



CHRIS HANI
DISTRICT MUNICIPALITY
SUSTAINING GROWTH
THROUGH OUR PEOPLE

**Annual
Report**

for the financial year

**2011
2012**





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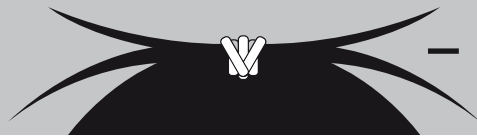
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Part 1

Introduction and Overview



A : Foreword by Executive Mayor

The 2011-2016 term of Council will endeavor to carry forward the implementation of 'a plan to make local government work better' for the citizenry of Chris Hani District Municipality whilst we also bring to life what is encapsulated in the message – 'together building better communities'.

The period under review saw us emerge with invigorated efforts to turn the tide by creating favorable environment for good governance to thrive and thus yield better audit outcomes.

A strategic planning session compelled us to come up with strategies that will support our 5 year IDP. We thus pride ourselves with a new vision, mission and values. These point a direction that the municipality intends following and a need to inculcate in all our stakeholders (internal and external) a culture of accountability, excellence and good governance.

Local Government Municipal Systems Act 32 of 2000, Chapter 4 requires that a municipality should create conditions for communities to participate in its affairs. In strengthening public participation, the political leadership in the district led a successful implementation our strategy to ensure that we strengthen relations with all stakeholders in the district and produced a conducive environment for all to participate in the running of the municipality through stakeholder engagements with various sectors of the community.

The highlights of 2011-12, amongst others, included Minister Pravin Gordhan's launch of the Chris Hani Community Skills Development Fund which responds to our Development Agenda that maps out the different features of developmental focus of the district.

We have continued to excel in our Municipal Infrastructure Grant spending and that resulted in us collecting an accolade.



Chris Hani District Municipality was identified to be part of the 23 + 1 rural municipalities that need serious attention by national government on basic infrastructure and service delivery backlogs. It is our hope that the implementation of this will improve the living conditions of our citizens.

The challenges that we have encountered during this financial year included the resignation of the Administrative leader of the Municipality (Municipal Manager); the escalating prevalence of HIV and AIDS; poverty; underdevelopment and the huge backlog in basic services; and the anxiety to improve on our audit outcomes.

I remain committed to working together with the Mayoral Committee, the whole Council and Administration in realizing our vision and making it a practical reality.

I am positive that the future holds the promise of a better managed and financially viable institution which delivers excellent services to its communities.

I urge the Chris Hani District Municipality community to engage with this report and exercise their right to comment on our performance.

M C Koyo
Executive Mayor



B : YEARLY PROGRAM PRIORITIES STATEMENT

The Chris Hani District Municipality has adopted 5 Key Performance Areas :

- **LOCAL ECONOMIC DEVELOPMENT**

The White Paper on Local Government (1998) introduces the concept of “developmental local government”, which is defined as: “Local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs, and improve the quality of their lives.” However, the same document makes it clear that:

“Local Government is not directly responsible for creating jobs. Rather, it is responsible for taking active steps to ensure that the overall economic and social conditions of the locality are conducive to the creation of employment opportunities.”

Thus, local economic development is about creating a platform and an enabling environment to engage stakeholders in implementing strategies and programmes.

- **SERVICE DELIVERY & INFRASTRUCTURE DEVELOPMENT**

Water Services & Sanitation

The Chris Hani District Municipality is a Water Services Authority (WSA) in all local municipalities within the district, in terms of powers and functions developed by Municipal Structures Act, 117 of 1998. It is therefore tasked with addressing a water services backlog. Water supply in larger towns is treated and subject to operational and compliance monitoring, but there are small and remote rural communities whose supplies are seldom

monitored.

CHDM is a legislated WSA for its entire area of jurisdiction, hence it has completed an assessment of alternative water service provision mechanism, as required by Section 78 of the Municipal Systems Act. All eight its local municipalities are water service providers.

Roads and Storm water

The district is responsible for maintaining identified roads in the Inxuba Yethemba area on an agency basis on behalf of the Department of Roads and Transport. The district is also a custodian of the secondary roads in the north - western part of the district.

Health and Community Services

Municipal Health Services performs the following functions : Water Quality monitoring, food control, waste management, health surveillance of premises, environmental pollution control, chemical safety, disposal of the dead. Disaster Management, Fire Services, and HIV and AIDS.

- **MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT**

People-focused municipal transformation and organisational development is central to service delivery, hence the emphasis on the implementation of Batho Pele principles in all municipal structures, systems, procedures, policies and strategies. The continuous development of the municipality’s human resources is key in this regard. Furthermore, the municipality needs to constantly review and improve the way in which it delivers services and develops appropriate methods and mechanisms. Importantly, the municipality is entrenching itself



as a learning organisation, with the emphasis on knowledge management. The institutional analysis and structure of the Chris Hani District Municipality is as stated below. The structure provides for accountability and transparent governance, in addition to enhancing legislative compliance.

- **MUNICIPAL FINANCIAL VIABILITY and MANAGEMENT**

Financial Management And Legislative Framework

The Municipal Finance Management Act 56 of 2003 (MFMA) prescribes that the council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year. Section 16 (2) of the same Act stipulates that in order for the municipality to perform what is prescribed, the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the financial year. The processes involved during the 90-day period enable transparent engagements among the communities, councillors, the executive and administration to finalise the budget. The consultative and public participation processes also promote oversight over the adoption and implementation of the budget. The departmental budget statements provide Council with information on how different departments within Chris Hani District Municipality intend to spend the funds that will be appropriated by Council, to enable Council and communities to keep departments accountable for their delivery commitments contained in the Service Delivery Budget Implementation Plans (SDBIP), as well as to ensure that council committees effectively perform their oversight functions.

- **GOOD GOVERNANCE and PUBLIC PARTICIPATION**

Good corporate governance underpins all the programmes and projects presented in this IDP. Good governance dictates that the municipality should conduct its business in an open, transparent and accountable manner. For this to be realised, community participation is essential. The establishment of a caring environment requires emphasis not only on community participation, but also on customer care and responsiveness.



C : OVERVIEW OF THE MUNICIPALITY

Vision

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

Mission

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

Values

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

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 (Statistics SA). 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 dependant 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



HIV and AIDS in the District

Recent studies undertaken in Chris Hani District Municipality show that HIV and AIDS infection rates have declined and the anticipated mortality rates are not as high as was anticipated in the graph below.

The decrease in the infection rate is due to various factors, of which the most important is increased access to health facilities, an increase in education and better nutrition.

Economic Overview

The Chris Hani district economy is heavily reliant on community services – so much so that without the employment opportunities offered by government, the regional economy would be in decline.

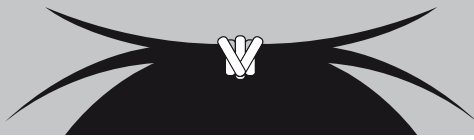
Employment

The majority of people in CHDM (51%) are employed in the community services sector, with the trade industry the second biggest employer. The percentage of people employed within households, whether domestically or in self-employment, is of interest. The high level of employment in agriculture, households and trade indicate that the economy is still relatively underdeveloped. A more developed economy should show higher percentages of the population employed in the manufacturing, electricity, finance and construction industries. The reason for the high employment in trade and agriculture could be due to the fact that these industries are reliant on unskilled labour, which constitutes a large part of the district's workforce.

Unemployment is a major challenge in our economy. Current unemployment levels are estimated to be about 57%, significantly higher than both the national level, at 37%, and the provincial level, at 51%.

Due to the high rate of unemployment there is a high level of dependence in the region on grants and remittance (monies sent home by sons and daughters working in urban centres) as the main sources of household incomes, especially in the poorer areas in our district.





D : Executive Summary





Part 2 : Achievement Reports



Chapter 1



Chapter 1 : Organizational Transformation and Institutional Development (KPA1)

1.1 ORGANIZATIONAL STRUCTURE

Section 66 of the Local Government: The Municipal Systems Act (Act No 32 of 2000) as amended requires a Municipal Manager to develop a staff establishment for the municipality and submit the staff establishment to the municipal council for approval. In line with the above legislative framework and other pertinent employment regulations the municipality has reviews its staff establishment for the financial year 2011 – 2012.

Total number of approved positions in the municipality's approved staff establishment is 496 of which 67 of them are vacant posts. The municipality administration is comprised of the following departments:

- Office of the Municipal Manager and Strategic Management
- Corporate Services Directorate
- Budget and Treasury Office
- Health and Community Services
- Technical Services Directorate
- Integrated Planning and Economic Development

The municipal manager together with five section 57 managers have all signed annual performance agreements for the year under review and submitted to the relevant authorities that is Department of Local Government and Traditional Affairs and Provincial Legislature. It is of importance to note that the Accounting Officer: Mbambisa terminated his services in the 3rd quarter of the financial 2011 – 2012 and as such as acting Municipal Manager was appointed by Council until the 30th July 2012.

Below is an overview of the high level of organizational structure, the detailed structure is added as an attachment.

POSITIONS PER DIRECTORATE FOR THE YEAR UNDER REVIEW

DIRECTORATE	BREAKDOWN PER DEPARTMENT/ SECTION	TOTAL	FILLED
Office of the Municipal Manager	Municipal Manager	1	0
	Risk & Compliance	1	0
	Internal Audit Unit	7	7
	Office Support	2	2
TOTAL		11	9



DIRECTORATE	BREAKDOWN PER DEPARTMENT/ SECTION	TOTAL	FILLED
Strategic Management	Strategic Manager	1	1
	Secretary	1	1
	Municipal Support	1	0
	Executive Support	7	4
	Council Support	3	1
	Communication Unit	4	3
TOTAL		17	10
Budget and Treasury	Chief Financial Officer	1	1
	Secretary	1	1
	AFS and Admin	2	1
	Financial Services	8	8
	Treasury Management	18	17
	Systems Administration	4	2
	Supply Chain Management	9	9
TOTAL		43	39
Corporate Services	Director	1	1
	Secretary	1	1
	Legal and Admin	29	18
	Human Resources	12	9
	Employee Wellness	5	4
	Fleet Management	7	5
	ICT	5	4
TOTAL		60	42
Integrated Planning & Economic Dev	Director	1	1
	Secretary	1	1
	Receptionist	1	0
	Local Economic Dev	9	8
	Dev Planning & Housing	5	4
TOTAL		17	14
Health & Community Services	Director	1	1
	Secretary	1	1
	Municipal Health Services	34	27
	Emergency Services	23	15
TOTAL		59	44
ENGINEERING	Director	1	1
	Secretary	1	1
	Project Management	16	14
	Water Services Authority & Provision	179	148
	PMU & WSA Finances	6	5
	Roads	86	79
TOTAL		289	248

EMPLOYMENT EQUITY PLAN

The municipality has developed an Employment Equity Plan (EEP) informed and guided by the Employment Equity Act no 55 of 1998 and National Department of Labour's Code of Good Practice on Employment Equity Plans. The main objective of the plan seeks to achieve reasonable progress towards equity in the workforce. The workforce analysis conducted revealed underrepresentation of persons from designated groups and people with disabilities.

Chris Hani District Municipality has decided on an EEP with a term of two years, i.e. 01 July 2010 until 30 June 2012 which is aligned to the remaining period of the five year Integrated Development Plan. Also the intention was to ensure that clear targets and goals are in place in advancing the designated group within the workforce.

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top Management	2	1			3				6
Senior Management	14			3	15	1			33
Professionally qualified and experienced specialists and mid-management	20	4		2	45			1	72
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	40			8	18	1		1	68
Semi-skilled and discretionary decision making	40			1	49	5			95
Unskilled and defined decision making	100	4		1	26	1			132
TOTAL PERMANENT EMPLOYEES	216	9		15	156	8		2	406
Non-permanent employees	4				26				30
TOTAL	220	9		15	182	8		2	436

CHDM WORKFORCE PROFILE INCLUDING PEOPLE WITH DISABILITIES

Above is the total number of employees per occupational levels including persons with disabilities. [A= African, C= Coloured, I=Indian and W= White] as the end of June 2012.

Total number of employees with disabilities only in each of the following occupational levels:

Occupational Categories	Male				Female				TOTAL
	A	C	I	W	A	C	I	W	
Top Management		1							1
Senior Management									
Professionally qualified and experienced specialists and mid-management					1				1
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	1			1					2
Semi-skilled and discretionary decision making					1				1
Unskilled and defined decision making		1							1
TOTAL PERMANENT	1	2		1	2				6
Non – permanent employees									
TOTAL	1	2		1	2				6

In the year under review 29 appointments were done in line with the recruitment and selection policy of the Council and the approved employment equity. Strides have been made in ensuring that target are met were underrepresentation has been identified in certain occupational levels.

The process of reviewing the employment equity plan has started with the view of aligning it to the five year IDP 2012 – 2017 with clear targets and numerical goals.

1.2 STAFF DEVELOPMENT INITIATIVES DURING THE FINANCIAL YEAR

The Workplace Skills Plan was developed and submitted to the Local Government Sector Education and Training Authority (LGSETA) as Legislated in the Skills Development Act 97 of 1998.

The following training was implemented during the course of the financial year 2011/2012 as per the Adopted Workplace Skills Plan 2011/2012.

Name of Course	Course Type	Date of Training	NQF Level	Occupational Category	Number Trained	Cost
Programme in disaster	Skills Programme	July 2011	5	Professionals	2	R28000.00
Basic Arc Welding	Short Course	12 – 23 September 2011	n/a	Elementary Occupations	8	R31120.00
Skills Development Facilitator Training	Skills Programme	12– 14 October 2011	5	Professionals	1	R4902.00
Supervisory Skills	Short Course	08 – 10 November 2011	n/a	Elementary Occupations	12	R27720.00
Managing budgets effectively	Skills Programme	24– 25 November 2011	4	Clerical & Administrative Workers	30	R57000.00
Monitoring and evaluation	Skills Programme	28 – 30 November 2011	5	Professionals	20	R46314.20
ArcGis Server	Short Course	28 – 29 November 2011	n/a	Professionals	1	R4 918.50
CompTia Server +	Short Course	05 - 15 March 2012	n/a	Technicians	1	R7,130
MCITP: Enterprise Administrator	Short Course	26 March 2012	n/a	Professionals	1	R29300.00
She Representative	Short Course	27 March 2012	n/a	All categories	11	R22230.00
CorelDraw	Short Course	02 - 05 May 2012	n/a	Professionals	2	R5632.74
Construction and Maintenance of Storm Water drainage	Skills Programme	07 – 11 May 2012	3	Elementary Occupations	18	R108 000.00
Minute Taking and report writing	Skills Programme	29 -30 May 2012	4	Clerical & Administrative Workers	31	R52 390.00
Customer Service	Skills Programme	09 – 10 May 2012 06 – 07 June 2012	4	Clerical & Administrative Workers	25	R79 344.00
First Aid Training	Short Course	16-18 May 2012	NA	All categories	17	R19 488.00
TOTAL					180	R 523 498.44

INTERNSHIPS EPWP

As part of the EPWP programme, the Chris Hani District Municipality has appointed 178 interns in various fields ranging from Administration, HR, Social Science, Accounting, Civil Engineering, Mechanical Engineering, Building, Electrical Engineering, ICT and Communication. The internship is for duration of two years ending in February and March 2013 respectively.

A total of 63 interns have left the organisation and the number of interns as of 30 June 2012 was 115 that are still in active services. Some of the interns have secured job opportunities within the municipality and outside the municipality.

Field of Study	Number of Interns
Social Science	10
Civil Engineering	16
Mechanical Engineering	8
Electrical Engineering	19
Finance	25
HR	15
Administration	14
IT	3
Communications	4
Building	1
Plumbing	1

SAICA GOVERNMENT ACCOUNTING CERTIFICATE (LGAC) LEARNERSHIP

The LGAC Learnership was initiated by the South African Institute of Chartered Accountants (SAICA) and the Provincial Treasury as part of a programme to address the minimum competency levels for finance employees as espoused in the Municipal Finance Management Act regulations.

Chris Hani District Municipality had 12 employees nominated to attend the Learnership with a total of 34 employees participating in the learnership (including local municipalities). As a stakeholder in the Learnership, Chris Hani District Municipality was tasked with the coordination thereof.

Of the 34 Learners that started the programme, 30 were declared competent and graduated.

EXPERIENTIAL TRAINING

A total number of 11 students were given exposure to the working environment through experiential training as part of their curricula.

Area of Study	Number of students
Project Management	1
Environmental Health Management	4
Public Management	1
Tourism Management	4
Records and Management	1

The experiential trainees are allocated mentors at respective directorates where they are assigned tasks in terms of their work plan. Upon completion their portfolio of evidence is signed off for the consideration of their tertiary institutions.

STUDY ASSISTANCE

31 Employees have been able to advance their tertiary education as part of the Study Assistance Programme. The institutions has contributed an amount of R 271 733.00 towards this endeavor in the 2011/2012 financial year. The above initiative seeks to improve the personal development and careers of employees whilst the benefit to the institution is to improve service delivery by encouraging employees to reach their maximum potential and optimize performance.

1.3 KEY HR STATISTICS PER FUNCTIONAL AREA

1.3.a Full time staff complement per functional area

No	Functional Area	Number of approved and budgeted posts	Filled posts	Vacant posts
1	Office of the Municipal Manager	11	9	2
2	Strategic Management	17	10	7
2	Budget and Treasury	43	39	4
3	Corporate Services	60	42	18
4	Integrated Planning & Economic Development	17	14	3
5	Health and Community Services	59	44	15
6	Engineering Services	289	271	18
	TOTAL	496	429	67

Full staff complement per occupational levels

No	Occupational Level	No of Positions	Filled	Vacant
1	Top Management (Section 56 employees)	7	6	1
2	Senior Management	42	33	9
3	Professionally qualified and experienced specialists & mid-management	99	72	27
4	Skilled technical and academically qualified workers, junior management, supervisors, foreman	110	68	42
5	Semi-skilled and discretionary decision making	103	95	8
6	Unskilled and defined decision making	136	132	4
	TOTAL	496	406	67

The vacancy rate is in the elementary and professionally qualified level due to the following reasons:

Challenge of office space within the institution

Staff Complement in Technical Services

No	Functional Area	Number of Positions	Filled Posts	Vacant Posts
	Director & Secretary	2	2	0
1	Water Services	179	148	31
2	Project Management	16	14	2
	PMU & WSA Finances	6	5	1
3	Roads	86	79	7
	TOTAL	289	248	41

Twenty three [23] out of 31 vacant positions from Water Services are as a result of the model in which the service is being rendered that water services authority and Water Service Provider. The position that became vacant from employees that were transferred from Department of Water Affairs is being attended to by the Water Service Providers in various municipalities.

Technical Staff registered with Professional Bodies

Technical Services	Total Number of technical Services Managers	Total number registered in the accredited professional body	Total number pending registration confirmation in the accredited professional body	Total number not yet registered in the accredited professional body
289	17	8	0	9

1.3.b Levels of education and skills

Total number of staff	Number of staff without Grade 12	Number of staff with Senior Certificate only	Number of staff with Tertiary/accredited professionals training
406	158	93	216

1.3.c. Trends on total personnel expenditure

Financial Years	Total number of staff	Total approved operating Budget	Personnel expenditure (salary and salary related)	Percentage of expenditure
2009-2010	443	R107 130 557.00	R120 1982 309.00	112%
2010-2011	467	R124 393 250.00	R149 596 022.08	120%
2011-2012	406	R134 176 228.00	R117 649 370.19	87.7%

1.3 d List of pension and medical aids to whom employees

Names of pension fund	Number of members	Names of medical Aids	Number of members
Cape Retirement Fund	254	La Health	80
Sanlam Provident Fund	20	Bonitas	89
SALA Pension Fund	3	SAMWUMED	36
SAMWU Provident Fund	2	Key Health	4
Municipal Employee Pension Fund	1	Hosmed	
Government Employees Pension Fund	81	Resolution Health	
Cape Joint Pension Fund	1	GEN Health	
		Fed Health	
		Med Shield	
TOTAL	362	TOTAL	209

1.4 Remuneration of Top Management Section 56 Managers: All Inclusive Package

Senior Official	09/10	10/11	11/12
Municipal Manager	744 394	878 261	1 193 127.20
Chief Financial Officer	605 239	642 741	1 026 756.96
Corporate Services	694 462	810 398	1 026 756.96
Health and Community Services	694 462	810 398	1 026 756.96
Technical Services	694 462	810 398	1 026 756.96
IPED	694 462	810 398	1 026 756.96

1.5 Annual performance as per key performance indicators in municipal transformation and organizational development

	Indicator name	Total number	Achievement level during the year under review	Achievement percentage during the year	Comments on the gap
1	Vacancy rate for all approved and budgeted posts;	67	31	46%	Office space,
2	Percentage of appointment in strategic positions (Municipal Manager and Section 57 Managers)	2	2	100 %	
3	Percentage of Section 57 Managers including Municipal Managers who attended at least 1 skill development training course within the FY	7	7	100%	
4	Percentage of Managers in Technical Services with a professional qualification	17	8	47%	
8	Percentage of staff that have undergone a skills audit (including competency profiles) within the current 5 year term	436	17	4%	
9	Percentage of councillors who attended a skill development training within the year under review	17	17	100%	
10	Percentage of staff complement with disability	06	06	1.28%	
11	Percentage of female employees	192	181	44%	
12	Percentage of employees that are aged 35 - 50	436	143	32%	

Chapter 2

Basic Service Delivery Performance Highlights (KPA2)

2.1.a Water Services Delivery Strategy and main actors

The District Municipality's water service delivery strategy follows that of Government which seeks to ensure that every household should have access to basic sanitation and water by 2014. Base on the Government's RDP standards every household should be able to access water within 200 meters walking distance whilst basic sanitation is defined as a ventilated pit latrine for each household. The district municipality is achieving these standards by installing communal taps in its rural areas. The areas that are still faced with water backlogs had been clustered into eleven areas based on their geographical location and availability of the water resources. These clusters are all in different levels of implementation in a phased approach due to availability of funding. Professional service providers who have been tasked to prepare designs and implementation of the projects had been appointed. The approach on the roll-out of sanitation delivery follows the same pattern with respect to water. Apart from the appointment of a contractor and professional service providers, all the toils (top structures) are manufactured locally thereby increasing employment.

The key main stakeholders/actors that are critical to the success of our efforts are listed as follows

- The entire community (beneficiaries) to be served with water to ensure ownership of the projects
- Political leadership represented by Council who ensures that budget is equitably allocated to ensure that it addresses the imbalances of the past in line with the Government's vision
- National and Provincial Government through Municipal Infrastructure Grant which ensures that budget is made available
- Contractors and professional service providers who forms part of business community to ensure that projects are implemented on time at the right quality

2.1.b Level and standards in water services

Historically higher levels of service in the urban settlements remain whilst the rural areas are provided with basic levels of service.

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the FY under review (actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households with access to potable water	9236	59400	9236	4910	53%
2	Percentage of indigent households with access to free basic potable water	9236	59400	9236	4910	53%
4	Percentage of clinics with access to potable water					
5	Percentage of schools with access to potable water					
6	Percentage of households using buckets					

2.1.c Annual Performance as per key performance indicators in water services

The District had set up key annual targets for the year as a measure of its performance. Out of 22785 toilets to be installed, it managed to surpass that by installing 25289 toilets.

Out of 9236 number of households that were targeted, the district only achieved 4910.

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
1	Percentage of households with access to sanitation services	22785	105000	22785	25289	111%
2	Percentage of indigent households with access to free basic sanitation services	22785	105000	22785	25289	111%
4	Percentage of clinics with access to sanitation services	N/A	N/A	N/A	N/A	N/A
5	Percentage of schools with access to sanitation services	N/A	N/A	N/A	N/A	N/A

2.1.d Major challenges in water services and remedial actions

Major challenges that were our biggest obstacles in achieving our set targets are contributed to contracts of contractors that had to be terminated due to poor delivery of services. Staff retention is another area of concern as one of our project managers resigned during the year.

Contractor incubation programme had been identified and strict selection criteria with respect to appointment of contractors are our areas of focus to change the situation going forward. Staff development and training remains our other area of focus to try and mitigate the issue of staff retention.

2.3 ROAD MAINTENANCE

Road maintenance remains the function of the Department of Roads and Public Works whilst the Local Municipalities deal with the minor and access roads within villages and towns. The District Municipality has however entered a 3 year service level contract with the Department of Roads and Public Works to grade and maintain certain roads within the area of Inxuba Yethema Local Municipality. The service level contract expires at the end of March 2013. The key performance areas attached to the contract are tabulated below.

Key Performance Area	Annual Target (km)	Achievement (km)
Regravelling	30	38.4
Blading	2148	3200.96

2.4 WASTE MANAGEMENT

Chris Hani District Municipality is not performing the task of refuse removal, it is provided by Local Municipalities. CHDM assisted all the 8 local municipalities by developing the Integrated Waste Management Plans (IWMP). Budget was set aside to develop the plan for implementation at LM level. Adoption of these plans was placed on hold for it to be aligned with the National Waste Management Strategy published in May 2012. The IWMPs are a 5-year plan and that is why it was important for CHDM to incorporate the National Waste Management Strategy into them.

CHDM set aside R 6 million through the Expanded Public Works Program for waste management and was allocated as follows:

- Inkwanca – R 2.5 million
- Tsolwana – R 1.5 million
- Lukhanji – R2 million

From CHDM equitable share, Lukhanji and Emalahleni local municipalities received a funding for waste management and landfill operation at an amount of R 1million each.

b. Level and standards in waste management services

The 8 local municipalities mentioned in section (a) above could be classified as providing low level access to waste management services. The reason for this assumption is that the 8 local municipalities only provide refuse removal services to urban areas (towns and its surrounding urban residential areas and townships). In the rural areas/ villages there are no refuse removal services and this is what determines the low level access to waste management service because all 8 local municipalities are predominantly rural. The local municipalities provide high quality standards of waste management services considering their rural nature and economic stress. Waste is collected on a daily basis in towns and twice a week in urban residential areas and townships. There are refuse receptacles in a form of skips and rubbish bins in towns and the refuse removal vehicles, tractors and trucks are in good condition. The waste is disposed in the landfill sites which are managed at local municipal level.

c. Major challenges in waste management services and remedial actions

- Budget Constraints: Waste management should be prioritized during budget breakdown in local municipalities
- Unlicensed landfill sites: All disposal sites should operate with a permit and comply with conditions stipulated therein. Only 4 landfill sites operated with permits this financial year but the level of compliance was not satisfactory.
- Burning of waste and scavenging in the landfill sites is a major challenge within the district. Local municipalities need to ensure intensified access control to minimize this challenge for health benefits of neighbouring communities and the environment.
- The lack of capacity in terms of personnel, skills, compactors and refuse transportation is another challenge throughout the district.
- Illegal dumping is negatively affecting the district hence CHDM has rolled out awareness and clean-up campaigns in several municipalities in partnership with other organs of state and NGO's.
- Improvement is needed in the area of formal recycling and sorting of waste at source.

2.5 HOUSING AND TOWN PLANNING

a. Housing function and main role-players

Schedule 4 of the Constitution of the Republic of South Africa, Act 108 of 1996, read together with Section 9 of the Housing Act, 107 of 1997, places the housing competency on both the Provincial Administration (co-ordinated by the Provincial Department of Human Settlements) as well as the Local Municipalities. However, the Chris Hani District Municipality, as adhering to the responsibilities as stipulated in the Local Government: Municipal Structures Act, 117 of 1998, has taken the position to co-ordinate, support and guide the process of housing development within the district area. To further enhance the responsibilities charged against the CHDM, in 2011, the Eastern Cape Department of Human Settlements granted the CHDM the status of being a developer for the construction of permanent emergency houses within the district area as a whole.



In October 2010, the Council of CHDM took a resolution to engage in the process of Housing Municipal Accreditation. An application was forwarded to the Eastern Cape Department of Human Settlements for the CHDM to be considered for Levels one and two of the Housing Municipal Accreditation. The Eastern Cape Department of Human Settlements responded by including the CHDM as one of the municipalities that would be considered for assessment for capacity at level one of the Housing Municipal Accreditation. In terms of this process, the functions attached to Level one accreditation are listed as follows:

- Beneficiary Management;
- Subsidy budget planning and allocation; and
- Priority programme management and administration.

As response to the various housing challenges facing the district such as bulk infrastructure provisioning, the land question, housing infrastructure and social development, are addressed adequately and as a matter of urgency, the Council of CHDM approved an organogram which puts in place the Housing Unit. The Housing Unit is housed in the Integrated Planning and Economic Development Directorate (IPED) of the CHDM and currently is staffed by a Housing Manager, who, as reporting directly to the IPED Director, has the responsibility of guiding the housing process and to manage stakeholders. Although not exclusively limited to these, the Housing Unit has the following responsibilities:

- provide support and guidance to local municipalities faced with capacity challenges and financial constraints in housing delivery;
- coordinate infrastructure projects that directly affect housing (sanitation and water);
- eliminate duplications; and
- assist in the monitoring of housing projects.

To ensure that the housing programme is delivered in a structured and co-ordinated manner, the CHDM started the process of developing a Housing Development Plan with a view of having this approved in the next financial year.

Furthermore, as part of the institutional arrangements and in terms of the CHDM operational plans, a District Housing Forum sits at least once every quarter to try and address those housing development challenges facing the district. The Housing Forum is a stakeholders' engagement forum which is comprised of the following representatives:

- The chairperson of the forum, the IPED Portfolio Councillor (CHDM);
- The IPED Portfolio Councillors (all eight Local Municipalities);
- Housing officials (both in the CHDM and in all eight Local Municipalities);
- Infrastructure and town planning officials (both in the CHDM and in all eight Local Municipalities);
- The Eastern Cape Department of Human Settlements (Provincial and Regional Representatives);
- Representatives from various sector departments; and
- All other stakeholders relevant to the housing function.



Additionally, the CHDM, in partnership with the Coega Development Corporation, intends signing an Advanced Socio-Economic Development and Transformation through Infrastructure Development agreement. This agreement will facilitate skills development of local labour, including internship programmes and emerging enterprise development, including cooperatives.

As was noted hereon earlier, the CHDM is only responsible for the construction of emergency disaster houses. In terms of this function, the current backlog is a 1300 disaster houses. Of the 1300 houses to be built, 427 have been approved for the 2012/2013 financial year and the distribution is listed as follows:

- Intsika Yethu LM = 67
- Lukhanji LM = 75
- Emalahleni LM = 49
- Sakhisizwe LM = 65
- Engcobo LM = 73
- Tsolwana LM = 44
- Inkwanca LM = 24
- Inxuba Yethemba LM = 30

The other housing projects are implemented by the Eastern Cape Department of Human Settlements together with Local Municipalities and the current backlog in terms of that is stipulated in the following graphs:

KEY ISSUES IN HOUSING DEVELOPMENT

Skill development programme

Ikhala FET College has been approached by Chris Hani with regard to forming partnership to provide accredited training and qualification in the housing development areas, including bricklaying, plumbing, carpentry, painting, plastering and block/brick suppliers. Once these trainees get their qualifications they will be engaged on housing projects to construct houses allocated on a performance base. Competent project managers will monitor their performance during the execution of the project. Local municipalities will be requested to compile a database for specific trades as well as a database for all block/brick suppliers for training purposes.

Capacitating of local municipalities

Capacity and support to local municipalities and other stakeholders with regard to housing delivery is being provided in line with the Housing Act. Local municipalities are guided on how to develop their Housing Sector Plans and assisted in the monitoring of housing projects. They are also given support on planning and implementation of subsidy projects towards integrated settlements and coordinating the formulation and review of housing policy and legislation. Items to be highlighted in the Housing Development Plan:

- Local context, spatial context, demographic context, economic context and social context;
- Current housing demand;
- Land identification;
- Current housing situation;
- Planned projects;
- Integration with other sectors;
- Spatial Development Plan;
- Performance Measurement; and
- Housing Institutional Framework

b. Town Planning Function

Part B of Schedules 4 and 5 of the Constitution of the Republic of South Africa, Act 108 of 1996, places the function of town planning on Local Municipalities. However, in line with the position as taken by the Council of the CHDM of providing hands on support to all its Local Municipalities, and also in adherence to the prescripts of the Local Government: Municipal Structures Act, 117 of 1998, the CHDM has, through its Development Planning Unit of the Integrated Planning and Economic Development Directorate (IPED), made available the position of the town planner with the task of assisting Local Municipalities in the following aspects:

- Determine the efficiency and consistency of municipal spatial tools, i.e.; SDFs, GIS and LUMS in addressing spatial matters;
- Identifying and prioritising municipalities requiring urgent assistance particularly those without the services of a town planner;
- Ensure alignment of SDFs in terms of development, review and implementation;
- Provide technical support to Local Municipalities in terms of developing credible SDFs; and
- To keep abreast of legislation and trends as this relates to town planning.

Furthermore, the Development Planning Unit has established the District Town Planners Forum whose main objectives are to look at specific town planning issues affecting the function throughout the district. This forum is comprised of town planners/land use and/or spatial planning officials from the CHDM and all its local Municipalities.

2.7 Spatial planning

a. Preparation and approval process of SDF:

In line with the legislative requirements, during the financial year under review, the CHDM undertook a process of reviewing its Spatial Development Framework (SDF) as was approved in 2004. The objectives of this review were to ensure:

- The alignment between the strategic approach to managing development investment in the district embodied in the original SDF and current government policy as embodied by –
 - The National Spatial Development Perspective;
 - The Eastern Cape Provincial Growth and Development Plan; and
 - Other relevant legislation governing development planning
- The incorporation of the latest available data on social (demographic), economic and infrastructural development indicators; and
- The building into the SDF latest information derived from new and/or revised sector plans data-sets and spatial proposals.

b. Land use management:

Whilst the CHDM does not have an express role to play in terms of land use management, through its SDF it has set guidelines in terms of the land development character of the District as a whole. Of note, however, in relation to the land question is the issue of obtaining land for development purposes, particularly as this relates to the former Transkei areas. The CHDM has been actively involved to ensure that it influences government processes to ensure that individual rights to land through title deeds is ensured so as to ensure security of tenure and development progress.

Furthermore, in its endeavours to define the district's spatial rationale, the CHDM Spatial Development Framework focuses on the strengthening of linkages between the different centres within the CHDM region and their relationship with centres outside the boundaries of CHDM. This led the CHDM to adopting the Small Town Development approach that is aimed at accelerating development through the alignment of economic activities to ensure value chain addition. The Small Towns Development approach looks at the redesigning of town layouts with the aim of ensuring the potential of the space in and around the town is fully realised.

The Chris Hani Regional Economic Development Strategy highlighted the need to identify and prioritise small towns along the economic corridors that have the potential to participate actively in the value chain of the differentiated sectors, and to implement small town development initiatives. Cofimvaba was identified as one of the towns that had the potential to grow as it is one of the main service centres on the R61 east corridor. This culminated



in CHDM and the Intsika Yethu local municipality, with the assistance of the Department of Local Government and Traditional Affairs, embarking on the Small Town Development Plan for Cofimvaba and Tsomo.

The Small Town Regeneration concept is aimed at creating a development plan with a 30 year future outlook of its growth potential, as well as creating a plan that seeks to realise that potential. The plan does not place the district or the IYLM as the sole role players in the realising of the developmental objectives of the Cofimvaba and Tsomo towns, but rather looks at creating plans to be used as a spatial guiding foundation that assists stakeholders/ investors in defining their roles in the overall growth/development of these towns.

The following reflect the aims behind Small Town Development:

- Strengthen the retail, business, industrial and employment role of the town centres;
- To develop the community, civic and educational roles of the two centres as key attributes of vibrant town centres;
- Build on the unique function of each of the sub-centres serviced by these major centres as a defining characteristic of these areas and a contribution to the Corridor Development Initiative in the district;
- Improve connections between the sub-centres and encourage activities adjoining access routes between the major centres and the sub-centres to create a more physically contiguous and integrated town centre service area;
- Consolidate the individual roles of the centres so that they can better serve the sub-centres, and act as destinations for sub-centre communities by providing an extensive and unique range of retail, community and leisure opportunities;
- Encourage new housing in and around the town centres that increases the range of housing choices;
- Create an attractive and distinctive built environment that supports the range of activities of the town centres; and
- Create a positive urban image for each part of the town centres through the design of buildings and spaces.

The Land Reform Area-Based Plan (ABP) is a sector plan of the municipality, to be implemented in partnership with the Department of Rural Development and Land Reform, the Department of Agriculture and the Chris Hani District Municipality. The Area-Based Plan is aimed at ensuring the achievement of local land reform objectives and targets in a coordinated and integrated manner with other development initiatives.



The Land Reform ABP Vision is:

A transformed farming community that is:

- Reflective of a racially diverse rural population living in harmony, with tenure, social and economic security; and
- Agriculturally productive in all municipal areas, producing food for the population in an economic and environmentally sustainable manner.

Transformed communal settlement and land areas that are:

- Reflective of households with secure and defined tenure rights, which are protected by law;
- Reflective of an efficient and effective system of administration of the land and the management of the use of the land; and
- Agriculturally productive, with allotments and commonages producing food for the household and, and where appropriate, on a commercial basis, in an economic and environmentally sustainable manner.

Objectives and Targets for the Municipal ABP are:

Redistribution

- a. In terms of the national policy objective of achieving a 30% redistribution of white owned farmland.
- b. In terms of the national policy objective of productivity on redistributed farms. Farms redistributed achieve at least 80% of envisaged production output estimated in the Project Business Plan, and generate at least 75% of envisaged beneficiary income estimated in the Project Business Plan within five years from land occupation by the beneficiaries, with output and income steadily increasing from its baseline in year one.

Communal land management

The key focus areas for land reform in the communal land areas have been identified as:

1. Land Administration (by which is meant, in this ABP, dealing with the key issues of land allocations, and recording and managing land rights in communal land areas);
2. Tenure reform or, more specifically, land rights clarification, upgrading or formalisation (achieving recognised security of tenure); and
3. Dealing with issues of settlement planning and land use management (for example, to better permit natural resource utilisation for economic development and/or manage such natural resources to ensure appropriate land use and prevent resource degradation).



Strategies applied to deal with these focus areas are:

1. To implement a targeted programme of local planning processes in areas prioritised by local municipalities.
2. To secure management support from the district municipality and the Department of Rural Development and Land Reform for local planning process projects.
3. To establish a capacity building programme in support of local planning projects being implemented.

The institutional framework for implementing the ABP comprises:

- a. Establishing local land reform offices with a Land Reform Administrator;
- b. Establishing and convening a local land reform committee;
- c. Participating in the District Land Reform Forum; and
- d. Implementing and managing the Small-Scale Farmer Support Programme.

All programmes and projects are subject to implementation funding from the Department of Rural Development and Land Reform, and (for relevant aspects) from the Department of Agriculture or other Departments.

c. **Major challenges in spatial planning services and remedial actions**

There is much concern about land administration in terms of land allocation, the recording of issued land rights and the management of land use processes in rural settlement areas in the former Ciskei and Transkei areas. This is caused by a breakdown of formal systems in the communal land areas which has resulted in the informalisation of practices whereby various role-players like traditional authorities, the Department of Agriculture and ward councillors allocate land and record such allocations. The problem of land administration has repercussion on land management because it results in conflicts between land uses in the rural areas.



