562 772
Audit Fees	2 850 452	1 846 190
Communication (Radio)	1 930 600	1 231 143
Electricity	2 863 067	1 929 774
Estates Rates	1 602 852	63 526
Fuel and Oil	767 658	714 678
General Expenditure incurred from Equitable Share Grant	-	26 553 170
Printing and Stationery	1 100 358	1 069 711
Refurbishment of Water Schemes	29 131 133	55 285 022
Roads Operating Expenditure	20 081 630	-
Subsistence and Travelling	3 082 941	2 163 863
Systems Security and Software	1 148 846	531 875
Telephones	1 973 908	2 391 135
Twining Agreements	(240 254)	758 060
Other General Expenses	8 357 471	4 363 380
Inter-departmental Charges	11 534	10 295 744
Total General Expenses	75 855 420	109 760 043

General Expenses have been restated to correctly classify expenditure to be included in category of General Expenses. Refer to Note 32.2 on "Correction of Error" for details of the restatement.

Furthermore, General Expenses have been restated to adhere to the provisions of GRAP 13, Leases. Refer to Note 31.4 on "Change in Accounting Policy" for details of the restatement.

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense.

29.1 MATERIAL LOSSES

	2009 R	2008 R
Material Losses	38 501	48 046
Theft	-	34 881
Vehicle Damages	38 501	13 165

30. DISCONTINUED OPERATIONS

No operations have been discontinued.

31. CHANGE IN ACCOUNTING POLICY

The municipality adopted the exempted portions of the following International Accounting Standards for the first time during the financial year 2008/2009 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1. These have been implemented as at 30 June 2009:

GAMAP 9	Revenue (sections applicable to Non-exchange Transactions)
GRAP 03	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 06	Consolidated and Separate Financial Statements
GRAP 07	Investments in Associates
GRAP 08	Interests in Joint Ventures
GRAP 09	Revenue from Exchange Transactions
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
IFRS 3	Business Combinations
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments
IAS 14	Segment Reporting
IAS 19	Employee Benefits
IAS 39	Financial Instruments: Recognition and Measurement

GRAP 13 - Leases:

The Accounting Standard for Leases has been recognised in the Annual Financial Statements of the municipality as at 30 June 2008 in terms of GRAP 13. The full net liabilities have been recognised retrospectively in the Annual Financial Statements.

The comparative amounts have been restated. The effect of the change in Accounting Policy is as follows:

31.1 RECLASSIFICATION OF OPERATING LEASE LIABILITIES AND ACCUMULATED SURPLUS

The prior year figures of Operating Lease Liabilities and Accumulated Surplus have been restated to correctly disclose the monies held by the municipality in terms of GRAP 13.

The effect of the Change in Accounting Policy is as follows:

	Operating Lease Liabilities R	Accumulated Surplus R
		(Ex Note 32.3)
Balances published as at 30 June 2007	-	63 925 731
Recognition of Operating Lease Liabilities	12 989	(12 989)
Restated Balances as at 30 June 2007	12 989	63 912 742
Transactions incurred for the Year 2007/2008:		
Actual Lease Expenditure Reversed	481 606	-
Recorded Lease Expenditure (Straightlining)	(491 510)	-
Restated Balances as at 30 June 2008	3 084	63 912 742

GAMAP 9 - Revenue

Government Grants, previously recognised in terms of IAS 20 (Accounting for Government Grants), have now been recognised in the Annual Financial Statements of the municipality as at 30 June 2009 in terms of GAMAP 9, Revenue, paragraphs 42 - 46 on revenue from non-exchange transactions. The full net liabilities have been recognised retrospectively in the Annual Financial Statements.

The comparative amounts have been restated. The effect of the change in Accounting Policy is as follows:

31.2 RECLASSIFICATION OF RESERVES, ACCUMULATED SURPLUS AND DEFERRED REVENUE

The prior year figures of Deferred Revenue and Accumulated Surplus have been restated to correctly disclose the monies held by the municipality in terms of GAMAP 9.

Furthermore, since fund accounting is not allowed in terms of GRAP/GAAP, the municipality's internal funds and reserves should form part of the Accumulated Surplus and should not be disclosed, as in 2008, as separate reserves on the face of the Statement of Financial Position and Statement of Changes in Net Assets.

The effect of the Change in Accounting Policy is as follows:

	Reserves R	Deferred Revenue R	Accumulated Surplus R
			(Ex Note 31.1)
Balances published as at 30 June 2007	21 019 029	13 573 751	63 912 742
Reclassify Capital Replacement Reserve	(21 019 029)		21 019 029
Reclassify Government Grant Reserve	-	(13 573 751)	13 573 751
Restated Balances as at 30 June 2007	-	-	98 505 523
Transactions incurred for the Year 2007/2008:			
Contribution to Capital Replacement Reserve	10 000 000	-	10 000 000
Interest allocated to Reserves	2 022 198	-	2 022 198
Assets obtained from Reserves	(1 229 091)	1 175 893	(53 198)

	Reserves R	Deferred Revenue R	Accumulated Surplus R
Appropriations from/(to) Reserves	-	(361 222)	(361 222)
Transfers to offset Depreciation	-	(1 779 246)	(1 779 246)
Transfer of Transactions to Accumulated Surplus	(10 793 107)	964 575	(9 828 532)
Restated Balances as at 30 June 2008	-	-	98 505 523

IAS 19 - Employee Benefits, paragraph 155 (a):

The transitional defined benefit liabilities for Post-employment Health Care Benefits and Long Service Allowances have been recognised in the Annual Financial Statements of the municipality as at 30 June 2007 in terms of IAS 19, 155 (a). Thus the full net liabilities as at 30 June 2007 has been recognised immediately in the Annual Financial Statements.

The comparative amounts have been restated. The effect of the change in Accounting Policy is as follows:

31.3 RECLASSIFICATION OF PROVISION FOR POST-RETIREMENT BENEFITS, PROVISION FOR LONG-TERM SERVICE AND ACCUMULATED SURPLUS

The prior year figures of Provision for Post-retirement Benefits, Provision for Long-term Service and Accumulated Surplus have been restated to correctly disclose the monies held by the municipality in terms of IAS 19.

The effect of the Change in Accounting Policy is as follows:

	Provision Post-retirement Benefits	Provision Long-term Service R	Current Provisions R	Accumulated Surplus R
				(Ex Note 31.2)
Balances published as at 30 June 2007	-	-	-	98 505 523
Recognition of Provisions	12 844 865	2 261 167	848 597	(15 954 629)
Restated Balances as at 30 June 2007	12 844 865	2 261 167	848 597	82 550 894
Transactions incurred for the Year 2007/2008:				
Contributions Received	2 917 951	640 201	-	-
Expenditure Incurred	-	-	(848 597)	-
Transfer Short-term Portion to Current Liabilities	(534 484)	(303 597)	838 081	-
Restated Balances as at 30 June 2008	15 228 332	2 597 771	838 081	82 550 894

31.4 RECLASSIFICATION OF REVENUE AND EXPENDITURE

The prior year figure of Government Grants and Subsidies (Note 20) has been restated to correctly classify the transactions related to Assets obtained from Government Grants (previously included in the Government Grant Reserve).

The prior year figure of Employee Related Costs (Note 22) has been restated to correctly classify the transactions related to expenditure incurred in terms of Defined Benefits.

The prior year figure of General expenses (Note 29) has been restated to correctly classify the transactions related to expenditure incurred in terms of Operating Leases.

The effect of the Change in Accounting Policy is as follows:

	Government Grants & Subsidies R	Provision Long- term Service R	Current Provisions R	Accumulated Surplus R
	(Ex Note 32.1)	(Ex Note 32.4)	(Ex Note 32.2)	
Amount per AFS previously published for 2007/2008	449 367 707	65 589 125	110 999 039	848 511
Reclassification of Assets obtained from Grants	1 175 893	-	(1 229 091)	2 404 984
Implementation of IAS 19	-	2 709 555	-	(2 709 555)
Implementation of GRAP 13	-	-	(9 904)	9 904
Restated Amount currently disclosed for 2007/2008	450 543 600	68 298 679	109 760 043	553 845

The effect of the above-mentioned changes in Accounting Policies on the profit and loss is an increase of R1 064 675 in the surplus for the financial year 2007/2008 and the nature of the changes in the Accounting Policies is as follows:

	Operating Lease Liabilities R	Accumulated Surplus R
GAMAP 9 Revenue (sections applicable to Non-exchange Transactions)	-	(2 404 984)
GRAP 13 Leases	-	(9 904)
IAS 19 Employee Benefits	-	2 709 555
Total Decrease/(Increase) in Surplus as at 30 June	-	294 666

The above-mentioned changes in Accounting Policies had no effect on the Accumulated Surplus as at 30 June 2008, but the Accumulated Surplus as at 30 June 2007 has increased by R28 592 million.

32. CORRECTION OF ERROR

Corrections were made and appropriated to the Accumulated Surplus Account during the financial years ended 30 June.

Details of the appropriations are as follows:

	Operating Lease Liabilities R	Accumulated Surplus R
Unappropriated Surplus Account:		
Corrections to Bank	(4 262 286)	(1 642 247)
Corrections to Creditors	7 721 811	1 525 191
Corrections to Debtors	(230 347)	(4 803 503)
Corrections to Suspense Control Accounts	-	(8 816 480)
Corrections to Unspent Conditional Grants	-	19 269 172
Corrections to VAT Receivable	4 798 914	4 420
Corrections to Expenditure	470 542	4 627 604
Corrections to Revenue	2 178	1 048 027
Adjustment of Government Grant Reserve	(2 336 460)	(3 512 079)
Property, Plant and Equipment	-	(270 449)
Increase/(Decrease) in Unappropriated Surplus Account	6 164 352	7 429 656

	Operating Lease Liabilities R	Accumulated Surplus R
Government Grants Reserve:		
Interest reversed from Government Grant Reserve	-	(361 222)
Adjustment of Balance to agree to Assets funded from Grants	-	3 512 079
Increase/(Decrease) in Government Grants Reserve	-	3 150 857
Increase/(Decrease) in Accumulated Surplus Account	6 164 352	10 580 513

32.1 RECLASSIFICATION OF REVENUE

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality.

The effect of the Correction of Error is as follows:

	2007/2008 Revenue R	2008/2009 Revenue R	Restated Amount R
Interest Earned - External Investments	9 544 281	9 896 474	(352 193)
Interest Earned - Other	352 193	-	352 193
Income for Agency Services	31 830 356	-	31 830 356
Government Grants and Subsidies Received	139 383 160	449 367 707	(309 984 548)
Recovered from Non-conditional Grants	27 708 849	-	27 708 849
Recovered from Conditional Grants	250 445 343	-	250 445 343
	459 264 181	459 264 181	0

32.2 RECLASSIFICATION OF EXPENDITURE

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality.

The effect of the Correction of Error is as follows:

	2007/2008 Expenditure R	2008/2009 Expenditure R	Restated Amount R
Employee Related Costs	63 504 390	67 069 683	(3 565 293)
Grants and Subsidies Paid	135 290	269 536 225	(269 400 935)
General Expenses	101 677 220	110 999 039	(9 321 819)
Contributions to Provisions	4 060 442	-	4 060 442
Contribution to Asset Finance Reserve	1 229 091	-	1 229 091
General Expenses: Non-conditional Grants	26 553 170	-	26 553 170
General Expenses: Conditional Grants	250 445 343	-	250 445 343
	447 604 946	447 604 946	0

32.3 RECLASSIFICATION OF STATEMENT OF FINANCIAL POSITION

The prior year balances of items on the Statement of Financial Position have been restated to correctly classify the nature of the balances.

The effect of the Correction of Error is as follows:

	2007/2008 Fin Position R	2008/2009 Fin Position R	Restated Amount R
As at 30 June 2008			
Unappropriated Surplus/(Accumulated Deficit) (See Note 31.2)	(65 492 009)	(111 142 412)	45 650 402
Capital Replacement Reserve (See Note 31.2)	(33 041 227)	-	(33 041 227)
Deferred Income (See Note 31.2)	(12 609 177)	-	(12 609 177)
Long-term Liabilities	(8 626 447)	(8 626 446)	(0)
Provisions	(7 055 416)	(4 033 416)	(3 022 000)
Creditors	(38 788 661)	(49 616 141)	10 827 481
Unspent Conditional Grants	(120 366 962)	(120 016 096)	(350 866)
Current Portion of Long-term Liabilities	(1 046 511)	(927 415)	(119 096)
Property, Plant and Equipment	20 680 401	22 992 434	(2 312 033)
Intangible Assets	2 312 225	190	2 312 035
Other Debtors	34 474 294	41 809 813	(7 335 519)
Cash	4 540	-	4 540
Bank, Cash and Cash Equivalents	222 943 475	222 948 015	(4 540)
	-6 611 475	-6 611 475	0
As at 30 June 2007			
Unappropriated Surplus/(Accumulated Deficit) (See Note 31.2)	(64 286 456)	(63 925 731)	(360 725)
Capital Replacement Reserve (See Note 31.2)	(21 019 029)	(21 019 029)	(0)
Deferred Income (See Note 31.2)	(13 212 530)	(13 573 751)	361 221
Long-term Liabilities	(9 553 861)	(9 553 861)	-
Provisions	(3 299 130)	(3 299 130)	-
Creditors	(14 729 694)	(28 223 258)	13 493 564
Unspent Conditional Grants	(138 693 336)	(138 342 499)	(350 836)
Current Portion of Long-term Liabilities	(529 167)	(446 139)	(83 028)
Property, Plant and Equipment	23 748 613	25 292 081	(1 543 468)
Intangible Assets	1 591 895	48 426	1 543 469
Consumer Debtors	5 580 325	3 823 922	1 756 403
Other Debtors	49 402 771	62 462 971	(13 060 199)
VAT Receivable	5 047 963	6 804 366	(1 756 402)
Cash	4 542	-	4 542
Bank, Cash and Cash Equivalents	179 771 949	179 776 489	(4 540)
	-175 145	-175 145	0

32.4 RECLASSIFICATION OF EMPLOYEE RELATED COSTS AND CREDITORS

The prior year figures of Employee Related Costs and Creditors have been restated to correctly classify the expense for Staff Service Bonuses of the municipality.