DEVELOPMENT CHALLENGES:

All the land for development in the urban areas is owned by the municipality and private individuals, whilst the state owns the rural land in the former Transkei and Ciskei areas. Whilst land is available for development, it is not quantified, ownership issues are unclear and zoning schemes and spatial development frameworks are outdated and inadequate in providing direction for future and current development needs. Differentiated land tenure issues (ownership of land in the urban areas and former CPA areas is held by free-hold title deeds while in the rural areas it is generally communal) is creating tension and delays in development projects. This current fragmented land tenure system and the different planning legislation aligned to it creates difficulty in:

- Accessing of land for development, primarily for housing, grazing or farming;
- More effective utilisation of existing land, addressing land rights, provision of title deeds and management and rights on the municipal commonage; and
- Developing an effective land administration system.

2.6 OVERALL SERVICE DELIVERY BACKLOGS TABLE

Chapter 3



Municipal Local Economic Development Framework Implementation (KPA3)

3.1 BRIEF PRESENTATION OF THE LOCAL ECONOMIC DEVELOPMENT STRATEGY / PLAN

The philosophy underpinning the basic understanding in the of the CHDM Council in relation to the economic trajectory of the District is that of:

“positioning the region in such a way as to maximise the economic potentials offered by its natural endowments and making choices about where to allocate scarce resources to ensure maximum impact so that the region gets the best possible economic leverage to achieve its economic and social objectives”

Based on this understanding, the economic development vision and strategic intent of the District is determined as follows:

CHDM Economic Development Vision	The District grows and develops through social partnerships so that all people benefit from the economy and have equitable access to social services
Regional Economic Strategic Intent	Maximise the economic value and job creation potential of the District through a focus on the strengthening of the comparative advantages of priority sectors and creating a distinctive competitive advantage in the timber and livestock production and processing sectors
Strategic Differentiation	Prioritisation of timber and livestock sectors and the allocation of dedicated funds and resources to create a distinctive competitive advantage or strategic differentiation for the District

To drive this broad vision of the District, the 2006 Growth and Development Summit (GDS) identified the following as the priority sectors for economic growth in the District:

- Agriculture and agro-processing
- Forestry and wood processing
- Tourism
- Construction
- Manufacturing
- Trade and business services

To give meaning and to effect the vision of Council, in 2009, the CHDM Council approved the Chris Hani Regional Economic Development Strategy (CHREDS) as the principal plan to guide all economic activities undertaken within the District area.



LED Institutional Arrangements and Capacity

To implement this strategy, the Council approved an organogram which would put in place the LED Unit. The LED Unit is housed in the Integrated Planning and Economic Development Directorate (IPED) of the CHDM and currently has a staff complement of eight which is comprised of the LED Manager who has the overall responsibility for the implementation of LED programmes and reports directly to the IPED Director, as well as the following officials who report to the LED Manager:

- Forestry Development Officer;
- SMME Development Officer;
- Tourism Development Officer;
- Agricultural Development Officer;
- Heritage Development Coordinator;
- Community Development Officer; and
- Administration Clerk

Furthermore, to ensure that LED programmes are coordinated and implemented in an integrated manner, the LED Unit has established the following fora to ensure that all stakeholders are part of the LED processes:

- Tourism Forum;
- Business/SMME Forum;
- Agricultural Forum;
- District Steering Team;
- Reference Group;
- Cooperatives Forum; and
- LED Forum.

On an annual basis, the fora sit atleast once a quarter notwithstanding the fact that these structures may sit at any time if and when circumstances necessitate that.

CHRIS HANI DM REGIONAL ECONOMIC DEVELOPMENT AGENCY

The strategy identified the need for the establishment of the District Economic Development Agency.

The primary focus of the Economic Development Agency will be:

- Targeted resource mobilisation and the management of ring-fenced fund
- Implementation of the corridor development plan
- Agro processing
- Access to financing
- Sub-sector value chains and clusters development
- Targeted skills development
- Institutional framework for formal collaboration
- Commercialisation of underutilised public assets



CORRIDOR DEVELOPMENT

The four economic corridors, as defined by stakeholders, cut across different local municipalities and are as follows:

- Corridor 1: Queenstown → Cofimvaba → Tsomo → Ngcobo
- Corridor 2: Queenstown → Lady Frere → Cala → Elliot → Indwe → Dordrecht
- Corridor 3: Middelberg → Queenstown → Hofmeyr → Takastad → Cradock
- Corridor 4: Queenstown → Molteno → Sterkstroom → Middelburg

Programmes and Projects

For the financial year under review, a number of projects were implemented all of which were funded from the budget of the CHDM. Hereon below is a tabulation of all the programmes that were implemented. The details in terms of the status on each project are contained in the annual performance report as annexed under C.

Programme	Project	Description	Budget
Development Agency	Establishment of the Chris Hani Development Agency	Monitoring of functionality and sustainability of Development Agency	R1.5 Mill
Small Town Revitalisation	Strategy Development	Develop strategies to revitalise small towns within the District	R1 Mill
Forestry Development	Tree Nursery	Continuous support to the Tree Nursery Project	R500 000
	Charcoal Project	Continuous support to existing Charcoal programmes	R700 000
Tourism Promotion and Development	Implementation of Tourism Integrated plan	Tourism/SMME support rendered	R500 000
		Development of Tourism Institutional Framework	R1 Mill
		Destination marketing	R500 000
Enterprise Development	Facilitate, Support and Develop enterprise within the district	Financial Cooperative support & Mentorship	R750 000
		Financial support to SMMEs and Mentorship	R750 000
	Cooperative Support	Cooperative support	R1 Mill
	Retail Sector Support	assist 20 general dealers	R1.5 Mill
	Youth Mobile enterprise support	assist 20 mobile youth entrepreneurs	R1 Mill
	Water and Sanitation Co-operatives (CSPs)	Capacity Building of water and sanitation co-operatives	R2 Mill
	Cleansing of CHDM database and BBBEE scoring and grading of SMMEs	Undertake cleansing of a database and grading of suppliers, assist them for BBBEE scoring.	R1.5 Mill



Programme	Project	Description	Budget
Heritage Development	Heritage initiatives supported and developed	Chris Hani Liberation Heritage Route	R1.6 Mill
		Sabalele Multi-purpose centre	R600 000
		Allocation to Lukhanji LM	R2.3 Mill
	Events	Hosting of heritage events	R3.2 Mill
Agricultural Development	Conduct livestock improvement programmes	Review and implementation of TEBA MOU development and implementation of District Agriculture master plan	R3.5 Mill
		Livestock Infrastructure (shearing sheds Goboti and Gqaga and wool processing)	R2.4 Mill
		Cala Abattior	
		Post settlement support (LRAD Farmers)	R300 000
	Dairy projects supported	Shiloh Dairy and Ncora	R1 Mill
	Irrigation Schemes supported	Qamata Ncora Shiloh Bilatyi and seven small schemes	R3.6 Mill
	Massive food programmes implemented	Cropping allocation to LMs	
		Dry land Cropping	R3.5 Mill
Wine production		R1 Mill	

3.2 PROGRESS TOWARDS ACHIEVING THE LED KEY OBJECTIVES

3.2.a. Improved public and market confidence

Through the facilitation and coordination of the **Tourism and Heritage Development Programmes**, the following was achieved :

- Under the Destination Marketing and Management programme : District Crafters were exposed to and participated at the MACUFE in Bloemfontein. CHDM, in partnership with Department of Sport, Recreation, Arts and Culture (DSRAC) hosted a successful Flea market. CHDM also exhibited at the Tourism Indaba 2012 and at the Beeld Show.
- Tourism SMME Support : The crafters have been trained. The District hosted Tourism SMME Net work session
- Chris Hani Month events were hosted throughout the Month of April 2012
- Chris Hani Liberation Heritage Route : To continue with the process of Heritage Development, the remainder of the information sign boards were erected. Spatial heritage designs for the sites have been developed

Tourism Institutional Framework : DRAFT generic Service Level Agreement (SLA) for Local Tourism Organisations (LTO 's) within the District has been developed. Engagements were held with all the LTO's.

3.2.b. Exploit Comparative and Competitive advantage for industrial activities

Wood Cluster (Forestry) Programmes :

The Tree Nursery Project, situated at Kwa-Jo, benefiting 15 young people from Engcobo, Intsika Yethu and Sakhisizwe municipalities has reached the operational stages. Planting of Indigenous and commercial seedlings have been commenced with Charcoal production : one of the two charcoal kilns has been operational at Engcobo (Goso) charcoal project and the other one was being used as the store room.



The Engcobo project is operational – charcoal is being produced. And 32 people are employed (beneficiaries) and being remunerated under EPWP fund from Engcobo Municipality.

The recently-established Sakhisizwe Project has been stalled due to irregularities on the EPWP programme. CHDM has also been working on recovering the money from the Service provider that did not deliver the equipment (kilns) to site

Sasol has been brought on board to assist with market identification, skills development and value-chain establishment for both Engcobo and Sakhisizwe charcoal projects

Sasol Chem-City has developed a business model for two charcoal projects to ensure their sustainability .

Agricultural Development Programmes :

The programme of Irrigation Schemes Revitalisation has been continued with

This saw CHDM partnering with the Department of Rural Development and Agrarian Reform (DRDAR) and Department of Rural Development and Land Reform (DRDLR) in supporting Qamata, Ncorha, Shiloh and Bilatye Irrigation schemes

The Livestock programme in partnership with TEBA Development has been rolled out in six LM's within the District

The Dryland Cropping Programme has seen the following projects being supported : Qumanco and Ngudle (Intsika Yethu), Ncedisizwe Secondary Cooperative (Engcobo) and Emalahleni Sorghum production and Sorghum Mill establishment (Emalahleni Municipality)

The construction of the Goboti shearing shed was completed as part of the support for Wool Production programme

The District has partnered with DRDAR and DRDLR for the development Ncorha Dairy, as well as continuation of a dairy and vineyard project at Shiloh Irrigation Scheme



3.2.c. Intensify enterprise support and business development

- Training was conducted for SMME's and Co-operatives
- 10 enterprises were assisted during the financial year
- Three information-sharing and marketing sessions were held.
- CHDM, in partnership with the Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) funded and established a Co-operative Development Centre. The Centre started to be functional on 01 September 2011
- A Young Designers Fashion Show was staged on 22 September 2011 to develop, grow and expose/market young designers from throughout the District
- The process of establishing an incubator in which six enterprises were to be mentored was started. Six enterprises were identified for the programme but it could not take off because of lack of factory space

3.2.d. Support on social investment program

Chris Hani Development Agency was established with the interim Board of Directors and interim Chief Executive Officer appointed

The IPED Directorate started with the EPWP programme in November 2010 after it was extended to other departments from Engineering Directorate

The programme was meant to identify and assist co-operatives that have a potential to grow by paying them a stipend to encourage them and also create jobs

68 co-operatives participated and 829 jobs were created

The District facilitated the establishment of partnerships with institutions of higher learning to improve entrepreneurial development skills

Engagements with the Walter Sisulu University were initiated for the purpose of establishing an SMME/Co-operative incubator

For the Sabalele Multi- Purpose Centre, Coega Development Corporation was appointed to take over as the new Service Provider for the project. The Construction of the State-of -the-art Centre has been completed. The Centre was handed over as part of the Chris Hani month celebrations.



3.3 CHALLENGES REGARDING LED STRATEGY IMPLEMENTATION

The challenges regarding LED Strategy implementation include, *inter alia*,

- Non availability of resources such as land (operating space) for SMME's
- Lack of funding/ Limited budget for implementation of identified programmes or projects
- Delays in the procurement processes affecting implementation of projects
- Huge infrastructure costs to replace the decaying economic infrastructure
- Lack of clear beneficiation model for the project beneficiaries
- Lack of sustainability or exit strategy for the projects supported
- Poor coordination of programmes by various stakeholders and role players
- Lack of commitments by some partners in implementing the identified projects





2. KEY FINANCIAL INDICATORS

The following indicators give some insight into the financial results of the year under review.

Financial Statement Ratios:

INDICATOR	2012	2011
Surplus / (Deficit) before Appropriations	248 823 463	196 220 479
Surplus / (Deficit) at the end of the Year	3 001 658 658	2 756 122 344
Expenditure Categories as a percentage of Total Expenses:	17,60%	22,98%
Employee Related Costs	1,19%	1,10%
Remuneration of Councillors	14,17%	14,68%
Depreciation and Amortisation	-1,44%	12,44%
Impairment Losses	0,25%	2,12%
Repairs and Maintenance	0,06%	0,67%
Interest Paid	1,07%	2,34%
Bulk Purchases	0,08%	6,67%
Contracted Services	62,50%	24,57%
Grants and Subsidies Paid	4,52%	11,71%
General Expenses		
Current Ratio:		
Creditors Days	17	69





3. OPERATING RESULTS

Details of the operating results per category of expenditure, together with an explanation of significant variances of more than 10% from budget, are included in Note 57 to the Annual Financial Statements.

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 2012 are as follows:

DETAILS	Actual 2011/2012 R	Actual 2010/2011 R	Percentage Variance %	Budgeted 2011/2012 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	247 582 315	136 919 074	80,82%	-	-
Operating income for the year	876 267 813	803 111 691	9,11%	810 241 213	8,15%
Appropriations for the year	(184 808 241)	(149 751 414)	23,41%	-	-
	939 041 887	790 279 351	18,82%	810 241 213	15,90%
Expenditure:					
Operating expenditure for the year	627 444 350	606 891 211	3,39%	810 241 213	(22,56)%
Sundry transfers	-	(64 194 175)	(100,00)%	-	-
Closing surplus / (deficit)	311 597 537	247 582 315	25,86%	-	-
	939 041 887	790 279 351	18,82%	810 241 213	15,90%



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 2011/2012 R	Actual 2010/2011 R	Percentage Variance %	Budgeted 2011/2012 R	Variance actual/ budgeted %
Income	876 594 242	688 004 012	27,41%	531 083 490	65,06%
Expenditure	448 296 645	334 132 384	34,17%	591 408 518	(24,20)%
Surplus / (Deficit)	428 297 597	353 871 629	21,03%	(60 325 028)	-
Surplus / (Deficit) as % of total income	48,86%	51,43%		(11,36)%	

3.2 Trading Services:

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

DETAILS	Actual 2011/2012 R	Actual 2010/2011 R	Percentage Variance %	Budgeted 2011/2012 R	Variance actual/ budgeted %
Income	-	(32 369 376)	-	279 157 723	-
Expenditure	174 909 521	242 641 167	(27,91)%	218 832 695	(20,07)%
Surplus / (Deficit)	(174 909 521)	(275 010 543)	(36,40)%	60 325 028	-
Surplus / (Deficit) as % of total income	-	849,60%		21,61%	
	(4 521 682)	-		-	

The services have been discontinued as at 30 June 2011.

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R264 618 089 (2010/11: R229 433 980). Full details of Property, Plant and Equipment are disclosed in Note 9 to the Annual Financial Statements.

The capital expenditure of R264 618 089 was financed as follows:

DETAILS	Actual 2011/2012 R	Actual 2010/2011 R	Percentage Variance %	Budgeted 2011/2012 R	Variance actual/ budgeted %
Capital Replacement Reserve	2 085 704	1 350 703	54,42%	1 500 000	39,05%
Grants and Subsidies	259 932 385	228 083 277	13,96%	664 279 000	(60,87)%
Public Contributions	1 500 000	-	-	-	-
Own Funds (Accumulated Surplus)	1 100 000	-	-	-	-
	264 618 089	229 433 980	15,34%	665 779 000	(60,25)%

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2012	2011
Capital Replacement Reserve	0,79%	0,59%
Grants and Subsidies	98,23%	99,41%
Public Contributions	0,57%	-
Own Funds (Accumulated Surplus)	0,42%	-

Property, Plant and Equipment is funded to such a great extent from grants and subsidies because the municipality does not have the financial resources to finance capital from its own funds.

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2012	2011
Variance per Category:		
Budgeted surplus before appropriations	-	-
Revenue variances	66 026 600	61 069 402
Expenditure variances:		

Employee Related Costs	16 848 552	(21 600 014)
Remuneration of Councillors	2 409 635	(117 702)
Collection Costs	344 833	317 787
Depreciation and Amortisation	(85 779 449)	(88 981 302)
Impairment Losses	9 046 605	(75 488 769)
Repairs and Maintenance	1 982 893	(10 001 827)
Interest Paid	1 959 063	(3 029 060)
Bulk Purchases	680 782	7 864 479
Contracted Services	2 599 695	(39 809 265)
Grants and Subsidies Paid	195 486 605	388 692 459
General Expenses	37 961 446	(18 302 506)
Loss on disposal of Property, Plant and Equipment	(743 797)	(4 393 204)
Actual surplus before appropriations	248 823 463	196 220 479

DETAILS	2012	2011
Variance per Service Segment:		
Budgeted surplus before appropriations	-	-
Executive and Council	(3 712 292)	1 838 117
Finance and Administration	(424 160 158)	(26 856 146)
Planning and Development	(9 748 431)	99 013
Health	111 542	10 057 644
Community and Social Services	(10 719 468)	(1 279 686)
Public Safety	(2 687 005)	2 440 314
Environmental Protection	(4 941 985)	(4 569 436)
Roads and Transport	(7 665 482)	13 382 591
Water	(235 234 549)	(111 379 286)
Other	952 145 903	219 240 040
Actual surplus before appropriations	253 345 145	196 220 479
	4 521 682	-

Details of the operating results per category of expenditure, together with a criptic explanation of significant variances of more than 10% from budget, are included in Note 57 to the Annual Financial Statements.



5.2 Capital Budget:

DETAILS	Variance actual 2011/2012 R	Budgeted 2010/2011 R	Variance actual/ 2011/12 / 2010/11 R	2011/2012 R	Variance actual/ budgeted R
Executive and Council	477 135	534 117	(56 982)	-	477 135
Finance and Administration	14 386 257	963 457	13 422 800	16 188 000	(1 801 743)
Planning and Development	291 540	710 011	(418 471)	-	291 540
Health	-	42 534	(42 534)	-	-
Community and Social Services	3 166 127	47 501	3 118 626	5 987 000	(2 820 873)
Housing	-	468	(468)	-	-
Public Safety	-	794 591	(794 591)	-	-
Sport and Recreation	-	346 036	(346 036)	-	-
Waste Management	13 076 131	35 233 923	(22 157 793)	250 000 000	(236 923 869)
Roads and Transport	-	7 330 597	(7 330 597)	-	-
Water	233 220 901	15 567 971	217 652 929	393 604 000	(160 383 099)
Electricity	-	6 372 543	(6 372 543)	-	-
Other	-	3 596 189	(3 596 189)	-	-
	264 618 089	71 539 938	193 078 151	665 779 000	(401 160 911)

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2012 amounted to R3 009 467 489 (30 June 2011: R2 756 122 344) and is made up as follows:

Capital Replacement Reserve	50 896 894
Government Grants Reserve	2 637 664 227
Accumulated Surplus	311 597 537
	3 001 658 658



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 20 and the Statement of Change in Net Assets for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2012 was R4 424 076 (30 June 2011: R5 553 707).

Refer to Note 17 to the Annual Financial Statements for more detail.

8. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2012 was R25 147 550 (30 June 2011: R21 070 779).

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 18 for more detail.

9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R3 326 322 as at 30 June 2012 (30 June 2011: R2 866 650) and is made up as follows:

Provision for Long-term Service

3 326 322

3 326 322

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 19 for more detail.

10. CURRENT LIABILITIES

Current Liabilities amounted R132 081 679 as at 30 June 2012 (30 June 2011: R231 947 163) and is made up as follows:

Provisions	Note 13	2 755 901
Creditors	Note 14	29 571 181
Unspent Conditional Grants and Receipts	Note 15	102 799 613
Operating Lease Liabilities	Note 16	64 458
Current Portion of Long-term Liabilities	Note 17	1 129 631
		136 320 785

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 R2 749 719 695 as at 30 June 2012 (30 June 2011: R2 574 906 203).

Refer to Note 9 to the Annual Financial Statements for more detail.

12. INTANGIBLE ASSETS

The net value of Intangible Assets were R440 886 as at 30 June 2012 (30 June 2011: R704 764).

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 10 to the Annual Financial Statements for more detail.

13. CURRENT ASSETS

Current Assets amounted R424 286 534 as at 30 June 2012 (30 June 2011: R441 949 677) and is made up as follows:

Inventory	Note 2	797 303
Trade Receivables from Non-exchange Transactions	Note 5	105 529 455
VAT Receivable	Note 6	16 436 009
Bank Balances and Cash	Note 7	297 954 043
		420 716 809

Refer to the indicated Notes for more detail.

14. 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 15 and 21 to the Annual Financial Statements for more detail.

15. EVENTS AFTER THE REPORTING DATE

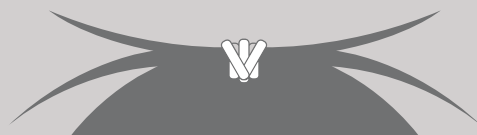
Full details of all known events, if any, after the reporting date are disclosed in Note 54.

16. 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.

17. 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.



CHRIS HANI DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

Budget					Actual	
2011	2012		Note	2012	2011	
R	R			R	R	
		ASSETS				
101 388 217	287 012 500	Current Assets		420 716 809	441 949 677	
10 232	-	Inventory	2	797 303	4 200 705	
-	-	Non-current Assets	3	-	398 217	
		Held-for-Sale				
57 481 598	-	Trade Receivables from	4	(0)	2 745 296	
		Exchange Transactions				
26 487 420	-	Trade Receivables	5	105 529 455	34 607 708	
		from Non-exchange				
		Transactions				
-	-	VAT Receivable	6	16 436 009	16 807 038	
12 391 733	287 000 000	Bank, Cash and Cash	7	297 954 043	383 190 713	
		Equivalents				
5 017 234	12 500	Current Portion of Long-	12	-	-	
		term Receivables				
467 782 685	412 876 800	Non-Current Assets		2 750 160 581	2 575 610 967	
376 548 000	412 876 800	Property, Plant and	9	2 749 719 695	2 574 906 203	
		Equipment				
190	-	Intangible Assets	10	440 886	704 764	
372 586	-	Investment Property	11	-	-	
90 861 909	-	Non-current		-	-	
		Investments				
569 170 902	699 889 300	Total Assets		3 170 877 391	3 017 560 643	
		LIABILITIES				
220 398 592	458 113 677	Current Liabilities		136 320 785	231 947 163	
1 840 731	-	Provisions	13	2 755 901	1 949 877	
38 934 703	169 013 630	Creditors	14	29 571 181	115 002 934	
179 118 132	288 581 381	Unspent Conditional	15	102 799 613	113 890 747	
		Grants and Receipts				
-	-	Operating Lease	16	64 458	28 924	
		Payables				
505 026	518 666	Current Portion of Long-	17	1 129 631	1 074 681	
		term Liabilities				



38 080 824	21 346 328	Non-Current Liabilities		32 897 948	29 491 136
7 656 431	-	Long-term Liabilities	17	4 424 076	5 553 707
21 599 165	21 346 328	Retirement Benefit Liabilities	18	25 147 550	21 070 779
8 825 228	-	Non-current Provisions	19	3 326 322	2 866 650
258 479 416	479 460 005	Total Liabilities		169 218 733	261 438 300
310 691 486	220 429 295	Total Assets and Liabilities		3 001 658 658	2 756 122 344
310 691 486	220 429 295	NET ASSETS		3 001 658 658	2 756 122 344
310 691 486	220 429 295	Accumulated Surplus / (Deficit)	20	3 001 658 658	2 756 122 344
310 691 486	220 429 295	Total Net Assets		3 001 658 658	2 756 122 344
0,00	0,00			0,00	0,00

CHRIS HANI DISTRICT MUNICIPALITY					
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012					
Budget		Note	Actual		
2011 R	2012 R		2012 R	2011 R	
		REVENUE			
		Revenue from Non-exchange Transactions			
663 706 000	785 506 723	Government Grants and Subsidies Received	21	799 518 311	630 229 307
-	-	Public Contributions and Donations	22	1 500 000	-
		Revenue from Exchange Transactions			
62 481 599	-	Service Charges	23	-	100 116 468
158 520	146 250	Rental of Facilities and Equipment	24	97 192	145 028
15 000 743	23 453 500	Interest Earned - External Investments	25	19 601 048	28 009 215
12 000	12 000	Interest Earned - Outstanding Debtors	25	-	14 566 195
683 427	1 122 740	Other Income	26	55 551 261	30 045 478
-	-	Gains on Disposal of Property, Plant and Equipment			-



742 042 289	810 241 213	Total Revenue		876 267 813	803 111 691
		EXPENDITURE			
117 855 703	127 167 527	Employee Related Costs	27	110 318 975	139 455 717
6 537 547	9 846 848	Remuneration of Councillors	28	7 437 213	6 655 249
322 573	344 833	Collection Costs		-	4 786
84 800	3 008 480	Depreciation and Amortisation	29	88 787 929	89 066 102
-	-	Impairment Losses	30	(9 046 605)	75 488 769
2 838 908	3 522 920	Repairs and Maintenance		1 540 027	12 840 735
1 041 035	2 343 710	Finance Costs	31	384 647	4 070 095
22 092 823	7 359 402	Bulk Purchases	32	6 678 620	14 228 344
685 536	3 128 589	Contracted Services	33	528 894	40 494 801
537 802 634	587 226 376	Grants and Subsidies Paid	34	391 739 771	149 110 175
52 780 730	66 292 528	General Expenses	35	28 331 082	71 083 236
-	-	Loss on Disposal of Property, Plant and Equipment		40 217	4 393 204
742 042 289	810 241 213	Total Expenditure		626 740 770	606 891 211
		OTHER REVENUE / EXPENDITURE INCURRED			
		Discontinued Operations:			
	-	Surplus / (Deficit) from Discontinued Operations		(703 580)	-
-	-	SURPLUS / (DEFICIT) FOR THE YEAR		248 823 463	196 220 479
0,00	0,00	Refer to Appendix E(1) for explanation of budget variances		0,00	-0,00



CHRIS HANI DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

Description	Total for		
	Revaluation	Accumulated	Total
	Reserve	Surplus/(Deficit)	
	R	R	R
2011			
Balance at 30 June 2010	-	549 260 762	549 260 762
Change in Accounting Policy (Note 37)		(467 408)	(467 408)
Correction of Error - Opening Balances (Note 38)	-	2 009 915 375	2 009 915 375
Correction of Error (Note 38)	-	1 193 136	1 193 136
Restated Balance	-	2 559 901 864	2 559 901 864
Surplus / (Deficit) for the year		196 220 479	196 220 479
Transfer to CRR		-	-
Property, Plant and Equipment purchased		-	-
Grants utilised to obtain PPE		(0)	(0)
Asset disposals		-	-
Offsetting of Depreciation		-	-
Balance at 30 June 2011	-	2 756 122 344	2 756 122 344
	-	-	-
2012			
Change in Accounting Policy (Note 37)		-	-
Correction of Error (Note 38)		-	-
Restated Balance	-	2 756 122 344	2 756 122 344
Surplus / (Deficit) for the year		248 823 463	248 823 463
Transfer to CRR		-	-
Property, Plant and Equipment purchased		-	-
Grants utilised to obtain PPE		-	-
Asset disposals		-	-
Offsetting of Depreciation		-	-
Balance at 30 June 2012	-	3 001 658 658	3 001 658 658
	-	-	-
Details on the movement of the Funds and Reserves are set out in Note 20.			



CHRIS HANI DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

Budget					Actual	
2011	2012		Note	2012	2011	
R	R			R	R	
		CASH FLOWS FROM OPERATING ACTIVITIES				
740 563 385	816 652 000	Cash receipts from Ratepayers, Government and Other		1 052 293 789	795 215 976	
(338 203 541)	(453 163 911)	Cash paid to Suppliers and Employees		(892 294 418)	(547 591 513)	
402 359 844	363 488 089	Cash generated from / (utilised in) Operations	40	159 999 371	247 624 463	
14 512 000	25 465 500	Interest received	25	19 601 048	28 009 215	
(1 034 259)	(356 374)	Interest paid	31	(384 647)	(4 070 095)	
415 837 585	388 597 215	NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		179 215 772	271 563 583	
		CASH FLOWS FROM INVESTING ACTIVITIES				
(376 547 996)	(673 689 451)	Purchase of Property, Plant and Equipment	9	(264 618 089)	(229 433 980)	
-	-	Proceeds on Disposal of Property, Plant and Equipment		1 240 329	-	
(9 000 000)	-	Decrease / (Increase) in Non-current Investments		-	-	
(385 547 996)	(673 689 451)	NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		(263 377 761)	(229 433 980)	
		CASH FLOWS FROM FINANCING ACTIVITIES				
(1 034 259)	(1 037 332)	Loans repaid	17	(1 074 681)	(1 023 692)	
(1 034 259)	(1 037 332)	NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		(1 074 681)	(1 023 692)	



29 255 330	(286 129 568)	NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	7	(85 236 670)	41 105 910
0,00	0,00			-0,00	-0,00
230 039 619	305 226 000	Cash and Cash Equivalents at the beginning of the year		383 190 713	342 084 802
259 294 949	19 096 432	Cash and Cash Equivalents at the end of the year		297 954 043	383 190 713



CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2012

2012 2011
R R

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. INVENTORY

Consumable Stores - at cost	712 479	362 387
Maintenance Materials - at cost	24 686	26 773
Spare Parts - at cost	60 139	3 086 552
Water - at cost	-	724 994
Total Inventory	797 303	4 200 705

Inventories are held for own use with the result that no write downs of Inventory to Net Realisable Value were required.

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. NON-CURRENT ASSETS HELD-FOR-SALE

Property Held-for-Sale - at cost	-	398 217
Net Non-current Assets Held-for-Sale	-	398 217



4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances	Provision for Impairment	Net Balances
As at 30 June 2012			
Service Debtors:	(0)	-	(0)
Sewerage	-	-	-
Water	(0)	-	(0)
Total Trade Receivables from Exchange Transactions	(0)	-	(0)
As at 30 June 2011			
Service Debtors:	196 654 073	193 908 778	2 745 296
Sewerage	86 439 281	86 439 281	-
Water	110 214 792	107 469 497	2 745 296
Total Trade Receivables from Exchange Transactions	196 654 073	193 908 778	2 745 296

Trade Receivables from Exchange Transactions have been restated to correctly classify amounts held by the municipality, adjusting Consumer Debtors to the Reconciliations performed of the transactions from the Local Municipalities. Refer to Note 38.3 on "Correction of Error" for details of the restatement.

Trade Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on trade receivables until the 7th of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Trade Receivables.

The municipality receives applications that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Trade Receivables.

At 30 June 2012, the municipality is owed R0 (30 June 2011: R3,652) million by National and Provincial Government.

The municipality did not pledge any of its Trade Receivables as security for borrowing purposes.

The services have been discontinued and taken over by the Local Municipalities with effect 1 July 2011.



CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2012

2012
R 2011
R

4.1 Ageing of Trade Receivables from Exchange Transactions

As at 30 June 2012

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Sewerage:					
Gross Balances	-	-	-	-	-
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	-	-
Water:					
Gross Balances	-	-	-	-	-
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	-	-

As at 30 June Trade Receivables of R0 were past due but not impaired. The age analysis of these Trade Receivables are as follows:

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Trade Receivables:					
Gross Balances	-	-	-	-	-
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	-	-



As at 30 June 2011

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Sewerage:					
Gross Balances	2 341 621	2 010 558	2 121 195	79 965 906	86 439 281
Less: Provision for Impairment	2 341 621	2 010 558	2 121 195	79 965 906	86 439 281
Net Balances	-	-	-	-	-
Water:					
Gross Balances	4 162 808	2 998 441	4 013 280	99 040 263	110 214 792
Less: Provision for Impairment	1 417 512	2 998 441	4 013 280	99 040 263	107 469 497
Net Balances	2 745 296	-	-	-	2 745 296

As at 30 June Trade Receivables of R0 were past due but not impaired.
The age analysis of these Trade Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Trade Receivables:				
Gross Balances	5 008 999	6 134 475	179 006 170	190 149 644
Less: Provision for Impairment	5 008 999	6 134 475	179 006 170	190 149 644
Net Balances	-	-	-	-



CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2012

2012
R 2011
R

4.2 Summary of Trade Receivables from Exchange Transactions by Customer Classification

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2012				
Current:				
0 - 30 days	-	-	-	-
Past Due:				
31 - 60 Days	-	-	-	-
61 - 90 Days	-	-	-	-
+ 90 Days	-	-	-	-
Sub-total	-	-	-	-
Less: Provision for Impairment	-	-	-	-
Total Trade Receivables by Customer Classification	-	-	-	-

As at 30 June 2011

Current:				
0 - 30 days	5 877 136	456 527	90 169	80 597
Past Due:				
31 - 60 Days	4 345 476	440 890	186 742	35 891
61 - 90 Days	5 642 672	269 653	190 486	31 664
+ 90 Days	170 354 249	4 787 945	3 185 093	678 883
Sub-total	186 219 533	5 955 015	3 652 489	827 036
Less: Provision for Impairment	183 474 238	5 955 015	3 652 489	827 036
Total Trade Receivables by Customer Classification	2 745 296	-	-	-



	2012	2011
	R	R

4.3 Reconciliation of the Provision for Impairment

Balance at beginning of year	193 908 778	252 986 183
Impairment Losses recognised	-	(15 384 936)
Impairment Losses reversed	(193 908 778)	(43 692 470)
Amounts written off as uncollectable	-	-
Amounts recovered	-	-
Balance at end of year	-	193 908 778

Provision for Impairment of Consumer Debtors has been made for all consumer balances outstanding based on the fact that the municipality has no contractual right to receive cash from any of the Consumer Debtors in terms of GRAP 104, paragraph 13. Consumer Debtors have therefore been fully impaired.

4.4 Ageing of impaired Trade Receivables from Exchange Transactions

Current:		
0 - 30 Days	-	3 759 133
Past Due:		
31 - 60 Days	-	5 008 999
61 - 90 Days	-	6 134 475
+ 90 Days	-	179 006 170
Long-term Loan Debtors	-	-
Total	-	193 908 778

4.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.



5. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances	Provision for Impairment	Net Balances
As at 30 June 2012			
Payments made in Advance	23 128 146	3 287 149	19 840 998
Government Subsidy Claims	-	-	-
Projects	70 000 000	-	70 000 000
Recoverable Works	-	-	-
Short-term Loans	-	-	-
Sundry Deposits	1 575 700	-	1 575 700
Sundry Debtors	16 012 261	1 899 504	14 112 757
Total Trade Receivables from Non-exchange Transactions	110 716 107	5 186 652	105 529 455

As at 30 June 2011

Payments made in Advance	12 493 644	-	12 493 644
Government Subsidy Claims	14 300 549	2 607 390	11 693 159
Projects	259 943	60 734	199 209
Recoverable Works	146 486	146 486	-
Short-term Loans	2 311 539	2 311 539	-
Sundry Deposits	1 218 529	-	1 218 529
Sundry Debtors	70 448 454	61 445 286	9 003 168
Total Trade Receivables from Non-exchange Transactions	101 179 144	66 571 435	34 607 708

Trade Receivables from Non-exchange Transactions have been restated to correctly disclose the debtors held by the municipality in terms of Reconciliations performed of the transactions from Local Municipalities. Refer to Note 38.3 on "Correction of Error" for details of the restatement.

Furthermore, Trade Receivables from Non-exchange Transactions have been restated to correctly disclose the debtors held by the municipality in terms of expenditure incurred on behalf of Health Services. Refer to Note 38.3 on "Correction of Error" for details of the restatement.

Furthermore, Trade Receivables from Non-exchange Transactions have been restated to correctly disclose the debtors held by the municipality in terms of expenditure incurred by DWA on behalf of the municipality. Refer to Note 38.3 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 R1 486 347 (2011: R1 112 121) 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 R4 890 (2011: R3 764) in respect of uncleared bank reconciliation items.

The municipality does not hold deposits or other security for its Other Trade Receivables.

None of the Other Trade Receivables have been pledged as security for the municipality’s financial liabilities.

5.1 Ageing of Trade Receivables from Non-exchange Transactions

	2012				2011
	R				R
As at 30 June 2012					
	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Payments made in Advance:					
Gross Balances	23 128 146	-	-	-	23 128 146
Less: Provision for Impairment	3 287 149	-	-	-	3 287 149
Net Balances	19 840 998	-	-	-	19 840 998
Government Subsidy Claims:					
Gross Balances	-	-	-	-	-



Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	-	-
Projects:					
Gross Balances	-	-	-	70 000 000	70 000 000
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	70 000 000	70 000 000
Recoverable Works:					
Gross Balances	-	-	-	-	-
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	-	-
Short-term Loans:					
Gross Balances	-	-	-	-	-
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	-	-
Sundry Deposits:					
Gross Balances	-	-	-	1 575 700	1 575 700
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	1 575 700	1 575 700
Sundry Debtors:					
Gross Balances	-	-	-	16 012 261	16 012 261
Less: Provision for Impairment	-	-	-	1 899 504	1 899 504
Net Balances	-	-	-	14 112 757	14 112 757



As at 30 June Other Trade Receivables of R18 994 491 were past due but not impaired. The age analysis of these Other Trade Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Other Trade Receivables:				
Gross Balances	23 128 146	-	- 87 587 961	87 587 961
Less: Provision for Impairment	3 287 149	-	- 1 899 504	1 899 504
Net Balances	19 840 998	-	- 85 688 457	85 688 457

As at 30 June 2011

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Payments made in Advance:					
Gross Balances	12 493 644	-	-	-	12 493 644
Less: Provision for Impairment	-	-	-	-	-
Net Balances	12 493 644	-	-	-	12 493 644
Government Subsidy Claims:					
Gross Balances	-	-	-	14 300 549	14 300 549
Less: Provision for Impairment	-	-	-	2 607 390	2 607 390
Net Balances	-	-	-	11 693 159	11 693 159
Projects:					
Gross Balances	-	-	-	259 943	259 943
Less: Provision for Impairment	-	-	-	60 734	60 734
Net Balances	-	-	-	199 209	199 209

Recoverable Works:

Gross Balances	-	-	-	146 486	146 486
Less: Provision for Impairment	-	-	-	146 486	146 486
Net Balances	-	-	-	-	-
Short-term Loans:					
Gross Balances	-	-	-	2 311 539	2 311 539
Less: Provision for Impairment	-	-	-	2 311 539	2 311 539
Net Balances	-	-	-	-	-
Sundry Deposits:					
Gross Balances	-	-	-	1 218 529	1 218 529
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	1 218 529	1 218 529
Sundry Debtors:					
Gross Balances	-	-	-	9 866 839	70 448 454
Less: Provision for Impairment	-	-	-	863 671	61 445 286
Net Balances	-	-	-	9 003 168	9 003 168

As at 30 June Other Trade Receivables of R22 114 064 were past due but not impaired. The age analysis of these Trade Receivables are as follows:

Past Due			Total
31 - 60 Days	61 - 90 Days	+ 90 Days	

All Other Trade Receivables:					
Gross Balances	-	-	-	28 103 885	28 103 885
Less: Provision for Impairment	-	-	-	5 989 820	5 989 820
Net Balances	-	-	-	22 114 064	22 114 064

5.2 Reconciliation of Provision for Impairment

Balance at beginning of year	66 571 435	30 200 253
Impairment Losses recognised	471 591	61 988 538
Impairment Losses reversed	(58 868 340)	-
Amounts written off as uncollectable	(6 275 183)	(25 617 356)
Amounts recovered	-	-
Balance at end of year	1 899 504	66 571 435

The Provision for Impairment on Other Trade 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.