The effect of the Correction of Error is as follows:

	Employee Related Costs R	Creditors R
Balances as per AFS previously published for 2007/2008	67 069 683	(28 223 258)
Reclassification of expense for Staff Service Bonuses	(1 480 558)	1 480 558
Balances as at 30 June 2007 per AFS published for 2007/2008	65 589 125	(26 742 700)

32.5 RECLASSIFICATION OF PROPERTY, PLANT & EQUIPMENT AND ACCUMULATED SURPLUS

The prior year figures of Property, Plant & Equipment and Accumulated Surplus have been restated to correctly the assets held by the municipality.

The effect of the Correction of Error is as follows:

	Property Plant and Equipment R	Intangible Assets R	Accumulated Surplus R
Balances as per AFS previously published for 2007/2008	22 992 410	188	(111 142 412)
Reclassification of Cost to reflect the value of assets held	(37 041)	51 668	(14 626)
Reclassification of Depreciation to reflect the value of assets held	(233 384)	(51 665)	285 050
Balances as at 30 June 2007 per AFS published for 2007/2008	22 721 984	190	(110 871 988)

33. CASH GENERATED BY OPERATIONS

	2009 R	2008 R
Surplus/(Deficit) for the Year	31 430 675	553 845
Adjustment for:		
Correction of prior year Error	6 164 352	10 580 513
Depreciation and Amortisation	-	4 733 308
Gains on Disposal of Property, Plant and Equipment	(375 594)	(19 559)
Other Movement on Property, Plant and Equipment	-	1 013 832
Other Movement on Intangible Assets	-	(743 382)
Contribution to Retirement Benefit Liabilities	3 231 735	2 917 951
Expenditure incurred from Retirement Benefit Liabilities	(534 484)	(486 181)
Contribution to Provisions - Current	782 295	734 286
Contribution to Provisions - Non-current	566 682	640 201
Expenditure incurred from Provisions	(303 597)	(362 416)
Contribution to Impairment Provision	13 573 358	1 439 981
Bad Debts Written-off	(3 652 300)	-
Investment Income	(25 340 104)	(9 896 474)
Finance Costs	486 536	831 894
Operating surplus before working capital changes	26 029 555	11 937 799
Decrease/(Increase) in Consumer Debtors	-	3 823 922

	2009 R	2008 R
Decrease/(Increase) in Other Debtors	7 493 324	19 213 177
Decrease/(Increase) in VAT Receivable	(1 687 940)	310 615
Increase/(Decrease) in Creditors	(24 935 528)	19 912 326
Increase/(Decrease) in Conditional Grants and Receipts	8 135 178	(18 326 403)
Increase/(Decrease) in Operating Lease Liabilities	4 788	(9 904)
Cash generated by/(utilised in) Operations	15 039 377	36 861 531

34. NON-CASH INVESTING AND FINANCING TRANSACTIONS

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2008/2009 financial year.

35. FINANCING FACILITIES

The municipality did not have any Financing Facilities available at any time during the two financial years.

36. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

	2009 R	2008 R
Long-term Liabilities (See Note 13)	8 626 446	9 553 861
Used to finance Property, Plant and Equipment - at cost	(8 626 446)	(9 553 861)
Sub-total	-	-
Cash set aside for the Repayment of Long-term Liabilities (See Notes 10 and 13)	-	-
Cash invested for Repayment of Long-term Liabilities	-	-

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

37. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

37.1 UNAUTHORISED EXPENDITURE

To management's best of knowledge no Unauthorised Expenditure was incurred during the year under review.

	2009 R	2008 R
Reconciliation of Unauthorised Expenditure:		
Opening balance	8 171 766	-
Unauthorised Expenditure current year	23 034 296	8 171 766
Approved by Council or condoned	-	-
To be recovered – contingent asset (see Note 44)	-	-
Transfer to receivables for recovery (see Note 4)	-	-
Unauthorised Expenditure awaiting authorisation	31 206 062	8 171 766

Incident	Disciplinary Steps/Criminal Proceedings
Budgeted amounts exceeded:-	None
Remuneration of Councillors - Ro (2008: R18 830)	
Defined Benefits Expense - R3 798 417 (2008: Ro)	
Provision for Bad Debts - R13 573 358 (2008: Ro)	
Depreciation - R122 652 (2008: R1 600 000)	
Interest Paid - R15 245 (2008: R384 394)	
Contribution to Provisions - Ro (2008: 568 542)	
General Expenses: Conditional Grants - R5 524 624 (2008: R5 600 000)	

37.2 FRUITLESS AND WASTEFUL EXPENDITURE

To management's best of knowledge instances of note indicating that Fruitless and Wasteful Expenditure was incurred during the year under review were not revealed.

	2009 R	2008 R
Reconciliation of Fruitless and Wasteful expenditure:		-
Opening balance	-	4 003 797
Fruitless and Wasteful Expenditure current year	68 475	(350 866)
Condoned or written off by Council	-	-
To be recovered – contingent asset (see Note 44)	-	(3 652 931)
Transfer to receivables for recovery (see Note 4)	-	-
Fruitless and Wasteful Expenditure awaiting condonement	68 475	-

Incident	Disciplinary Steps/Criminal Proceedings
Incorrect supplier paid (5 cases) - R11 286 (2008: Ro)	None. It is endeavoured to recoup the amounts paid incorrectly.
Interest on late payments - R31 806 (2008: R331307)	None
Vodacom rental charges paid (7 cases) - R19 431 (2008: Ro)	None
Forbidden loan, with interest, made to Nyika - Ro (2008: R3 652 300)	None
Goods paid for, not received - R5 952 (2008: R631)	None
Lost equipment (computer) - Ro (2008: R19 559)	None
Goods returned without refund - R15 791 (2008: Ro)	None. It is endeavoured to obtain replacement equipment or a refund.

37.3 IRREGULAR EXPENDITURE

To management's best of knowledge instances of note indicating that Irregular Expenditure was incurred during the year under review were not revealed.

38. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

38.1 CONTRIBUTIONS TO ORGANISED LOCAL GOVERNMENT – SALGA

	2009 R	2008 R
Opening Balance	-	-
Council Subscriptions	426 851	179 734
Amount Paid - current year	(426 851)	(179 734)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

38.2 AUDIT FEES

	2009 R	2008 R
Opening Balance	-	-
Current year Audit Fee	2 500 396	1 846 190
Amount Paid - current year	(2 500 396)	(1 846 190)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

38.3 VAT

VAT input payables and VAT output receivables are shown in Note 3. All VAT returns have been submitted by the due date throughout the year.