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

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 :

Government Subsidy Claims	-	2 607 390
Projects	-	60 734
Recoverable Works	-	146 486
Short-term Loans	-	2 311 539
Sundry Debtors	1 899 504	61 445 286
Total Provision for Impairment on Other Debtors	1 899 504	66 571 435

VAT RECEIVABLE

Vat Receivable	16 436 009	16 807 038
----------------	------------	------------

VAT Receivable has been restated to correctly disclose the debtor held by the municipality in terms of expenditure incurred on behalf of Health Services. Refer to Note 38.3 on "Correction of Error" for details of the restatement.

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.

BANK, CASH AND CASH EQUIVALENTS

Bank, Cash and Cash Equivalents	297 954 043	383 190 713
Total Bank, Cash and Cash Equivalents	297 954 043	383 190 713

Bank, Cash and Cash Equivalents has been restated to correctly disclose the cash held by the municipality for Petty Cash for services transferred to Health Services. Refer to Note 38.3 on "Correction of Error" for details of the restatement.

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, net of outstanding Bank Overdrafts.

7.1 Current Investment Deposits

Call Deposits	67 729 647	115 786 209
Total Current Investment Deposits	67 729 647	115 786 209

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5,50 % to 5,80 % (2011: 4,20% to 4,50%) per annum.

Deposits of R67 729 647 (2011: R115 786 209) are attributable to Unspent Conditional Grants.

7.2 Bank Accounts

Cash in Bank	230 222 196	267 402 304
Total Bank Accounts	230 222 196	267 402 304

The Municipality has the following bank accounts:

Primary Bank Account

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

Cash book balance at beginning of year	267 402 304	230 039 619
Cash book balance at end of year	230 222 196	267 402 304





Bank statement balance at beginning of year

143 160 495

224 102 453

Bank statement balance at end of year

254 262 862

143 160 495



An amount of R35 877 711 (2011: R88 985 018) is attributable to Unspent Conditional Grants.

An amount of R46 483 405 (2011: R41 249 349) is attributable to the Capital Replacement Reserve.

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

7.3 Cash and Cash Equivalents

Cash Floats and Advances

2 200	2 200
2 200	2 200

Total Cash on hand in Cash Floats, Advances and Equivalents

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

8. OPERATING LEASE ASSETS / RECEIVABLES

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

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

9. PROPERTY, PLANT AND EQUIPMENT

30 June 2012

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 2011	83 435 696	2 452 598 835	-	-	38 871 673	2 574 906 203
Cost	85 225 900	2 608 143 189	-	-	60 052 245	2 753 421 334
- Completed Assets	85 225 900	2 249 939 481	-	-	60 052 245	2 395 217 627
- Under Construction	-	358 203 707	-	-	-	358 203 707
Correction of error (Note 38)	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	(202 757)	(202 757)
Accumulated Depreciation:	(1 790 204)	(155 544 354)	-	-	(20 977 816)	(178 312 374)
- Cost	(1 790 204)	(155 544 354)	-	-	(20 977 816)	(178 312 374)
Acquisitions	1 100 000	12 069 736	-	-	5 151 322	18 321 058
Borrowing Costs Capitalised	-	-	-	-	-	-
Capital under Construction - Additions:	-	246 297 031	-	-	-	246 297 031
- Cost	-	246 297 031	-	-	-	246 297 031
- Borrowing Costs Capitalised	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-
Depreciation:	(895 102)	(80 795 492)	-	-	(6 833 457)	(88 524 051)
- Based on Cost	(895 102)	(80 795 492)	-	-	(6 833 457)	(88 524 051)

Carrying value of Disposals:	-	-	-	(1 280 546)	(1 280 546)
- Cost	-	-	-	(3 141 370)	(3 141 370)
- Accumulated Impairment Losses	-	-	-	202 757	202 757
- Accumulated Depreciation	-	-	-	1 658 068	1 658 068
- Based on Cost	-	-	-	1 658 068	1 658 068
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-
- Cost	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-
- Based on Cost	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-
Impairment Losses	-	-	-	-	-
Capital under Construction - Completed	-	(19 709 765)	-	-	(19 709 765)
Other Movements	-	19 709 765	-	-	19 709 765
- Cost	-	19 709 765	-	-	19 709 765
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-
- Based on Cost	-	-	-	-	-
Carrying values at 30 June 2012	83 640 594	2 630 170 110	-	35 908 992	2 749 719 695
Cost	86 325 900	2 866 509 956	-	62 062 197	3 014 898 053
- Completed Assets	86 325 900	2 281 718 983	-	62 062 197	2 430 107 080
- Under Construction	-	584 790 973	-	-	584 790 973
Accumulated Impairment Losses	-	-	-	(0)	(0)
Accumulated Depreciation:	(2 685 306)	(236 339 846)	-	(26 153 206)	(265 178 358)
- Cost	(2 685 306)	(236 339 846)	-	(26 153 206)	(265 178 358)

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2011

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 2010	84 330 798	2 304 009 042	-	-	50 715 541	2 439 055 381
Cost	85 225 900	2 380 311 291	-	-	64 449 058	2 529 986 249
- Completed Assets	85 225 900	2 103 954 263	-	-	64 449 058	2 253 629 221
- Under Construction	-	276 357 027	-	-	-	276 357 027
Correction of error (Note 38)	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	(895 102)	(76 302 248)	-	-	(13 733 517)	(90 930 867)
- Cost	(895 102)	(76 302 248)	-	-	(13 733 517)	(90 930 867)
Acquisitions	-	34 929 788	-	-	1 602 082	36 531 870
Borrowing Costs Capitalised	-	-	-	-	-	-
Capital under Construction - Additions:	-	192 902 110	-	-	-	192 902 110
- Cost	-	192 902 110	-	-	-	192 902 110
- Borrowing Costs Capitalised	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-
Depreciation:	(895 102)	(79 242 106)	-	-	(8 451 773)	(88 588 981)
- Based on Cost	(895 102)	(79 242 106)	-	-	(8 451 773)	(88 588 981)
Carrying value of Disposals:	-	-	-	-	(4 393 204)	(4 393 204)

- Cost	-	-	-	(4 918 098)	(4 918 098)
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	-	524 895	524 895
- Based on Cost	-	-	-	524 895	524 895

Carrying value of Transfers to Held-for-Sale:

- Cost	-	-	-	(398 217)	(398 217)
- Accumulated Impairment Losses	-	-	-	(1 080 796)	(1 080 796)
- Accumulated Depreciation	-	-	-	682 579	682 579
- Based on Cost	-	-	-	682 579	682 579

Impairment Losses

Capital under Construction - Completed	-	-	-	(202 757)	(202 757)
Other Movements	-	(111 055 430)	-	-	(111 055 430)
	-	111 055 430	-	-	111 055 430
- Cost	-	111 055 430	-	-	111 055 430
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-
- Based on Cost	-	-	-	-	-

Carrying values at 30 June 2011

Cost	83 435 696	2 452 598 835	-	38 871 673	2 574 906 203
- Completed Assets	85 225 900	2 608 143 189	-	60 052 245	2 753 421 334
- Under Construction	85 225 900	2 249 939 481	-	60 052 245	2 395 217 627
Accumulated Impairment Losses	-	358 203 707	-	-	358 203 707
Accumulated Depreciation:	(1 790 204)	(155 544 354)	-	(202 757)	(202 757)
- Cost	(1 790 204)	(155 544 354)	-	(20 977 816)	(178 312 374)
			-	(20 977 816)	(178 312 374)

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

The prior year amounts of Property, Plant & Equipment have been restated to correctly disclose the expenditure incurred for Rural Roads, previously capitalised as Municipal Capital Assets. Refer to Note 38.2 on “Correction of Error” for details of the restatement.

Furthermore, the prior year amounts of Property, Plant & Equipment have been restated to correctly disclose the expenditure incurred for the municipality according to the Asset Register, previously erroneously transferred. Refer to Note 38.2 on “Correction of Error” for details of the restatement.

Other movements of Property, Plant and Equipment were in respect of assets transferred from Under Construction.



CHRIS HANI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	R	R

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

9.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use

At Original Cost: Infrastructure	4 020 573	4 020 573
Gross Carrying Amount of PPE fully depreciated and still in use	4 020 573	4 020 573

9.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal

Other	-	398 217
Carrying Amount of PPE retired from active use and held for disposal	-	398 217

9.3 Assets pledged as security

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

9.4 Impairment of Property, Plant and Equipment

Impairment of Immovable Property, Plant and Equipment was taken into consideration by the consultants, Aurecon, during the process of identifying, componentising and measuring Property, Plant and Equipment and included in the Depreciated Replacement Cost calculated during the exercise. The amounts for Impairment were not calculated separately and therefore no impaired values are disclosed for Immovable Assets.

The total amount of R202 757 disclosed for impairment losses on Property, Plant and Equipment is for a vehicle damaged in an accident. The total amount of R51 375 disclosed for impairment losses on Property, Plant and Equipment for 2010 does not include individually material amounts of impairment losses. Cumulative impairment losses for the following significant account balances are included therein:



Other Assets: Motor Vehicles	-	202 757
Total Impairment of Property, Plant and Equipment	-	202 757

9.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed

The Remaining Useful Life of Immovable Property, Plant and Equipment was taken into consideration by the consultants, Aurecon, during the process of identifying, componentising and measuring Property, Plant and Equipment and included in the Depreciated Replacement Cost calculated during the exercise. The amounts for Change in Useful Life were not calculated separately and therefore no changes in values are disclosed.

There was no change (2011: no change) in the Estimated Useful Life of various assets of the municipality for the financial year.

9.6 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.

10. INTANGIBLE ASSETS

	2012 R	2011 R
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	440 886	704 764

The movement in Intangible Assets is reconciled as follows:

	Licences	Computer Software	Total
Carrying values at 01 July 2011	622 419	82 345	704 764
Cost	2 340 246	2 448 498	4 788 744
Accumulated Amortisation	(1 717 827)	(2 366 153)	(4 083 980)
Acquisitions:	-	-	-
Purchased	-	-	-
Internally Developed	-	-	-
Amortisation:	(209 120)	(54 758)	(263 877)
Purchased	(209 120)	(54 758)	(263 877)



Internally Developed

-	-	-
---	---	---

Carrying values at 30 June 2012

413 299 27 587 440 886

Cost

2 340 246	2 448 498	4 788 744
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Accumulated Amortisation

(1 926 947)	(2 420 911)	(4 347 858)
-------------	-------------	-------------

Licences	Computer Software	Total

Carrying values at 01 July 2010

936 098 245 786 1 181 884

Cost

2 340 246 2 448 498 4 788 744

Accumulated Amortisation

(1 404 148) (2 202 712) (3 606 860)

Acquisitions:

- - -

Purchased

-	-	-
---	---	---

Internally Developed

-	-	-
---	---	---

Amortisation:

(313 680) (163 441) (477 121)

Purchased

(313 680)	(163 441)	(477 121)
-----------	-----------	-----------

Internally Developed

-	-	-
---	---	---

Carrying values at 30 June 2011

622 419 82 345 704 764

Cost

2 340 246	2 448 498	4 788 744
-----------	-----------	-----------

Accumulated Amortisation

(1 717 827)	(2 366 153)	(4 083 980)
-------------	-------------	-------------

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 29).

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.

10.1 Significant Intangible Assets

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 102 and SIC 32, are the following:

(i) Website Costs incurred during the last two financial years, if applicable, have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.



10.2 Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives. The useful lives of the Intangible Assets remain unchanged from the previous year and are as follows:

Computer Software	5 Years
Licences	3 Years

Amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

10.3 Impairment of Intangible Assets

No (2010: None) impairment needed to be recognised for Intangible Assets.

11. INVESTMENT PROPERTY

The municipality did not have any property to be classified as Investment Property in terms of its Accounting Policies and Asset Management Policy at year-end.

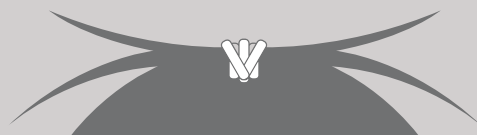
12. LONG-TERM RECEIVABLES

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

13. PROVISIONS

	2012 R	2011 R
Performance Bonuses	981 598	701 844
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 18 below)	1 021 524	696 048
Current Portion of Non-current Provisions (See Note 19 below):	752 779	551 985
Long-term Service	752 779	551 985
Total Provisions	2 755 901	1 949 877

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.



The movement in current provisions are reconciled as follows:

	2012 R	2011 R
Current Provisions:		
Performance Bonuses:		
Balance at beginning of year	701 844	549 846
Contributions to provision	279 754	193 322
Expenditure incurred	-	(41 324)
Balance at end of year	981 598	701 844

	2012 R	2011 R
Current Portion of Non-Current Provisions:		
	Long-term Service R	Post- retirement R
30 June 2012		
Balance at beginning of year	551 985	696 048
Transfer from non-current	752 779	1 021 524
Expenditure incurred	(551 985)	(696 048)
Balance at end of year	752 779	1 021 524

30 June 2011		
Balance at beginning of year	616 941	673 944
Transfer from non-current	551 985	696 048
Expenditure incurred	(616 941)	(673 944)
Balance at end of year	551 985	696 048



14. CREDITORS

	2012 R	2011 R
Trade Creditors	7 032 652	72 900 321
Payments received in Advance	377 337	141 892
Retentions	6 446 629	6 094 704
Staff Bonuses	2 494 635	2 247 439
Staff Leave Accrued	5 406 939	4 610 304
Sundry Deposits	8 335	8 335
Other Creditors	7 804 654	28 999 938
Total Creditors	29 571 181	115 002 934

The opening balances for Creditors have been restated to correctly disclose the creditors payable by the municipality for WCA. Refer to Note 38.2 on “Correction of Error” for details of the restatement.

Furthermore, the opening balances for Creditors have been restated to correctly disclose the creditors payable by the municipality for deficits by the Local Municipalities. Refer to Note 38.2 on “Correction of Error” for details of the restatement.

Furthermore, the opening balances for Creditors have been restated to correctly disclose the creditors payable by the municipality, previously erroneously accrued for. Refer to Note 38.2 on “Correction of Error” for details of the restatement.

The prior year amounts for Creditors have been restated to correctly disclose creditors payable by the municipality in terms of Reconciliations performed of the transactions from Local Municipalities. Refer to Note 38.2 on “Correction of Error” for details of the restatement.

Furthermore, the prior year amounts for Creditors have been restated to correctly disclose the creditors payable by the municipality, previously not accrued for. Refer to Note 38.2 on “Correction of Error” for details of the restatement.

Furthermore, the prior year amounts for Creditors have been restated to correctly disclose the creditors payable by the municipality, previously erroneously accruing for donations receivable. Refer to Note 38.2 on “Correction of Error” for details of the restatement.

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 average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. 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.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

15. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

	2012 R	2011 R
15.1 Conditional Grants from Government	102 799 613	113 890 747
National Government Grants	56 688 311	53 631 507
Provincial Government Grants	38 948 853	53 096 791
Other Spheres of Government	7 162 449	7 162 449
Total Conditional Grants and Receipts	102 799 613	113 890 747

The opening balances for Unspent Conditional Grants have been restated to correctly disclose the VAT claimed on Project Expenditure, previously allocated to Unspent Conditional Grants. Refer to Note 38.2 on “Correction of Error” for details of the restatement.

The prior year amounts for Unspent Conditional Grants have been restated to correctly disclose the VAT claimed on Project Expenditure, previously allocated to Unspent Conditional Grants. Refer to Note 38.2 on “Correction of Error” for details of the restatement.

Furthermore, the prior year amounts for Unspent Conditional Grants have been restated to correctly disclose the liability of the municipality, interest on invested funds previously being allocated to Unspent Conditional Grants. Refer to Note 38.2 on “Correction of Error” for details of the restatement.

Furthermore, the prior year amounts for Unspent Conditional Grants have been restated to correctly disclose the revenue realised, previously not accrued for. Refer to Note 38.2 on “Correction of Error” for details of the restatement.

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.



See Note 21 for the reconciliation of Grants from Government. The Unspent Grants are cashbacked by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

16. 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:

	2012 R	2011 R
Balance at beginning of year	28 924	4 350
Operating Lease expenses recorded	1 502 598	878 914
Operating Lease payments effected	(1 467 064)	(854 341)
Total Operating Lease Liabilities	64 458	28 924

16.1 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.

16.2 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:

Buildings:	2 269 122	2 783 680
Up to 1 year	1 277 273	1 073 464
2 to 5 years	991 849	1 710 215
Other Equipment:	267 397	516 323
Up to 1 year	257 122	263 288
2 to 5 years	10 275	253 035
Total Operating Lease Arrangements	2 536 519	3 300 002



The following payments have been recognised as an expense in the Statement of Financial Performance:

	2012 R	2011 R
Minimum lease payments	(1 502 598)	(878 914)
Total Operating Lease Expenses	(1 502 598)	(878 914)

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:

- (i) The equipment shall remain the property of the lessor.
- (ii) The hirer shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment.
- (iii) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement.
- (iii) The municipality is obliged to enter into a maintenance agreement with the lessor for the equipment rented.

17. LONG-TERM LIABILITIES

Annuity Loans	5 553 707	6 628 389
Sub-total	5 553 707	6 628 389
Less: Current Portion transferred to Current Liabilities:- Annuity Loans	1 129 631	1 074 681
	1 129 631	1 074 681
Total Long-term Liabilities (Neither past due, nor impaired)	4 424 076	5 553 707



17.1 Summary of Arrangements

The Annuity Loan is repaid over a period of 5 (2011: 6) years and at an interest rate of 5,00% (2011: 5,00%) per annum. The Annuity Loans is not secured.

17.2 Breach of Loan Agreement

The municipality did not default on any payment of its Long-term Liabilities. No terms for payment have been re-negotiated by the municipality.

18. RETIREMENT BENEFIT LIABILITIES

18.1 Post-retirement Health Care Benefits Liability

	2012 R	2011 R
Balance at beginning of Year	21 070 779	21 599 165
Contributions to Provision	5 098 295	167 663
Balance at end of Year	26 169 074	21 766 827
Transfer to Current Provisions	(1 021 524)	(696 048)
Total Post-retirement Health Care Benefits Liability	25 147 550	21 070 779

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 2012 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:

	2012 R	2011 R
In-service Members (Employees)	252	249
In-service Non-members (Employees)	126	148
Continuation Members (Retirees, widowers and orphans)	39	38
Total Members	417	435

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

In-service Members	15 090 171	12 330 008
Continuation Members	11 078 903	9 436 819
Total Liability	26 169 074	21 766 827

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

- Bonitas
- Fed Health
- Keyhealth
- LA Health
- Medcover
- Resolution
- Samwumed

The Current-service Cost for the year ending 30 June 2012 is estimated to be R982 529, whereas the cost for the ensuing year is estimated to be R1 191 729 (2011: R1 052 744 and R982 529 respectively).

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

Discount Rate	7,82%	8,69%
Health Care Cost Inflation Rate	7,04%	7,32%
Net Effective Discount Rate	0,73%	1,28%
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:

Balance at the beginning of the year	21 766 827	22 273 109
Current service costs	982 529	1 052 744
Interest cost	1 861 982	2 023 255
Benefits paid	(696 048)	(673 944)
Actuarial losses / (gains)	2 253 784	(2 908 337)

Present Value of Fund Obligation at the end of the Year	26 169 074	21 766 827
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Actuarial losses / (gains) unrecognised	-	-
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Total Recognised Benefit Liability	26 169 074	21 766 827
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The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	26 169 074	21 766 827
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Unfunded Accrued Liability	26 169 074	21 766 827
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Unrecognised Actuarial Gains / (Losses)	-	-
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Total Benefit Liability	26 169 074	21 766 827
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The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	982 529	1 052 744
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Interest cost	1 861 982	2 023 255
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Actuarial losses / (gains)	2 253 784	(2 908 337)
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Total Post-retirement Benefit included in Employee Related Costs (Note 27)	5 098 295	167 663
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The history of experienced adjustments is as follows:

	2012	2011	2010	2009	2008
	R	R	R	R	R
Present Value of Defined Benefit Obligation	26 169 074	21 766 827	22 273 109	18 460 067	15 762 816
Deficit	26 169 074	21 766 827	22 273 109	18 460 067	15 762 816
Experienced adjustments on Plan Liabilities	5 329 200	(1 481 847)	2 610 116	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:

	2012 R	2011 R
Increase:		
Effect on the aggregate of the current service cost and the interest cost	536 600	539 100
Effect on the defined benefit obligation	3 589 926	3 476 627
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(422 900)	(431 800)
Effect on the defined benefit obligation	(2 945 074)	(2 771 829)

The municipality expects to make a contribution of R3 199 million (2011: R2 845 million) to the Defined Benefit Plans during the next financial year.

Refer to Note 48 “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.

19. NON-CURRENT PROVISIONS

Provision for Long Service Awards	3 326 322	2 866 650
Total Non-current Provisions	3 326 322	2 866 650



The movement in Non-current Provisions are reconciled as follows:

Long-service Awards:

	2012 R	2011 R
Balance at beginning of year	2 866 650	2 430 228
Contributions to provision	1 212 451	988 407
	4 079 101	3 418 635
Transfer to current provisions	(752 779)	(551 985)
Balance at end of year	3 326 322	2 866 650

19.1 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 5 years (2011: 5 years) of continuous service, and every 5 years thereafter, to 25 years (2011: 25 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 2012 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, 378 (2011: 385) employees were eligible for Long-services Awards.

The Current-service Cost for the year ending 30 June 2012 is estimated to be R767 667, whereas the cost for the ensuing year is estimated to be R992 886 (2011: R731 117 and R767 667 respectively).

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

Discount Rate	6,12%	7,51%
Cost Inflation Rate	5,97%	6,20%
Net Effective Discount Rate	0,15%	1,23%
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:

	2012 R	2011 R
Balance at the beginning of the year	3 418 635	3 047 169
Current service costs	767 667	731 117
Interest cost	236 297	247 307
Benefits paid	(551 985)	(616 941)
Actuarial losses / (gains)	208 487	9 983
Losses / (gains) on curtailments	-	-
Present Value of Fund Obligation at the end of the Year	4 079 101	3 418 635
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	4 079 101	3 418 635
	0,00	0,00
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	4 079 101	3 418 635
Unfunded Accrued Liability	4 079 101	3 418 635
Actuarial gains / (losses) not recognised	-	-
Total Benefit Liability	4 079 101	3 418 635
	0,00	0,00
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	767 667	731 117
Interest cost	236 297	247 307
Actuarial losses / (gains)	208 487	9 983
Losses / (Gains) arising from cutailments or settlements	-	-
Total Post-retirement Benefit included in Employee Related Costs (Note 27)	1 212 451	988 407

The history of experienced adjustments is as follows:

	2012	2011	2010	2009	2008
	R	R	R	R	R
Present Value of Defined Benefit Obligation	4 079 101	3 418 635	3 047 169	3 164 453	2 901 368
Deficit	4 079 101	3 418 635	3 047 169	3 164 453	2 901 368
Experienced adjustments on Plan Liabilities	(46 677)	(319 096)	(124 535)	-	-

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.

2012	2011
R	R

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

Increase:		
Effect on the aggregate of the current service cost and the interest cost	57 175	44 471
Effect on the defined benefit obligation	223 899	171 203
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(51 834)	(40 654)
Effect on the defined benefit obligation	(205 101)	(157 288)

The municipality expects to make a contribution of R1 219 827 (2011: R1 003 964) to the defined benefit plans during the next financial year.

20. ACCUMULATED SURPLUS

Total Accumulated Surplus	3 001 658 658	2 756 122 344
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Accumulated Surplus has been restated for various reasons indicated in Note 38. Refer to Notes 38.1 to 38.6 on "Correction of Error" for details of the restatements.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.



21. GOVERNMENT GRANTS AND SUBSIDIES

	2012 R	2011 R
National Equitable Share	325 908 000	281 529 848
Provincial Health Subsidies	-	6 759 080
Provincial Road Subsidies	25 411 152	22 568 007
Other Subsidies	24 441 097	21 284 620
Operational Grants	375 760 250	332 141 555
Conditional Grants	423 758 061	298 087 753
National: FMG	1 510 820	1 778 118
National: MIG	283 418 342	200 310 108
National: MSIG	1 338 434	1 354 825
National: DWAF	104 330 093	65 110 538
National: Public Works Grant	13 229 045	65 992
National: Sport and Development	2 853 564	8 455 298
Provincial: Treasury Grant	80 351	79 545
Provincial: Agriculture Grant	12 745 967	11 336 782
Provincial: DHLGTA Grant	3 388 797	4 522 831
Provincial: Transport Grant	862 647	4 582 153
Other Spheres of Government: Various Grants	-	491 563
Total Government Grants and Subsidies	799 518 311	630 229 307
Attributable to:		
Continuing Operations	799 518 311	623 470 227
Discontinued Operations	-	6 759 080
	799 518 311	630 229 307

Government Grants and Subsidies have been restated to correctly disclose the revenue realised, previously not accrued for. Refer to Note 38.4 on "Correction of Error" for details of the restatement.

Operational Grants:

21.1 National: Equitable Share	325 908 000	281 529 848
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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.



21.2 Provincial: Health Subsidies

	2012 R	2011 R
Balance unspent at beginning of year	-	-
Current year receipts - included in Public Health vote	-	6 759 080
Conditions met - transferred to Revenue	-	(6 759 080)
Conditions still to be met - transferred to Current Assets (see Note 5)	-	-

This grant has been used to fund primary and environmental health care services. Primary health care services are in a process of being transferred to Provincial Government. This grant will then fall away. No funds have been withheld.

Conditional Grants:

21.3 National: FMG Grant

Balance unspent at beginning of year	301 991	7 058 624
Current year receipts	1 250 000	1 250 000
Conditions met - transferred to Revenue: Operating Expenses	(1 510 820)	(467 408)
Conditions met - transferred to Revenue: Capital Expenses	-	(1 310 710)
Other Transfers	-	(6 228 515)
Conditions still to be met - transferred to Liabilities (see Note 15)	41 171	301 991

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.

21.4 National: MIG Funds

Balance unspent at beginning of year	0	26 228 093
Current year receipts	284 604 000	205 702 000
Conditions met - transferred to Revenue: Operating Expenses	(3 000 000)	-
Conditions met - transferred to Revenue: Capital Expenses	(280 418 342)	(200 310 108)
Other Transfers	-	(31 619 984)
Conditions still to be met - transferred to Liabilities (see Note 15)	1 185 658	0

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.



21.5 National: MSIG Funds

	2012 R	2011 R
Balance unspent at beginning of year	551 569	1 156 395
Current year receipts	790 000	750 000
Conditions met - transferred to Revenue: Operating Expenses	(1 338 434)	-
Conditions met - transferred to Revenue: Capital Expenses	-	(1 354 825)
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	3 135	551 569

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.

21.6 National - Department Water Affairs and Forestry (DWAF)

Balance unspent at beginning of year	31 907 970	19 195 692
Current year receipts	107 057 103	77 822 816
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(104 330 093)	(65 110 538)
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	34 634 979	31 907 970

This grant is a Schedule 7 Grant transferred to the municipality to address the backlog on Bulk Water Supply and it was accordingly appropriated. No funds have been withheld.

21.7 National - Department Rural Development and Land Reform

Balance unspent at beginning of year	402 614	402 614
Current year receipts	-	-
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 15)	402 614	402 614

This grant was used to promote rural development and land reform. No funds have been transferred to the municipality.



21.8 National - Department Public Works

	2012 R	2011 R
Balance unspent at beginning of year	7 066 971	6 032 964
Current year receipts	10 049 000	1 100 000
Conditions met - transferred to Revenue: Operating Expenses	(13 229 045)	-
Conditions met - transferred to Revenue: Capital Expenses	-	(65 992)
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	3 886 927	7 066 971

This grant was utilised for the maintenance of roads in the jurisdiction area of the municipality. No funds have been withheld.

21.9 National: Sport and Development

Balance unspent at beginning of year	13 400 392	15 850 781
Current year receipts	5 987 000	6 004 909
Conditions met - transferred to Revenue: Operating Expenses	(2 853 564)	-
Conditions met - transferred to Revenue: Capital Expenses	-	(8 455 298)
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	16 533 827	13 400 392

This grant was received for the building and maintenance of libraries in the district. No funds have been withheld.

21.10 Provincial: Office of the Premier

Balance unspent at beginning of year	21 569	21 569
Current year receipts	-	-
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 15)	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.

21.11 Provincial: Treasury

	2012 R	2011 R
Balance unspent at beginning of year	1 687 316	158 962
Current year receipts	-	1 607 898
Conditions met - transferred to Revenue: Operating Expenses	(80 351)	-
Conditions met - transferred to Revenue: Capital Expenses	-	(79 545)
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	1 606 965	1 687 316

This grant was received to support the municipality in the improvement of its financial administration. No funds have been withheld.

21.12 Provincial: Department Agriculture

Balance unspent at beginning of year	24 440 824	11 336 894
Current year receipts	-	24 440 711
Conditions met - transferred to Revenue: Operating Expenses	(12 745 967)	-
Conditions met - transferred to Revenue: Capital Expenses	-	(11 336 782)
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	11 694 857	24 440 824

This grant was allocated for the soil conservation in different areas within the district. No funds have been withheld.

21.13 Provincial: Department Economic Affairs and Trade (DEAT)

Balance unspent at beginning of year	500 000	-
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	500 000
Conditions still to be met - transferred to Liabilities (see Note 15)	500 000	500 000

This grant was received to assist in local economic development and the promotion of tourism. No funds have been withheld.

21.14 Provincial: Department Housing, Local Government and Traditional Affairs (DHLGTA)

	2012 R	2011 R
Balance unspent at beginning of year	9 895 907	12 992 457
Current year receipts	1 241 825	1 426 280
Conditions met - transferred to Revenue: Operating Expenses	(3 388 797)	-
Conditions met - transferred to Revenue: Capital Expenses	-	(4 522 831)
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	7 748 935	9 895 907

0.00- 0.00-

This grant was allocated for the funding of various projects e.g. LED Strategy, IDP, PMS, PIMS, etc to assist in the improvement of the performance of the municipality. No funds have been withheld.

21.15 Provincial - Department Economic Affairs

Balance unspent at beginning of year	10 924 136	9 110 136
Current year receipts	-	1 814 000
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 15)	10 924 136	10 924 136

This grant was received to assist in local economic development. No funds have been withheld.

21.16 Provincial - Department Transport

Balance unspent at beginning of year	5 627 040	10 209 192
Current year receipts	1 688 000	-
Conditions met - transferred to Revenue: Operating Expenses	(862 647)	-
Conditions met - transferred to Revenue: Capital Expenses	-	(4 582 153)
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	6 452 392	5 627 040



The Transport Grant was allocated for the maintenance of proclaimed roads in the jurisdiction area of the municipality. No funds have been withheld.

21.17 Other Spheres of Government

	2012 R	2011 R
Balance unspent at beginning of year	7 162 449	1 925 497
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	(491 563)
Other Transfers	-	5 728 515
Conditions still to be met - transferred to Liabilities (see Note 15)	7 162 449	7 162 449

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.

21.18 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 6 of 2012), government grant funding is expected to increase over the forthcoming three financial years.

22. PUBLIC CONTRIBUTIONS AND DONATIONS

Other Donations	1 500 000	-
Total Public Contributions and Donations	1 500 000	-

Public Contributions and Donations have been restated to correctly disclose the revenue received, previously erroneously accrued for. Refer to Note 38.4 on "Correction of Error" for details of the restatement.

The amount disclosed above for revenue from Public Contributions and Donations is in respect of a Water Tanker donated to the municipality by the Department of Water Affairs (DWA).



23. SERVICE CHARGES

	2012 R	2011 R
Availability Charges	-	5 409 000
Sewerage and Water Charges	-	41 912 536
Water Charges	-	52 794 932
Total Service Charges	-	100 116 468
Attributable to:		
Continuing Operations		
Discontinued Operations	-	100 116 468

Service Charges have been restated to correctly disclose the revenue received in terms of Reconciliations performed of the transactions from Local Municipalities. Refer to Note 38.4 on "Correction of Error" for details of the restatement.

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

24. RENTAL OF FACILITIES AND EQUIPMENT

Rental Revenue from Buildings	35 228	145 028
Rental Revenue from Equipment	61 964	-
Total Rental of Facilities and Equipment	97 192	145 028

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

25. INTEREST EARNED

External Investments:

	2012 R	2011 R
Bank Account	15 528 146	18 808 272
Investments	4 021 896	9 134 133
Other Interest	51 007	66 810
	19 601 048	28 009 215
Outstanding Debtors:		
Outstanding Billing Debtors	-	14 566 195
	-	14 566 195
Total Interest Earned	19 601 048	42 575 409
Attributable to:		
Continuing Operations	19 601 048	28 009 215
Discontinued Operations	-	14 566 195
	19 601 048	42 575 409

Interest Earned has been restated to correctly disclose the revenue received, previously allocated to Unspent Conditional Grants. Refer to Note 38.5 on "Correction of Error" for details of the restatement.

Interest Earned on Financial Assets, analysed by category of asset, is as follows:

Available-for-Sale Financial Assets	15 579 153	18 875 082
Held-to-Maturity Investments	4 021 896	9 134 133
Loans and Receivables	-	14 566 195
	19 601 048	42 575 409

26. OTHER REVENUE

	2012 R	2011 R
Commission on Collections	87 232	-
Private Telephone Calls	20 506	-
Tender Documents	352 000	595 946
Other Income	55 091 523	29 449 532
Total Other Income	55 551 261	30 045 478
Attributable to:	55 551 261	29 620 462
Continuing Operations	-	425 016
Discontinued Operations	55 551 261	30 045 478

Other Revenue has been restated to correctly disclose the revenue received for VAT on Project Expenditure, previously allocated to Unspent Conditional Grants. Refer to Note 38.5 on “Correction of Error” for details of the restatement.

Other Income includes an amount of R54 980 209 (2011: R28 791 433) in respect of VAT claimed on Grant Expenditure incurred, regarded as “own revenue”.

The amounts disclosed above for Other Income are in respect of services, other than described in Notes 23 to 24, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

27. EMPLOYEE RELATED COSTS

	2012 R	2011 R
Employee Related Costs - Salaries and Wages	75 336 302	106 465 516
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	14 899 813	17 099 727
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	11 781 477	10 765 826
Housing Benefits and Allowances	992 570	1 028 825
Overtime Payments	998 068	2 898 430
Performance Bonuses	-	41 324
Defined Benefit Plan Expense:	6 310 746	1 156 070
Current Service Cost	1 750 196	1 783 861
Interest Cost	2 098 279	2 270 562
Net Actuarial (gains)/losses recognised	2 462 271	(2 898 354)
Vested Past Service Cost	-	-
Total Employee Related Costs	110 318 975	139 455 717
Attributable to:		
Continuing Operations	110 318 975	67 334 105
Discontinued Operations	-	72 121 612
	110 318 975	139 455 717

Employee Related Costs have been restated to correctly disclose the expenditure incurred on behalf of Health Services, previously expensed. Refer to Note 38.5 on "Correction of Error" for details of the restatement.

Furthermore, Employee Related Costs have been restated to correctly disclose the expenditure for the municipality, previously not accrued for. Refer to Note 38.5 on "Correction of Error" for details of the restatement.

No advances were made to employees. Loans to employees are set out in Note 12.

Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager

	2012	2011
	R	R
Annual Remuneration	362 988	530 599
Acting Allowance	47 956	-
Performance Bonus	-	-
Car and Other Allowances	149 669	204 201
Contributions to UIF, Medical and Pension Funds	73 383	153 209
Total	633 996	888 008

The Municipal Manager resigned on 29 January 2012. An Acting Allowance was paid for the period 30 January 2012 to 30 June 2012.

Remuneration of the Director: Finance

Annual Remuneration	573 156	493 541
Acting Allowance	47 577	71 256
Performance Bonus	-	-
Car and Other Allowances	260 473	202 817
Contributions to UIF, Medical and Pension Funds	120 954	130 129
Total	1 002 161	897 744

The Director was suspended as from 25 April 2012. An Acting Allowance was paid for the period 26 April 2012 to 30 June 2012.

Remuneration of the Director: Corporate Services

Annual Remuneration	577 534	493 541
Acting Allowance	12 070	8 873
Performance Bonus	-	-
Car and Other Allowances	265 744	202 817
Contributions to UIF, Medical and Pension Funds	123 992	130 129
Total	979 339	835 360



The Acting Allowance was paid for the period that the Director was on annual leave.

	2012	2011
	R	R
Remuneration of the Director: Health Services		
Annual Remuneration	327 185	407 700
Acting Allowance	67 160	138 514
Performance Bonus	-	-
Car and Other Allowances	166 631	163 162
Contributions to UIF, Medical and Pension Funds	67 957	102 541
Total	628 932	811 917

The Director resigned with effect 7 January 2011. The position was filled as from 1 December 2011. An Acting Allowance was paid for the period 1 July 2011 to 30 November 2011.

Remuneration of the Director: Integrated Planning and Development

Annual Remuneration	570 394	493 541
Acting Allowance	137 167	-
Performance Bonus	-	-
Car and Other Allowances	286 601	202 817
Contributions to UIF, Medical and Pension Funds	96 802	130 129
Total	1 090 963	826 487

The Director assumed the acting position for Municipal Manager for the period 30 January 2012 to 30 June 2012. An Acting Allowance was paid for the same period to the person acting for the Director.

Remuneration of the Manager: Strategic Services

Annual Remuneration	370 814	-
Acting Allowance	-	-
Performance Bonus	-	-
Car and Other Allowances	198 239	-
Contributions to UIF, Medical and Pension Funds	66 017	-
Total	635 071	-

The post was vacant as from 01 February 2008 to 31 October 2011. No official was acting in the position for the period of vacancy.



Remuneration of the Director: Technical Services

	2012	2011
	R	R
Annual Remuneration	577 809	493 541
Acting Allowance	-	-
Performance Bonus	-	41 324
Car and Other Allowances	251 963	202 817
Contributions to UIF, Medical and Pension Funds	128 122	130 129
Total	957 894	867 811

The following compensation was payable to key management personnel in terms of IAS 19 as at 30 June:

Staff Leave Benefits:-

Chief Financial Officer	40 064	14 578
Director: Corporate Services	148 550	-
Director: Health Services	17 981	34 405
Director: Integrated Planning and Development	77 955	-
Director: Strategic Services	22 349	-
Director: Technical Services	69 951	14 578
Total	376 851	63 562

28. REMUNERATION OF COUNCILLORS

Executive Mayor	416 507	442 109
Speaker	306 172	353 687
Chief Whip	302 431	28 364
Mayoral Committee Members	1 813 038	2 011 866
Councillors	1 762 182	1 391 574
Company Contributions to UIF, Medical and Pension Funds	1 054 510	887 946
Sundry Allowances (Cellular Phones, etc)	1 782 373	1 539 704
Total Councillors' Remuneration	7 437 213	6 655 249

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.