38.4 PAYE AND UIF

	2009 R	2008 R
Opening Balance	-	-
Current year Payroll Deductions	9 450 404	9 011 607
Amount Paid - current year	(9 450 404)	(9 011 607)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

38.5 PENSION AND MEDICAL AID DEDUCTIONS

	2009 R	2008 R
Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	16 089 764	13 949 181
Amount Paid - current year	(16 089 764)	(13 949 181)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

38.6 COUNCILLOR'S ARREAR CONSUMER ACCOUNTS

During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.

38.7 NON-COMPLIANCE WITH CHAPTER 11 OF THE MUNICIPAL FINANCE MANAGEMENT ACT

No known matters existed at reporting date.

38.8 DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF, THE PROCUREMENT PROCESSES

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Date	Successful Tenderer	Reason	Amount
Office of the Executive Mayor	July 2008	Africana Caterers & Décor	Catering for Youth Day event	36 000.00 Excluding VAT
Originally procured institution declined appointment at a very late stage				
Office of the Municipal Manager	Year 2008/2009	Various occasions (5)	Gala Event, PALS System and Closing Seremony	532 274.41 Excluding VAT
5 Occasions during the financial year for various reasons amounting to R532 274,41 (excluding VAT)				
Community and Health Services	Year 2008/2009	Various occasions (7)	Conferences, Accommodation, Service and Catering	182 259.08 Excluding VAT
7 Occasions during the financial year for various reasons amounting to R182 259,08 (excluding VAT)				
Corporate Services	Year 2008/2009	Various occasions (4)	Various reasons, e.g. Courses, Training, Service and Repairs	45 135.01 Excluding VAT
4 Occasions during the financial year for various reasons amounting to R45 135,01 (excluding VAT)				
Engineering Services	Year 2008/2009	Various occasions (4)	Works, Conference Facility, Catering and Security Gate	152 372.05 Excluding VAT
4 Occasions during the financial year for various reasons amounting to R152 372,05 (excluding VAT)				
Financial Services	Year 2008/2009	Various occasions (3)	Workshop, Software Licence Fees and Personal Computer	53 685.66 Excluding VAT
3 Occasions during the financial year for various reasons amounting to R53 685,66 (excluding VAT)				
Communication	Year 2008/2009	Various occasions (6)	Various reasons, e.g. Tourism Directory, Communications, etc	268 981.10 Excluding VAT
6 Occasions during the financial year for various reasons amounting to R268 981,10 (excluding VAT)				
Disaster Management	Year 2008/2009	Various occasions (8)	Various reasons, e.g. Storm Damages, Urgent Repairs, etc	349 840.18 Excluding VAT
8 Occasions during the financial year for various reasons amounting to R349 840,18 (excluding VAT)				
Environmental Health	Year 2008/2009	Various occasions (9)	Various reasons, e.g. Garden Units, Eco Circles, etc	436 723.26 Excluding VAT
9 Occasions during the financial year for various reasons amounting to R436 723,26 (excluding VAT)				
Human Resources	Year 2008/2009	Various occasions (4)	Accommodation for senior officials of the municipality	47 861.90 Excluding VAT
4 Occasions during the financial year for various reasons amounting to R47 861,90 (excluding VAT)				
Information & Communication Technology	Year 2008/2009	Various occasions (8)	Various reasons, e.g. Courses, Networks, Licences, etc	1 122 211.59 Excluding VAT
8 Occasions during the financial year for various reasons amounting to R1 122 211,59 (excluding VAT)				
Integrated Planning & Economic Development	Year 2008/2009	Various occasions (22)	Various reasons, e.g. Exhibition, Gala Dinner, Lucerne, etc	506 283.02 Excluding VAT
22 Occasions during the financial year for various reasons amounting to R506 283,02 (excluding VAT)				

Department	Date	Successful Tenderer	Reason	Amount
Road Works	June 2009	Aloe Grove Guest farm	Hiring of Conference Centre	39 304.40 Excluding VAT

The only facility available at that stage to accommodate 100 delegates

Special Project Unit	Year 2008/2009	Various occasions (12)	Various reasons, e.g. Bracelets, Lunch Packs, Transport, etc	170 168.50 Excluding VAT
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12 Occasions during the financial year for various reasons amounting to R170 168,50 (excluding VAT)

Supply Chain Management	June 2009	Tidy Files	5-Drawer quadro 4-rows cabinet// OKI 5591 Printer	1 292.42
	June 2009	NRG Office Solutions		8 320.00 Excluding VAT

The only bidder that resounded on time// Urgent replacement required

Financial Services	June 2009	Thermodynamics Fluids & Design (TFD)	Compilation of Asset Register	60 000.00 Excluding VAT
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Municipal assets already on the system of the supplier

Workshop	Year 2008/2009	Various occasions (3)	Spare Part for Bell crid roller and Security Services	48 629.57 Excluding VAT
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The sole supplier for the services requested

39. COMMITMENTS FOR EXPENDITURE

39.1 CAPITAL COMMITMENTS

	2009 R	2008 R
Commitments in respect of Capital Expenditure:		
- Approved and Contracted for:-	9 425 313	-
Infrastructure	-	-
Community	9 208 147	-
Heritage	-	-
Other	217 166	-
Housing Development Fund	-	-
Investment Properties	-	-
- Approved but Not Yet Contracted for:-	-	-
Infrastructure	-	-
Community	-	-
Heritage	-	-
Other	-	-
Housing Development Fund	-	-
Investment Properties	-	-
Total Capital Commitments	9 425 313	-

This expenditure will be financed from:

	2009 R	2008 R
External Loans	-	-
Capital Replacement Reserve	-	-
Government Grants	9 425 313	-
District Council Grants	-	-
Public Contributions	-	-

	2009 R	2008 R
Own Resources	-	-
	9 425 313	-

39.2 LEASE COMMITMENTS

Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Notes 12 and 13.

40. FINANCIAL INSTRUMENTS

40.1 CLASSIFICATION

		2009 R	2008 R
FINANCIAL ASSETS:			
In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):			
Financial Assets	Classification		
Long-term Receivables			
Car Loans	Loans and receivables	-	7 695
Other Debtors			
Payments made in Advance	Loans and receivables	-	1 161 443
Government Subsidy Claims	Loans and receivables	17 608 012	14 538 143
Projects	Loans and receivables	1 380 364	680 232
Recoverable Works	Loans and receivables	146 486	146 834
Short-term Loans	Loans and receivables	19 101 652	25 459 001
Sundry Deposits	Loans and receivables	808 590	666 899
Sundry Debtors	Loans and receivables	7 422 639	11 308 514
Bank, Cash and Cash Equivalents			
Call Deposits	Available for sale	115 060 738	-
Bank Balances	Available for sale	254 765 637	222 948 015
Current Portion of Long-term Receivables			
Car Loans	Loans and receivables	7 695	29 292
Study Loans	Loans and receivables	-	80 737
		416 301 812	277 026 806
SUMMARY OF FINANCIAL ASSETS			
Loans and Receivables			
Long-term Receivables	Car Loans	-	7 695
Other Debtors	Payments made in Advance	-	1 161 443
Other Debtors	Government Subsidy Claims	17 608 012	14 538 143
Other Debtors	Projects	1 380 364	680 232
Other Debtors	Recoverable Works	146 486	146 834
Other Debtors	Short-term Loans	19 101 652	25 459 001
Other Debtors	Sundry Deposits	808 590	666 899
Other Debtors	Sundry Debtors	7 422 639	11 308 514
Current Portion of Long-term Receivables	Car Loans	7 695	29 292
Current Portion of Long-term Receivables	Study Loans	-	80 737
		46 475 438	54 078 791
Available for Sale:			

		2009	2008
		R	R
Bank,Cash and Cash Equivalents	Call Deposits	115 060 738	-
Bank,Cash and Cash Equivalents	Bank Balances	254 765 637	222 948 015
		369 826 375	222 948 015
Total Financial Assets		416 301 812	277 026 806
FINANCIAL LIABILITIES:			
In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):			
Financial Liabilities	Classification		
Long-term Liabilities			
Annuity Loans	Financial liabilities at amortised cost	7 652 081	8 626 446
Creditors			
Trade Creditors	Financial liabilities at amortised cost	13 584 796	37 367 631
Retentions	Financial liabilities at amortised cost	3 529 077	-
Staff Bonuses	Financial liabilities at amortised cost	1 578 152	1 541 442
Sundry Deposits	Financial liabilities at amortised cost	8 335	8 335
Other Creditors	Financial liabilities at amortised cost	4 499 696	9 218 176
Current Portion of Long-term Liabilities			
Annuity Loans	Financial liabilities at amortised cost	974 365	927 415
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	7 652 081	8 626 446
Creditors	Trade Creditors	13 584 796	37 367 631
Creditors	Retentions	3 529 077	-
Creditors	Staff Bonuses	1 578 152	1 541 442
Creditors	Sundry Deposits	8 335	8 335
Creditors	Other Creditors	4 499 696	9 218 176
Current Portion of Long-term Liabilities	Annuity Loans	974 365	927 415
		31 826 502	57 689 445
Total Financial Liabilities		31 826 502	57 689 445

40.2 FAIR VALUE

The Fair Values of Financial Assets and Financial Liabilities are determined as follows:

- The Fair Value of Financial Assets and Financial Liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values. The fair value of Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the the current payment ratio's of the municipality's debtors.

40.3 CAPITAL RISK MANAGEMENT

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2008.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 4, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 16 and the Statement of Changes in Net Assets.

GEARING RATIO

The gearing ratio at the year-end was as follows:

	2009 R	2008 R
Debt	8 626 446	9 553 861
Bank, Cash and Cash Equivalents	(254 765 637)	(222 948 015)
Net Debt	(246 139 191)	(213 394 154)
Total Capital	(114 858 911)	(119 708 902)
Net debt to total capital ratio	214.30%	178.26%

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 13.

Total Capital includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

40.4 FINANCIAL RISK MANAGEMENT OBJECTIVES

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

40.5 SIGNIFICANT ACCOUNTING POLICIES

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.

40.6 MARKET RISK

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 40.9 below). No formal policy exists to hedge volatilities in the interest rate market.

40.6.1 FOREIGN CURRENCY RISK MANAGEMENT

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

40.6.2 INTEREST RATE RISK MANAGEMENT

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment/discounting, where applicable.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The municipality had no floating rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.

40.7 EFFECTIVE INTEREST RATES AND REPRICING ANALYSIS

In accordance with IAS 32.67(a) and (b) the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2009								
FIXED RATE INSTRUMENTS								
Unsecured Bank Facilities	13		(8 626 446)	-	-	-	-	(8 626 446)
DBSA		5.00%	(8 626 446)	-	-	-	-	(8 626 446)
Total Fixed Rate Instruments			(8 626 446)	-	-	-	-	(8 626 446)
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	4		115 060 738	115 060 738	-	-	-	-
Bank Balances and Cash	4		139 704 899	139 704 899	-	-	-	-

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
Total Fixed Rate Instruments			254 765 637	254 765 637	-	-	-	-
30 June 2008								
FIXED RATE INSTRUMENTS								
Unsecured Bank Facilities	13		(9 553 861)	-	-	-	-	(9 553 861)
DBSA		5.00%	(9 553 861)	-	-	-	-	(9 553 861)
Total Fixed Rate Instruments			(9 553 861)	-	-	-	-	(9 553 861)
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits			-	-	-	-	-	-
Bank Balances and Cash			222 948 015	222 948 015	-	-	-	-
Total Fixed Rate Instruments			222 948 015	222 948 015	-	-	-	-

40.8 OTHER PRICE RISKS

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

40.9 LIQUIDITY RISK MANAGEMENT

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 47 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS #	Average effective Interest Rate %	Total R	6 Months or less R	6 - 12 Months R	1 - 2 Years R	2 - 5 Years R	More than 5 Years R
30 June 2009								
Non-interest Bearing		0.00%	23 200 056	23 200 056	-	-	-	-
Fixed Interest Rate Instruments		5.00%	10 452 790	696 853	696 853	1 393 705	4 181 116	3 484 263
			33 652 846	23 896 908	696 853	1 393 705	4 181 116	3 484 263
30 June 2008								
Non-interest Bearing		0.00%	48 135 584	48 135 584	-	-	-	-
Fixed Interest Rate Instruments		5.00%	11 846 495	696 853	696 853	1 393 705	4 181 116	4 877 969
			59 982 079	48 832 436	696 853	1 393 705	4 181 116	4 877 969

40.10 CREDIT RISK MANAGEMENT

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction/exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment/discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics, except for Sasol who has large investments in the municipal area and does not pose any risk. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

	2009 R	2008 R
Long-term Receivables	7 695	117 724
Other Debtors	24 395 431	41 809 813
Bank, Cash and Cash Equivalents	254 765 637	222 948 015
Maximum Credit and Interest Risk Exposure	279 168 763	264 875 552

Credit quality of Financial Assets:

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2009 R	2008 R
Long-term Receivables		
Group 1	7 695	117 724
Total Long-term Receivables	7 695	117 724
Other Debtors		
Group 1	808 590	1 828 343
Group 3	45 659 152	52 132 724
Total Other Debtors	46 467 743	53 961 067
Bank and Cash Balances		
ABSA Bank Ltd	254 761 097	222 943 475
Cash Equivalents	4 540	4 540
Total Bank and Cash Balances	254 765 637	222 948 015

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

41. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

Chris Hani District Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes. All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer. The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions.

Where councillors/employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R6,2 million (2008: R5,9 million) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

Defined Benefit Schemes

Joint Pension Fund:

- The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2008.
- The statutory valuation performed as at 30 June 2008 revealed that the fund had a surplus of 182,7 (30 June 2007: R200,2) million, with a funding level of 106,5% (30 June 2007: 107,2%). The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is less than the recommended contribution rate of 31,04%.