29. DEPRECIATION AND AMORTISATION

	2012 R	2011 R
Depreciation: Property, Plant and Equipment	88 524 051	88 588 981
Amortisation: Intangible Assets	263 877	477 121
Depreciation: Investment Property	-	-
Total Depreciation and Amortisation	88 787 929	89 066 102

Depreciation and Amortisation have been restated to correctly disclose the expenditure incurred for the municipality according to the Asset Register, previously erroneously transferred.. Refer to Note 38.5 on “Correction of error” for details of the restatement.

30. IMPAIRMENT LOSSES

30.1 Impairment Losses on Fixed Assets

Impairment Losses Recognised:	-	202 757
Property, Plant and Equipment	-	202 757
Intangible Assets	-	-
Investment Property	-	-
 Impairment Losses Reversed:	 -	 -
Property, Plant and Equipment	-	-
Intangible Assets	-	-
Investment Property	-	-
	-	202 757



30.2 Impairment Losses on Financial Assets

	2012 R	2011 R
Impairment Losses Recognised:	471 591	75 286 012
Consumer Debtors	-	-
Other Debtors	471 591	75 286 012
Impairment Losses Reversed:	(9 518 196)	-
Consumer Debtors	-	-
Other Debtors	(9 518 196)	-
	(9 046 605)	75 286 012
Total Impairment Losses	(9 046 605)	75 488 769
Attributable to:		
Continuing Operations	(9 046 605)	3 322 954
Discontinued Operations	-	72 165 814
	(9 046 605)	75 488 769

Impairment Losses have been restated to correctly disclose the expenditure incurred for the municipality according to the Reconciliations for Service Debtors, previously over-provided for. Refer to Note 38.5 on "Correction of Error" for details of the restatement.

31. FINANCE COSTS

Loans and Payables at amortised cost	305 818	359 079
Bank Overdrafts	6 266	-
Other Interest Paid	72 563	134 374
Time Value for Money		3 576 641
Total Interest Paid on External Borrowings	384 647	4 070 095
	0,27	0,00-
Attributable to:		
Continuing Operations	384 647	395 158
Discontinued Operations	-	3 674 937
	384 647	4 070 095

Finance Costs have been restated to correctly disclose the expenditure incurred on behalf of Health Services, previously expensed. Refer to Note 38.5 on "Correction of Error" for details of the restatement.



The weighted average capitalisation rate on funds borrowed generally is 5,51% per annum (2011: 5,42% per annum).

32. BULK PURCHASES

	2012 R	2011 R
Water	6 678 620	14 515 087
Time Value for Money	-	(290 928)
Total Bulk Purchases	6 678 620	14 228 344
Attributable to:		
Continuing Operations	6 678 620	-
Discontinued Operations	-	14 228 344
	6 678 620	14 228 344

Bulk Purchases have been restated to correctly disclose the expenditure incurred for the municipality, previously not accrued for. Refer to Note 38.5 on "Correction of Error" for details of the restatement.

Furthermore, Bulk Purchases have been restated to correctly correctly disclose the expenditure incurred by DWA on behalf of the municipality, previously not accrued for. Refer to Note 38.5 on "Correction of Error" for details of the restatement.

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Water is mainly purchased from DWAF.

33. CONTRACTED SERVICES

Consultants' Fees	-	591 205
Professional Fees	-	1 589 721
Security Services	528 894	652 571
Other Contracted Services	-	38 631 971
Time Value for Money	-	(970 667)
Total Contracted Services	528 894	40 494 801
Attributable to:		
Continuing Operations	528 894	620 024
Discontinued Operations	-	39 874 777
	528 894	40 494 801



Contracted Services have been restated to correctly disclose the expenditure incurred for the municipality according to the Reconciliations for Service Creditors, previously not recognised. Refer to Note 38.5 on “Correction of Error” for details of the restatement.

34. GRANTS AND SUBSIDIES PAID

	2012	2011
	R	R
Community Projects	254 538 330	144 846 390
Local Municipalities - Providing of Services	137 181 083	975 927
Problem Animal Control	-	12 000
Other	20 358	3 275 858
Total Grants and Subsidies	391 739 771	149 110 175
Attributable to:		
Continuing Operations	391 739 771	144 920 560
Discontinued Operations	-	4 189 615
	391 739 771	149 110 175

Grants and Subsidies Paid have been restated to correctly disclose the expenditure incurred for the municipality, previously not accrued for. Refer to Note 38.5 on “Correction of Error” for details of the restatement.

Furthermore, Grants and Subsidies Paid have been restated to correctly disclose the expenditure incurred for Rural Roads, previously capitalised as Municipal Capital Assets. Refer to Note 38.5 on “Correction of Error” 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 control animals that are dangerous to livestock. 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.

35. GENERAL EXPENSES

Included in General Expenses are the following:

	2012 R	2011 R
Advertising	1 485 074	-
Approved Courses	497 052	-
Assessment Rates	402 735	-
Audit Fees	5 451 817	6 730 817
Cleaning and Cleansing Materials	399 385	-
Communication (Radio)	1 389 208	2 055 384
Computer Services	648 961	-
Conferences and Visits	603 233	-
Electricity	6 844 231	6 175 460
Entertainment	766 347	-
Fuel and Oil	769 857	6 645 485
Insurance	657 332	932 134
Job Evaluation	697 314	-
Legal Expenses	440 308	-
Operating Leases	1 018 742	1 036 729
Printing and Stationery	992 245	1 275 349
Public Events / Imbizos	788 121	1 275 603
Purchase of Samples	622 506	-
Refurbishment of Water Schemes	-	9 848 308
Relocation of Staff	494 892	-
Rental: External	1 312 984	7 323 002
Stores and Materials	-	1 897 444
Strategic Sessions	712 845	-
Subscriptions	885 036	872 169
Subsistence and Travelling	6 710 787	5 914 004
Telephones	2 014 268	2 189 539
Training Fund	746 511	1 181 326
Water	-	2 671 968
Other General Expenses	1 844 578	26 104 284
Inter-departmental Charges	(10 865 286)	(11 375 356)
Time Value for Money	-	(1 670 413)
Total General Expenses	28 331 082	71 083 236



	2012 R	2011 R
Attributable to:	28 331 082	16 011 260
Continuing Operations		55 071 976
Discontinued Operations		
	28 331 082	71 083 236

General Expenses have been restated to correctly disclose the expenditure incurred for the municipality according to the Reconciliations for Service Creditors, previously not recognised. Refer to Note 38.5 on “Correction of Error” for details of the restatement.

Furthermore, General Expenses have been restated to correctly disclose the expenditure incurred on behalf of Health Services, previously expensed. Refer to Note 38.5 on “Correction of Error” for details of the restatement.

Furthermore, General Expenses have been restated to correctly disclose the expenditure incurred for the municipality, previously not accrued for. Refer to Note 38.5 on “Correction of Error” for details of the restatement.

Furthermore, General Expenses have been restated to disclose the expenditure by the municipality for Petty Cash for services transferred to Health Services. Refer to Note 38.5 on “Correction of Error” 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 direct attributable to a specific service or class of expense.

35.1 Material Losses

	287 725	268 190
Theft	-	8 915
Vehicle Damages	287 725	259 275

36. DISCONTINUED OPERATIONS

36.1 Primary Health Services discontinued

The operations of the municipality relating to Primary Health Services, that includes functions such as Clinics and Prime Health Care, were discontinued during the year and transferred to the Provincial Administration Eastern Cape on 31 May 2011 as per agreement. All moveable assets related to the services have been transferred to the Provincial Health Administration during the current financial year. The discontinuation of the function of Primary Health Services by the municipality is consistent with the Health Act, which classifies the services as the responsibility of the Provincial Authority. The transfer of Health Services was completed on 31 May 2011 on which date control of the liabilities and services passed to the Provincial Administration Eastern Cape.

36.2 Sanitation and Water Services discontinued

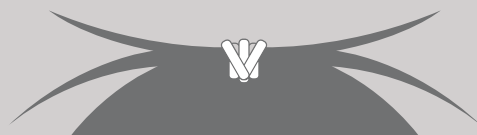
The operations of the municipality relating to Sanitation and Water Services were discontinued during the year and transferred to the Local Municipalities under the jurisdiction of the Chris Hani District Municipality on 30 June 2011 as per agreement. The discontinuation of the functions of Sanitation and Water Services by the municipality is consistent with the Service Level Agreements entered into with the Local Municipalities, which classifies the services as the responsibility of the Local Municipalities. The transfer of Sanitation and Water Services was completed on 30 June 2011.

36.3 Analysis of Surplus / (Deficit) for the year from Discontinued Primary Health

Services Operations

The results of the Discontinued Operations included in the Statement of Financial Performance are set out below. The comparative Surplus/(Deficit) and Cash Flows from Discontinued Operations have been represented to include those operations classified as discontinued in the current period.

	Health Services R	Sanitation Services R	Water Services R	Total R
30 June 2012				
REVENUE				
Total Income	-	-	-	-
LESS: EXPENDITURE				
Net Surplus/(Deficit) from Discontinued Operations	-	-	-	-
Cash Flows from Discontinued Operations				
	-	-	-	-
30 June 2011				
REVENUE				
Government Grants and Subsidies Received	6 759 080	98 520 999	(98 520 999)	6 759 080
Service Charges	-	42 086 647	58 029 821	100 116 468
Interest Earned - Outstanding Debtors	-	6 768 152	7 798 043	14 566 195
Other Income	-	101 257	323 759	425 016
Total Income	6 759 080	147 477 055	(32 369 376)	121 866 758
LESS: EXPENDITURE				
Employee Related Costs	-	7 161 662	64 959 950	72 121 612
Impairment Losses	-	5 758 404	66 407 410	72 165 814
Repairs and Maintenance	-	1 855 429	9 815 046	11 670 475
Finance Costs	-	55 823	3 619 114	3 674 937
Bulk Purchases	-	-	14 228 344	14 228 344



Contracted Services	-	8 603 268	31 271 509	39 874 777
Grants and Subsidies Paid	-	-	4 189 615	4 189 615
General Expenses	238 723	6 683 075	48 150 178	55 071 976

6 520 357	117 359 394	(275 010 543)	151 130 792
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Gain / (Loss) on remeasurement to Fair Value, less Costs to Sell	-	-	-	-
Gain / (Loss) on disposal of Operation	-	-	-	-

Net Surplus/(Deficit) from Discontinued Operations	6 520 357	117 359 394	(275 010 543)	(151 130 792)
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Cash Flows from Discontinued Operations				
Net Cash Flows from Operating Activities	6 520 357	111 600 990	(341 417 954)	(223 296 606)
Impairment	-	5 758 404	66 407 410	72 165 814

6 520 357	117 359 394	(275 010 543)	(151 130 792)
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37. CHANGE IN ACCOUNTING POLICY

The municipality adopted no Accounting Standards for the first time during the financial year 2011/12 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1.

38. CORRECTION OF ERROR

Corrections were made during the previous financial years. Details of the corrections are described below:

38.1 Reclassification of Accumulated Surplus

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.



The effect of the Changes and Corrections are as follows:

	2012 R	2011 R
		Accumulated Surplus
Balances published as at 30 June 2010		2 501 223 953
Correction of Error:-		
Reclassification of Creditors for Accruals - Note 38.2	46 514	
Reclassification of Unspent Grants for VAT - Note 38.2	55 423 572	
Reclassification of Unspent Grants for Interest - Note 38.2	2 014 690	57 484 776
Restated Balances as at 30 June 2010		2 558 708 729
Transactions incurred for the Year 2010/2011		177 516 421
Correction of Error:		
Reclassification of Transactions on Services - Notes 38.2 & .3	(13 329 742)	
Reclassification of Accruals - Note 38.2 & .3	(259 250)	
Reclassification of Donations - Note 38.2 & .3	(50 000)	
Reclassification of Interest to Unspent Grants - Note 38.2 & .3	2 828 551	
Reclassification of Interns' Salaries to Unspent Grants - Note 38.2 & .3	467 408	
Reclassification of VAT to Unspent Grants - Note 38.2 & .3	28 791 433	
Reclassification of Project Expenditure - Note 38.2 & .3	(1 025 506)	
Reclassification of Depreciation - Note 38.2 & .3	(95 590)	
Reclassification of Health Expenditure - Note 38.2 & .3	4 237 792	
Reclassification of DWA Expenditure - Note 38.2 & .3	(2 148 027)	
Reclassification of DWA Refund - Note 38.2 & .3	(710 671)	
Reclassification of Petty Cash - Note 38.2 & .3	(2 340)	
Reclassification of Transactions - Note 38.5	1 193 136	19 897 194
Restated Balances as at 30 June 2011		2 756 122 344

38.2 Reclassification of Current Liabilities and Property, Plant & Equipment

Creditors:

The **opening balances** for Creditors have been restated to correctly disclose the creditors payable by the municipality, previously erroneously accrued for.



The **prior year amounts** for Creditors have been restated to correctly disclose the creditors payable by the municipality in terms of Reconciliations performed of the transactions from Local Municipalities.

Furthermore, **the prior year amounts** for Creditors have been restated to correctly disclose the creditors payable by the municipality, previously not accrued for.

Furthermore, **the prior year amounts** for Creditors have been restated to correctly disclose the creditors payable by the municipality, previously erroneously accruing for donations receivable.

Furthermore, **the prior year amounts** for Creditors have been restated to correctly disclose the creditors payable by the municipality, previously not accruing for moneys to be refunded to DWA and allocated to income.

Unspent Conditional Grants:

The **opening balances** for Unspent Conditional Grants have been restated to correctly disclose the VAT claimed on Project Expenditure, previously allocated to Unspent Conditional Grants.

Furthermore, the **opening balances** for Unspent Conditional Grants have been restated to correctly disclose Interest calculated on Unspent Balances, previously allocated to Unspent Conditional Grants.

The **prior year amounts** for Unspent Conditional Grants have been restated to correctly disclose the VAT claimed on Project Expenditure, previously allocated to Unspent Conditional Grants.

Furthermore, **the prior year amounts** for Unspent Conditional Grants have been restated to correctly disclose the liability of the municipality, interest on invested funds previously being allocated to Unspent Conditional Grants.

Furthermore, **the prior year amounts** for Unspent Conditional Grants have been restated to correctly disclose the salaries paid to Interns, previously being allocated to Unspent Conditional Grants.

Property, Plant and Equipment:

The prior year amounts for Property, Plant and Equipment have been restated to correctly disclose the expenditure incurred for Rural Roads, previously capitalised as Municipal Capital Assets.

Furthermore, the prior year amounts for Property, Plant and Equipment have been restated to correctly disclose the expenditure incurred for the municipality according to the Asset Register, previously erroneously transferred.



The effect of the Correction of Error is as follows:

		2012 R	2011 R
	Creditors	Unspent Grants	PPE
Balances published as at 30 June 2010	(97 379 267)	(179 118 131)	2 439 055 381
Reclassification of Accruals	46 514	-	-
Reclassification of VAT allocated to Unspent Grants	-	55 423 572	-
Reclassification of Interest allocated to Unspent Grants	-	2 014 690	-
Restated Balances as at 30 June 2010	(97 332 753)	(121 679 870)	2 439 055 381
Transactions incurred for the Year 2010/2011	1 258 853	(24 298 270)	136 971 918
Reclassification of Transactions on Services from Local Municipalities	(17 909 113)	-	-
Reclassification of Accruals	(259 250)	-	-
Reclassification of Donations	(50 000)	-	-
Reclassification of DWA Refund	(710 671)	-	-
Reclassification of VAT allocated to Unspent Grants	-	28 791 433	-
Reclassification of Interest allocated to Unspent Grants	-	2 828 551	-
Reclassification of Interns' Salaries allocated to Unspent Grants	-	467 408	-
Reclassification of Project Expenditure	-	-	(1 025 506)
Reclassification of Depreciation	-	-	(95 590)
Restated Balances as at 30 June 2011	(115 002 934)	(113 890 747)	2 574 906 203

38.3 Reclassification of Current Assets
Consumer Debtors:

The **prior year amounts** for Consumer Debtors have been restated to correctly disclose the debtors held by the municipality in terms of Reconciliations performed of the transactions from Local Municipalities.

Other Debtors:



The **prior year amounts** for Other Debtors have been restated to correctly disclose the debtors held by the municipality in terms of Reconciliations performed of the transactions from Local Municipalities.

Furthermore, **the prior year amounts** for Other Debtors have been restated to correctly disclose the debtors held by the municipality in terms of expenditure incurred on behalf of Health Services.

Furthermore, **the prior year amounts** for Other Debtors have been restated to correctly disclose the debtors held by the municipality in terms of expenditure incurred by DWA on behalf of the municipality.

VAT Debtor:

The **prior year amount** for VAT Debtor has been restated to correctly disclose the debtor held by the municipality in terms of expenditure incurred on behalf of Health Services.

Bank and Cash Equivalents:

The prior year amounts for Bank and Cash Equivalents have been restated to correctly disclose the cash held by the municipality for Petty Cash for services transferred to Health Services.

The effect of the Correction of Error is as follows:

	Consumer Debtors	Other Debtors	VAT Debtor	Bank and Cash
Balances published as at 30 June 2010	-	14 540 188	14 375 418	342 084 802
Transactions incurred for the Year 2010/2011	-	15 550 389	3 024 910	41 108 251
Restated Balances as at 30 June 2010	-	30 090 577	17 400 329	383 193 053
Correction of Transactions on Services from Local Municipalities	2 745 296	1 834 075	-	-
Correction of Transactions on Health Services	-	4 831 083	(593 291)	-
Correction of Accruals	-	(2 148 027)	-	-
Adjustment to Petty Cash by Health Departments	-	-	-	(2 340)
Restated Balances as at 30 June 2011	2 745 296	34 607 708	16 807 038	383 190 713



38.4 Reclassification of Revenue

Government Grants and Subsidies Received:

The **prior year amounts** for Government Grants and Subsidies Received have been restated to correctly disclose the salaries paid to Interns, previously being allocated to Unspent Conditional Grants.

Furthermore, **the prior year amounts** for Government Grants and Subsidies Received have been restated to correctly accrue for creditors payable by the municipality, previously not accruing for moneys to be refunded to DWA and allocated to income.

Public Donations Received:

The **prior year amounts** for Public Donations Received have been restated to correctly disclose the revenue received, previously erroneously accrued for.

Service Charges:

The **prior year amounts** for Service Charges have been restated to correctly disclose the revenue received in terms of Reconciliations performed of the transactions from Local Municipalities.

Interest on Investments:

The **prior year amounts** for Interest on Investments have been restated to correctly disclose the revenue received, previously allocated to Unspent Conditional Grants.

Other Income:

The **prior year amounts** for Other Income have been restated to correctly disclose the revenue received for VAT on Project Expenditure, previously allocated to Unspent Conditional Grants.

The effect of the Correction of Error is as follows:

	2012 R	2011 R	
	Government Grants	Public Donations	
Balances as per AFS previously published for 30 June 2011	630 472 570	50 000	
Reclassification of Income	467 408	-	
Reclassification of DWA Refund	(710 671)	-	
Reclassification of Donations	-	(50 000)	
Balances as at 30 June 2010 per AFS published for 30 June 2012	630 229 307	-	
	Service Charges	Interest Investments	Other Income
Balances as per AFS previously published for 2011/2012	112 756 108	25 180 664	1 254 045
Reclassification of Transactions on Services from Local Municipalities	(12 639 640)	-	-
Reclassification of Interest allocated to Unspent Grants	-	2 828 551	-
Reclassification of VAT allocated to Unspent Grants	-	-	28 791 433
Balances as at 30 June 2010 per AFS published for 2012/2013	100 116 468	28 009 215	30 045 478

38.5 Reclassification of Expenditure**Employee Related Costs:**

The **prior year amounts** for Employee Related Costs have been restated to correctly disclose the expenditure incurred on behalf of Health Services, previously expensed.

Furthermore, the **prior year amounts** for Employee Related Costs have been restated to correctly disclose the expenditure for the municipality, previously not accrued for.

2012	2011
R	R

Depreciation and Amortisation:

The **prior year amounts** for Depreciation and Amortisation have been restated to correctly disclose the expenditure incurred for the municipality according to the Asset Register, previously erroneously transferred.

Provision for Bad Debts:

The **prior year amounts** for Provision for Bad Debts have been restated to correctly disclose the expenditure incurred for the municipality according to the Reconciliations for Service Debtors, previously over-provided for.

Repairs and Maintenance:

The **prior year amounts** for Repairs and Maintenance have been restated to correctly disclose the expenditure incurred for the municipality according to the Reconciliations for Service Creditors, previously not recognised.

Furthermore, **the prior year amounts** for Repairs and Maintenance have been restated to correctly disclose the expenditure incurred on behalf of Health Services, previously expensed.

Interest Paid:

The **prior year amounts** for Interest Paid have been restated to correctly disclose the expenditure incurred on behalf of Health Services, previously expensed.

Bulk Purchases:

The **prior year amounts** for Bulk Purchases have been restated to correctly disclose the expenditure incurred for the municipality, previously not accrued for.

Furthermore, **the prior year amounts** for Bulk Purchases have been restated to correctly disclose the expenditure incurred by DWA on behalf of the municipality, previously not accrued for.

Contracted Services:

The **prior year amounts** for Contracted Services have been restated to correctly disclose the expenditure incurred for the municipality according to the Reconciliations for Service Creditors, previously not recognised.

Grants and Subsidies Paid:

The **prior year amounts** for Grants and Subsidies Paid have been restated to correctly disclose the expenditure incurred for the municipality, previously not accrued for.

Furthermore, **the prior year amounts** for Grants and Subsidies Paid have been restated to correctly disclose the expenditure incurred for Rural Roads, previously capitalised as Municipal Capital Assets.



2012
R

2011
R

General Expenses:

The **prior year amounts** for General Expenses have been restated to correctly disclose the expenditure incurred for the municipality according to the Reconciliations for Service Creditors, previously not recognised.

Furthermore, **the prior year amounts** for General Expenses have been restated to correctly disclose the expenditure incurred on behalf of Health Services, previously expensed.

Furthermore, **the prior year amounts** for General Expenses have been restated to correctly disclose the expenditure incurred for the municipality, previously not accrued for.

Furthermore, **the prior year amounts** for General Expenses have been restated to correctly disclose the expenditure by the municipality for Petty Cash for services transferred to Health Services.

The effect of the Correction of Error is as follows:

	Employee Costs	Depreciations & Amortisation	Provision for Bad Debts
Balances as per AFS previously published for 30 June 2011	142 940 773	88 970 512	78 234 064
Reclassification of Transactions on Services from Local Municipalities	-	-	(2 745 296)
Reclassification of Transactions on Health Services	(3 484 765)	-	-
Reclassification of Accruals	(290)	-	-
Reclassification of Depreciation	-	95 590	-
Balances as at 30 June 2010 per AFS published for 30 June 2012	139 455 717	89 066 102	75 488 769



		2012	2011
		R	R
	Repairs & Maintenance	Interest Paid	Bulk Purchases
Balances as per AFS previously published for 30 June 2011	11 836 579	4 083 864	12 076 133
Reclassification of Transactions on Services from Local Municipalities	1 049 361	-	-
Reclassification of Transactions on Health Services	(45 206)	(13 769)	-
Reclassification of Accruals	-	-	4 184
Reclassification of DWA Expenditure	-	-	2 148 027
Balances as at 30 June 2010 per AFS published for 30 June 2012	12 840 735	4 070 095	14 228 344
	Contracted Services	Grants Paid	General Expenses
Balances as per AFS previously published for 30 June 2011	40 291 480	148 084 275	69 337 270
Reclassification of Transactions on Services from Local Municipalities	203 321	-	2 182 715
Reclassification of Transactions on Health Services	-	-	(694 052)
Reclassification of Accruals	-	394	254 962
Reclassification of Project Expenditure	-	1 025 506	-
Reclassification of Petty Cash	-	-	2 340
Balances as at 30 June 2010 per AFS published for 30 June 2012	40 494 801	149 110 175	71 083 236

38.6 Reclassification of Accumulated Surplus:

	2012	2011
	R	R

Corrections were made and appropriated to the Accumulated Surplus Account during the financial years ended 30 June.

Details of the appropriations are as follows:

Unappropriated Surplus Account:

Corrections to Creditors	-	(4 581)
Corrections to Debtors	-	404 991
Corrections to VAT Receivable	-	754 955
Corrections to Expenditure	-	37 771

Increase / (Decrease) in Accumulated Surplus Account

-	1 193 136
---	-----------

The Assets, Liabilities, Revenue and Expenditure of the municipality have been adjusted as indicated above to correct transactions that occurred in previous financial years. Due to the nature of the transactions and the volumes thereof, opening balances have not been restated and the transactions were posted prospectively.

39. CHANGE IN ACCOUNTING ESTIMATES

The municipality did not receive any new information or notice of new developments during the financial year that need to be disclosed in terms of Grap 3.

40. CASH GENERATED BY OPERATIONS

	2012 R	2011 R
Surplus / (Deficit) for the Year	248 823 463	196 220 479
Adjustment for:		
Correction of prior year Error	-	1 193 136
Depreciation and Amortisation	88 787 929	89 066 102
Impairment Losses on Property, Plant and Equipment	-	202 757
Loss on Disposal of Property, Plant and Equipment	40 217	4 393 204
Property, Plant and Equipment transferred to Non-current Assets Held-for-Sale	-	398 217
Contribution to Retirement Benefit Liabilities	5 098 295	167 663
Expenditure incurred from Retirement Benefit Liabilities	(696 048)	(673 944)
Contribution to Provisions - Current	279 754	193 322
Contribution to Provisions - Non-current	1 212 451	988 407
Expenditure incurred from Provisions - Current	(551 985)	(658 265)
Contribution to Impairment Provision	(252 305 526)	2 911 132
Bad Debts Written-off	(6 275 183)	(25 617 356)
Investment Income	(19 601 048)	(28 009 215)
Finance Costs	384 647	4 070 095
Operating surplus before working capital changes	65 196 965	244 845 733
Decrease/(Increase) in Inventories	3 403 402	(4 190 474)
Decrease/(Increase) in Non-Current Assets Held-for-Sale	398 217	(398 217)
Decrease/(Increase) in Trade Receivables from Exchange Transactions	196 654 073	56 332 110
Decrease/(Increase) in Trade Receivables from Non-exchange Transactions	(9 536 963)	(56 438 702)
Decrease/(Increase) in VAT Receivable	371 029	(2 431 620)
Increase/(Decrease) in Creditors	(85 431 753)	17 670 181
Increase/(Decrease) in Conditional Grants and Receipts	(11 091 134)	(7 789 122)
Increase/(Decrease) in Operating Lease Liabilities	35 534	24 573
Cash generated by / (utilised in) Operations	159 999 371	247 624 463

41. NON-CASH INVESTING AND FINANCING TRANSACTIONS

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2011/12 financial year.

42. FINANCING FACILITIES

	2012 R	2011 R
Unsecured Fleet Card Facility, reviewed annually and payable monthly:		
- Amount used	804 490	281 036
- Amount unused	395 510	918 964
	1 200 000	1 200 000

43. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 17)	5 553 707	6 628 389
Used to finance Community Projects (Bucket eradication)	(5 553 707)	(6 628 389)
Sub-total	-	-
Cash set aside for the Repayment of Long-term Liabilities (See Notes 13 and 17)	-	-
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.

44. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**44.1 Unauthorised Expenditure**

Reconciliation of Unauthorised Expenditure:		
Opening balance	152 538 079	123 645 198
Unauthorised Expenditure current year	56 396 625	152 538 079
Approved by Council or condoned	-	(123 645 198)
To be recovered – contingent asset (see Note 51)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Unauthorised Expenditure awaiting authorisation	208 934 704	152 538 079



2012 **2011**
R **R**

Incident	Disciplinary Steps / Criminal Proceedings
Expenditure incurred without order/appointment letter:-	Report to be submitted to Council for condonation.
- Facilitate Mayoral Cup - R0 (2011: R663 719)	
Budgeted amounts exceeded:-	Report to be submitted to Council for condonation.
- Municipal Manager - R1 839 305 (2011: R0)	
- Technical Services - R54 557 320 (2011: R151 874 361)	

44.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	409 265	161 504
Fruitless and Wasteful Expenditure current year	257 998	247 761
Condoned or written off by Council	-	-
To be recovered – contingent asset (see Note 51)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Fruitless and Wasteful Expenditure awaiting condonement	667 263	409 265

Incident	Disciplinary Steps / Criminal Proceedings
Accommodation costs - R3 353 (2011: R0)	Report to be submitted to Council for condonation.
Advertising costs - R182 082 (2011: R79 517)	Report to be submitted to Council for condonation.
Catering expenses - R0 (2011: R4 200)	Report to be submitted to Council for condonation.
Hiring of venue - R0 (2011: R15 900)	Report to be submitted to Council for condonation.
Interest on late payments - R72 563 (2011: R148 144)	Report to be submitted to Council for condonation.



44.3 Irregular Expenditure

	2012 R	2011 R
Reconciliation of Irregular Expenditure:		
Opening balance	147 316 696	1 771 329
Irregular Expenditure current year	1 208 483	145 545 367
Condoned or written off by Council	(322 060)	-
To be recovered – contingent asset (see Note 51)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Irregular Expenditure awaiting condonement	148 203 119	147 316 696

Incident	Disciplinary Steps / Criminal Proceedings
Expenditure incurred without order/appointment letter:-	Report to be submitted to Council for condonation.
- Training for PMS - R0 (2011: R114 912)	
- Farewell Function - R0 (2011: R4 872)	
Expenditure incurred:-	Report to be submitted to Council for condonation.
- Purchases of Furniture - R0 (2011: R34 999)	
- Non-council business - R0 (2011: R41 027)	
- Refurbishing non-council property - R0 (2011: R247 753)	
Expenditure contrary to SCM Processes as described in Note 45.7 - R1 208 483 (2011: R0)	Report to be submitted to Council for condonation.

45. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

45.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	824 355	775 824
Amount Paid - current year	(824 355)	(675 516)
Amount Paid - previous years	-	(100 308)
Balance Unpaid (included in Creditors)	-	-



45.2 Audit Fees

	2012 R	2011 R
Opening Balance	-	-
Current year Audit Fee	5 451 817	6 730 817
Amount Paid - current year	(5 451 817)	(6 730 817)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

45.3 VAT

VAT input payables and VAT output receivables are shown in Note 6. All VAT returns have been submitted by the due date throughout the year.

45.4 PAYE, Skills Development and UIF

Opening Balance	-	-
Current year Payroll Deductions	15 434 113	14 388 381
Amount Paid - current year	(15 434 113)	(14 388 381)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

45.5 Pension and Medical Aid Deductions

Opening Balance	-	5 475
Current year Payroll Deductions and Council Contributions	15 143 554	14 900 854
Amount Paid - current year	(15 143 554)	(14 900 854)
Amount Paid - previous years	-	(5 475)
Balance Unpaid (included in Creditors)	-	-

The balance represents Pension and Medical Aid contributions deducted from employees and councillors in the June 2011 payroll, as well as the municipality's contributions to these funds. These amounts were paid during July 2011.

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

No known matters existed at reporting date.



45.7 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
Municipal Manager	July 2011	Queens Casino	Hire venue for business people breakfast function	7 700,50
				Excluding VAT
	Venue ideal for meeting of this nature and councillors accommodated in the hotel			
Disaster Management	July 2011	Allenby Housing	Transportation of prefab structure	26 790,00
				Excluding VAT
	Only two quotations received from accredited service providers			
Integrated Planning & Economic Development	July 2011	Queens Casino	Hire venue for conference // Laptop and Printer/Facsimile	16 975,00
		Aloe Office & Business Equipment		27 529,02
				Excluding VAT
Venue ideal for conference of this nature // Only one responsive quotation received				
Municipal Health Services	July 2011	Classy Trade Investment (3)	Recycling facility // Rain water harvesting // Waste treatment	866 923,00
				Excluding VAT
	No SCM Process followed			
Municipal Manager	August 2011	Kamva Architects	Three Crowns architectural model to be presented in Kenia	9 690,00
				Excluding VAT
	Due to the short notice, a local company was requested to design and build the model			
Corporate Services	August 2011	Various occasions (6)	Various reasons, e.g. Conference, Job Descriptions, etc	453 427,00
				Excluding VAT
	6 Occasions during August 2011 for various reasons amounting to R453 427,00			
Disaster Management	August 2011	Bathandwa Trading & Project	Hiring of Gas Heaters	26 400,00
				Excluding VAT
	Evacuation of victims during sudden snow falls			
Systems Administration	August 2011	CCS IT Solutions	Maintenance & upgrading of Security System Server	29 600,00
				Excluding VAT
	Supplier and owner of the Security System installed			



Municipal Manager	September 2011	Indebe Yam iyaphalala	Catering for Youth Day in Matyantya	6 000,00
				Excluding VAT
No SCM Process followed				
Budget & Treasury Office	September 2011	University of Pretoria	MFMP Course	49 350,00
				Excluding VAT
Only institution that offers the course				
Communication Services	September 2011	Uhuru Communications	Full colour page advertorial //	26 220,00
		Vukani Community Radio	Advertise Fashion Show Event	6 037,00
				Excluding VAT
Media utilised to market the municipality // The only community radio station located within the boundaries of the district				
Corporate Services	September 2011	Pemberly Trading	A2 Posters & A4 Pamphlets for EAP // Microsoft Skills	20 950,00
		Stanford Computer & Business College		80 410,00
				Excluding VAT
Only two quotations received from accredited service providers //				
Disaster Management	September 2011	Queenstown Spar	Supper for evacuated victims of snow falls	5 740,70
				Excluding VAT
Evacuation of victims during sudden snow falls				
Environmental Health	September 2011	Notaka Trading Services	A4 White paper	8 724,00
				Excluding VAT
Only two quotations received from accredited service providers				
Department	Date	Successful Tenderer	Reason	Amount
Municipal Manager	October 2011	Various occasions (4)	Cleaning services // Dinner // Lunch packs // Catering	30 700,00
				Excluding VAT
Due to pressure of preparing for the event, sourcing of quotations could not be done in good time // No SCM Process followed				
Budget & Treasury Office	October 2011	Thuliyema Trading Enterprise	Office desks	5 600,00
				Excluding VAT
Only two quotations received from accredited service providers				
Communication Services	October 2011	Intsika Projects and Promotion	Vehicle PA System Kit	12 793,08
				Excluding VAT
Only one service provider responding on request for quotations				



Corporate Services	October 2011	Brian Singh Consulting	Organisational Structure, Job Evaluation, etc	451 695,00
				Excluding VAT
Only two quotations received from accredited service providers				
Engineering Services	October 2011	Thuliyema Trading Enterprise	Hewlett Packard CLR22 // Stationery	24 030,00
		Thuliyema Trading Enterprise		16 043,00
				Excluding VAT
Only one service provider responding on request for quotations // Only two quotations received from accredited service providers				
Integrated Planning & Economic Development	October 2011	Milani Furnitures	Executive Boardroom Table	50 500,00
				Excluding VAT
Extension of original quotation awarded to service provider				
Municipal Manager	November 2011	Alive 2 Green	Object Display Networking // Decoration of Hall	114 000,00
		Irhinirhono Trading		8 600,00
				Excluding VAT
Appointed as the sole vendor of all services // Due to pressure of preparing for the event sourcing quotations could not be done in good time				
Budget & Treasury Office	November 2011	Laya Construction	HP Pavillion Notebook // HP 8460P Laptop	14 499,95
		MS Computers		13 695,00
				Excluding VAT
Only one service provider responding on request for quotations // Only one service provider responding on request for quotations				
Communication Services	November 2011	Malnor (Pty) Ltd	Full colour cover page // Live broadcast of event	34 500,00
		Vukani Community Radio		22 653,00
				Excluding VAT
Media utilised to market the municipality // The only community radio station located within the boundaries of the district				
Corporate Services	November 2011	Mmalethabo Consulting	Full colour cover page // Live broadcast of event	395 600,00
		MNPNYU Construction		7 511,00
				Excluding VAT
Only one service provider responding on request for quotations // Only two quotations received from accredited service providers				
Engineering Services	November 2011	SAFCE Quality Services	Facilitation of workshop // Prime chemicals	80 500,00
		Improchem (Pty) Ltd t/a Oduku		101 700,00
				Excluding VAT
Only one service provider responding on request for quotations // Water crisis at Tsolwana Municipality				
Integrated Planning & Economic Development	November 2011	MNPNYU Construction	Stationery // Flooring prime exhibition deck	5 339,77
		Witch & Wizard Creative (Pty) Ltd		78 222,24
				Excluding VAT
Only one service provider responding on request for quotations // Contracted by South African Tourism for the 2012 Tourism Indaba				



Municipal Manager	December 2011	Various occasions (4)	Various reasons, e.g. Rugby Kit, Toilets, Containers, etc	16 065,76
				12 400,00
				Excluding VAT
4 Occasions during December 2011 for various reasons amounting to R28 465,76				
Corporate Services	December 2011	Resilient Servers Networks	Attend to e-mail not working	19 547,47
				Excluding VAT
The Service Provider of the network was procured to render the service				
Municipal Manager	January 2012	Lukhanji Community Radio	Advertisement	18 000,00
				Excluding VAT
The only local Radio Station in the district for the targeted audience				
Corporate Services	January 2012	2Kg Training	Training for operation and maintenance of control valves	123 895,20
				Excluding VAT
Only one service provider responding on request for quotations				
Department	Date	Successful Tenderer	Reason	Amount
Environmental Health	January 2012	Toshiba Laserfax	Nametags for delegates at conference	9 074,41
				Excluding VAT
Municipal Manager	February 2012	Jojo Zikhali General Trading	Design, print and install signage points across the district	70 000,00
				Excluding VAT
Budget & Treasury Office	February 2012	Lithotech Sales East London	3-Part Order Forms	12 825,00
				Excluding VAT
The only company with the specimen for these forms				
Corporate Services	February 2012	C and K Events	HP Pavillion Laptop // Service fire extinguishers & hoses	19 999,98
		Fire and General CC		5 194,00
				Excluding VAT
Only two service providers in the database				
Engineering Services	February 2012	Golden Rewards 946	Toner	8 463,00
				Excluding VAT
Only two quotations received from accredited service providers				
Environmental Health	February 2012	Agama Biogas	Quanti-tray // Tree starter-pack // Digester generator	37 050,00
		Danto Garden & Tours Creation		98 775,10
		Dehteq		Excluding VAT
Only two service providers in the database				



Mayor's Office	March 2012	Roydon Private Nature Reserve	Hiring of venue and meals for Mr Mbambisa's farewell	62 400,00
				Excluding VAT
Only venue that could accommodate 150 people				
Corporate Services	March 2012	Various occasions (5)	Various reasons, e.g. Training, Wellness event, etc	501 630,00
				Excluding VAT
5 Occasions during March 2012 for various reasons amounting to R501 090,00				
Environmental Health	March 2012	Ezona Trading Services	Renovations	35 000,00
				Excluding VAT
Integrated Planning & Economic Development	March 2012	Executive Insights	Development of socio-economic profile	178 200,00
				Excluding VAT
Workshop	March 2012	Le Doux Lubricants CC	Tection	5 939,57
				Excluding VAT
Only service provider for oil in Cradock				
Municipal Manager	April 2012	Vukani Community Radio	Talkshow	11 390,00
				Excluding VAT
The only community radio station located within the boundaries of the district				
Municipal Health Services	April 2012	University of Pretoria	Training // Heavy duty steel storage container	8 800,00
		Container Leasing Africa		56 715,00
				Excluding VAT
Only service provider that provides such training				
Municipal Manager	May 2012	SA Business Pages	Advertisement // Outside broadcast	9 507,60
		Vukani Community Radio (3)		69 275,00
				Excluding VAT
Media utilised to market the municipality // The only community radio station located within the boundaries of the district				
Budget & Treasury Office	May 2012	Barkly East Reporter	Stationery	8 764,32
				Excluding VAT
The only service provider the municipality has an account with				
Communication Services	May 2012	Vukani Community Radio	Outside broadcast	22 947,00
				Excluding VAT
The only community radio station located within the boundaries of the district				
Department	Date	Successful Tenderer	Reason	Amount
Corporate Services	May 2012	Di Valdi's Restaurant	Venue & catering for team building // Civil engineering services	9 700,00
		Hansen Land Surveyors		18 000,00
				Excluding VAT
The only venue having facilities needed for the event and can accommodate the number of people // Only one responsive quotation received				



Engineering Services	May 2012	Khanyakhwezi Trading Enterprise	Water supply backlog	10 715 320,14
				Excluding VAT
Municipal Manager				
Municipal Manager	June 2012	GRM Consulting	Audit Performance Information for Intsika Yethu LM	89 000,00
				Excluding VAT
Only one service provider responding on TOR				
Budget & Treasury Office	June 2012	Aurecon SA	Infrastructure // Movable Assets // Risk services	1 807 365,00
		Ducharme Consulting (Pty) Ltd		
		Alexander Forbes Risk Services		Excluding VAT
Extension of scope for Infrastructure Assets // Extension of scope for Movable Assets // Renewal of Financial Risk Services contract				
Corporate Services	June 2012	SITA obo Microsoft Enterprise	Microsoft licences	573 295,56
				Excluding VAT
SITA appointed at 5% of total costs of licences to facilitate the process for licences from Microsoft, sole provider of Microsoft products				
Engineering Services	June 2012	Lwazcon Earthworks & Plant Hire	Indwe Storm Water Drainage	3 218 093,18
				Excluding VAT
The highest points scorer poses high risk				

46. COMMITMENTS FOR EXPENDITURE

46.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure

Community

604 719 415 742 871 605

589 140 596 732 978 341

15 578 819 9 893 265

- Approved but Not Yet Contracted for:-

Infrastructure

Community

165 447 164 68 873 183

162 633 319 54 199 454

2 813 845 14 673 729

Total Capital Commitments

770 166 579 811 744 789

This expenditure will be financed from:

External Loans

Government Grants

- -

770 166 579 811 744 789

770 166 579 811 744 789

46.2 Lease Commitments

Non-cancellable Operating Lease Commitments are disclosed in Note 16.

46.3 Other Commitments

The municipality has entered into a contract with Amanz'Abantu Services during 2009/10 for the Project Management of Sanitation Backlog Elimination: Cluster 3, which will give rise to a total charge of R2 106 083 (2011: R2 532 555).

The municipality has entered into a contract with Arch Actuaries during 2010/11 for the valuation of Staff Benefits for 2 years, which will give rise to a total charge of R28 543 (2011: R55 048).

The municipality has entered into a contract with Aurecon SA during 2010/11 for facilitating the Molteno Sports Complex Project, which will give rise to a total charge of R257 964 (2011: R257 964).

The municipality has entered into a contract with Classy Career Developers during 2010/11 for facilitating the Hewu R60 Regional Bulk Water Supply Project, which will give rise to a total charge of R18 108 (2011: R266 123).

The municipality has entered into a contract with CQS Technology Holdings during 2011/12 for assistance with the preparation of Monthly, Quarterly and Annual Financial Statements, which will give rise to a total charge of R119 097 (2011: R0).

The municipality has entered into a contract with Ducharme Consulting Services during 2010/11 for the compilation of Annual Financial Statements for 2 years, which will give rise to a total charge of R536 183 (2011: R1 145 609).

The municipality has entered into a contract with ECC (Pty) Ltd during 2009/10 for the Project Management of Sanitation Backlog Elimination: Cluster 10, which will give rise to a total charge of R1 251 893 (2011: R2 045 556).

The municipality has entered into a contract with Ernest & Young during 2011/12 for Internal Audit Shared Services at Engcobo Local Municipality, which will give rise to a total charge of R11 983 (2011: R0).

The municipality has entered into a contract with Ernest & Young during 2011/12 for Compliance Audit, which will give rise to a total charge of R140 665 (2011: R0).

The municipality has entered into a contract with Grant Thornton during 2011/12 for Internal Audit Shared Services at Inxuba Yethemba Local Municipality, which will give rise to a total charge of R96 220 (2011: R0).

The municipality has entered into a contract with Ingqayi Rural Development Consultants during 2009/10 for the Project Management of Sanitation Backlog

Elimination: Cluster 5, which will give rise to a total charge of R920 613 (2011: R1 083 643).

The municipality has entered into a contract with KPPDMA during 2009/10 for the Project Management of Sanitation Backlog Elimination: Cluster 2, which will give rise to a total charge of R2 185 791 (2011: R2 525 301).

The municipality has entered into a contract with Lumigenix (trading as Soulfood) during 2011/12 for co-ordination/management of the Chris Hani Jazz & Arts Festival 2012, which will give rise to a total charge of R781 649 (2011: R0).

The municipality has entered into a contract with Philiwe Development Facilitators during 2009/10 for the Project Management of Sanitation Backlog Elimination: Cluster 8, which will give rise to a total charge of R1 135 350 (2011: R1 376 207).

The municipality has entered into a contract with Price Waterhouse Coopers during 2011/12 for the development of Procedure Manuals for the Budget & Treasury Department, which will give rise to a total charge of R175 512 (2011: R0).

The municipality has entered into a contract with Resource Development Adhocracy during 2009/10 for the Project Management of Sanitation Backlog Elimination: Cluster 9, which will give rise to a total charge of R1 205 004 (2011: R1 850 648).

The municipality has entered into a contract with Rural Support Services during 2009/10 for facilitating the Rosmead and Midros Water Upgrading Project, which will give rise to a total charge of R97 030 (2011: R225 746).

The municipality has entered into a contract with Senzakahle Development & Training Services during 2009/10 for the Project Management of Sanitation Backlog Elimination: Cluster 6, which will give rise to a total charge of R2 715 503 (2011: R2 826 861).

The municipality has entered into a contract with Simo Consulting Services during 2009/10 for the Project Management of Sanitation Backlog Elimination: Cluster 1, which will give rise to a total charge of R2 303 430 (2011: R2 966 173).

The municipality has entered into a contract with Simo Consulting Services during 2009/10 for the Project Management of Sanitation Backlog Elimination: Cluster 11, which will give rise to a total charge of R2 440 209 (2011: R3 102 952).

47. FINANCIAL INSTRUMENTS

47.1 Classification

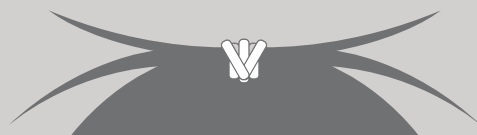
FINANCIAL ASSETS:

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

		2012 R	2011 R
	Financial Assets		
	Classification		
Trade Receivables from Exchange Transactions			
Sewerage	Amortised cost	-	-
Water	Amortised cost	(0)	2 745 296
Trade Receivables from Non-exchange Transactions			
Payments made in Advance	Amortised cost	19 840 998	12 493 644
Government Subsidy Claims	Amortised cost	-	11 693 159
Short-term Loans	Amortised cost	-	-
Sundry Deposits	Amortised cost	1 575 700	1 218 529
Sundry Debtors	Amortised cost	14 112 757	9 003 168
Bank, Cash and Cash Equivalents			
Call Deposits	Fair value	67 729 647	115 786 209
Bank Balances	Fair value	230 222 196	267 402 304
Cash Floats and Advances	Fair value	2 200	2 200

SUMMARY OF FINANCIAL ASSETS

		2012	2011
		R	R
Financial Assets at Amortised Cost:			
Trade Receivables from Exchange Transactions	Sewerage	-	-
Trade Receivables from Exchange Transactions	Water	(0)	2 745 296
Trade Receivables from Non-exchange Transactions	Payments made in Advance	19 840 998	12 493 644
Trade Receivables from Non-exchange Transactions	Government Subsidy Claims	-	11 693 159
Trade Receivables from Non-exchange Transactions	Sundry Deposits	1 575 700	1 218 529
Trade Receivables from Non-exchange Transactions	Sundry Debtors	14 112 757	9 003 168
		105 529 455	37 353 004
Financial Assets at Fair Value:			
Bank, Cash and Cash Equivalents	Call Deposits	67 729 647	115 786 209
Bank, Cash and Cash Equivalents	Bank Balances	230 222 196	267 402 304
Bank, Cash and Cash Equivalents	Cash Floats and Advances	2 200	2 200
		297 954 043	383 190 713
Total Financial Assets		403 483 497	420 543 717
		-	-



FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

		2012	2011
		R	R
Financial Liabilities	Classification		
Long-term Liabilities			
Annuity Loans	Amortised cost	4 424 076	5 553 707
Creditors			
Trade Creditors	Amortised cost	7 032 652	72 900 321
Payments received in Advance	Fair value	377 337	141 892
Retentions	Amortised cost	6 446 629	6 094 704
Staff Bonuses	Amortised cost	2 494 635	2 247 439
Staff Leave	Amortised cost	5 406 939	4 610 304
Sundry Deposits	Amortised cost	8 335	8 335
Other Creditors	Amortised cost	7 804 654	28 999 938
Current Portion of Long-term Liabilities			
Annuity Loans	Amortised cost	1 129 631	1 074 681



SUMMARY OF FINANCIAL LIABILITIES

		2012 R	2011 R
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	4 424 076	5 553 707
Creditors	Trade Creditors	7 032 652	72 900 321
Creditors	Retentions	6 446 629	6 094 704
Creditors	Staff Bonuses	2 494 635	2 247 439
Creditors	Staff Leave	5 406 939	4 610 304
Creditors	Sundry Deposits	8 335	8 335
Creditors	Other Creditors	7 804 654	28 999 938
Current Portion of Long-term Liabilities	Annuity Loans	1 129 631	1 074 681
		34 747 552	121 489 430
Financial Liabilities at Fair Value:			
Creditors	Payments received in Advance	377 337	141 892
		377 337	141 892
Total Financial Liabilities		35 124 888	121 631 323

47.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash and Short-term Investments

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Long-term Investments

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their



carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables 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.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2011, as a result of the short-term maturity of these assets and liabilities.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by IFRS 7. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.



Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

	2012			2011
	R			R
30 June 2012	Level 1	Level 2	Level 3	Total
	R	R	R	R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Call Deposits	-	67 729 647	-	67 729 647
Bank Balances and Cash	-	230 224 396	-	230 224 396
Total Financial Assets	-	297 954 043	-	297 954 043
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Annuity Loans	-	4 424 076	-	4 424 076
Total Financial Liabilities	-	4 424 076	-	4 424 076
Total Financial Instruments	-	293 529 967	-	293 529 967

		2012 R		2011 R	
30 June 2011	Level 1 R		Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS					
Financial Instruments at Fair Value:					
Call Deposits	-	115 786 209	-	-	115 786 209
Bank Balances and Cash	-	267 404 504	-	-	267 404 504
Total Financial Assets	-	383 190 713	-	-	383 190 713
FINANCIAL LIABILITIES					
Financial Instruments at Fair Value:					
Annuity Loans	-	5 553 707	-	-	5 553 707
Total Financial Liabilities	-	5 553 707	-	-	5 553 707
Total Financial Instruments	-	377 637 005	-	-	377 637 005

47.3 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 2011.

The capital structure of the municipality consists of debt, which includes Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 20 and the Statement of Changes in Net Assets.

Gearing Ratio

The gearing ratio at the year-end was as follows:

Debt	5 553 707	6 628 389
Bank, Cash and Cash Equivalents	(230 224 396)	(267 404 504)
Net Debt	(224 670 689)	(260 776 115)
Total Capital	2 776 987 969	2 495 346 229
Net debt to total capital ratio	-8,09%	-10,45%

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 17.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

47.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

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.

Further quantitative disclosures are included throughout these Annual Financial Statements.

47.5 Significant Accounting Policies

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

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 Notes 47.8 and 47.9 to the Annual Financial Statements.

47.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 47.9 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

47.6.1 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.

47.6.2 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 investment committee.

Consumer Debtors comprise of a large number of consumers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

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 sensitivity analysis below have been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 47.9 below:

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2012 would have decreased / increased by R3 405 145 (2011: decreased / increased by R3 626 344). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

The municipality's sensitivity to interest rates has increased during the current period mainly due to the increase in variable rate debt instruments.

47.7 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.

Investments/Bank, Cash and Cash Equivalents



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.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

Consumer Debtors comprise of a large number of consumers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

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.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer.

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. 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.

2012	2011
R	R

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Trade Receivables from Exchange Transactions	(0)	196 654 073
Trade Receivables from Non-exchange Transactions	110 716 107	101 179 144
Bank, Cash and Cash Equivalents	297 954 043	383 190 713

Maximum Credit and Interest Risk Exposure

408 670 150	681 023 930
-------------	-------------

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

	%	%
Trade Receivables from Exchange Transactions:		
- Household	0%	63%
- Industrial / Commercial	0%	2%
- National and Provincial Government	0%	1%
- Other Classes	0%	0%
Trade Receivables from Non-exchange Transactions:		
- Other not Classified	100%	34%

Total Credit Risk

100%	100%
------	------

Bank and Cash Balances

2012	2011
R	R

First National Bank	298 149 643	383 188 513
Cash Equivalents	2 200	2 200

Total Bank and Cash Balances	298 151 843	383 190 713
	197 800,16	

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:

Trade Receivables from Exchange Transactions

Counterparties without external credit rating:-

Group 1	-	
Group 2	-	6 504 429
Group 3	-	190 149 644

-	196 654 073
---	-------------

Total Trade Receivables from Exchange Transactions	-	196 654 073
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Trade Receivables from Non-exchange Transactions

Group 1	24 703 846	13 712 173
Group 2	-	-
Group 3	86 012 261	87 466 971

Total Trade Receivables from Non-exchange Transactions	110 716 107	101 179 144
--	-------------	-------------

Credit quality Groupings:

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.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

47. FINANCIAL INSTRUMENTS (Continued)

47.8 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.

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 2012								
Non-interest Bearing		0,00%	29 571 181	29 571 181	-	-	-	-
Fixed Interest Rate Instruments		5,00%	7 665 379	696 853	696 853	1 393 705	4 181 116	696 853
			37 236 560	30 268 034	696 853	1 393 705	4 181 116	696 853
30 June 2011								
Non-interest Bearing		0,00%	115 002 934	115 002 934	-	-	-	-
Fixed Interest Rate Instruments		5,00%	9 059 085	696 853	696 853	1 393 705	4 181 116	2 090 558
			124 062 019	115 699 787	696 853	1 393 705	4 181 116	2 090 558

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS #	Average effective Interest Rate %	Total R	6 Months	6 - 12	1 - 2	2 - 5	More than
				R or less	Months R	Years R	Years R	5 Years R
30 June 2012								
Non-interest Bearing		0,00%	105 531 655	105 531 655	-	-	-	-
Variable Interest Rate Instruments		5,74%	297 951 843	297 951 843	-	-	-	-
			403 483 497	403 483 497	-	-	-	-
30 June 2011								
Non-interest Bearing		0,00%	37 355 204	37 355 204	-	-	-	-
Variable Interest Rate Instruments		9,11%	383 188 513	383 188 513	-	-	-	-
			420 543 717	420 543 717	-	-	-	-

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

47.9 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:

30 June 2012		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
FIXED RATE INSTRUMENTS										
	Unsecured Bank Facilities		17	5,00%	(5 553 707)	-	-	-	-	(5 553 707)
	DBSA				(5 553 707)	-	-	-	-	(5 553 707)
	Total Fixed Rate Instruments				(5 553 707)	-	-	-	-	(5 553 707)
VARIABLE RATE INSTRUMENTS										
	Short-term Investment Deposits		7	5,74%	67 729 647					
	Bank Balances and Cash		7		230 224 396					
	Total Fixed Rate Instruments				297 954 043	-	-	-	-	-

30 June 2011		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
FIXED RATE INSTRUMENTS										
	Unsecured Bank Facilities		17	5,00%	(6 628 389)	-	-	-	-	(6 628 389)
	DBSA				(6 628 389)	-	-	-	-	(6 628 389)
	Total Fixed Rate Instruments				(6 628 389)	-	-	-	-	(6 628 389)
VARIABLE RATE INSTRUMENTS										
	Short-term Investment Deposits		7	9,11%	115 786 209					
	Bank Balances and Cash		7		267 404 504					
	Total Fixed Rate Instruments				383 190 713	-	-	-	-	-

47.10 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.



CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2012

2012	2011
R	R

48. 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:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) 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 R9 695 556 million (2011: R11,219 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

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2011.

The statutory valuation performed as at 30 June 2011 revealed that the fund had a deficit of R58,9 (30 June 2010: surplus of R0,0) million, with a funding level of 98,1% (30 June 2010: 100,0%). The balance of the Solvency Reserve was R4,9 (30 June 2010: R4,9) million. The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is less than the recommended contribution rate of 32,4%.

Government Employees Pension Fund (GEPF):

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 31 March 2010.

The statutory valuation performed as at 31 March 2010 revealed that the fund had a surplus of R0,0 (31 March 2008: R0,0) million, with a funding level of 100,0% (31 March 2008: 100,0%). The contribution rate paid by the members (7,50%) and the municipalities (13,00%) is sufficient to fund the benefits accruing from the fund in the future.

South African Local Authorities Pension Fund (SALA):

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 1 July 2010.

The statutory valuation performed as at 1 July 2010 revealed that the fund had a deficit of 307,6 (1 July 2009: Deficit of R264,2) million, with a funding level of 96% (1 July 2009: 96%). 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.

Although the fund is less than 100% funded at the valuation date, no additional action is required at this stage to rectify the situation. If the current employer contribution rate is maintained, the fund is expected to be close to 100% funded at the next tri-annual valuation, provided the assumptions are borne out in practice.



DEFINED CONTRIBUTION SCHEMES

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2011.

The statutory valuation performed as at 30 June 2011 revealed that the investment reserve of the fund amounted to R15 285 (30 June 2010: R7 311) million, with a funding level of 104,1% (30 June 2010: 102,0%). 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 2011.

The statutory valuation performed as at 30 June 2011 revealed that the assets of the fund amounted to R9 869 (30 June 2010: R8 220) million, with funding levels of 100,3% and 116,9% (30 June 2010: 99,9% and 100,3%) 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 a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the the assets of the fund amounted to R1 483,8 (30 June 2006: R1 483,8) million, with a funding ratio of 94,0% (30 June 2006: 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. However, the municipality does not contribute to the Fund anymore.

SAMWU (South African Municipal Workers Union) National Provident Fund:

The scheme is subject to an tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2005.

The statutory valuation performed as at 30 June 2005 revealed that the fund had a funding ratio of 100.0% (30 June 2002: 100,0%). The contribution rate paid by the members (not less than 5,00%) and Council (not less than 12,00%) is sufficient to fund the benefits accruing from the fund in the future.



No further details could be obtained for the fund and of any subsequent valuations performed.

SANLAM Annuity Fund:

No details could be provided for the fund and of any valuation performed. However, the municipality does not contribute to the Fund anymore.

SANLAM Retirement Fund:

No details could be provided for the fund and of any valuation performed. However, the municipality does not contribute to the Fund anymore.

None of the above mentioned plans are State Plans.

49. RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

49.1 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
Bula MN	Councillor	20% Membership in Polonius Investments; 25% Membership in Bendis Investments; 100% Membership in Gobashe Trading Enterprise; 100% Membership in Zinkamba Trading 1002
Dyantyi SR	Councillor	Director and Founding Member of Happy Valley Abattoir Co-operative Limited; Director of Sanelisa Services; Director of Tlholo Entrepreneur Support Centre
Gela W	Councillor	Director of Ithemba Liyaphilisa Financial Services; Director of Sesinethemba Construction; 10% Membership in Silver Solutions 2978; 20% Membership in Sikhuselu'luntu Protection and Training Services; 20% Membership in The Best Mining and Transportation Services; 20% Membership in Urafile Trading
Goniwe N	Councillor	33,33% Membership in Karoo Furniture Manufacturers; 33,33% Membership in Umehluco Developments; 33,34% Membership in Imvelo Agencies; 50% Membership in Balisa Sivelise Productions
Koyo MC	Councillor	Director of Tsomo Valley Farmers; 100% Membership in MBK Consulting Services; Spouse has membership in Buyie's Catering Service, Liwalama Trading Enterprise and Qamata Agric Service
Kulashe-Ndyumby T	Councillor	Director and Founding Member of DDX General Trading; Director and Founding Member of Mayidede General Trading



Magwashu NG	Councillor	50% Membership in Magwashu Development Projects
Mandile PP	Councillor	50% Membership in Mfe-Gebe Trading
Matiwane-Bashe N	Councillor	33,50% Membership in Noxxa Construction; 100% Membership in Shine the Way 708; Brother is a Member of Inyameko Trading 689
Mbolo S	Councillor	25% Membership in Amabandla Construction; 50% Membership in Monde Skosana Building Construction
Mvontshi M	Councillor	100% Membership in Mgando Trading Enterprise
Myataza S	Councillor	Founding Member of Hluthamhlathi Multi-purpose Trading
Nkwentsha-Gunuza L	Councillor	Director of Lembede Investment Holdings (Pty) Ltd; Director of Lembede Strategic Investments (Pty) Ltd
Nobongoza H	Councillor	Director of Madcomsol Holdings (company has been deregistered); 25% Membership in Sangolekhaya Funeral Services; 100% Membership in Sunrise Coach Services; 100% Membership in Tando-Luzuko Trading & Projects
Nobongoza TP	Councillor	Director of Sakhisizwe Multi-purpose Resource Centre (Section 21 Company)
Nontsele M	Councillor	33,30% Membership in Izibele Management Services
Nquma NP	Councillor	33,40% Membership in Fenas and Nquma Civils and Property Developers
Ntakana S	Councillor	100% Membership in Ntakana Brothers Transport and Construction
Ntoni BO	Councillor	12,50% Membership in Ntoni and Zikhali Contractors
Plata SD	Councillor	100% Membership in Daves Energy Distribution CC
Radzilani NR	Councillor	Director of Forecast Traders
Roskruge N	Councillor	30% Membership in Liqhakazi Construction and Projects; 100% Membership in Amilile Trading Enterprise
Venske RW	Councillor	Director of Romeldi Prospektering (company deregistered)
Vimbayo K	Councillor	Director of Border Rural Committee (Section 21 Company); 50% Membership in Sikho Social Development Facilitators
Mbambisa MS	Mun Manager	16,66% Membership in Mulepele Trading Enterprise CC; 100% Membership in Booi Mbambisa & Associates CC; Spouse is the Owner of K & M Guest House, trading as Tree House Guest House
Nqwazi N	Acting Mun Manager // Director	Director of Bartoplex; Director of Copper Sunset Trading 407; Director of Tuscan Mood 183; Director of Westside Trading 253; 20% Membership in Aphuhile Business Consultants; 30% Membership in Great Oak Trading 29; 30% Membership in Kwalago Trading; 50% Membership in Osstinix Promotions; 50% Membership in Round About Multi Projects; 50% Membership in The Galz Property Investment & Development
Dyasi-De Lange MP	Director	50,02% Membership in Siyaphuhlisa Consulting Services CC; Spouse is owner of Classy Trade Investments 1094 CC
Lynch JEDeV	Director	100% Membership in Ke-Rometsi Transport Services CC
Gobeni N	Ass Director	Director of Hi-Lite Development Agency
Fumbeza N	Manager	33,33% Membership in Thembalobom Manufacturing & Enterprise CC

Jaxa-Dusubana V	Manager	33,33% Membership in Seven Mile Trading 132 CC; Spouse has 33% membership in Galindo Trading 121 CC
Makonza A	Manager	100% Membership in Seasons Find 1260 CC
Ngqoyiyana M	Manager	100% Membership in Jazzmataz Construction
Ntlabezo LN	Manager	Director of TLT Furniture and Cabinet Makers; 30% Membership in Nokwindla Trading; 32% Membership in Lupuno Engineering Contractors; 50% Membership in TLN Trading; Brother is a Partner in Nokwindla Trading CC
Gcali AM	Area Manager	50% Membership in Sebutha Transports Catering and Cleaners
Makwabe T	Area Manager	50% Membership in Mokoti Construction
Shasha MM	Area Manager	25% Membership in Safika Rural Development Consultants CC
Ndlebe NS		Relative is involved in the Taxi Industry
Noqha LE	Councillor	Daughter is a member of Ariano 222
Shweni ZR	Councillor	Spouse has interest/membership in Bomi Investment Holdings, Eand So Civil Engineering and Construction, Ezomso Training and Conference Centre, Hlumisa Travelling Agency, Lilitha Vehicle Hire, Manzana Mancoba and Shweni Heavy Duty Transportation, Ngxongounathi Security, Olona Trading and Project and Shweni Trading
Myataza-Ntshinga NJ	Councillor	Spouse has membership in Agnul Investments, Amathole Economic Development Agency, Hlumisa Consulting Services and Ikhwezi Lakusasa Transportation & Multi-purpose
Memani TH	Acting CFO // Deputy Director	Child is a Member of Vunoleo Building & Civil Youth Construction
Silangwe M	Manager	Spouse is a member of Thakwemi Consulting

49.2 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.

49.3 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 12 to the Annual Financial Statements.

49.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 27 and 28 respectively, to the Annual Financial Statements.

49.5 Purchases from Related Parties

The municipality bought goods from the following companies, which are considered to be Related Parties:

Company Name	Related Person	Company Capacity	Municipal Capacity	Purchases for the Year	Purchases for the Year
Agnul Investments	Ntshinga L (1)	Member	Acting CFO	89 120	-
Ariano 222 CC	Flatela K (2)	Member	Councillor	16 100	32 571
Classy Trade Investments 1094 CC	Dyasi B (3)	Member	Official	1 818 865	3 400 347
DDX General Trading	Kulashe-N T	Director	Councillor	709 303	-
Thakwemi Consulting	Silangwe N (4)	Member	Official	2 700	23 027
Treehouse Guest House	Mbambisa K (5)	Member	Mun Manager	19 280	-
Galindo Trading 121 CC	Spouse (6)	Member	Official	-	1 140
Hlumisa Consulting Services	Spouse (7)	Member	Official	-	52 440
Total Purchases				2 655 367	3 509 525

- (1) Mr L Ntshinga is the spouse of an official, NJ Myataza-Ntshinga
- (2) Ms L Flatela is the daughter of Councillor LE Noqha
- (3) Mr B Dyasi is the spouse of an official, MP Dyasi-De Lange
- (4) Ms N Silangwe is the spouse of an official, M Silangwe
- (5) Ms K Mbambisa is the spouse of the Municipal Manager, MS Mbambisa
- (6) Spouse of an official, V Jaxa-Dusubana
- (7) Spouse of an official, N Myataza-Ntsinga

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.



50. CONTINGENT LIABILITIES

	2012 R	2011 R
50.1 Guarantees:	20 000	20 000
(i) Telkom:	20 000	20 000

The municipality issued a bank guarantee in favour of the South African Post Office Limited to cover the municipality's postal account.

50.2 Court Proceedings:	3 362 662	3 312 662
(i) Arrear Pension Contributions:	322 950	322 950

The Municipal Employees Pension Fund brought an action against the municipality for outstanding payment of contributions to the Fund in respect of councillors. The particulars of the claim are still in process of being amended. A trial date is yet to be obtained and the outcome of the action is still uncertain. The municipality's attorneys advised that the municipality settles for economic reasons. Subsequently, an offer of R20 000 was made towards full and final settlement. The Fund declined and claims the whole outstanding amount with interest and costs.

(ii) Outstanding Payments:	2 501 111	2 501 111
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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 allegedly not made. A trial date has been set for 29 August 2011, but the matter was again postponed. The claimant served notice of intention to amend the trial particulars, but has failed to date to do so. The outcome of the case is still uncertain.

(iii) Services Rendered:	488 601	488 601
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Frikton CC is claiming from the municipality in respect of a cession in their favour for services rendered as sub-contractor to Ikamva Civils. A trial date has been set for 30 November 2010, but the matter was removed by agreement due to unavailability of counsel. A new trial date is awaited and the outcome of the case is still uncertain.

(iv) Dispute regarding Fire Trucks:	50 000	-
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A dispute has arisen over Fire Trucks supplied to the municipality by Masakhe Die Cast. Masakhe Die Cast did not fulfil all its obligations. A letter of demand was



received and the municipality's attorneys were instructed to defend the matter. The summons is awaited and the outcome of the matter is still uncertain.

(v) Demand for Medical Benefits: - -

The spouse of the Late HS Greissler, a former employee of the municipality, is demanding the payment of medical benefits for her deceased husband from the municipality. The amount claimed has not been disclosed and the outcome of the matter is still uncertain.

51. CONTINGENT ASSETS

	2012 R	2011 R
51.1 Court Proceedings:	510 953	-
(i) Guarantee:	318 293	-

The municipality is claiming against Fernfin for the guaranteed amount issued to a contractor. On termination the contractor's appointment, payment of the guaranteed amount was requested from Fernfin who has not paid this amount. A letter of demand was sent to Fernfin on 24 January 2011. Fernfin has denied liability and summons was issued. Fernfin filed a plea and a counter claim. A replication to the counter claim is being prepared. A trial date has been applied for with the Registrar and the outcome of the case is still uncertain.

(ii) Services not Rendered: 192 660 -

Untingo Lukhosi Trading Enterprise was appointed to provide two charcoal kilns. Despite payment of the amount, the service provider failed to deliver the charcoal kilns. Summons was issued in Queenstown Regional Court on 2 February 2011 and was served on the Defendant. Discovery Affidavit was filed and a trial date is awaited. The outcome of the matter is still uncertain.

52. IN-KIND DONATIONS AND ASSISTANCE

The municipality received the following in-kind donations and assistance:

- (i) Secondment of International DED Junior Expert by the German Development Service for one year until August 2011.

53. PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the financial year 2011/12.

54. EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2012.

54.1 Chris Hani Development Agency:

The Chris Hani Development Agency Entity, which was registered on 21 February 2012, commenced operations on 01 July 2012. No commitments were made by the entity prior to the commencement of operations. The municipality Chris Hani District Municipality holds all shares (100%) in the entity.

55. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 37) and Prior Period Errors (Note 38).

56. 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 - issued March 2005
- GRAP 20 Related Party Disclosures - revised
- GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
- 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 25 Employee Benefits - issued December 2009
- GRAP 26 Impairment of Cash-generating Assets - issued March 2009
- GRAP 103 Heritage Assets - issued July 2008
- GRAP 105 Transfers between Entities under common control - issued November 2010
- GRAP 106 Transfers between Entities not under common control - issued November 2010
- GRAP 107 Mergers - issued November 2010

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.

57. COMPARISON WITH THE BUDGET

Budgeted amounts for expenditure have been exceeded as indicated below:

Category of Expenditure	30 June 2012		30 June 2011	
	Budgeted Amount	Actual Amount	Budgeted Amount	Actual Amount
	R	R	R	R
Employee Related Costs	-	-	117 855 703	139 455 717
Remuneration of Councillors	-	-	6 537 547	6 655 249
Depreciation and Amortisation	3 008 480	88 787 929	84 800	89 066 102
Impairment Losses	-	-	-	75 488 769
Repairs and Maintenance	-	-	2 838 908	12 840 735
Finance Costs	-	-	1 041 035	4 070 095
Contracted Services	-	-	685 536	40 494 801
General Expenses	-	-	52 780 730	71 083 236
Loss on Disposal of Property, Plant and Equipment	-	40 217	-	4 393 204

The excess expenditure has not been authorised and is disclosed as such in Note 44.1.

The excess expenditure is to a large extent caused by the integration of the transactions incurred by the Local Municipalities for Sanitation and Water Services into the municipality's records, which transactions have not been budgeted for.

Details of the operating results per category of expenditure for the current year, together with an explanation of significant variances of more than 10% from budget, are listed below.

CHRIS HANI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

57. COMPARISON WITH THE BUDGET (Continued)

30 June 2012

Description	Original Total Budget		Budget Adjustments		Virement		Final Budget		Actual Outcome		Unauthorised Expenditure		Variance		Actual Outcome as % of Final Budget		Actual Outcome as % of Original Budget		
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
FINANCIAL POSITION																			
Current Assets																			
Inventory	-	-	-	-	-	-	-	-	797 303	-	-	-	-	797 303	0,00	0,00	0,00	0,00	
Receivables from Exchange Transactions	-	-	-	-	-	-	-	-	(0)	-	-	-	-	(0)	0,00	0,00	0,00	0,00	
Receivables from Non-exchange Transactions	-	-	-	-	-	-	-	-	105 529 455	-	-	-	-	105 529 455	0,00	0,00	0,00	0,00	
VAT Receivable	-	-	-	-	-	-	-	-	16 436 009	-	-	-	-	16 436 009	0,00	0,00	0,00	0,00	
Bank, Cash and Cash Equivalents	287 000 000	-	-	-	-	-	287 000 000	-	297 954 043	-	-	-	-	10 954 043	103,82	103,82	103,82	103,82	
Operating Lease Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0,00	0,00	0,00	0,00	
Current Portion of Long-term Receivables	12 500	-	-	-	-	-	12 500	-	-	-	-	-	-	(12 500)	0,00	0,00	0,00	0,00	
Non-Current Assets																			
Property, Plant and Equipment	412 876 800	-	-	-	-	-	412 876 800	2 749 719 695	-	-	-	-	-	2 336 842 895	665,99	665,99	665,99	665,99	
Intangible Assets	-	-	-	-	-	-	-	440 886	-	-	-	-	-	440 886	0,00	0,00	0,00	0,00	
Investment Property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0,00	0,00	0,00	0,00	
Non-current Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0,00	0,00	0,00	0,00	
Total Assets	699 889 300	-	-	-	-	-	699 889 300	3 170 877 391	-	-	-	-	-	2 470 988 091	453,05	453,05	453,05	453,05	
Current Liabilities																			
Provisions	-	-	-	-	-	-	-	2 755 901	-	-	-	-	-	2 755 901	0,00	0,00	0,00	0,00	
Payables	169 013 630	-	-	-	-	-	169 013 630	29 571 181	-	-	-	-	-	(139 442 449)	17,50	17,50	17,50	17,50	
Unspent Conditional Grants and Receipts	288 581 381	-	-	-	-	-	288 581 381	102 799 613	-	-	-	-	-	(185 781 766)	35,62	35,62	35,62	35,62	
Operating Lease Liabilities/Payables	-	-	-	-	-	-	-	64 458	-	-	-	-	-	64 458	0,00	0,00	0,00	0,00	
Current Portion of Long-term Liabilities	518 666	-	-	-	-	-	518 666	1 129 631	-	-	-	-	-	610 965	217,80	217,80	217,80	217,80	
Non-Current Liabilities																			
Long-term Liabilities	-	-	-	-	-	-	-	4 424 076	-	-	-	-	-	4 424 076	0,00	0,00	0,00	0,00	
Retirement Benefit Liabilities	21 346 328	-	-	-	-	-	21 346 328	25 147 550	-	-	-	-	-	3 801 222	117,81	117,81	117,81	117,81	
Non-current Provisions	-	-	-	-	-	-	-	3 326 322	-	-	-	-	-	3 326 322	0,00	0,00	0,00	0,00	
Total Liabilities	479 460 005	-	-	-	-	-	479 460 005	169 218 733	-	-	-	-	-	(310 241 272)	35,29	35,29	35,29	35,29	
Total Assets and Liabilities	220 429 295	-	-	-	-	-	220 429 295	3 001 658 658	-	-	-	-	-	2 781 229 363	1 361,73	1 361,73	1 361,73	1 361,73	
Net Assets (Equity)																			
Accumulated Surplus / (Deficit)	220 429 295	-	-	-	-	-	220 429 295	3 001 658 658	-	-	-	-	-	2 781 229 363	1 361,73	1 361,73	1 361,73	1 361,73	
Total Net Assets	220 429 295	-	-	-	-	-	220 429 295	3 001 658 658	-	-	-	-	-	2 781 229 363	1 361,73	1 361,73	1 361,73	1 361,73	

FINANCIAL PERFORMANCE**Revenue from Non-exchange Transactions**

Government Grants and Subsidies Received	-	-	785 506 723	799 518 311	-	14 011 588	101,78	101,78
Public Contributions and Donations	-	-	-	1 500 000	-	1 500 000	0,00	0,00

Revenue from Exchange Transactions

Service Charges	-	-	-	-	-	-	0,00	0,00
Rental of Facilities and Equipment	-	-	146 250	97 192	-	(49 058)	66,46	66,46
Interest Earned - External Investments	-	-	23 453 500	19 601 048	-	(3 852 452)	83,57	83,57
Interest Earned - Outstanding Debtors	-	-	12 000	-	-	(12 000)	0,00	0,00
Other Income	-	-	1 122 740	55 551 261	-	54 428 521	4 947,83	4 947,83
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	0,00	0,00

Total Revenue

	810 241 213	-	810 241 213	876 267 813	-	66 026 600	108,15	108,15
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Expenditure

Employee Related Costs	127 167 527	-	127 167 527	110 318 975	-	(16 848 552)	86,75	86,75
Remuneration of Councillors	7 008 701	2 838 147	9 846 848	7 437 213	-	(2 409 635)	75,53	106,11
Collection Costs	344 833	-	344 833	-	-	(344 833)	0,00	0,00
Depreciation and Amortisation	3 008 480	-	3 008 480	88 787 929	85 779 449	85 779 449	2 951,26	2 951,26
Impairment Losses	-	-	-	(9 046 605)	-	(9 046 605)	0,00	0,00
Repairs and Maintenance	3 522 920	-	3 522 920	1 540 027	-	(1 982 893)	43,71	43,71
Finance Costs	2 343 710	-	2 343 710	384 647	-	(1 959 063)	16,41	16,41
Bulk Purchases	7 359 402	-	7 359 402	6 678 620	-	(680 782)	90,75	90,75
Contracted Services	3 128 589	-	3 128 589	528 894	-	(2 599 695)	16,91	16,91
Grants and Subsidies Paid	591 379 723	(4 153 347)	587 226 376	391 739 771	-	(195 486 605)	66,71	66,24
General Expenses	66 292 528	-	66 292 528	28 331 082	-	(37 961 446)	42,74	42,74
Loss on Disposal of Property, Plant and Equipment	-	-	-	40 217	40 217	40 217	0,00	0,00