Government Employees Pension Fund (GEPF):

- No details could be provided for the fund and of any valuation performed.
- A contribution rate is paid by the members (7,50%) and municipalities (13,00%).

South African Local Authorities Pension Fund (SALA):

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 1 July 2007. The statutory valuation performed as at 1 July 2007 revealed that the fund had a surplus of 558,4 (1 July 2006: R286,0) million, with a funding level of 110% (1 July 2006: 106%). The contribution rate paid by the members (7,50% to 9,00%) and the municipalities (15,00% to 20,80%) is sufficient to fund the benefits accruing from the fund in the future.

Defined Contribution Schemes

Joint Pension Fund:

- The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2008.
- The statutory valuation performed as at 30 June 2008 revealed that the investment reserve of the fund amounted to R12 033 (30 June 2007: R20 220) million, with a funding level of 103,3% (30 June 2007: 105,3%). The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

Cape Joint Retirement Fund:

- The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2008.
- The statutory valuation performed as at 30 June 2008 revealed that the assets of the fund amounted to R6 675 (30 June 2007: R7 206) million, with funding levels of 101,1% and 112,2% (30 June 2007: 108,5% and 137,4%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councillors Pension Fund:

- The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2006.

- The statutory valuation performed as at 30 June 2006 revealed that the fund had a funding ratio of 106.5%. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

Liberty Life Pension Fund:

- No details could be provided for the fund and of any valuation performed.

SANLAM Annuity Fund:

- No details could be provided for the fund and of any valuation performed.

SANLAM Retirement Fund:

- No details could be provided for the fund and of any valuation performed.

None of the above mentioned plans are State Plans.

42. RELATED PARTY TRANSACTIONS

42.1 INTEREST OF RELATED PARTIES

Councillors and/or management of the municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
Bobo T	Councillor	50% Membership in Ilinge Labatsha Development CC
Gobinca M	Councillor	50% Membership in Shine & Brilliant General Trading CC
Gunuzo NL	Councillor	Director of Lembede Strategic Investment
James L	Councillor	Director of EC Agric Co-op
James L	Councillor	33% Membership in Palgro CC
James L	Councillor	Director of Veronica Investments
James L	Councillor	Trustee in Flagstaff Family Trust
James L	Councillor	Trustee in Flagstaff Trust
Koyo MC	Councillor	100% Membership in MBK Consulting Services CC
Mbolo S	Councillor	50% Ownership of Monde Skhosana Building Construction
Mbolo S	Councillor	25% Ownership of Amandla Construction
Nobongoza TP	Councillor	Director of Sakhisizwe Multipurpose (Section 21 Company)
Pasha NM	Councillor	Director of Engcobo Housing Project (Ass Inc under Section 21)
Plata SD	Councillor	100% Membership in Daves Energy Distribution CC
Taljaard J	Councillor	Membership in Essential Properties 166
Zenzile M	Councillor	Director of Cradock Masizame (Section 21 Company)
Wakeni W	Councillor	Membership in Khanyisa Fishing
Dlulane K	Manager	33% Ownership of Amen on Moving Trading CC
Mbambisa MS	Manager	100% Membership in Booi Mbambisa & Associates
Mbambisa MS	Manager	16.6% Membership in Mulepele Trading Enterprise
Mdleleni A	Manager	100% Membership in Ikhwezi Mediation & Development Services
Nondzaba M	Disaster Officer	100% Ownership of ABA Trading Enterprise

42.2 SERVICES RENDERED TO RELATED PARTIES

The municipality did not render any services during the year to anyone that can be considered as a related party.

42.3 LOANS GRANTED TO RELATED PARTIES

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 8 to the Annual Financial Statements.

42.4 COMPENSATION OF RELATED PARTIES

Compensation of Key Management Personnel and Councillors is set out in Notes 22 and 23 respectively, to the Annual Financial Statements.

42.5 PURCHASES FROM RELATED PARTIES

The municipality did not buy goods from any companies which can be considered to be Related Parties.

43. CONTINGENT LIABILITIES

43.1 COURT PROCEEDINGS

	2009 R	2008 R
Court Proceedings:	3 780 662	1 635 000

- ii. The Board of Trustees for Qamata Irrigation Scheme instituted interdict proceedings in the Development Tribunal, Bisho. The municipality cited as 3rd respondent. The defendant was successful in its defence and is taxing a bill of costs for taxation and recovery of costs. The cost of the case is estimated to be R200 000.
- iii. The Municipal Employees Pension Fund brought an action against the municipality for outstanding payment of contributions to the Fund in respect of councillors in the amount of R322 950. The cost of the case is estimated to be R35 000. The outcome of the action is still uncertain.
- iv. Reticulation Design Project Services was appointed by the municipality for the upgrading of streets and storm water drainage, and the building of VIP toilets. RDP Services has instituted action against the municipality for the recovery of payments to the amount of R2 501 000 allegedly not made. Legal cost is estimated to be R250 000. The outcome of the case is still uncertain.
- v. The municipality was requested for payment of the amount of R11 601 for goods sold and delivered by East Cape Agricultural Cooperative Ltd. The claim is not disputed and the claimant was requested to provide proper invoices, which has allegedly been done. The amount of the invoices are still in dispute. The cost of the case is estimated to be R10 000. No summons for payment has been issued to date.
- vi. The municipality has been sued by an individual for outstanding travelling cost in the amount of R4 693 due to him as a member of the Audit Committee, arising from extensive travelling between Butterworth and Queenstown to attend meetings. Since the municipality has proof that the claimant was paid in full, the claim is being defended and is now ready for trial. The cost of the case is estimated to be R15 000. The outcome of the case is still uncertain.
- vii. Sidi Parini (Pty) Ltd is claiming an amount of R330 418 from the municipality for fertilizer allegedly sold and delivered in terms of a verbal agreement. The claim is disputed. The cost of the case is estimated to be R100 000. No summons for payment has been issued to date.

44. CONTINGENT ASSETS

	2009	2008
	R	R
Court Proceedings	2 950 000	450 000

The municipality is suing Thusano Construction for an amount of R450 000 in respect of an over-payment on the contract. The outcome of the legal processes is unknown at this stage.

The municipality is suing Nyika Investments for an amount of approximately R2 500 000 in respect of a business plan and the development of commercial enterprises. Nothing resulted from the business plan and the contractor did not provide the services for which they were contracted. To date the debtor could not be located to identify any assets that can be attached. The outcome of the legal processes is unknown at this stage.

45. IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any In-kind Donations and Assistance during the year under review.

46. COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexures "E (1) and E (2)".

47. PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the financial year 2008/2009.

48. EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2008.

49. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 31) and Prior Period Errors (Note 32).

50. STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

At the date of authorisation of these Annual Financial Statements the municipality has not applied the following GRAP standards that have been issued, but are not yet effective:

GRAP 18 Segment Reporting

GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers)

GRAP 24 Presentation of Budget Information in Financial Statements

GRAP 103 Heritage Assets

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

Management has considered all the GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

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CHRIS HANI
DISTRICT MUNICIPALITY



3.12 APPENDICES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

APPENDIX A - SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

Details	Original Loan Amount R	Interest Rate	Loan Number	Redeem- able	Balance at 30 June 2008 R	Received during the Period R	Redeemed/ Written Off during Period R	Balance at 30 June 2009 R
ANNUITY LOANS								
DBSA	10 000 000	5.00%	101215/1	30/09/2016	9 553 861	-	927 415	8 626 446
Total Annuity Loans	10 000 000				9 553 861	-	927 415	8 626 446
TOTAL EXTERNAL LOANS	10 000 000				9 553 861	-	927 415	8 626 446

ANNUITY LOANS:

DBSA:

Structured unsecured 10 year loan for eradication of bucket system. Original loan capital of R10 000 000 is repayable semi-annually in fixed instalments of capital and fixed rate interest.

APPENDIX B - ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009

Description	Cost / Revaluation		Accumulated Depreciation / Impairment						Carrying Value	Budget Additions 2009		
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions			Transfers	Disposals
	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings												
Carports	11 802	30 000	-	-	-	41 802	11 802	-	-	-	11 802	30 000
Houses	422 486	-	-	-	(50 000)	372 486	175 669	-	-	(26 668)	149 001	223 485
Land	3 650 000	-	-	-	-	3 650 000	-	-	-	-	-	3 650 000
Office Buildings	14 148 433	-	-	-	-	14 148 433	2 254 631	-	-	-	2 254 631	11 893 802
Park Homes	118 505	-	-	-	-	118 505	5 305	-	-	-	5 305	113 200
	18 351 226	30 000	-	-	(50 000)	18 331 226	2 447 407	-	-	(26 668)	2 420 739	15 910 487
Community Assets												
Recreational Facilities:												
Fountains	11 471	-	-	-	-	11 471	9 360	-	-	-	9 360	2 111
Other Facilities:												
Clinics and Hospitals	100 000	-	-	-	-	100 000	53 336	-	-	-	53 336	46 664
Community Centres	168 341	-	-	-	-	168 341	67 339	-	-	-	67 339	101 001
Fencing	19 136	-	-	-	-	19 136	19 136	-	-	-	19 136	-
Security Systems	59 623	-	-	-	-	59 623	44 639	-	-	-	44 639	14 984
	358 571	-	-	-	-	358 571	193 810	-	-	-	193 810	164 761
Other Assets												
Emergency Equipment:												
Ambulance Equipment	43 293	-	-	-	-	43 293	43 293	-	-	-	43 293	-
Emergency Lights	288	-	-	-	-	288	288	-	-	-	288	-
Fire Equipment	20 582	-	-	-	-	20 582	8 491	-	-	-	8 491	12 091
Fire Hoses	21 709	-	-	-	-	21 709	6 256	-	-	-	6 256	15 453

Description	Cost / Revaluation		Accumulated Depreciation / Impairment						Carrying Value	Budget Additions 2009			
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions			Transfers	Disposals	Closing Balance
	R	R	R	R	R	R	R	R	R	R	R	R	
Furniture and Fittings:													
Cabinets and Cupboards	584 086	62 212	-	-	-	646 298	317 804	-	-	-	317 804	328 495	20 600
Chairs	370 745	28 498	-	-	-	399 243	254 435	-	-	-	254 435	144 808	28 064
Kitchen Equipment	79 122	14 833	-	-	-	93 955	21 766	-	-	-	21 766	72 189	-
Other Furniture	336 279	52 883	-	-	-	389 162	231 007	-	-	-	231 007	158 155	543 595
Tables and Desks	434 433	33 744	-	-	-	468 177	262 396	-	-	-	262 396	205 780	28 999
Motor Vehicles:													
Fire Engines	354 160	1 161 443	-	-	-	1 515 603	270 760	-	-	-	270 760	1 244 843	1 600 000
Motor Cars	2 524 278	1 798 775	-	-	(578 711)	3 744 342	1 532 895	-	-	(453 490)	1 079 405	2 664 937	1 000 000
Trucks and Bakkies	4 514 173	3 307 787	-	-	(191 228)	7 630 731	2 477 535	-	-	(175 109)	2 302 426	5 328 305	3 145 000
Office Equipment:													
Air Conditioners	356 891	-	-	-	-	356 891	348 003	-	-	-	348 003	8 888	-
Computer Hardware	3 154 672	561 291	-	-	(30 008)	3 685 955	2 530 089	-	-	(12 069)	2 518 020	1 167 935	653 042
Office Machines	397 476	63 186	-	-	-	460 662	372 062	-	-	-	372 062	88 601	213 000
Other Office Equipment	422 711	56 261	-	-	-	478 972	261 720	-	-	-	261 720	217 252	31 000
Plant and Equipment:													
Earthmoving Equipment	2 317 979	-	-	-	-	2 317 979	1 177 708	-	-	-	1 177 708	1 140 270	-
Farm Equipment	276 374	-	-	-	-	276 374	49 474	-	-	-	49 474	226 900	-
Lawnmowers	19 903	-	-	-	-	19 903	13 995	-	-	-	13 995	5 908	-
Mobile Clinics	156 000	-	-	-	-	156 000	156 000	-	-	-	156 000	-	1 000 000
Other Plant and Equipment	61 234	645 228	-	-	-	706 462	17 517	-	-	-	17 517	688 945	1 799 000
Radio Equipment	72 981	-	-	-	-	72 981	72 981	-	-	-	72 981	-	-

Description	Cost / Revaluation				Accumulated Depreciation / Impairment							Carrying Value	Budget Additions 2009
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
Satellite Tracking Equipment	113 465	-	-	-	-	113 465	101 783	-	-	-	101 783	11 682	-
Tractors	636 538	-	-	-	-	636 538	193 716	-	-	-	193 716	442 823	-
Trailers	130 703	-	-	-	-	130 703	24 698	-	-	-	24 698	106 005	-
	17 400 074	7 786 141	-	-	(799 947)	24 386 268	10 746 669	-	-	(640 669)	10 106 001	14 280 267	10 062 300
Total	36 109 871	7 816 141	-	-	(849 947)	43 076 065	13 387 887	-	-	(667 336)	12 720 550	30 355 515	10 062 300

ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2009

Description	Cost / Revaluation				Accumulated Depreciation / Impairment							Carrying Value	Budget Additions 2009
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
Intangible Assets													
Computer Software	2 597 229	-	-	-	-	2 597 229	2 597 039	-	-	-	2 597 039	190	-
	2 597 229	-	-	-	-	2 597 229	2 597 039	-	-	-	2 597 039	190	-
Total Asset Register	38 707 100	7 816 141	-	-	(849 947)	45 673 294	15 984 926	-	-	(667 336)	15 317 589	30 355 705	10 062 300