Total Expenditure

	811 556 413	(1 315 200)	810 241 213	626 740 770	85 819 666	(183 500 443)	77,35	77,23
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Surplus/(Deficit)

Transfers Recognised - Capital	(1 315 200)	1 315 200	-	249 527 043	(85 819 666)	249 527 043	0,00	0,00
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Surplus/(Deficit) after Capital Transfers and

Surplus / (Deficit) from Discontinued Operations	(1 315 200)	1 315 200	-	249 527 043	(85 819 666)	249 527 043	0,00	0,00
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Surplus/(Deficit) for the Year

	(1 315 200)	1 315 200	-	248 823 463	(85 819 666)	248 823 463	0,00	0,00
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CAPITAL EXPENDITURE PER FUNCTION									
Executive and Council	-	-	-	477 135	477 135	477 135	0.00	0.00	0.00
Finance and Administration	16 188 000	-	-	14 386 257	-	(1 801 743)	88.87	88.87	88.87
Planning and Development	-	-	-	291 540	291 540	291 540	0.00	0.00	0.00
Community and Social Services	5 987 000	-	-	3 166 127	-	(2 820 873)	52.88	52.88	52.88
Waste Management	250 000 000	-	-	13 076 131	-	(236 923 869)	5.23	5.23	5.23
Water	393 604 000	-	-	233 220 901	-	(160 383 099)	59.25	59.25	59.25
Total Sources of Capital Funds	665 779 000	-	-	264 618 089	768 674	(401 160 911)	39.75	39.75	39.75
CASH FLOW									
Cash Flows from/(used in) Operating Activities									
Cash receipts from Ratepayers, Government and Other	816 652 000	-	-	1 052 293 789	235 641 789	235 641 789	128.85	128.85	128.85
Cash paid to Suppliers and Employees	(453 163 911)	-	-	(892 294 418)	-	(439 130 507)	0.00	0.00	0.00
Interest Received	25 465 500	-	-	19 601 048	-	(5 864 452)	76.97	76.97	76.97
Interest Paid	(356 374)	-	-	(384 647)	-	(28 273)	0.00	0.00	0.00
Cash Flows from/(used in) Investing Activities	(673 689 451)	-	-	(264 618 089)	409 071 362	409 071 362	0.00	0.00	0.00
Purchase of Property, Plant and Equipment	-	-	-	1 240 329	1 240 329	1 240 329	0.00	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	0.00	0.00	0.00
Decrease / (Increase) in Non-current Investments	-	-	-	-	-	-	0.00	0.00	0.00
Cash Flows from/(used in) Financing Activities	(1 037 332)	-	-	(1 074 681)	-	(37 349)	0.00	0.00	0.00
Loans repaid	-	-	-	-	-	-	0.00	0.00	0.00
Cash and Cash Equivalents at End of the Year	(286 129 568)	-	-	(286 129 568)	645 953 479	200 892 898	0.00	0.00	0.00

30 June 2011

Description	Original Total Budget R	Budget Adjustments		Virement		Final Budget		Actual Outcome		Unauthorised Expenditure		Variance		Actual Outcome as % of Final Budget		Actual Outcome as % of Original Budget	
		R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
FINANCIAL POSITION																	
Current Assets																	
Inventory	10 232	-	-	-	10 232	-	-	4 200 705	-	-	-	4 190 473	41 054,59	41 054,59	0,00	41 054,59	
Non-current Assets Held-for-Sale	-	-	-	-	-	-	-	398 217	-	-	-	398 217	0,00	0,00	0,00	0,00	
Receivables from Exchange Transactions	57 481 598	-	-	-	57 481 598	-	-	2 745 296	-	-	-	(54 736 302)	4,78	4,78	0,00	0,00	
Receivables from Non-exchange Transactions	26 487 420	-	-	-	26 487 420	-	-	34 607 708	-	-	-	8 120 288	130,66	130,66	0,00	0,00	
VAT Receivable	-	-	-	-	-	-	-	16 807 038	-	-	-	16 807 038	0,00	0,00	0,00	0,00	
Bank, Cash and Cash Equivalents	12 391 733	-	-	-	12 391 733	-	-	383 190 713	-	-	-	370 798 980	3 092,31	3 092,31	0,00	0,00	
Current Portion of Long-term Receivables	5 017 234	-	-	-	5 017 234	-	-	-	-	-	-	(5 017 234)	0,00	0,00	0,00	0,00	
Non-Current Assets																	
Property, Plant and Equipment	376 548 000	-	-	-	376 548 000	-	-	2 574 906 203	-	-	-	2 198 358 203	683,82	683,82	0,00	0,00	
Intangible Assets	190	-	-	-	190	-	-	704 764	-	-	-	704 574	370 928,16	370 928,16	0,00	0,00	
Investment Property	372 586	-	-	-	372 586	-	-	-	-	-	-	(372 586)	0,00	0,00	0,00	0,00	
Non-current Investments	90 861 909	-	-	-	90 861 909	-	-	-	-	-	-	(90 861 909)	0,00	0,00	0,00	0,00	
Total Assets	569 170 902	-	-	-	569 170 902	-	-	3 017 560 643	-	-	-	2 448 389 741	530,17	530,17	0,00	530,17	
Current Liabilities																	
Provisions	1 840 731	-	-	-	1 840 731	-	-	1 949 877	-	-	-	109 146	105,93	105,93	0,00	0,00	
Payables	38 934 703	-	-	-	38 934 703	-	-	115 002 934	-	-	-	76 068 231	295,37	295,37	0,00	0,00	
Unspent Conditional Grants and Receipts	179 118 132	-	-	-	179 118 132	-	-	113 890 747	-	-	-	(65 227 385)	63,58	63,58	0,00	0,00	
Operating Lease Liabilities/Payables	-	-	-	-	-	-	-	28 924	-	-	-	28 924	0,00	0,00	0,00	0,00	
Current Portion of Long-term Liabilities	505 026	-	-	-	505 026	-	-	1 074 681	-	-	-	569 655	212,80	212,80	0,00	0,00	
Non-Current Liabilities																	
Long-term Liabilities	7 656 431	-	-	-	7 656 431	-	-	5 553 707	-	-	-	(2 102 724)	72,54	72,54	0,00	0,00	
Retirement Benefit Liabilities	21 599 165	-	-	-	21 599 165	-	-	21 070 779	-	-	-	(528 386)	97,55	97,55	0,00	0,00	
Non-current Provisions	8 825 228	-	-	-	8 825 228	-	-	2 866 650	-	-	-	(5 958 578)	32,48	32,48	0,00	0,00	
Total Liabilities	258 479 416	-	-	-	258 479 416	-	-	261 438 300	-	-	-	2 958 884	101,14	101,14	0,00	101,14	
Total Assets and Liabilities	310 691 486	-	-	-	310 691 486	-	-	2 756 122 344	-	-	-	2 445 430 858	887,09	887,09	0,00	887,09	
Net Assets (Equity)																	
Accumulated Surplus / (Deficit)	310 691 486	-	-	-	310 691 486	-	-	2 756 122 344	-	-	-	2 445 430 858	887,09	887,09	0,00	887,09	
Total Net Assets	310 691 486	-	-	-	310 691 486	-	-	2 756 122 344	-	-	-	2 445 430 858	887,09	887,09	0,00	887,09	

FINANCIAL PERFORMANCE**Revenue from Non-exchange Transactions**

Government Grants and Subsidies Received	-	-	663 706 000	630 229 307	-	-	(33 476 693)	94,96	0,00
Public Contributions and Donations	-	-	-	-	-	-	-	0,00	0,00
Revenue from Exchange Transactions									
Service Charges	62 481 599	-	62 481 599	100 116 468	-	-	37 634 869	160,23	160,23
Rental of Facilities and Equipment	158 520	-	158 520	145 028	-	-	(13 492)	91,49	91,49
Interest Earned - External Investments	15 000 743	-	15 000 743	28 009 215	-	-	13 008 472	186,72	186,72
Interest Earned - Outstanding Debtors	12 000	-	12 000	14 566 195	-	-	14 554 195	121 384,95	121 384,95
Other Revenue	683 427	-	683 427	30 045 478	-	-	29 362 051	4 396,30	4 396,30
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	0,00	0,00
Total Revenue	742 042 289	-	742 042 289	803 111 691	-	-	61 069 402	108,23	108,23
Expenditure									
Employee Related Costs	117 855 703	-	117 855 703	139 455 717	21 600 014	21 600 014	21 600 014	118,33	118,33
Remuneration of Councillors	6 537 547	-	6 537 547	6 655 249	117 702	117 702	117 702	101,80	101,80
Collection Costs	322 573	-	322 573	4 786	-	(317 787)	1,48	1,48	1,48
Depreciation and Amortisation	84 800	-	84 800	89 066 102	88 981 302	88 981 302	88 981 302	105 030,78	105 030,78
Impairment Losses	-	-	-	75 488 769	75 488 769	75 488 769	75 488 769	0,00	0,00
Repairs and Maintenance	2 838 908	-	2 838 908	12 840 735	10 001 827	10 001 827	10 001 827	452,31	452,31
Finance Costs	1 041 035	-	1 041 035	4 070 095	3 029 060	3 029 060	3 029 060	390,97	390,97
Bulk Purchases	22 092 823	-	22 092 823	14 228 344	-	(7 864 479)	64,40	64,40	64,40
Contracted Services	685 536	-	685 536	40 494 801	39 809 265	39 809 265	39 809 265	5 907,03	5 907,03
Grants and Subsidies Paid	537 802 634	-	537 802 634	149 110 175	-	(368 692 459)	27,73	27,73	27,73
General Expenses	52 780 730	-	52 780 730	71 063 236	18 302 506	18 302 506	18 302 506	134,68	134,68
Loss on Disposal of Property, Plant and Equipment	-	-	-	4 393 204	4 393 204	4 393 204	4 393 204	0,00	0,00
Total Expenditure	742 042 289	-	742 042 289	606 891 211	261 723 648	(135 151 078)	81,79	81,79	81,79
Surplus/(Deficit)									
Transfers Recognised - Capital	-	-	-	196 220 479	(261 723 648)	196 220 479	196 220 479	0,00	0,00
Surplus/(Deficit) after Capital Transfers and									
Surplus / (Deficit) from Discontinued Operations	-	-	-	196 220 479	(261 723 648)	196 220 479	196 220 479	0,00	0,00
Surplus/(Deficit) for the Year									
	-	-	-	196 220 479	(261 723 648)	196 220 479	196 220 479	0,00	0,00

CAPITAL EXPENDITURE PER FUNCTION									
Executive and Council	-	-	-	20 643	20 643	20 643	20 643	0.00	0.00
Finance and Administration	506 100	-	506 100	394 063 957	393 557 857	393 557 857	77 862,86	77 862,86	77 862,86
Planning and Development	228 450	-	228 450	13 879	-	-	(214 571)	6,08	6,08
Community and Social Services	2 663 000	-	2 663 000	637 098	-	-	(2 025 902)	23,92	23,92
Waste Management	72 214 811	-	72 214 811	3 711 504	-	-	(68 503 307)	5,14	5,14
Water	156 285 189	-	156 285 189	122 974 137	-	-	(33 311 052)	78,69	78,69
Total Sources of Capital Funds	231 897 550	-	231 897 550	521 421 218	393 578 500	289 523 668	224,85	224,85	224,85
CASH FLOW									
Cash Flows from/(used in) Operating Activities									
Cash receipts from Ratepayers, Government and Other	740 563 385	-	740 563 385	795 215 976	54 662 591	54 662 591	107,38	107,38	107,38
Cash paid to Suppliers and Employees	(338 203 541)	-	(338 203 541)	(547 591 513)	-	(209 387 972)	0,00	0,00	0,00
Interest Received	14 512 000	-	14 512 000	28 009 215	13 497 215	13 497 215	193,01	193,01	193,01
Interest Paid	(1 034 259)	-	(1 034 259)	(4 070 095)	-	(3 035 836)	0,00	0,00	0,00
Cash Flows from/(used in) Investing Activities	(376 547 996)	-	(376 547 996)	(229 433 980)	147 114 016	147 114 016	0,00	0,00	0,00
Purchase of Property, Plant and Equipment	-	-	-	-	-	-	0,00	0,00	0,00
Proceeds on Disposal of Intangible Assets	-	-	-	-	-	-	0,00	0,00	0,00
Decrease / (Increase) in Non-current Investments	(9 000 000)	-	(9 000 000)	-	9 000 000	9 000 000	0,00	0,00	0,00
Cash Flows from/(used in) Financing Activities	(1 034 259)	-	(1 034 259)	(1 023 692)	10 567	10 567	0,00	0,00	0,00
Loans repaid	-	-	-	-	10 567	10 567	0,00	0,00	0,00
Cash and Cash Equivalents at End of the Year	29 255 330	-	29 255 330	41 105 910	224 274 389	11 850 580	140,51	140,51	140,51

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2012	2011
	R	R
Net surplus/(deficit) per the statement of financial performance	248 823 463	196 220 479
Revenue from Non-exchange Transactions		
Government Grants and Subsidies Received	(14 011 588)	33 476 693
Public Contributions and Donations	(1 500 000)	-
Revenue from Exchange Transactions		
Service Charges	-	(37 634 869)
Rental of Facilities and Equipment	49 058	13 492
Interest Earned - External Investments	3 852 452	(13 008 472)
Interest Earned - Outstanding Debtors	12 000	(14 554 195)
Other Revenue	(54 428 521)	(29 362 051)
Gains on Disposal of Property, Plant and Equipment	-	-
Expenditure		
Employee Related Costs	(16 848 552)	21 600 014
Remuneration of Councillors	(2 409 635)	117 702
Collection Costs	(344 833)	(317 787)
Depreciation and Amortisation	85 779 449	88 981 302
Impairment Losses	(9 046 605)	75 488 769
Repairs and Maintenance	(1 982 893)	10 001 827
Finance Costs	(1 959 063)	3 029 060
Bulk Purchases	(680 782)	(7 864 479)
Contracted Services	(2 599 695)	39 809 265
Grants and Subsidies Paid	(195 486 605)	(388 692 459)
General Expenses	(37 961 446)	18 302 506
Loss on Disposal of Property, Plant and Equipment	40 217	4 393 204
Surplus / (Deficit) from Discontinued Operations	703 580	-
Share of Surplus / (Deficit) of Associate accounted for under the Equity Method	-	-
Net surplus/deficit per approved budget	0	(0)

APPENDIX A
CHRIS HANI DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at		Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2012
					30 June 2011	30 June 2012			
	R				R	R	R	R	R
ANNUITY LOANS									
DBSA	10 000 000	5,00%	101215/1	30/09/2016	6 628 389	-	1 074 681	5 553 707	
Total Annuity Loans	10 000 000				6 628 389	-	1 074 681	5 553 707	
TOTAL EXTERNAL LOANS	10 000 000				6 628 389	-	1 074 681	5 553 707	

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
CHRIS HANI DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

Description	Opening Balance		Additions		Cost / Revaluation Under Construction		Transfers		Disposals		Closing Balance		Accumulated Depreciation / Impairment				Carrying Value		Budget Additions 2012	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings	38 984 400	1 100 000	-	-	-	-	-	-	-	-	40 084 400	-	-	-	-	-	40 084 400	-	250 000 000	-
Land	46 241 500	-	-	-	-	-	-	-	-	-	46 241 500	-	-	-	-	-	43 556 194	-	-	-
Office Buildings	85 225 900	1 100 000	-	-	-	-	-	-	-	-	1 790 204	895 102	-	-	-	-	83 640 594	-	250 000 000	-
					0,00															
Infrastructure	26 500	-	-	-	-	-	-	-	-	-	15 679	1 353	-	-	-	17 032	9 468	-	-	-
Security Measures:	59 623	-	-	-	-	-	-	-	-	-	37 691	3 608	-	-	-	41 299	18 324	-	-	-
Access Control	7 649 580	-	-	-	-	-	-	-	-	-	388 426	195 962	-	-	-	584 388	8 239 273	-	-	-
Pipelines: Bulk	176 619 220	-	-	-	1 174 081	-	-	-	-	-	11 844 421	5 956 341	-	-	-	17 800 762	196 746 192	-	-	-
Pipelines: Retention	12 318 728	-	-	-	37 927 734	-	-	-	-	-	214 546 954	1 178 627	-	-	-	1 820 839	15 773 219	-	-	-
Pumping Stations	147 178 971	-	-	-	5 275 330	-	-	-	-	-	10 084 855	642 212	-	-	-	15 886 386	146 968 095	-	-	-
Treatment Works	54 404 286	-	-	-	15 675 510	-	-	-	-	-	12 089 841	6 044 921	-	-	-	18 134 762	36 269 524	-	-	-
Meters: Domestic	23 154 692	-	-	-	-	-	-	-	-	-	1 561 477	1 332 982	-	-	-	2 894 459	26 108 500	-	-	-
Pumping Stations	403 177 004	-	-	-	5 848 268	-	-	-	-	-	29 002 960	1 332 982	-	-	-	36 405 364	376 022 369	-	-	-
Reservoirs and Tanks	1 309 670 911	12 069 736	-	-	9 250 729	-	-	-	-	-	412 427 733	12 438 949	-	-	-	124 683 587	1 507 556 916	-	112 000 000	-
Supply and Retention	115 679 966	-	-	-	290 790 091	-	-	19 709 765	-	-	82 208 891	42 474 696	-	-	-	18 070 967	316 458 230	-	281 604 000	-
Treatment Works	2 249 939 481	12 069 736	584 790 973	19 709 765	19 709 765	2 866 509 956	80 795 492	236 339 846	2 630 170 110	395 292 000	155 544 354	80 795 492	-	-	-	236 339 846	2 630 170 110	395 292 000	-	-
					0,00															
Other Assets	539 475	-	-	-	-	-	-	-	-	-	94 551	74 154	-	-	-	168 705	370 770	-	-	-
Bins and Containers:																				
Household Refuse Bins	5 695 552	1 406 880	-	-	-	6 872 220	920 300	-	(215 060)	-	3 346 035	920 300	-	-	-	4 051 276	2 820 944	-	-	-
Computer Equipment:	33 523	-	-	-	-	32 226	4 869	-	(1 131)	-	20 557	4 869	-	-	-	24 294	7 931	-	-	-
Computer Hardware	4	-	-	-	-	4	1	-	-	-	-	1	-	-	-	1	3	-	-	-
Emergency Equipment:	1 400 100	60 938	-	-	-	1 453 247	161 991	-	(5 527)	-	737 165	161 991	-	-	-	893 628	559 620	-	-	-
Fire Equipment	972 635	122 194	-	-	-	1 061 492	119 108	-	(27 960)	-	518 411	119 108	-	-	-	609 560	451 933	-	-	-
Medical and Allied Equipment	1 261 960	172 318	-	-	-	1 424 350	159 602	-	(6 437)	-	635 851	159 602	-	-	-	789 016	635 335	-	-	-
Medical and Allied Equipment	436 243	90 231	-	-	-	524 318	56 539	-	(1 568)	-	213 058	56 539	-	-	-	268 009	256 309	-	-	-
Furniture and Fittings:																				
Cabinets and Cupboards	1 400 100	60 938	-	-	-	1 453 247	161 991	-	(5 527)	-	737 165	161 991	-	-	-	893 628	559 620	-	-	-
Chairs and Couches	972 635	122 194	-	-	-	1 061 492	119 108	-	(27 960)	-	518 411	119 108	-	-	-	609 560	451 933	-	-	-
Desks and Tables	1 261 960	172 318	-	-	-	1 424 350	159 602	-	(6 437)	-	635 851	159 602	-	-	-	789 016	635 335	-	-	-
Other Furniture and Fittings	436 243	90 231	-	-	-	524 318	56 539	-	(1 568)	-	213 058	56 539	-	-	-	268 009	256 309	-	-	-

APPENDIX B
CHRIS HANI DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

Description	Opening Balance		Additions		Cost / Revaluation Under Construction		Transfers		Disposals		Closing Balance		Accumulated Depreciation / Impairment		Transfers		Disposals		Closing Balance		Carrying Value		Budget Additions 2012	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Motor Vehicles:</i>																								
Passenger Vehicles	2 939 050	-	-	-	-	-	-	-	-	(6 19 736)	-	2 319 314	1 226 546	237 028	-	-	-	(344 000)	-	1 119 574	1 199 740	-	-	
Tractors	1 389 317	-	-	-	-	-	1 389 317	-	-	-	-	743 508	87 576	-	-	-	-	-	-	831 083	558 233	-	-	
Trailers and Accessories	178 703	-	-	-	-	-	178 703	-	-	-	-	129 650	10 085	-	-	-	-	-	-	139 735	38 968	-	-	
Trucks and LDV's	32 293 838	-	3 061 583	-	-	-	34 232 174	-	-	(1 123 248)	-	8 257 439	3 945 320	-	-	-	(682 411)	-	11 510 349	22 721 825	-	-	-	
<i>Office Equipment:</i>																								
Air Conditioners	855 277	-	24 933	-	-	-	880 209	-	-	-	-	583 286	95 394	-	-	-	-	-	-	678 680	201 529	-	-	
Audiovisual Equipment	762 289	-	67 071	-	-	-	822 116	-	-	(7 245)	-	380 397	77 983	-	-	-	(5 390)	-	452 990	369 126	-	-	-	
Kitchen Appliances	139 246	-	17 630	-	-	-	149 631	-	-	(7 244)	-	71 617	13 596	-	-	-	(5 568)	-	79 645	69 986	-	-	-	
Office Machines	1 460 124	-	5 835	-	-	-	1 465 429	-	-	(530)	-	607 497	180 038	-	-	-	(505)	-	787 031	678 399	-	-	-	
Other Office Equipment	324 401	-	34 468	-	-	-	345 534	-	-	(13 334)	-	132 750	41 642	-	-	-	(9 996)	-	164 396	181 138	-	-	-	
<i>Plant and Equipment:</i>																								
Compressors, Generators and Alli	17 887	-	-	-	-	-	17 887	-	-	-	-	7 640	2 422	-	-	-	-	-	10 062	7 825	-	-	-	
Earthmoving Equipment	1 565 200	-	-	-	-	-	1 565 200	-	-	-	-	893 535	88 095	-	-	-	-	-	981 630	583 570	-	-	-	
Farm Equipment	66 782	-	-	-	-	-	66 782	-	-	-	-	31 967	3 852	-	-	-	-	-	35 819	30 963	-	-	-	
Laboratory Equipment	726 768	-	81 410	-	-	-	808 176	-	-	(2)	-	308 079	99 599	-	-	-	(1)	-	407 678	400 498	-	-	-	
Lawnmowers / Gardening Equipment	5 394	-	3 640	-	-	-	6 490	-	-	(2 544)	-	5 063	490	-	-	-	-	-	3 080	3 411	-	-	-	
Other Plant and Equipment	143 824	-	2 191	-	-	-	110 988	-	-	(35 027)	-	88 349	12 333	-	-	-	(33 990)	-	66 732	44 257	-	-	20 487 000	
Radio Equipment	28 884	-	-	-	-	-	28 884	-	-	(28 884)	-	28 196	458	-	-	-	(28 655)	-	-	-	-	-	-	
Vehicle Tracking Devices	25 080	-	-	-	-	-	25 080	-	-	-	-	24 244	557	-	-	-	-	-	24 801	279	-	-	-	
<i>Specialised Vehicles:</i>																								
Fire Engines	5 771 836	-	-	-	-	-	5 771 836	-	-	-	-	1 624 212	431 221	-	-	-	-	-	2 055 433	3 716 403	-	-	-	
Mobile Clinics	1 018 857	-	-	-	-	-	1 018 857	-	-	(1 018 857)	-	470 968	9 205	-	-	-	(480 174)	-	-	-	-	-	-	
Tipper	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	2 395 217 627	18 321 058	584 790 973	19 709 765	19 709 765	(3 141 370)	3 014 898 053	178 515 131	88 524 051	(1 860 824)	265 178 358	2 749 719 695	26 153 206	2 651 783 588	2 749 719 695	265 178 358	(1 860 824)	2 749 719 695	26 153 206	2 749 719 695	2 749 719 695	265 178 358	665 779 000	

ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2012

Description	Opening Balance		Additions		Cost / Revaluation Under Construction		Transfers		Disposals		Closing Balance		Accumulated Depreciation / Impairment		Transfers		Disposals		Closing Balance		Carrying Value		Budget Additions 2012	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
<i>Intangible Assets</i>																								
Computer Software Licences	2 448 498	-	-	-	-	-	2 448 498	-	-	-	-	2 366 153	54 758	-	-	-	-	-	-	2 420 911	27 587	-	-	
	2 340 246	-	-	-	-	-	2 340 246	-	-	-	-	1 717 827	209 120	-	-	-	-	-	1 926 947	413 299	-	-		
	4 788 744	-	-	-	-	-	4 788 744	-	-	-	-	4 083 980	263 877	-	-	-	-	-	4 347 858	440 886	-	-		
Total Asset Register	2 400 066 371	18 321 058	584 790 973	19 709 765	19 709 765	(3 141 370)	3 019 686 797	182 599 111	88 787 929	(1 860 824)	269 526 216	2 750 160 581	269 526 216	2 750 160 581	2 750 160 581	269 526 216	(1 860 824)	2 750 160 581	269 526 216	2 750 160 581	2 750 160 581	269 526 216	665 779 000	

APPENDIX C

CHRIS HANI DISTRICT MUNICIPALITY

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

Description	Opening Balance		Additions		Cost / Revaluation		Transfers		Disposals		Closing Balance		Opening Balance		Additions		Transfers		Disposals		Closing Balance		Carrying Value	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	324 701		477 135							(20 132)	781 703	208 651	67 871							(18 355)	258 168	523 536		
Finance and Administration	2 388 854 157		14 386 257	584 790 973	19 709 765	3 004 772 162	177 994 429	87 320 875		(2 968 990)	3 004 772 162	1 779 944 29	87 320 875						(1 701 966)	263 613 338	2 741 158 824			
Planning and Development	1 153 555		291 540			1 418 648	591 160			(26 447)	1 418 648	144 466							(25 529)	710 097	708 551			
Community and Social Services	9 495 878		3 166 127			12 539 705	3 700 431			(122 301)	12 539 705	1 232 265	1 232 265						(111 941)	4 820 754	7 718 950			
Roads and Transport	178 079		-			174 579	104 440			(3 500)	174 579	104 440	22 452						(3 033)	123 859	50 720			
Total	2 400 006 371		18 321 058	584 790 973	19 709 765	3 019 686 797	182 599 111	88 787 929	-	(1 860 824)	269 526 216	2 750 160 561												

APPENDIX D
CHRIS HANI DISTRICT MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

2011 Actual Income	2011 Actual Expenditure	2011 Surplus/ (Deficit)	Description	2012		2012 Surplus/ (Deficit)
				Actual Income	Actual Expenditure	
R	R	R		R	R	R
-	9 842 038	(9 842 038)	Executive and Council	1 500 000	11 755 467	(10 255 467)
49 434 801	151 899 275	(102 464 474)	Finance and Administration	71 503 028	162 314 662	(90 811 634)
-	7 063 614	(7 063 614)	Planning and Development	-	7 370 494	(7 370 494)
-	5 633 886	(5 633 886)	Health	-	59 058	(59 058)
-	3 804 657	(3 804 657)	Community and Social Services	-	2 860 596	(2 860 596)
-	4 669 314	(4 669 314)	Public Safety	-	4 552 017	(4 552 017)
-	5 515 108	(5 515 108)	Environmental Protection	-	6 860 762	(6 860 762)
147 477 055	30 117 661	117 359 394	Waste Management	-	42 930	(42 930)
-	846 101	(846 101)	Roads and Transport	-	452 213	(452 213)
(32 369 376)	242 641 167	(275 010 543)	Water	-	174 909 521	(174 909 521)
638 569 211	144 858 390	493 710 822	Other	803 591 214	252 071 377	551 519 837
803 111 691	606 891 211	196 220 479	Sub-Total	876 594 242	623 249 096	253 345 145
-	-	-	- Less: Inter-departmental Charges	-	-	-
803 111 691	606 891 211	196 220 479	Total	876 594 242	623 249 096	253 345 145

APPENDIX E(1)
CHRIS HANI DISTRICT MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012

Description	2011/2012		2011/2012		2011/2012		Explanation of Significant Variances greater than 10% versus Budget
	Actual	Budget	Variance	R	Variance	%	
REVENUE							
Rental of Facilities and Equipment	97 192	146 250	(49 058)		(50,48)	Amount not material	
Interest Earned - External investments	19 601 048	23 453 500	(3 852 452)		(19,65)	Dependent on the changes in interest rate and the investment period allowed	
Interest Earned - Outstanding debtors	-	12 000	(12 000)		0,00		
Government Grants and Subsidies	799 518 311	785 506 723	14 011 588		1,75		
Other Income	55 551 261	1 122 740	54 428 521		97,98	Due to accounting for VAT on Grants as required by Treasury	
Total Revenue	876 267 813	810 241 213	66 026 600		8,15		
EXPENDITURE							
Employee Related Costs	110 318 975	127 167 527	(16 848 552)		(15,27)	The decrease is due to vacant positions during the financial year	
Remuneration of Councillors	7 437 213	9 846 848	(2 409 635)		(32,40)		
Collection Costs	-	344 833	(344 833)		0,00		
Depreciation	88 787 929	3 008 480	85 779 449		96,61	Due to depreciation on infrastructure assets	
Impairment Losses	(9 046 605)	-	(9 046 605)		100,00	Due to impairment of debtors for LM's that are classified as discontinued	
Repairs and Maintenance	1 540 027	3 522 920	(1 982 893)		(128,76)	Due to the repairs on council buildings that still need to be done	
Interest Paid	384 647	2 343 710	(1 959 063)		(509,31)		
Bulk Purchases	6 678 620	7 359 402	(680 782)		(10,19)	The actual is determined by need	
Contracted Services	528 894	3 128 589	(2 599 695)		(491,53)	VAT Review services were contributing to this, and were not done in 2012	
Grants and Subsidies Paid	391 739 771	587 226 376	(195 486 605)		(49,90)	Monitoring of reports and assistance given to LM to improve their collection	
General Expenses	28 331 082	66 292 528	(37 961 446)		(133,99)	In most areas the spending trend is determined by need, e.g S&T	
Loss on disposal of Property, Plant and Equipment	40 217	-	40 217		100,00	Amount not material	
Total Expenditure	626 740 770	810 241 213	(183 500 443)		(22,65)		
Surplus / (Deficit) from Discontinued Operations	(703 580)	-	(703 580)		100,00		
NET SURPLUS / (DEFICIT) FOR THE YEAR	248 823 463	-	248 823 463		0,00		

APPENDIX E(2)
CHRIS HANI DISTRICT MUNICIPALITY
ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2012
 Explanation of Significant Variances

Description	2011/2012		2011/2012		2011/2012		2011/2012		2011/2012		greater than 5% versus Budget
	Actual	Under Construction	Total Additions	Budget	Variance	Variance	Variance	Variance	%		
	R	R	R	R	R	R	R	R			
Executive and Council	477 135	-	477 135	-	477 135	0,00					
Finance and Administration	14 386 257	-	14 386 257	16 188 000	(1 801 743)	(11,13)	Assets were budgeted for based on the approved position				
Planning and Development	291 540	-	291 540	-	291 540	0,00					
Community and Social Services	3 166 127	-	3 166 127	5 987 000	(2 820 873)	(47,12)	Not all assets were purchased				
Waste Management	-	13 076 131	13 076 131	250 000 000	(236 923 869)	(94,77)	The budget include sanitation and other projects executed for communities				
Water	-	233 220 901	233 220 901	393 604 000	(160 383 099)	(40,75)	The budget include water and other projects executed for communities				
Total	18 321 058	246 297 031	264 618 089	665 779 000	(401 160 911)	(60,25)					

APPENDIX F
CHRIS HANI DISTRICT MUNICIPALITY
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				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld				Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below Yes / No	Reason for Non-compliance	
		June	Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March				June
Financial Management Grant	Nat Treasury	0	1 250 000	0	0	0	322 325	791 873	110 229	205 175	749 794	N/A	N/A	N/A	N/A	Yes	N/A
Municipal Infrastructure Grant	MIG	0	81 950 000	95 450 000	107 204 000	0	0	75 577 940	111 171 709	92 176 203	5 678 748	N/A	N/A	N/A	N/A	Yes	N/A
Equitable Share Grant	Nat Treasury	0	121 912 000	39 702 000	164 294 000	0	0	81 477 000	81 477 000	81 477 000	81 477 000	N/A	N/A	N/A	N/A	Yes	N/A
Regional Bulk Infrastructure Grant	DWAF	13 516 125	7 920 214	24 006 062	69 150 393	5 980 434	16 705 276	14 222 481	23 597 520	69 085 977	15 513 914	N/A	N/A	N/A	N/A	Yes	N/A
Water Services Operating Subsidy Grant	DWAF	0	4 075 000	1 719 000	1 877 000	0	3 096 000	2 550 000	2 025 000	0	2 511 000	N/A	N/A	N/A	N/A	Yes	N/A
Rural Transport Services & Infrastructure	Dept Transport	0	0	0	1 688 000	0	0	0	373 393	102 983	451 960	N/A	N/A	N/A	N/A	Yes	N/A
Municipal Systems Improvement Grant	DPLG	0	790 000	0	0	0	832 339	65 250	714 696	102 983	455 505	N/A	N/A	N/A	Yes	N/A	
Total Grants and Subsidies Received		13 516 125	217 897 214	160 877 062	344 213 393	5 980 434	20 955 940	174 683 944	219 096 154	237 420 731	106 837 921	0	0	0	0	0	0

(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?



GENERAL INFORMATION

EXECUTIVE MAYOR

M.C. Koyo

SPEAKER

N. Makanda

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor

Speaker

Chief Whip

N.G. Xoseni

Councillors: W.T. Bikwana
L.Gunuza - Nkwentsha
N. Matiwane

Z.R. Shweni
S.D. Plata
M.R. Xuma

GRADING OF THE LOCAL AUTHORITY

Grade 8

AUDITORS

External – Auditor General

Internal – Internal Unit

PRIMARY BANKER

First National Bank Limited

REGISTERED OFFICE

15 Bells Road
Queenstown
5319

Private Bag X7121
Queenstown
5320

Telephone: (045) 808-4600

Facsimile: (045) 838-1556

E-Mail: webmaster@chrishanidm.gov.za

Website: <http://www.chrishanidm.gov.za>

MUNICIPAL MANAGER

M. A MENE

ACTING CHIEF FINANCIAL OFFICER

J. N Ntshinga





APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 8 to 123, 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 2012.

M A MENE
MUNICIPAL MANAGER
31 August 2012

J N NTSHINGA
ACTING CHIEF FINANCIAL FICER
31 August 2012



ANNUAL REPORT OF THE AUDIT COMMITTEE TO THE COUNCIL OF CHRIS HANI DISTRICT MUNICIPALITY (CHDM)

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 2012.

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 current reporting period five (5) meetings were held. All the members of the AC are independent.

Details of meetings attended during the year then ended are:

NAME	NO OF MEETINGS ATTENDED
Mr. A. Yeboah{ FCCA, MSc (UK)} (Chairperson)	5
Mrs. T. Putzier B.COM (UCT)	3
Ms. Z. Madikazi CA(SA)	5

AC Responsibilities

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

Internal Control Issues

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

In view thereof, Management addressed risk management by conducting risk assessment workshops, and updating the risk register on a quarterly basis, for the audit committee review.

The AC has recommended several internal control measures to strengthen the existing system. The following templates were designed to assist management to strengthen internal control within CHDM:

- Supply Chain Management (SCM) reporting template
- Template on tenders
- Irregular, Unauthorized, Fruitless and Wasteful Expenditure template
- Water services reporting template

However, due to the challenges faced by the Budget and Treasury (Finance) department during the year, the above templates were not utilized effectively to address problems arising from those activities.



The Effectiveness of Internal Audit

In line with the MFMA and the King III 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, we can rely on the work performed by the internal audit unit.

The Internal Audit unit could work more effectively and efficiently if timely responses were provided by management to queries raised coupled with beefing up with IT and forensic staff.

Evaluation of Annual Financial Statements

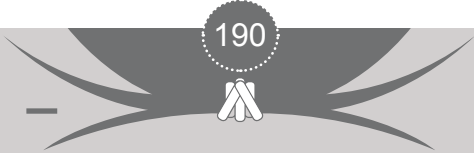
Preparation of annual financial statements (AFS) by management and its subsequent review by the committee needs to comply with time schedules to achieve maximum effect. The committee is concerned with the submission of incomplete set of the annual financial statements for review during the reporting period. As a result the committee could not review thoroughly, the AFS before being submitted to the Auditor General.

The committee strongly recommends that management should prepare monthly management accounts, which will culminate into quarterly reports for audit committee review. This is the only way to eliminate delays in preparing AFS at year end annually.

The AC agrees and accepts the Office of the Auditor General's conclusions (report) on the annual financial statements and is of the opinion that the audit report be accepted.

.....

A.Yeboah
Chairperson of Audit Committee





APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 8 to 123, 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 2012.

M A MENE
MUNICIPAL MANAGER
31 August 2012

J N NTSHINGA
ACTING CHIEF FINANCIAL OFFICER
31 August 2012





MEMBERS OF THE COUNCIL

COUNCILLORS

M C Koyo	ANC
N Makanda	ANC
N G Xoseni	ANC
N T Bikwana	ANC
W Gela	ANC
L Gunuza-Nkwentsha	ANC
N G Magwashu	ANC
N Matiwane	ANC
N Radzilane	ANC
L E Noqha	ANC
B O Ntoni	ANC
S D Plata	ANC
Z R Shweni	ANC
M R Xuma	ANC
M N Bula	COPE
R W Venske	DA
Z C Deliwe	UDM
Chief B Malefane	
Chief M Silo	
Chief X Mbali	
Chief J Fani	
Chief B Xhegwana	
Princess N Sotyatho	
Chief L Tshangana	
Chief M Songqengqe	

PROPORTIONAL COUNCILLORS

A V Bokuva	ANC
S R Dyantyi	ANC
N Goniwe	ANC
M Jentile	ANC
L Jiyose	ANC
D S Kalolo	ANC
T Ndyumbu-Kulashe	ANC
S Liwani	ANC
Z Madyolo	UDM
S Mbolo	ANC
Z Mbotoloshi	ANC
K Mdleleni	ANC
S Myataza	ANC
N S Ndlebe	ANC
M Nontsele	ANC
K Nqiqhi	ANC
N P Nquma	ANC
S Ntakana	ANC
N Nyukwana	ANC
M Qamngwana	ANC
N Roskruge	ANC
K Vimbayo	ANC
F Erasmus	DA
P P Mandile	DA
H Nobongoza	UDM





CERTIFICATION OF REMUNERATION OF COUNCILLORS

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.A MENE
MUNICIPAL MANAGER
31 August 2012



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.

These Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No 56 of 2003).

1.1 *Changes in Accounting Policy and Comparability*

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

For the years ended 30 June 2011 and 30 June 2012 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out in the relevant Notes 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 municipality's financial position, financial performance or cash flow.

1.2 *Critical Judgements, Estimations and Assumptions*

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

1. BASIS OF PRESENTATION (continued)

1.2 Critical Judgements, Estimations and Assumptions (continued)

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 9.2 on *Revenue from Exchange Transactions* and Accounting Policy 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. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. 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. Accounting Policy 6.1 on *Financial Assets Classification* and Accounting Policy 6.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of Financial Instruments as set out in IAS 32 (*Financial Instruments – Presentation*) and IAS 39 (*Financial Instruments – Recognition and Measurement*).

1.2.3 Impairment of Financial Assets

Accounting Policy 6.4 on *Impairment of Financial Assets* describes the process followed to determine the value by 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*) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of

the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

1.2 *Critical Judgements, Estimations and Assumptions (continued)*

1.2.3 Impairment of Financial Assets (continued)

◆ Impairment of Trade Receivables:

The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

1.2.4 Useful lives of Property, Plant and Equipment, Investment Property and Intangible Assets

As described in Accounting Policies 3.3 and 4.2 the municipality depreciates / amortises its Property, Plant and Equipment, Investment Property and Intangible Assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1.2.5 Impairment: Write-down of Property, Plant and Equipment and Inventories

Accounting Policy 5 on *Impairment of Assets* and Accounting Policy 7.2 on *Inventory – Subsequent Measurement* describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of PPE, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

1. BASIS OF PRESENTATION (continued)

1.2 Critical Judgements, Estimations and Assumptions (continued)

1.2.5 Impairment: Write-down of Property, Plant and Equipment and Inventories (continued)

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (*Impairment of Cash Generating Assets*) and GRAP 26 (*Impairment of Non-cash Generating Assets*). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the NRV for Inventories involves significant judgment by management.

During the year no impairments were made to Property, Plant and Equipment, Intangible Assets or Inventory.

1.2.6 Water Inventory

The estimation of the Water Inventory in reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Refer to Accounting Policy, paragraph 7.2.2. The operations have been discontinued as at 30 June 2011 – please refer to the applicable Notes to the Annual Financial Statements.

1.2.7 Defined Benefit Plan Liabilities

As described in Accounting Policy 11.2, *Employee Benefits – Post-employment Benefits*, 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 to the Annual Financial Statements.

1.2.8 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.2.9 Budget Information

Deviations between budget and actual amounts are regarded as material differences, when a 5% deviation exists for Operating Transactions and a 10% deviation exists for Capital Transactions. All material differences are explained in Notes to the Annual Financial Statements.



ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN LED

	Indicator name	Target set for the year	Achievement level during the year (absolute figure)	Achievement percentage during the year
1	Percentage of LED Budget spent on LED related activities.			
2	Number of LED stakeholder forum held	4	4	100%
3	Percentage of SMME that have benefited from a SMME support program	A number of initiatives were implemented which focused on supporting SMMEs from the various LED perspectives, i.e., tourism, small business development, agriculture and so on. For additional details on these programmes see annexure C: Annual Performance Report.		
4	Number of job opportunities created through EPWP			
5	Number of job opportunities created through PPP			



1. BASIS OF PRESENTATION (continued)

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 GRAP.

1.6 Standards, Amendments to Standards and Interpretations Issued but not yet Effective

The following GRAP standard has been issued but is not yet effective and has been early adopted by the municipality:

- ◆ GRAP 104 Financial Instruments - issued October 2009

GRAP 104 will be effective for the period starting after 1 April 2012. The municipality elected to adopt the standard during the 2010/11 financial year.

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 20 Related Party Disclosures - revised
- ◆ GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
- ◆ 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 25 Employee Benefits - issued December 2009
- ◆ GRAP 26 Impairment of Cash-generating Assets - issued March 2009
- ◆ GRAP 103 Heritage Assets - issued July 2008
- ◆ GRAP 105 Transfers between Entities under common control - issued November 2010
- ◆ GRAP 106 Transfers between Entities not under common control - issued November 2010
- ◆ GRAP 107 Mergers - issued November 2010

1. BASIS OF PRESENTATION (continued)

1.6 Standards, Amendments to Standards and Interpretations Issued but not yet Effective (continued)

Application of all of the aforementioned GRAP standards will be effective from a date to be announced by the Minister of Finance, who announced that the application of GRAP 21, GRAP 23, GRAP 24, GRAP 26, GRAP 103 and GRAP 104 will be effective for the period starting after 1 April 2012. All other standards as listed above will only be effective on a date to be announced by the Minister of Finance.

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

- ◆ Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009)
- ◆ Revenue from Non-Exchange Transactions (GRAP 23 - issued February 2008)
- ◆ Impairment of Cash-generating Assets (GRAP 26 - issued March 2009)
- ◆ Financial Instruments (GRAP 104 - issued October 2009)

Management has considered all 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.

2. ACCUMULATED SURPLUS

Included in the Accumulated Surplus of the municipality are the following Reserves that are maintained in terms of specific requirements:

1.1 Capital Replacement Reserve (CRR)

In order to finance the provision of Infrastructure and other items of Property, Plant and Equipment from internal sources, amounts are transferred from the Accumulated Surplus/(Deficit) to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- ◆ The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the Investment Policy of the municipality.
- ◆ The CRR may only be utilised for the purpose of purchasing items of Property, Plant and Equipment and may not be used for the maintenance of these items.
- ◆ Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the Accumulated Surplus/(Deficit) is credited by a corresponding amount.
- ◆ If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance and is then transferred, via the Statement of Changes in Net Assets, to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR as it is regarded as revenue.

1.2 Capitalisation Reserve

On the implementation of GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of Property, Plant and Equipment were transferred to a Capitalisation Reserve rather than the Accumulated Surplus/(Deficit) in terms of a directive (Circular No 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of Property, Plant and Equipment are offset by transfers from this Reserve to the Accumulated Surplus/(Deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of Property, Plant and Equipment financed from the former legislated funds. When items of Property, Plant and Equipment are depreciated, a transfer is made from the Capitalisation Reserve to the Accumulated Surplus/(Deficit).

When an item of Property, Plant and Equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

2. ACCUMULATED SURPLUS (continued)

1.3 Donations and Public Contributions Reserve

When items of Property, Plant and Equipment are financed from public contributions and donations, a transfer is made from the Accumulated Surplus/(Deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (Circular No 18) issued by National Treasury. When such items of Property, Plant and Equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the Accumulated Surplus/(Deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of Property, Plant and Equipment financed from donations and public contributions.

When an item of Property, Plant and Equipment financed from donations and public contributions is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

1.4 Government Grants Reserve

When items of Property, Plant and Equipment are financed from government grants, a transfer is made from the Accumulated Surplus/(Deficit) to the Government Grants Reserve equal to the government grants recorded as revenue in the Statement of Financial Performance in accordance with a directive (Circular No 18) issued by National Treasury. When such items of Property, Plant and Equipment are depreciated, a transfer is made from the Government Grants Reserve to the Accumulated Surplus/(Deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of Property, Plant and Equipment financed from government grants.

When an item of Property, Plant and Equipment financed from government grants is disposed, the balance in the Government Grants Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

3. PROPERTY, PLANT AND EQUIPMENT

1.1 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 grants or donations, 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 non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is 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.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

1.2 *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 municipality 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 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.

1.3 *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. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.3 Depreciation (continued)

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
Buildings		Other	
Improvements	5 - 30	Bins and Containers	5 - 15
		Computer Equipment	3 - 10
Infrastructure		Emergency Equipment	3 - 10
Roads and Paving	3 - 100	Furniture and Fittings	3 - 15
Security Measures	7 - 25	Motor Vehicles	4 - 15
Sewerage	7 - 60	Office Equipment	3 - 15
Water	5 - 100	Plant and Equipment	2 - 15
		Specialist Vehicles	10 - 15
Community			
Community Facilities	5 - 30		
Recreational Facilities	10 - 30		

The assets' residual values, estimated useful lives and depreciation method are reviewed annually and adjusted prospectively, if appropriate, at each reporting date.

1.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

1.5 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.

1.6 Incomplete Construction Work

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

3. PROPERTY, PLANT AND EQUIPMENT (continued)

1.7 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 classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

4. INTANGIBLE ASSETS

1.1 Initial Recognition

Identifiable non-monetary assets without physical substance 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.

4. INTANGIBLE ASSETS (continued)

4.1 Initial Recognition (continued)

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 GRAP 21 / GRAP 26.

Intangible Assets are initially recognised at cost. The cost of an Intangible Asset is the purchase price and other costs attributable to bring the Intangible Asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an Intangible Asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible Assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

In terms of GRAP 102, Intangible Assets are distinguished between internally generated Intangible Assets and other Intangible Assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a *Straight-line Basis* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

4. INTANGIBLE ASSETS (continued)

4.2 Subsequent Measurement, Amortisation and Impairment (continued)

Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives:

Asset Class	Years	Asset Class	Years
Computer Software	2 - 5	Licences	2 - 5

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. The impairment loss is the difference between the carrying amount and the recoverable service amount.

The estimated useful life, residual values 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.

1.3 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 proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

5. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as *Cash Generating Assets*. All other assets are classified as *Non-cash Generating Assets*.

1.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If 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. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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.

5. IMPAIRMENT OF ASSETS (continued)

1.2 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 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 a non-cash generating asset is the higher of its fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

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.

6. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as either *Financial Assets*, *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement.

Initial Recognition

Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

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

Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

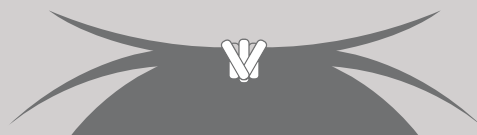
- ◆ The fair values of quoted investments are based on current bid prices.
- ◆ If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to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

The Effective Interest Rate Method

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial Instrument or, when appropriate, a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

Amortised Cost

Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the *Effective Interest Rate Method* of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.



6. FINANCIAL INSTRUMENTS (continued)

1.1 Financial Assets – Classification

A Financial Asset is any asset that is a cash or contractual right to receive cash.

In accordance with GRAP 104 the *Financial Assets* of the municipality are classified as follows into the three categories allowed by this standard:

- ◆ **Financial Assets measured at Amortised Cost** 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. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.
- ◆ **Financial Assets measured at Fair Value** are financial assets that meet either of the following conditions:
 - (i) Derivatives;
 - (ii) Combined instruments that are designated at fair value;
 - (iii) Instruments held for trading;
 - (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value at initial recognition; or
 - (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or Financial Instruments at Cost.
- ◆ **Financial Assets measured at Cost** are investments in Residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The municipality has the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Notice Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Fair Value
Bank, Cash and Cash Equivalents	Financial Assets at Fair Value



6. FINANCIAL INSTRUMENTS (continued)

6.1 Financial Assets (continued)

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 and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Fair Value.

1.2 Financial Liabilities – Classification

A Financial Liability is a contractual obligation to deliver cash or another Financial Asset to another entity.

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial Liabilities may be measured at:

- (i) Financial Liabilities measured at Fair Value;
- (ii) Financial Liabilities measured at Amortised Cost; or
- (iii) Financial Liabilities measured at Cost.

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Liabilities, including Finance Leases	Financial Liabilities at Amortised Cost
Payables	Financial Liabilities at Amortised Cost
Current portion of Long-term Liabilities	Financial Liabilities at Amortised Cost
Bank Overdraft	Financial Liabilities at Fair Value

Financial Liabilities that are measured at Fair Value 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).

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

6. FINANCIAL INSTRUMENTS (continued)

1.3 Initial and Subsequent Measurement

1.3.1 Financial Assets:

Financial Assets measured at Amortised Cost

Financial Assets at Amortised Cost 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 interest recognised on an *Effective Yield Basis*.

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the Statement of Financial Performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the Statement of Financial Performance.

1.3.2 Financial Liabilities:

Financial Liabilities measured at Fair Value

Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities measured at Amortised Cost

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the *Accrual Basis* and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

6. FINANCIAL INSTRUMENTS (continued)

1.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. 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 GRAP 104.

1.4.1 Financial Assets at Amortised Cost:

Accounts Receivables encompass Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (Other Debtors).

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 Accounts 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 provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

6. FINANCIAL INSTRUMENTS (continued)

6.4 Impairment of Financial Assets (continued)

1.4.2 Financial Assets at Cost

If there is objective evidence that an impairment loss has been incurred on an investment in a Residual Interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the Financial Asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

1.5 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.

1.6 Derecognition of Financial Liabilities

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

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

7. INVENTORIES

1.1 *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.

1.2 *Subsequent Measurement*

1.2.1 **Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods:**

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that the municipality expects to realise from the sale on Inventory in the ordinary course of business). 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.

1.2.2 **Water Inventory:**

Water is regarded as Inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the *FIFO Method*, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs



at year-end. The services have been discontinued as at 30 June 2011.

7. INVENTORIES (continued)

7.2 Subsequent Measurement (continued)

1.2.3 Unsold Properties:

Unsold properties are valued at the lower of cost and net realisable value on a *Weighted Average Cost Basis*. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

1.2.4 Other Arrangements:

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 measurement of such Inventory at the lower of cost and net realisable value 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.

8. NON-CURRENT ASSETS HELD-FOR-SALE

1.1 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. NON-CURRENT ASSETS HELD-FOR-SALE (continued)

1.2 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.

The gain or loss on the eventual sale of non-current assets held-for-sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held-for-sale is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

9. REVENUE RECOGNITION

1.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

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 or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. 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. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

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. REVENUE RECOGNITION (continued)

9.1 General (continued)

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.

1.2 Revenue from Exchange Transactions

1.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

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.

The services have been discontinued as at 30 June 2011.

9. REVENUE RECOGNITION (continued)

9.2 Revenue from Exchange Transactions (continued)

1.2.2 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 Unspent Conditional Grants is allocated directly to the Creditor: Unspent Conditional Grants, if the grant conditions indicate that interest is payable to the funder.

1.2.3 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a *Straight-line Basis* over the term of the lease agreement.

1.2.4 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 authorised tariff.

1.2.5 Sale of Goods

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

- ◆ 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; and
- ◆ The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The services have been discontinued as at 30 June 2011.

9. REVENUE RECOGNITION (continued)

9.2 Revenue from Exchange Transactions (continued)

1.2.6 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.

The services have been discontinued as at 30 June 2011.

1.3 Revenue from Non-exchange Transactions

An inflow of resources from a *Non-exchange Transaction*, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a *Non-exchange Transaction* that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

1.3.1 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with the management's best estimate of the probable inflows from spot fines and summonses that will be received based on past experience of amounts collected.

1.3.2 Public Contributions

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. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

9. REVENUE RECOGNITION (continued)

9.3 Revenue from Non-exchange Transactions (continued)

9.3.2 Public Contributions (continued)

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.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

1.3.3 Government Grants and Receipts

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. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

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.

Revenue 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.



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

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



10. 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.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

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. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

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.

11. EMPLOYEE BENEFITS

1.1 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 creditor 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.

1.2 Post-employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

1.2.1 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. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

11. EMPLOYEE BENEFITS (continued)

11.2 Post-employment Benefits (continued)

1.2.2 Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

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. Not all Medical Aid Funds, with which the municipality is associated, 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.

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* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

11. EMPLOYEE BENEFITS (continued)

11.2 Post-employment Benefits (continued)

11.2.2 Defined Benefit Plans (continued)

Provincially-administered Defined Benefit Plans:

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. 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.

Defined Benefit Pension Plans:

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

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. LEASES

1.1 Classification

Leases are classified as **Finance Leases** where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as **Operating Leases**.

1.2 The Municipality as Lessee

1.2.1 Operating Leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a *Straight-line Basis* over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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.

1.3 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. 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.

14. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the *Payments Basis* in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

15. 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). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue 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.

16. IRREGULAR EXPENDITURE

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's 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 in the period it occurred and where recovered, it is subsequently accounted for as revenue 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.



17. 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. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue 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.

18. 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 impractical 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 practical. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

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 impractical 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 practical. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

19. 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.



20. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

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

21. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- ◆ Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- ◆ Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- ◆ Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- ◆ Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements.
- ◆ Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.



22. 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.

23. 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 Notes to the Annual Financial Statements.

24. COMPARATIVE INFORMATION

24.1 Current Year Comparatives:

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

24.2 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.

24.3 Budget Information:

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan.

Chapter 4




**Chapter 4 :
AUDITED STATEMENTS AND OTHER FINANCIAL
INFORMATION (KPA 4)**





4.1 Audited Financial statements 2011-12





CHRIS HANI DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

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 2012 and the results of its operations and cash flows for the year then ended.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2010/11 financial period is set out in Directive 4 and Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2012 indicates an increase in Net Assets and in Non-current Liabilities, and a decrease 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 decrease in Non-current Liabilities is primarily as a result of the repayment of Long-term Loans. The increase in Current Liabilities is ascribed primarily to an increase in Unspent Conditional Grants



4.3 Grants and Transfers' spending

4.4. Meeting of Donor's requirements for conditional grants

4.5 Municipality long term contracts





4.6 Annual Performance as per key Performance indicators in Financial Viability

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4.7 The Auditor General Report

4.8 Audit Action Plan and Progress



Chapter 5



Good governance and Public Participation (KPA 5)

5.1 Overview of the Executive and Council functions and achievements (Pictures of Mayoral Committee and HODs)



CLLR Nozibele
Makhanda Speaker



CLLR. Mxolisi Koyo
Executive Mayor



CLLR Nkululeko Xhoseni
Chief whip



CLLR Nonzzukiso
Matiwana portfoliohead
Health and Community
Services



CLLR. Thumeka Bikwana
portfoliohead SPU & HIV
& AIDS Co-ordinating
committee



CLLR. Lindiwe
Nkwentsha-Gunuza
portfoliohead Intergrated
planning and economic
development



CLLR Sithembele Plata
portfoliohead Finance



CLLR. Zenzile Shweni
portfoliohead Governance
& administration



CLLR. Mthetheli
Xuma portfoliohead
Infrastructure



Chris Hani DM council comprises 42 councillors and the Council's main responsibility is to make decisions on council issues. All meetings of Council sat as scheduled. For the 2011-12 financial year 9 Council meetings were held, with 4 being the scheduled meetings and 5 being special meetings.

The Mayoral Committee which is the executive of council, has eight members and discharges its responsibility as outlined in the Municipal Structures Act 117 Section 44 (b). 7 Mayoral Committee meetings have taken place.

The District Municipality has five standing committees and each committee has eight councillors serving on it: Finance and Fiscal, Integrated Planning and Economic Development, Governance and Institutional, Health and Community Services and Infrastructure. Four meetings sat for each standing committee during 2011-12 financial year.

Council also has committees and forums which play a pivotal role in contributing towards good governance of the institution, such as the Local Labour Forum (7 sittings), Performance Audit Committee (2 sittings), Audit Committee and Municipal Public Accounts Committee

Records of proceedings for all committees were made and kept for future referencing; a council resolution register is updated and distributed after meetings, attendance register is kept.

5.2 Public Participation and consultation

The Chris Hani District Municipality Communications division is responsible for communication and public participation. This is a cross cutting function that necessitates the unit to work with all directorates and political leadership within the municipality, sector departments, Government Communication and Information Systems, local municipalities and state owned enterprises, to facilitate community and public participation activities.

In the financial year 2011 - 12 various tools were utilized to interact with the community , the highlights include:

- taking council to the people (Engcobo - Gqaga village and Tsolwana - Hofmeyer)
- Mayoral Committee meetings where ward councilors and committees were invited took place in Intsika Yethu and Engcobo
- stakeholder engagements which aim to encourage good relations and participation in municipal affairs were held with different groupings such as (Business formations, Traditional Leaders and Farmers)
- outreach program in honor of Mandela Day (the target group was the elderly, child headed households and poverty stricken homesteads)
- Door to door campaigns on HIV and AIDs with sector departments, NGOs and a selected local municipality
- Chris Hani month celebrations which focus on service delivery showcasing in all local municipalities
- A vibrant IDP Representative forum
- IDP / Budget road shows conducted in all local municipalities and venues identified in wards not town halls, to encourage public participation.
- Mayoral cup which begins at ward level, local and culminating to District
- Information sharing days held at Intsika Yethu
- Water week which highlights the importance of water and conservation thereof in all local municipalities
- monthly radio talk shows on service delivery with a phone-in element to encourage feedback from community
- Production of newsletters in three languages

5.3 Ward Committees establishment and functionality

The District Municipality does not have wards

5.4 Community Development workers performance monitoring

CHDM does not play any role in the monitoring of CDWs, however coordinators are always invited to attend the District Communication Forum and provide environmental assessment for their areas. They play active role in the mobilization of communities for IDP/Budget roadshows.

5.5 Communication and Marketing Strategy

Chris Hani District Municipality has developed a communication strategy with a program of action, which is reviewed annually.

The communication action plan is aligned to the municipality's IDP and key priority areas.

The process towards its adoption commenced with preparation of the draft document by the district communication core team and the district communication forum, circulation to the broader staff complement, management and councilors for

comments. The final draft was presented to a broader consultative workshop held on 23 July 2011, attended by Councilors and Mayors from all local municipalities, sector departments, state owned enterprises, Provincial Communications Core Team, CHDM Senior Management and communicators in the district. Finally, the strategy was adopted by Council in August 2011.

The Chris Hani DM communications unit comprises:

- One Communications Manager
- One Communications Officer
- One Marketing and Events Officer

The three incumbents are responsible to see to the effective implementation of the Communication and Marketing Strategy program of action.

The Communications unit is located in the office of the Executive Mayor and is administratively accountable to the office of the Municipal Manager. It utilizes two prefab outlets as offices housing the two officers and one store room that is used to store marketing equipment such as banners, bulk printer and documents. One office within the main building is allocated to the Communications Manager.

All communications personnel have access to laptops, 3G cards, and emails and internet and social networks. All personnel have access to cell phone allowances which facilitate communication as is required in the field. All personnel have access to vehicle allowance and essential car user scheme which is necessary for external assignments.

5.6 Anti Corruption Strategy

The Council has an existing Anti corruption strategy and is in the process of reviewing the strategy.

5.7 Intergovernmental relations

CHDM reviewed its Intergovernmental Relations Strategy during the year 2011/12. The revised strategy takes into consideration the following:

- DIMAFO ;
- IGR Clusters;
- Inter municipal forums; AND
- Technical IGR
- IGR Core team

For the period under review, the DIMAFO and Technical IGR sat as planned i.e. minimum of 4 meetings per annum with representation by local municipalities, government departments and public entities, also in compliance with our schedule of meetings. The revised IGR strategy has undergone all levels of consultation and is due for adoption by the Council of 07 November 2012. Through our IGR initiatives, the following partnership agreements were entered into during the financial year:

- National Development Agency – Biomass
- Eastern Cape Rural Development Agency (ASGISA) – Livestock improvement and crop production
- Amadlelo – Dairy production, Shilloh and Ncora irrigation schemes
- UMgungundlovu
- TEBA – Livestock improvement
- COEGA – Multipurpose centre and housing
- Umgungundlovu District Municipality (KZN) – HIV/AIDS management best practices

5.8 Legal matters

Setting up of legal unit

The municipal has a legal and administration unit which was not staffed for financial year 2011-12 since the death of previous incumbent.

Management of litigation

Professional body	Matter Code	Matter	Description	Status	Total claim	Legal fees to date
Sibongile Tito	46C073057	Reticulation Design Project Services	RDP Services appointed by CHDM for the upgrading of streets and storm water drainage, and the building of VIP toilets. The service provider has instituted action against the CHDM for recovery of payments allegedly not made.	A pre-trial was held on the 23 August 2011. Trial did not proceed, matter postponed. On the 20 August 2011 the Order was granted against RDP Services compelling them to give us certain documents listed in the Discovery Notice. RDP Services served us with Notice of intention to amend their trial particulars and this necessitated adjustments through amendments on the municipality's case. This has not been done pending the opposition effecting the amendment (which they have failed to do). There is still no trial date.	R2 501 111,29	R160 954,00

Professional body	Matter Code	Matter	Description	Status	Total claim	Legal fees to date
Sibongile Tito	46C073139	Frickton CC	Claim by Frickton CC in respect of a ccession in their favour. They rendered services as a sub contractor to Ikamva Civils.	Instruction received on 2 September 2009. Pre- trial held on the 8 October 2010. Matter was set down for hearing on 30 November 2010. Due to unavailability of Counsel the matter was removed by agreement. The matter has since given the 10 September 2012 as the date of hearing. We have recently received notification from the opposition of their intention to postpone the matter. The municipality's defence is still to be amended to accommodate certain points of law.	R488 600,58	R41 283,00
Sibongile Tito	46C073088	S A Local Authorities Pension	The Pension Fund is suing the Municipality for arrear payment. They unilaterally raised the tariff from 18% to 20% prompting the Municipality not to pay the inflated premiums.	Discovery Notices were served and filed on the 20 April 2011. We have advised the Municipality to settle for economic reasons. rrespondence sent to the other side advising we have been instructed by our clients to make an offer without admitting liability of R20 000,00 towards full and final settlement of this matter. An amount of R14 899, 18 has been paid to the opposition, and they have yet to s revert with the full settlement figures. We await final figures from the opposition.	R322 950,18	R40 471,00
Professional body	Matter Code	Matter	Description	Status	Total claim	Legal fees to date

Wesley Hayes	59C073180	Asanda Mbengo	CHDM received a letter of demand for outstanding monthly remunerations for an item.	We have written a letter to the opposing attorneys and advised that our offices will receive service of any process herein and have advised CHDM to await service of summons. No service of summons for over a year. File closed until further notice.	R25 000,00	R590,00
Jarco van Jaarsveld	59C073184	Masakhe Die Cast	Dispute regarding Fire Trucks supplied to CHDM by Masakhe Die Cast did not fulfil certain obligations.	We received letter of demand, obtained instruction to defend, still waiting for summons to be issued.	R50 000,00	R3 837,00
Professional body	Matter Code	Matter	Description	Status	Total claim	Legal fees to date
Jarco van Jaarsveld	50C073081	Nkukwana, C B	The municipality has been sued by C B Nkunkwana 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 paid in full, the claim was being defended. Subsequently, claimant failed to file Discovery Affidavit and the claim was dismissed. The taxed costs are being collected and a warrant of execution was issued. Mr Nkunkwana has since passed away. Awaiting instructions from client as to whether to claim from the estate or write off. No instructions received. Our file has been closed.	R4 693,00	R11 480,00

Professional body	Matter Code	Matter	Description	Status	Total claim	Legal fees to date
Anwuli Okecha	68C073188	Cofimvaba Water Reticulation	A CHDM contractor entered into a contract of guarantee with Fernfin in terms of which the latter would pay the guarantee amount of R318 293,36 to CHDM upon written demand by CHDM, and without proof of any breach of contract by the contractor. When CHDM terminated the contractor's appointment, CHDM requested the guarantee amount from Fernfin who has not paid this amount.	A letter of demand was sent to Fernfin on 24/01/11. Fernfin has denied liability for the guaranteed amount on the basis of a letter it sent to CHDM dated 10 February 2010. We have requested this letter from client in order to determine the way forward. Issued summons. Fernfin filed a Plea and a counterclaim. We are in the process of preparing a replication to the counterclaim. A trial date has been applied for with the Registrar.		
Anwuli Okecha	04C073186	Charcoal Kilns	CHDM appointed Untingo Lukhosi Trading Enterprise to provide two charcoal kilns. The contract price was R 192 660, 00. Despite payment of the amount, the service provider failed to deliver the charcoal kilns.	Summons issued in Queenstown Regional Court on 2 February 2011. Summons was served on the Defendant. We have filed our Discovery Affidavit and are awaiting a trial date.	R192 660,00	R33 581,00 R16 881,00

Managing legal risks

In cases where we determine less chances of success we resolve to settle out of court.

Part 3 : Functional Area reporting

A : FUNCTIONAL AREAS SERVICE DELIVERY REPORTING

1. General information

Overview of Population statistics

Estimates from the 2001 Census and the 2007 Community Survey indicate that the South African population increased from approximately 44.8 million in 2001 to 48.5 million in 2007. This represented a total increase of 3.7 million. Over the same period, the Eastern Cape population is estimated to have increased by 200 thousand from 6, 3 million to 6, 5 million.

However the provincial share of the national population has shrunk from 14 percent in 2001 to 13.5 per cent in 2007. This makes the Eastern Cape to be the third most populous province in the country after Gauteng (21.5 percent) and KwaZulu-Natal (21.2 percent)

According to Statistics South Africa (Community Survey of 2007) the population of CHDM show a decrease in population from 809 581 in 2001 to 798 597 in 2007. Global Insight statistics/update of 2009 which is unofficial shows that the total population for Chris Hani is 809 201 which does not differ much with Community Survey that was conducted in 2007 which reflect 798 597 and as well as with National Stats that was in 2001 which reflect 809 581.

The largest population in the district utilising the data resides in Lukhanji municipality with a total population of 196 553 and with a percentage of 24% of the CHDM total population.

One may interpret this number of population to migration and to people coming closer to employment opportunities and to job seekers. Intsika Yethu follows with a total population of 162 413 and a percentage of 20% from the district population. Ngcobo municipality follows with a population of 148 313 and has a percentage of 18% from the district population.

Emalahleni's has a total population of 115 011 and a percentage of 14% from the district total percentage. Sakhisizwe has a total number of 67 736 and a percentage of 9% from the district percentage. Inxuba Yethemba is population is at 66 076 with a percentage of 8% from the district total percentage. Tsolwana at 30 779 and a percentage of 4% and Inkwanca at 22 321 with a percentage of 3%.

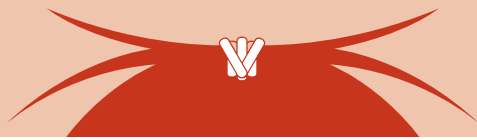
The average population growth rate calculated using Global insight figures from 1996 to 2009 is – 1.93 %. This means that our population is experiencing a negative population growth. There are several factors which contribute to this but the most important are increase in education level and urbanisation. The impact of this on planning is that we will have more and smaller households in the future.



The decrease in annual population growth rate is in line with the situation at national level which shows a significant decline in the Asian, white and black population. However the increase in the Coloured population growth rate is not mirrored on a national scale.

2. Executive and Council function's Performance
3. Finance and Administration function's performance
4. Planning and development function's performance
5. Community and Social Services function's performance





Function: Community and Health Services		
Sub Function: All inclusive		
Reporting Level	Detail	Total
Overview:	Health and Community Services consists of three sections: Municipal Health Services, Disaster Management and HIV and AIDS.	
Description of the Activity:	<p>The function of provision of various community and social services within the municipality is administered as follows and includes:</p> <p>Municipal Health Services which include the following functions:</p> <p>Water Quality Monitoring - is conducted by Environmental Health Practitioners (EHP's) in the district by means of ensuring water safety and accessibility in respect of a safe quality (microbiological, physical and chemical), promoting access to water for all communities by providing inputs toward the planning, design and management of the water supply system and ensuring healthy community water supplies through surveillance; ensuring monitoring of effective waste water treatment and water pollution control and sampling and testing water in the field and examining and analysing it in a laboratory as stipulated by the National Health Act 61, 2003 and the Scope of Profession of Environmental Health.</p>	
	<p>Food Control – Ensuring food safety in respect of acceptable microbiological and chemical standards, quality of all food for human consumption and optimal hygiene control throughout the food supply chain from the point of origin, all primary raw material or raw products production, up to the point of consumption as stipulated by the Foodstuffs, Cosmetic and Disinfectant Act 54, 1972, National Health Act 63, 2003 and the Scope of Profession of Environmental Health.</p>	



	<p>Waste Management – assisting local municipalities technically or financially in ensuring proper refuse storage, collection, transportation, transfer and processing, materials recovery, and final disposal.</p> <p>Health Surveillance of Premises Conducting environmental health impact assessments of, amongst others, housing projects; assessing aspects such as ventilation and indoor air quality, lighting, moisture proofing, thermal quality, structural safety and floor space; assessing overcrowded, dirty or other unsatisfactory health conditions on any residential, commercial, industrial or other occupied premises; monitoring all buildings and all other permanent or temporary physical structures used for residential, public or institutional purposes (including health care and other care, detainment, work and recreation, travel, tourism, holidaying and camping) and the facilities in connection therewith and the immediate precincts; ensuring the prevention and abatement of any condition on any premises, which is likely to constitute a health hazard and ensuring compliance with the principles of Local Agenda 21 and the Healthy Cities approach to integrated service rendering and the practical minimising of any environmental health risk.</p>	
	<p>Environmental Pollution Control- includes and not limited to, ensuring clean and safe air externally (ambient and point sources) through emission inventory monitoring, modelling and toxicological reports, reviews and complaint investigations and taking the required preventative measures to ensure that the general environment is free from health risks.</p> <p>Chemical Safety- monitoring and regulating all operators, fumigation firms and formal and informal retailers that deal with the manufacture, application, transport and storage of chemicals; permitting, licensing and auditing the premises of the above, e.g. by issuing Scheduled Trade Permits; facilitating advice, education and training on pesticides and/or chemical safety</p>	



	<p>Disposal Of the Dead- Controlling, restricting or prohibiting the business of an undertaker or embalmer, mortuaries and other places or facilities for the storage of dead bodies; monitoring practices at cemeteries, crematoria and other facilities used for the disposal of dead bodies; managing, controlling and monitoring exhumations and reburials or the disposal of human remains</p> <p>HIV and AIDS Programmes- Implementation of HIV and AIDS programmes both within the workplace and externally, among the communities of the CHDM area of jurisdiction. External programmes were implemented based on the HIV and AIDS Strategic plan 2008-2011 through AIDS Council Structures that exist at District and Local levels of the municipality. District AIDS Council is the multistakeholder and multisectoral forum that ensures collaboration of efforts among stakeholders in response to HIV and AIDS challenges. Capacity building of DAC stakeholders allows for effective and efficient implementation of programmes.</p> <p>HIV Workplace internal programmes are implemented based on HIV and aids Workplace policy 2006 and Workplace HIV and AIDS Strategy 2009-2012. The programmes are implanted by the HIV and AIDS Workplace Committees and Peer educators. These are Prevention, Care and support programmes for Councillors and employees.</p>	
	<p>Disaster Management- In disaster prevention, education and awareness programmes are conducted to the communities. The centre responds to calls when there is a disaster incident reported then provides immediate assistance to the affected community.</p> <p>The municipality has a mandate to:</p> <p>Ensure that appropriate municipal health services are effectively and equitably provided in their respective areas</p> <p>HIV and AIDS Programme are implemented within the District area of Jurisdiction both in the Workplace and externally To prevent, mitigate and respond to disasters that have occurred and engage in rehabilitation processes.</p>	






	<p>The strategic objectives of this function are to:</p> <p>To deliver effective ,quality and equitable MHS within the jurisdiction of CHDM area</p> <p>To facilitate implementation of HIV and AIDS Strategies and Programmes within the district</p> <p>To improve integrated institutional capacity for Disaster risk Management</p> <p>The key issues for 2011/12 are</p> <ul style="list-style-type: none">• Water Quality Monitoring• Food Control• Waste Management• Environmental Pollution Control• Chemical Safety• isposal Of the Dead• Workplace HIV and AIDS programs• External multisectoral HIV and AIDS programs• Disaster Management	
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Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current Target
<p>Approved HIV/AIDS strategy;</p>	<p>The HIV and AIDS Strategy 2008-2011 was reviewed leading to the development of the HIV, STIs and TB Strategy 2012- 2017. The new strategy had not been adopted by council at the end of the financial year due to delays in the processes. The strategy had hence been submitted for council adoption for August 2012.</p> <p>All four DAC quarterly meetings held successfully at scheduled time</p> <p>Four HIV and AIDS workplace committee meetings were held.</p> <p>Two health calendar Events successfully held- District World AIDS Day in November 2011 at Ngcobo and District Candlelight Memorial at Walter Sisulu University; Queenstown Campus in May 2012. Internal World AIDS Day and 16 days of Activism on No Violence Against Women and Children was commemorated in CHDM and Lukhanji workplace in partnership with CHDM HIV and AIDS internal programme, CHDM SPU programme and Lukhanji Local Municipality on 03rd December 2011. Five day Internal STI/Condom week programme was held on 14, 15, 16, 17 and 21st February in partnership between CHDM and Tsolwana, Emalaheni and Intsika Yethu. CHDM employees based in the local municipalities also participated in the programmes held in the L.Ms in which they are based. CHDM roads staff joined the programme at Tsolwana L. M.CHDM water services staff based in Sakhisizwe L.M participated in the programme at Intsika whilst water services CHDM staff based in Engcobo participated in the Intsika Yethu L.M. programme. Candlelight memorial programme was held on 30th March 2012 in partnership with Wellness programme and Lukhanji L.M.</p>	<p>Submitted to council for adoption</p> <p>4 Quarterly meetings held (internally and externally)</p> <p>Two health calendar events held (externally) and three events held internally.</p> <p>Three HCT services conducted in line with calendar events.</p> <p>Three Trainings/workshops conducted</p> <p>Six LACs supported(externally)</p> <p>Seven LMs supported internally</p> <p>Four education programmes and four support groups held</p> <p>Benchmark Project did not take place due to insufficient number of participating</p> <p>Policy development in progress, not yet adopted</p>



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- 6. Housing Function's Performance
 - 7. Waste Management Function's Performance
 - 8. Road Maintenance Function's Performance
 - 9. Water distribution function's Performance

B : Annexures

- 1. Approved Municipal Structure**
- 2. Performance of Service Providers**
- 4. Council Resolutions adopting the Annual Report**