APPENDIX C - SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009

Description	Cost / Revaluation			Accumulated Depreciation / Impairment							Carrying Value	
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals		Closing Balance
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	6 817 846	30 796	-	-	(748 580)	6 100 063	4 060 582	-	-	(607 240)	3 453 342	2 646 720
Finance and Administration	22 794 223	7 635 210	-	-	(67 939)	30 361 495	7 574 752	-	-	(26 668)	7 548 084	22 813 411
Planning and Development	2 542 893	667	-	-	-	2 543 560	1 054 175	-	-	-	1 054 175	1 489 385
Health	2 283 798	11 999	-	-	(33 428)	2 262 369	1 628 300	-	-	(33 428)	1 594 872	667 497
Community and Social Services	183 039	127 272	-	-	-	310 311	132 035	-	-	-	132 035	178 276
Public Safety	3 938 276	-	-	-	-	3 938 276	1 508 706	-	-	-	1 508 706	2 429 570
Roads and Transport	108 694	10 197	-	-	-	118 891	6 217	-	-	-	6 217	112 673
Water	38 330	-	-	-	-	38 330	20 157	-	-	-	20 157	18 173
Total	38 707 100	7 816 141	-	-	(849 947)	45 673 294	15 984 926	-	-	(667 336)	15 317 589	30 355 705

APPENDIX D - SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

	2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R	Description	2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R
	-	18 445 789	(18 445 789)	Executive and Council	-	12 947 127	(12 947 127)
	661 956	38 633 807	(37 971 851)	Finance and Administration	1 421 295	81 442 940	(80 021 646)
	-	3 813 621	(3 813 621)	Planning and Development	-	4 945 009	(4 945 009)
	-	9 342 195	(9 342 195)	Health	-	10 147 161	(10 147 161)
	-	1 985 328	(1 985 328)	Community and Social Services	5 600	2 215 903	(2 210 303)
	-	2 408 894	(2 408 894)	Public Safety	-	3 897 792	(3 897 792)
	94 748	1 345 551	(1 250 803)	Environmental Protection	300 388	2 079 621	(1 779 234)
	-	22 533 221	(22 533 221)	Roads and Transport	-	6 828 300	(6 828 300)
	-	84 662 614	(84 662 614)	Water	-	75 991 179	(75 991 179)
	460 101 964	277 133 803	182 968 161	Other	467 183 493	236 985 069	230 198 424
	460 858 668	460 304 823	553 845	Sub-Total	468 910 776	437 480 101	31 430 675
	460 858 668	460 304 823	553 845	Total	468 910 776	437 480 101	31 430 675

APPENDIX E1 - ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009

Description	2008/2009 Actual R	2008/2009 Budget R	2008/2009 Variance R	2008/2009 Variance %	Explanation of Significant Variances greater than 10% versus Budget
REVENUE					
Rental of Facilities and Equipment	101 312	72 000	29 312	28.93	Revenue not budgeted for
Interest Earned - External investments	25 340 104	3 300 000	22 040 104	86.98	Revenue not budgeted for
Government Grants and Subsidies	441 845 289	457 737 130	(15 891 841)	(3.60)	
Other Income	1 266 415	150 000	1 116 415	88.16	Revenue budgeted for did not materialise
Gains on Disposal of Property, Plant and Equipment	357 655	-	357 655	0.00	
Total Revenue	468 910 776	461 270 354	7 640 422	1.66	
EXPENDITURE					
Employee Related Costs	66 219 846	71 270 545	(5 050 699)	(7.63)	
Remuneration of Councillors	4 991 222	5 277 771	(286 549)	(5.74)	

Description	2008/2009 Actual R	2008/2009 Budget R	2008/2009 Variance R	2008/2009 Variance %	Explanation of Significant Variances greater than 10% versus Budget
Collection Costs	-	572 209	(572 209)	0.00	
Depreciation	-	3 084 800	(3 084 800)	0.00	Expenditure not budgeted for
Impairment Losses	13 573 358	-	13 573 358	100.00	Expenditure not budgeted for
Repairs and Maintenance	17 249 671	35 535 851	(18 286 180)	(106.01)	
Interest Paid	486 536	471 291	15 245	3.13	Over-budgeted for expenditure
Contracted Services	5 386 419	5 962 569	(576 150)	(10.70)	Expenditure for new building project not budgeted for
Grants and Subsidies Paid	253 699 691	249 005 146	4 694 545	1.85	Community project expenditure not budgeted for
General Expenses	75 855 420	90 090 172	(14 234 752)	(18.77)	Savings on expenditure realised
Total Expenditure	437 480 101	461 270 354	(23 790 253)	(5.16)	
NET SURPLUS / (DEFICIT) FOR THE YEAR	31 430 675	-	31 430 675	0.00	

APPENDIX E2 - ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2009

Description	2008/2009 Actual R	2008/2009 Total Additions R	2008/2009 Budget R	2008/2009 Variance R	2008/2009 Variance %	Explanation of Significant Variances greater than 5% versus Budget
Executive and Council	30 796	30 796	1 012 000	(981 204)	(96.96)	Expenditure incurred under Finance and Administration
Finance and Administration	7 635 210	7 635 210	6 631 300	1 003 910	15.14	Portion of budget under Executive and Council
Planning and Development	667	667	-	667	0.00	Expenditure incurred is not material
Health	11 999	11 999	2 419 000	(2 407 001)	(99.50)	Projects did not realise
Community and Social Services	127 272	127 272	-	127 272	0.00	Expenditure incurred is not material
Roads and Transport	10 197	10 197	-	10 197	0.00	Expenditure incurred is not material
Total	7 816 141	7 816 141	10 062 300	(2 246 159)	0.00	

APPENDIX F - DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

GRANTS AND SUBSIDIES RECEIVED

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				
		June	Sept	Dec	March	June
FMG	Nat Treasury	0	750 000	0	0	0
MIG Projects	MIG	40 000 000	43 312 000	45 141 000	39 600 000	38 965 415
Equitable Share	Nat Treasury	0	59 628 642	44 721 482	74 535 803	0
Bulk Infrastructure Grant	DWAF	0	0	0	11 650 000	0
DWAF O & M	DWAF	3 016 510	4 767 131	2 863 510	5 221 510	2 883 510
Internodal Transport Program	Dept Transport			4 100 000		
MSIG	DPLG	0	735 000	0	0	0
Total Grants and Subsidies Received		43 016 510	109 192 773	96 825 992	131 007 313	41 848 925

(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?



Quarterly Expenditure					Grants and Subsidies Delayed/With held					Reason for Delay/Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
June	Sept	Dec	March	June	Jun	Sep	Dec	Mar	Jun		Yes/No	
o	111 292	121 336	175 036	473 575	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
o	61 292 889	63 478 555	33 564 903	5 701 397	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
o	44 721 482	44 721 482	44 721 482	44 721 482	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
o	o	o	o	11 650 000	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
4 223 000	4 001 000	3 490 000	3 356 000	3 073 000	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
o	o	o	o	o	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
o	o	o	o	1 739 096	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
4 223 000	110 126 663	111 811 372	81 817 422	67 358 550	o	o	o	o	o			

ACRONYMS

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