KPA 1: GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Priority Area	IDP Objective	Strategy	Indicator	Measurement Source and Frequency	Activity / Project	Baseline	Q1 Deliverable target	"Q2 Deliverable target"	"Q3 Deliverable target"	"Q4 Deliverable target"	Annual Target	Report on Annual target	Reason for variance	Portfolio of evidence	Custodian
"Intergovernmental Relations"	"To facilitate sound Inter-governmental Relations systems by 2014"	Strengthening up the inter-governmental relations core team	Established IGR Planning Core Team	"Quarterly Reports"	IGR		"Appointment of IGR Manager"	Programme of Action of the Unit report	Implementation Report	Implementation Report	Established IGR Unit	IGR Unit established through appointment of Strategic Manager	Not applicable	Appointment letter of Strategic Manager	Municipal Manager
"Intergovernmental Relations"	"To facilitate sound Inter-governmental Relations systems by 2014"	Monitoring of IGR Forum	No of IGR Forums	"Quarterly Reports"	IGR		"1 IGR Forum Report"	"1 IGR Forum Report"	"1 IGR Forum Report"	"1 IGR Forum Report"	4 IGR Forum	IGR forums took place	Not applicable	Attendance register and minutes of meetings	Municipal Manager
"Intergovernmental Relations"	"To facilitate sound Inter-governmental Relations systems by 2014"	Facilitate & Coordinate learning & sharing sessions	No of Sessions held	"Quarterly Reports"	"IGR learning & sharing"		Development of Concept Document	1st Learning & Sharing Report	Lessons learnt report	"2nd Learning & Sharing Report"	2 Learning & Sharing Sessions	IGR Agenda included items for learning and sharing	Not applicable	Agenda and minutes of IGR meetings	Municipal Manager
Special Programmes	"To ensure that institutional plans / programmes and projects impact on Youth, Disabled, Women, Children, Elderly and other designated groups on an ongoing basis"	Mainstreaming of Special Programmes in all CHDMs / plans and projects	No of projects / programmes implemented for designated groups.	Quarterly reports	"Special Programmes"		"Pro-gramme Report"	"Pro-gramme Report"	"Pro-gramme Report"	"Pro-gramme Report"	Implementation of Special Programme	Special programmes projects implemented	Not applicable	Attendance register and reports on special programmes	Municipal Manager

Special Programmes	"To ensure that institutional plans / programmes and projects impact on Youth, Disabled, Women, Children, Elderly and other designated groups on an ongoing basis"	Coordinate commemoration of historical events within the district	No of Awareness campaigns conducted	Quarterly reports	Commemoration events		1 Event	1 Event	1 Event	1 Event	1 Event	4 Events Annually	Four events held	Not applicable	Attendance register and reports on events held	Municipal Manager
Sport development	To promote and develop different sporting codes throughout the district	Empowerment and development of communities through participation in sports	No of annual sports activities undertaken	Quarterly reports	Sport Development		1 Event	Start Up events on Mayors Cup	Last Phases of Mayors Cup	"Indigenous Games"	2 Sports events	Two sport events held	Not applicable	Attendance register and report	Municipal Manager	
Sport development	To promote and develop different sporting codes throughout the district	Support district representative teams / individuals during provincial and national events	"No of teams / individuals assisted"	Quarterly reports	Sport Development		1 Event	Report on Assistance rendered	Report on Assistance rendered	Report on Assistance rendered	As per the Programme	Assistance rendered	Not applicable	Report	Municipal Manager	
Sport development	To promote and develop different sporting codes throughout the district	Provide support to CHDM employees through participation in sport	No of sport activities undertaken	Quarterly reports	Sport Development		2 Matches played	2 Matches played	2 Matches played	2 Matches played	8 Sport Activities/Matches	Sport activities held	Not applicable	Report and pictures	Municipal Manager	

Priority Area	IDP Objective	Strategy	Indicator	Measurement Source and Frequency	Activity / Project	Baseline	Q1 Deliverable target	"Q2 Deliverable target"	"Q3 Deliverable target"	"Q4 Deliverable target"	Annual Target	Report on Annual target	Reason for variance	Portfolio of evidence	Custodian
Auditing	"To achieve an Unqualified Audit Opinion by 2014"	Develop & Monitoring of Audit Action Plan to resolve audit queries reported by AG in the External Audit report and audit management letter	Number of audit queries previously reported AG that have been resolved.	Quarterly reports	Auditing & Verifications	"Number of audit queries per 09/10 External Audit Report"	"Progress on Audit Resolved"	Progress on Audit Resolved	Progress on Audit Resolved	Progress on Audit Resolved	Reduction on Audit Queries	80-90% achievement	Not applicable	Audit report	Municipal Manager
Auditing	"To achieve an Unqualified Audit Opinion by 2014"	Develop and implement a risk based annual audit plan approved by AC	"No of completed audit projects per the annual plan."	Quarterly	Audit Plan	Audit Plan	No of Audit Projects completed	No of Audit Projects completed	No of Audit Projects completed	No of Audit Projects completed	100% Audited Projects	All audit projects were completed	Not applicable	Reports	Municipal Manager
Auditing	"To achieve an Unqualified Audit Opinion by 2014"	Develop and Maintain GRAP Compliant Fixed Asset Register	Completed and GRAP Compliant Asset Register	Quarterly	Asset Register	"Fixed Asset Register"	Report on Updated Asset Register	Report on Updated Asset Register	Report on Updated Asset Register	Report on Updated Asset Register	Report on updated asses register	Target not fully achieved	The verification process was done in June, and the asset register is being updated, the Asset register for 2011 is fully completed	Asset register	CFO

Auditing	"To achieve an Unqualified Audit Opinion by 2014"	To assist in ensuring a functional internal audit committees	No of Audit committee meetings held .	Quarterly	"Audit Committee Meetings"	8 Audit Committee Meetings	2 Audit Committee Meetings	2 Audit Committee Meetings	2 Audit Committee Meetings	2 Audit Committee Meetings	"8 Audit Committee Meetings (Performance & Internal Audit)"	More than 8 audit committee meetings held	Not applicable	Attendance register	Municipal Manager
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KPA 1: GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Priority Area	IDP Objective	Strategy	Indicator	Measurement Source and Frequency	Activity / Project	Baseline	Q1 Deliverable target	"Q2 Deliverable target"	"Q3 Deliverable target"	"Q4 Deliverable target"	Annual Target	Report on Annual target	Reason for variance	Portfolio of evidence	Custodian
		Coordinate performance reporting, monitoring and review	Audited Performance Reports submitted to council	Quarterly reports	Audited Performance Reports	"2010/11 Audited Reports"	"1 Audited Report"	"1 Audited Report"	"1 Audited Report"	"1 Audited Report"	4 Audited Reports	3 audited performance reports	Quarter four report is still pending and not yet submitted by departments	Audit report	Municipal Manager
		Coordinate performance reporting, monitoring and review	Performance panel review	Bi-Annual	Performance review	"2010/11 Performance Review Reports"	"1 Performance Review Report"	"1 Performance Review Report"	"1 Performance Review Report"	"1 Performance Review Report"	2 Performance Reports	1 Performance report	Annual performance review still has to be conducted	Mid year performance report	Municipal Manager
Council Support	To ensure councillors are well capacitated to deliver on their mandate	Coordinate effective functioning of the council committees	Minutes of meetings of Section 79 committees	Quarterly reports	Section 79 committees	"4 Committee Meetings"	"1st Committee minutes report"	"2nd Committee minutes report"	"3rd Committee minutes report"	"4th Committee minutes report"	4 Standing Committees	More than 4 standing committees held	Not applicable	Minutes and attendance register	Director Corporate Services
Council Support	To ensure councillors are well capacitated to deliver on their mandate	Coordinate effective functioning of the council committees	Minutes of meetings of Section 80 committees	Quarterly reports	Section 80 committees	"8 Mayoral Committees"	"2 Mayoral Committees per Quarter"	"2 Mayoral Committees per Quarter"	"2 Mayoral Committees per Quarter"	"2 Mayoral Committees per Quarter"	8 Standing Mayoral Committees	More than 8 Mayoral committee meetings held	Not applicable	Minutes and attendance register	Director Corporate Services
Council Support	To ensure councillors are well capacitated to deliver on their mandate	Facilitate training of Section 79 committees and councillor workshops	No of training initiatives conducted	Quarterly reports	"Training of 79 Committees & Workshops"						5 Trainings	Councillor workshops conducted as well as S79 committees	Not applicable	Attendance register	Director Corporate Services
Public Participation	To ensure accountable and democratic governance by involving communities in the affairs of the district	Strengthen relationship with traditional and community leaders	No of initiatives to strengthen relations	Quarterly reports		4	"Engagements Reports"	"Engagements Reports"	"Engagements Reports"	"Engagements Reports"	4 initiatives to strengthen relations	Traditional leaders were sworn into the Council and are part of Council meetings and standing committees	Not applicable	Attendance registers and minutes	Municipal Manager

Priority Area	IDP Objective	Strategy	Indicator	Measurement Source and Frequency	Activity / Project	Baseline	Q1 Deliverable target	"Q2 Deliverable target"	"Q3 Deliverable target"	"Q4 Deliverable target"	Annual Target	Report on Annual target	Reason for variance	Portfolio of evidence	Custodian
		Facilitate establishment of Environmental Health & Climate Change Forum	"No of sittings of of Environmental Health & Climate Change Forum"	"Quarterly Report"	"Enviro & Climate Change Forum"	0	"1 Forum Per Quarter"	"1 Forum Per Quarter"	"1 Forum Per Quarter"	"1 Forum Per Quarter"	4 Forums Per year	4 Climate change forums held	Not applicable	Attendance register and minutes	Director Health & Community Services

KPA 1: GOOD GOVERNANCE AND PUBLIC PARTICIPATION

Priority Area	IDP Objective	Strategy	Indicator	Measurement Source and Frequency	Activity / Project	Baseline	Q1 Deliverable target	"Q2 Deliverable target"	"Q3 Deliverable target"	"Q4 Deliverable target"	Annual Target	Report on Annual target	Reason for variance	Portfolio of evidence	Custodian
Forums	To improve coordination between CHDM and other stakeholders	Facilitate District SPU Forum	No of Sitings of SPU Forum	"Quarterly Report"	SPU Forum	4	"1 Forum Per Quarter"	"1 Forum Per Quarter"	"1 Forum Per Quarter"	"1 Forum Per Quarter"	4 Forum Per Quarter	4 SPU Forums held	Not applicable	Minutes and attendance register	Municipal Manager
Forums	To improve coordination between CHDM and other stakeholders	"Coordinate District Support Team"	No of sitting of the District Support Forum	"Quarterly Report"	DST	4	"1 DST Per Quarter"	"1 DST Per Quarter"	"1 DST Per Quarter"	"1 DST Per Quarter"	4 DST's Per Quarter	4 DST Forum held	Not applicable	Minutes and attendance register	Director IPED
Forums	To improve coordination between CHDM and other stakeholders	"Facilitate establishment of LED Forum"	"No of sitting of the LED Forum"	"Quarterly Report"	LED Forum	0	"1 LED Forum Per Quarter"	"1 LED Forum Per Quarter"	"1 LED Forum Per Quarter"	"1 LED Forum Per Quarter"	4 LED Forums Per year	Target not met	Still aligning the process with the provincial process	Draft terms of reference	Director IPED
Forums	To improve coordination between CHDM and other stakeholders	Coordinate Housing programme within the district	No of Housing Steering meetings held	Quarterly	"Housing Development"	2	1 Housing Forum per Quarter	1 Housing Forum per Quarter	1 Housing Forum per Quarter	1 Housing Forum per Quarter	4 Housing Forums Per Year	4 Housing forums held	Not applicable	Minutes and attendance register	Director IPED
Forums	To improve coordination between CHDM and other stakeholders	Development of CHDM Municipal IDP	Adopted IDP	Quarterly reports	IDP Forums	3	1 IDP Forum	1 IDP Forum	1 IDP Forum	1 IDP Forum	4 IDP Forums/Sessions	4 IDP Forums held	Not applicable	Minutes and attendance register	Director IPED
Forums	To improve coordination between CHDM and other stakeholders	"Facilitate Communicators Forum"	No of sittings of the Communicators Forum	"Quarterly Reports"	"Communicators Forum"	2	"1 Forum per Quarter"	"1 Forum per Quarter"	"1 Forum per Quarter"	"1 Forum per Quarter"	4 Communicators Forums	4 Communicators forum held	Not applicable	Minutes and attendance register	Municipal Manager
Forums	To improve coordination between CHDM and other stakeholders	"Facilitate establishment of CFO's Forums"	"No of sittings of the CFO's Forums"	"Quarterly Reports"	CFO's	0	"1 Forum Per Quarter"	"1 Forum Per Quarter"	"1 Forum Per Quarter"	"1 Forum Per Quarter"	4 CFO's Forums Per Quarter	2 CFO forums held	Not applicable	n/a	CFO

Priority Area	IDP Objective	Strategy	Indicator	Measurement Source and Frequency	Activity / Project	Baseline	Q1 Deliverable target	"Q2 Deliverable target"	"Q3 Deliverable target"	"Q4 Deliverable target"	Annual Target	Report on Annual target	Reason for variance	Portfolio of evidence	Custodian
SCM	To ensure proper Contract Management within the district	"Maintaining updated Contract Register"	No of updated register	Quarterly	Updated Register		3 Monthly reports per quarter	3 Monthly reports per quarter	3 Monthly reports per quarter	3 Monthly reports per quarter	12 monthly report	Reports submitted to standing committee	Not applicable	Standing committee agenda and minutes	CFO
SCM	To ensure proper Contract Management within the district	"Maintenance of valid Contracts/Agreements"	No of valid contracts	Quarterly	Contract		"Report submitted to Standing Committee"	"Report submitted to Standing Committee"	"Report submitted to Standing Committee"	"Report submitted to Standing Committee"	Reports submitted to standing committee	Reports submitted to standing committee	Not applicable	Standing committee agenda and minutes	CFO
SCM	To ensure proper Contract Management within the district	Maintenance of proper deliverables to minimise Deviations	% of deviations/viations reported	Quarterly	Deviations/Variations		Report submitted to Standing Committee	Report submitted to Standing Committee	Report submitted to Standing Committee	Report submitted to Standing Committee	Reports submitted to standing committee	Reports submitted to standing committee	Not applicable	Standing committee agenda and minutes	CFO

KPA 2: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

Priority Area	IDP Objective	Strategy	Indicator	Measurement Source and Frequency	Activity / Project	Baseline	Q1 Deliverable target	"Q2 Deliverable target"	"Q3 Deliverable target"	"Q4 Deliverable target"	Annual Target	Report on Annual target	Reason for variance	Portfolio of evidence	Custodian
"Funds Management"	To ensure sound and sustainable management of financial affairs of the district in line with National and Provincial norms and standards	Timely and sound expenditure of all budgeted funds	MIG funding Amount spent	"Quarterly Reports"	MIG Spending	R2846 Million	R63,5 Million	R101,8 Million	R41,7 Million	R77,6 Million	R284,6 Million	R284mil spent plus R71m of bridging finance	Not applicable	Expenditure report	Director Engineering
"Funds Management"	To ensure sound and sustainable management of financial affairs of the district in line with National and Provincial norms and standards	Timely and sound expenditure of all budgeted funds	RBIG Amount spent	"Quarterly Report"	RBIG	R112 Million	R28 Million	R28 Million	R28 Million	R28 Million	R112 Million	R117.6m spent = 105%	Not applicable	Expenditure report	Director Engineering
"Revenue Enhancement"	"Increase the municipality's revenue by 2%"	"Development and Implementation of Revenue Enhancement Strategy"	Restructured and approved tariff list	"Quarterly Report"	Water Tariffs	LM's inherited tariffs	Status quo report	Draft Tariff List	"Revised Draft Tariff List"	"Adopted and Approved Tariff List"	"Adopted and Approved Tariff List"	Target not fully achieved	Service provider has been appointed to assist in policy development	Progress report and adopted tariff structure	CFO
"Systems Administration"	To ensure reliable timely Financial management information which is easily accessible	Develop and maintain GRAP compliant Chart of Accounts aligned to CHDM reporting structure	GRAP complaint structure working on the systems	Quarterly	Chart of Accounts	1	Systems Report	Systems Report	Systems Report	Systems Report	Functional System	Target achieved	Not applicable	System report	CFO

Priority Area	IDP Objective	Strategy	Indicator	Measurement Source and Frequency	Activity / Project	Baseline	Q1 Deliverable target	"Q2 Deliverable target"	"Q3 Deliverable target"	"Q4 Deliverable target"	Annual Target	Report on Annual target	Reason for variance	Portfolio of evidence	Custodian
"Systems Administration"	To ensure reliable timely Financial management information which is easily accessible	Ensure training on new updates on systems	Number of trainings held per year	Quarterly	SLA Training	0	Analyse calls and Prepare for the training	Training	Analyse calls and Prepare for the training	Training	Two trainings	Target achieved	Not applicable	Attendance register and training material	CFO
"Systems Administration"	To ensure reliable timely Financial management information which is easily accessible	Ensure availability of systems 95% of the working hours.	% of time whereby systems we available	Quarterly	Helpdesk	90%	100% target	100% target	100% target	100% target	100% fully functional target	Target achieved	Not applicable	Report on incidents that caused down-times	CFO
"Systems Administration"	To ensure automation of business processes	Ensure automation of the Section 71 and 72 reports	% of reports that are done automatically by the system	Quarterly	NT Reports	40%	100% targets	100% targets	100% targets	100% targets	100% targets	Target achieved	The software was procured and installed, the training on the NT report is scheduled for the 9th to 13th July to ensure that from July report, we produce the report from caseware & provide time for analysis to improve on quality	Progress reports, proof of appointment and proof of auto-mated reports	CFO

"Systems Administration"	To ensure automation of business processes	Develop and maintain Dashboard for easy access of information	% Fully Implemented dashboard System"	Quarterly	Dashboard	0%	Prepare data and codes	100% Implementation report	100% Implementation report	100% Implementation report	100% Implementation report	Target not achieved	The implementation is postponed due to the fact that the research indicates that we need to first implement the datawarehouse before the implementation of the dashboard	Progress reports, proof of appointment and dashboard report	CFO
Asset Register	To have a complete and accurate asset register	Develop and Maintain GRAP Compliant Fixed Asset Register	Completed and GRAP Compliant Asset Register	Quarterly	Asset Register	30%	Report on Updated Asset Register	"Report on Updated Asset Register"	"Report on Updated Asset Register"	"Report on Updated Asset Register"	"completed GRAP compliance register"	Target achieved	Not applicable	System report	CFO
Annual Financial Statements / Reports	To ensure timely submission of accurate AFS	"Develop and Monitor Year End action Plan"	"Adopted and Actioned Year End Action"	Quarterly	AFS		"Adopted Year End Action Plan"	"Progress Report on Year End Action Plan"	"Progress Report on Year End Action Plan"	"Progress Report on Year End Action Plan"	"Completed Year End Action Plan"	Target achieved	Not applicable	Year end action plan	CFO
Annual Financial Statements / Reports	To ensure timely submission of accurate AFS	Compilation and submission of accurate AFS	"Submission of accurate and GRAP compliant AFS by 31 August to AG & NT and to council"	Quarterly	AFS		"Quarterly financial Statements"	"Quarterly financial Statements"	"Quarterly financial Statements"	"Report on Submitted AFS to Council"	Submitted AFS	Target achieved	Not applicable	AFS and proof of submission	CFO

Priority Area	IDP Objective	Strategy	Indicator	Measurement Source and Frequency	Activity / Project	Baseline	Q1 Deliverable target	"Q2 Deliverable target"	"Q3 Deliverable target"	"Q4 Deliverable target"	Annual Target	Report on Annual target	Reason for variance	Portfolio of evidence	Custodian
Budget	To have a council approved budget developed and implemented	Table a budget for council approval before the start of the new financial year	council approved budget developed and implemented		Budget Approval	80%	Budget process plan	Revised Budget	Draft Budget	Final Budget	Adopted 2012/13 Budget	Target achieved	Annual target is approved, but the revised budget for 2012 financial year is not in line with anticipated revenue per revenue sources	Adopted revised & final budget & proof of consultations	CFO
Budget	To have a council approved budget developed and implemented	"monitor, Advise & Report Budget Implementation"	% implementation of Opex & Capex Budget		Budget Monitoring	50%	Report	Revised Budget	Report	Report on Opex & Capex	Report on Opex & Capex	Target achieved	Not applicable	Monthly reports	CFO
SCM	To ensure effective economical efficient procurement of goods and services	Maintainance of effective Data base	Monthly revision of CHDM Database	Quarterly	Data Base		"Revised Data-base"	Revised Data-base	Revised Data-base	Revised Data-base	Annual Revised Database	Target not fully achieved	database is updated on a monthly basis and an annual revision is in progress	Reports on audit trial	CFO
SCM	To ensure effective economical efficient procurement of goods and services	"Payment of Service providers within 30 days"	% reduction of outstanding commitments	Quarterly	Pay-ments		30% Reductions	50% Reductions	60% Reductions	90% Report on reductions	90%	Target achieved	The outstanding commitments were not fully cleared at year end due to the delays in the submission of invoices, and also due to services not yet rendered, and Age Analysis is not yet finalised	Age analysis and outstanding commitments report	CFO

KPA 3: BASIC SERVICE DELIVERY AND INFRASTRUCTURE INVESTMENT

Priority Area	IDP Objective	Strategy	Indicator	Measurement Source and Frequency	Activity / Project	Baseline	Q1 Deliverable target	"Q2 Deliverable target"	"Q3 Deliverable target"	"Q4 Deliverable target"	Annual Target	Report on Annual target	Reason for variance	Portfolio of evidence	Custodian
Water and Sanitation Infrastructure	"To provide basic infrastructure on Water and Sanitation Services in an integrated manner within the district by 2014"	"Reduction of backlog by providing basic water infrastructure on water to 9236 households"	No of households with access to water	Quarterly	Water Provision	6,645	926	4796	194	3323	9,236	4910 households provided (53%)	5 contracts were terminated that should have been completed in second quarter and now retendering has been done (2707 h/h) Glen Grey still awaiting ESKOM although project work is complete (258 h/h). Bona Jane Skhobeni water supply still to be completed by WSP and contract 3 in the process of termination. Project was targeted for completion in the second quarter (719 h/h)	Report	"Director Engineering"
Water and Sanitation Infrastructure	"To provide basic infrastructure on Water and Sanitation Services in an integrated manner within the district by 2014"	Implement continuous drinking water and waste water quality monitoring program	No of drinking water samples taken that comply with prescribed standards	Quarterly	"Drinking Water Samples"	0	600 Samples	600 Samples	600 Samples	600 Samples	2400 Samples	97% compliance achieved on blue drop - target achieved	Not applicable	Blue drop system	Director Health & Community Services

Priority Area	IDP Objective	Strategy	Indicator	Measurement Source and Frequency	Activity / Project	Baseline	Q1 Deliverable target	"Q2 Deliverable target"	"Q3 Deliverable target"	"Q4 Deliverable target"	Annual Target	Report on Annual target	Reason for variance	Portfolio of evidence	Custodian
Water and Sanitation Infrastructure	"To provide basic infrastructure on Water and Sanitation Services in an integrated manner within the district by 2014"		% waste water samples taken that comply with prescribed standards	Quarterly	"Waste Water Sample"	0	80%	80%	80%	80%	80%	180 wastewater samples	Target not met - 101 (41 samples Q3 and 60 samples Q4) samples managed to be registered on the Green Drop	Sample results Green drop)	Director Health & Community Services
Water and Sanitation Infrastructure	"To provide basic infrastructure on Water and Sanitation Services in an integrated manner within the district by 2014"	Compliance of water services authority with drinking water quality standards	% compliance with drinking water quality management standards for treated water	Quarterly	WSA Compliance		97%	97%	97%	97%	97%	97% compliance achieved on blue drop - target achieved	Not applicable	Blue drop system	Director Health & Community Services
Water and Sanitation Infrastructure	"To provide basic infrastructure on Water and Sanitation Services in an integrated manner within the district by 2014"	Reduction of backlog by providing basic infrastructure on Sanitation to 22785 households	No of households with adequate sanitation	Quarterly	Sanitation	13000	6225	6660	4500	5400	22785	Total achieved - 25289 (110%)	Not applicable	Report	"Director Engineering"
Municipal Health	"To deliver effective, quality and equitable MHS within the jurisdiction of CHDM area"	Evaluation of Funeral undertakers	Number of Funeral Parlours evaluated and registered	Quarterly	"Funeral Undertakers"	20	20	20	20	20	80	213 Evaluated funeral undertakers	Not applicable	Inspection Report	Director Health & Community Services

Municipal Health	"To deliver effective, quality and equitable MHS within the jurisdiction of CHDM area"	"Evaluation of Chemical Supplies"	Number of Chemical supplies inspected and evaluated	Quarterly	"Sustainable Environment"	3	15 Registered Supplies Inspected	15 Registered Supplies Inspected	15 Registered Supplies Inspected	"15 Registered Supplies Inspected"	15 Registered Supplies Inspected	60 Registered Supplies Inspected	Target not met	The number of chemical suppliers in the CHDM are of jurisdiction is limited, only 15 suppliers were inspected	In-spection Report	Director Health & Community Services
Municipal Health	"To deliver effective, quality and equitable MHS within the jurisdiction of CHDM area"	Implementation of Sustainable Environmental Programmes	No of Environmental Programmes implemented	Quarterly	"Sustainable Environment"	3	Sustainability commons project Report	Sustainability commons project Report	Sustainability commons project Report	Sustainability commons project Report	"3 Sustainability Projects"	2 Sustainability commons projects implemented by year end	Target not met	Target not met	Report	Director Health & Community Services
Municipal Health	"To deliver effective, quality and equitable MHS within the jurisdiction of CHDM area"	Taking of Food Samples	No of Food Samples taken by EHP	Quarterly	Food Samples	800	200 Samples per quarter	200 Samples per quarter	200 Samples per quarter	200 Samples per quarter	"800 Samples Per Year"	821 Food samples taken	Not applicable	Not applicable	Sample results	Director Health & Community Services
Municipal Health	"To deliver effective, quality and equitable MHS within the jurisdiction of CHDM area"	"Environmental Pollution Control"	% of complaints received against % of complaints dealt with	Quarterly	Pollution	-	100% investigation of Complaints	100% investigation of Complaints	100% investigation of Complaints	100% investigation of Complaints	100% Complaints	32 complaints were received and resolved	Not applicable	Not applicable	Notices	Director Health & Community Services
HIV/AIDS	To facilitate implementation of	Integration and coordination of HIV & AIDS programmes through DAC structures	Number of functional LAC's & WAC's established	"Quarterly Reports"	HIV/AIDS		50%	60%	80%	100%	100% achievement	Target achieved	8 LACs established but 6 functional (due to vacancy of HIV and AIDS coordinators posts at Sakhisizwe and Lukhanji LM). Emalaheni LM established 9 WACs	Minutes and reports	Director Health & Community Services	

Priority Area	IDP Objective	Strategy	Indicator	Measurement Source and Frequency	Activity / Project	Baseline	Q1 Deliverable target	"Q2 Deliverable target"	"Q3 Deliverable target"	"Q4 Deliverable target"	Annual Target	Report on Annual target	Reason for variance	Portfolio of evidence	Custodian
	and Programmes within the district	Observation of National Health Calendar days on HIV/AIDS	"No of HIV/AIDS calendar events held"	"Quarterly Reports"	HIV/AIDS	HIV & AIDS National Calendar Events	"STI/Condom Week"	World AIDS Day	Progress Report on HIV/AIDS Stats	Candle Light	3 HIV/AIDS Events per Year	3 HIV/AIDS events were held i.e. World Aids Day, STI/Condom week and Candle light	Not applicable	Attendance register	Director Health & Community Services

KPA 3: BASIC SERVICE DELIVERY AND INFRASTRUCTURE INVESTMENT

Priority Area	IDP Objective	Strategy	Indicator	Measurement Source and Frequency	Activity / Project	Baseline	Q1 Deliverable target	"Q2 Deliverable target"	"Q3 Deliverable target"	"Q4 Deliverable target"	Annual Target	Report on Annual target	Reason for variance	Portfolio of evidence	Custodian
aste Managemme	"To Facilitate provision of compliant waste management by Local municipalities in the district by 2014"				Waste Sites		2 Sites Supported per Quarter	2 Sites Supported per Quarter	2 Sites Supported per Quarter	2 Sites Supported per Quarter	8 Sites Supported per Year	12 sites supported	Not applicable	Reports	Director Health & Community Services
aste Managemme	"To Facilitate provision of compliant waste management by Local municipalities in the district by 2014"	Support maintenance of waste sites	No of waste sites maintained	Quarterly reports	Waste Sites	8	2 Sites Supported per Quarter	2 Sites Supported per Quarter	2 Sites Supported per Quarter	2 Sites Supported per Quarter	8 Sites Supported per Year				Director Health & Community Services
aste Managemme	"To Facilitate provision of compliant waste management by Local municipalities in the district by 2014"	Enhance institutional capacity for monitoring non compliance	No. of Landfill sites complying with DEAT permit conditions	Quarterly reports	Landfill Sites	8	"2 Sites Inspected"	"2 Sites Inspected"	"2 Sites Inspected"	"2 Sites Inspected"	"8 Sites Inspected"	12 sites inspected	Not applicable	re-ports	Director Health & Community Services
aste Managemme	"To Facilitate provision of compliant waste management by Local municipalities in the district by 2014"	Ensure all permitted waste sites are operated to permit conditions	No of sites assisted	Quarterly reports	Waste Sites	8	2 Sites Assisted with Permits	2 Sites Assisted with Permits	2 Sites Assisted with Permits	2 Sites Assisted with Permits	8 Sites Assisted with Permits	12 sites assisted	Not applicable	Photos and inspection reports	Director Health & Community Services

Priority Area	IDP Objective	Strategy	Indicator	Measurement Source and Frequency	Activity / Project	Baseline	Q1 Deliverable target	"Q2 Deliverable target"	"Q3 Deliverable target"	"Q4 Deliverable target"	Annual Target	Report on Annual target	Reason for variance	Portfolio of evidence	Custodian
"Disaster Management"	To increase community awareness of all harardious & Disaster issues	Provide disaster risk prevention, management, response and rehabilitation services to the CHDM community.	No of capacity building initiatives undertaken	"Quarterly Reports"	Community awareness	8	2 workshops	2 workshops	2 workshops	2 workshops	8 workshops	12 community workshops conducted	Not applicable	attendance register	
"Disaster Management"	To increase community awareness of all harardious & Disaster issues	Implementation of SLA between CHDM & Dept of Human Settlements	Development & Implementation of Emergency Disaster Housing Framework	"Quarterly Reports"	"Housing Development"	0	Development of framework for Disaster Housing assistance	Implementation of SLA	Implementation of SLA	Implementation of SLA	Implementation of Disaster Housing Framework	Target not met	The SLA to be implemented needs the approval of beneficiaries by Provincial housing department. Process of beneficiary administration and approval of beneficiaries for subsid is moving very slow at LM level	Emergency Disaster housing framework. Signed SLA Funding agreement). List of approved beneficiaries	Director IPED
"Municipal Health"	To promote Integrated waste management plan implementation	Implementation and integration of waste management plans	% of Waste management plans integrated into LM's IDP's	"Quarterly Reports"	Waste management	100%	"Status Quo Report"	"50% Implementation & Integration"	"Progress Report"	"100% Implementation & Integration"	100% Implementation	waste management plans were integrated in all LM's	Not applicable	Reports	Director Health & Community Services

Roads	To provide well maintained and accessible roads through the SLA with DoR&PW	"Implementation of the SLA"	No of KM's bladed	Quarterly	Road Blading	2148	537 KM's	537 KM's	537 KM's	537 KM's	537 KM's	537 KM's	2148 Km's	3200.96 km's bladed (149%)	Not applicable	Re-ports	"Director Engineer-ing"
Roads	To provide well maintained and accessible roads through the SLA with DoR&PW	"Implementation of the SLA"	"No of KM's Re-grav-elled"	Quarterly	"Road Re-gravel-ling"	30	"7.5 Km's Re-grav-elled"	"7.5 Km's Re-grav-elled"	"7.5 Km's Re-grav-elled"	"7.5 Km's Re-grav-elled"	"7.5 Km's Re-grav-elled"	"7.5 Km's Re-grav-elled"	30 km's regrav-eling	38.4 kms regravelled (128%)	Not applicable	Re-ports	"Director Engineer-ing"

KPA 4: LOCAL ECONOMIC DEVELOPMENT

Priority Area	IDP Objective	Strategy	Indicator	Measurement Source and Frequency	Activity / Project	Baseline	Q1 Deliverable target	"Q2 Deliverable target"	"Q3 Deliverable target"	"Q4 Deliverable target"	Annual Target	Report on Annual target	Reason for variance	Portfolio of evidence	Custodian
"Economic Development"	"To enhance the regional economic recovery from recession by 3% in 2015"	"Implementation of CHREDS"	No of Corridor Development and Small Towns Development projects done	"Quarterly Report"	Corridor & Small Town Development	2	LMI's Engagement Report on Small Town Development	"Sourcing of Service providers"	Draft on Small Town Development	Small Town Development Concept/ Business Plan Report	1 Project	Terms of reference developed and advertisement for sourcing of service providers published	delays in adjudication of bids	terms of reference developed	Director IPED
"Enterprise Development"	"To create an Enabling environment for business to thrive in the district by 2014"	Facilitate training provision to enterprises within the district	Number of training sessions provided to enterprises	Quarterly report	SMME Trainings	0	1 Training pr quarter	1 Training pr quarter	1 Training pr quarter	1 Training pr quarter	4 Trainings	Target met - 4 trainings were delivered	Not applicable	Attendance register	Director IPED
"Enterprise Development"	"To create an Enabling environment for business to thrive in the district by 2014"	"Facilitate provision of business development services to emerging entrepreneurs"	No of businesses assisted with marketing opportunities and procurement	"Quarterly Report"	"Business Marketing"	5	Status Quo Report on businesses	2 Businesses assisted	1 Business assisted	2 Businesses assisted	"5 Assisted Entrepreneurs"	3 Entrepreneurs were assisted during the financial year	Insufficient funds	Report	Director IPED
"Enterprise Development"	"To create an Enabling environment for business to thrive in the district by 2014"	Facilitate information sharing with funding agencies	No. of information days held with funding agencies including banks	"Quarterly Report"	"Information Sharing"	0	Report on Funding Agencies to be Utilised	1 Information Sharing with Funding Agencies	1 Information Sharing with Funding Agencies	1 Information Sharing with Funding Agencies	"3 Information Days"	1 Information day	Target not met	Attendance register AND advert	Director IPED

"Enterprise Development"	"To create an Enabling environment for business to thrive in the district by 2014"	Facilitate the establishment of partnerships with institutions of higher learning to improve entrepreneurial development skills	Number of partnerships established	"Annual Report"	Partnerships	3	"1 PPP per Quarter"	1 PPP per Quarter	"1 PPP per Quarter"	1 PPP per Quarter	4 Partnerships per year	Target not met	Still in process of engaging with Institutions of higher learning	Correspondence between municipal-ity and Institutions of higher learning	Director IPED
"Enterprise Development"	"To create an Enabling environment for business to thrive in the district by 2014"	"Empowerment of HDI's"	% of HDI's appointments	"Quarterly SCM reports"	HDI Empowerment	0	5% HDI's empowered	10% HDI's empowered	15% HDI's empowered	20% HDI's empowered	20% HDI's Empowered"	HDI's empowered	Not applicable	appointment reports	CFO
"Enterprise Development"	"To create an Enabling environment for business to thrive in the district by 2014"	Monitoring of service providers' performance	Monthly Reports on Supplier Performance	Quarterly reports	"Service Provider Performance"	Data-base of service providers	Quarterly Reports	Quarterly Reports	Quarterly Reports	Quarterly Reports	12	Reports on supplier performance done	Not applicable	reports	CFO
"Housing Development"	To ensure facilitation and Coordination of Housing Development within CHDM	Through Socio Economic Development and Transformation programmes	No of Emerging Contractors to be developed	Quarterly	"Contractor Development"	0	5 Contractors trained per Quarter	5 Contractors trained per Quarter	5 Contractors trained per Quarter	5 Contractors trained per Quarter	20 Contractors	Target not met	CHDM is unable to monitor the registration is too slow	Managing contractors methodology. List of approved beneficiaries.	Director IPED

Priority Area	IDP Objective	Strategy	Indicator	Measurement Source and Frequency	Activity / Project	Baseline	Q1 Deliverable target	"Q2 Deliverable target"	"Q3 Deliverable target"	"Q4 Deliverable target"	Annual Target	Report on Annual target	Reason for variance	Portfolio of evidence	Custodian
Agricultural & forestry Development	To increase CHDMs contribution towards Agriculture Forestry and Agrarian Development	"Implementation of the CHREDS"	No of improve livestock programmes conducted	"Quarterly Report"	"Livestock Improvement"	2	Report on identification of Strategic Sites	Sourcing of Service provider	Implementation and Construction	"Completion of Infrastructure"	2 Programmes	Target met	Not applicable	Report from the implementing agent	Director IPED
Agricultural & forestry Development	To increase CHDMs contribution towards Agriculture Forestry and Agrarian Development	"Implementation of the CHREDS"	No of Charcoal development and related initiatives undertaken	"Quarterly Report"	"Forestry Development"	2	"Afforestation Report"	"Afforestation Report"	"Afforestation Report"	Afforestation Report	2 Programmes	Target met	Not applicable	Progress report	Director IPED
Agricultural & forestry Development	To increase CHDMs contribution towards Agriculture Forestry and Agrarian Development	"Implementation of the CHREDS"	No of Wool Production programme supported	"Quarterly Reports"	Shearing Sheds	2	"Signing of MoU with WGA"	Transfer of Funds	"Construction Report"	"Handing over of Sharing Sheds"	"2 Shearing Sheds"	Target not met	The Gobodi shearing shed was constructed by the project members and is 85% complete and Gqaga shearing shed was not constructed	Proof of fund transfer	Director IPED
Agricultural & forestry Development	To increase CHDMs contribution towards Agriculture Forestry and Agrarian Development	"Implementation of the CHREDS"	No of Improved Dairy production supported	"Quarterly Report"	"Dairy infrastructure Development"	1	Construction of Dairy Infrastructure	"Continuation of Construction"	Hand Over Report	Membership Report	1 Dairy Infrastructure Development	Target met	Not applicable	Progress report on functionality of the project	Director IPED

Agricultural & forestry development	To increase CHDMs contribution towards Agriculture Forestry and Agrarian Development	"Implementation of the CHREDS"	"No. of Irrigation Schemes supported"	"Quarterly Report"	Irrigation Schemes	4	Crafting of Production plan for Summer Crops in all homes	Transfer of Funds to the Schemes	Expenditure Report from all Schemes	Production Report from all Schemes	4 Schemes	Target met	Not applicable	Report	Director IPED
Agricultural & forestry development	To increase CHDMs contribution towards Agriculture Forestry and Agrarian Development	"Implementation of the CHREDS"	No. of Massive food programmes implemented	"Annual Report"	Massive Food	2	Production Plans from LM's	Transfer of Funds to LM's	"Expenditure Report from LM's"	Production Report from LM's	2 Programmes	Target met	Not applicable	Report	Director IPED
Tourism promotion and development	To develop and promote Tourism within the district	"Implementation of Tourism Master Plan"	No of events hosted	"Quarterly Report"	Tourism Events	2	"Tourism Month Celebrations"	Preparation Report for Chris Hani Month	Preparation Report for Chris Hani Month	"Chris Hani Month Celebration"	2 Events	Target met	Not applicable	Report	Director IPED
Environment	Mainstream environmental management into all Council operations	Coordinate environmental management events within district	No of environmental events per year	Quarterly reports	"Environmental Management"	4	1 Environmental Management Event	1 Environmental Management Event	1 Environmental Management Event	"1 Environmental Management Event"	"4 Environmental Management Event"	4 Environmental management events held	Not applicable	reports and attendance register	"Director Health & Community Service"
Social Facilitation & Community Development	To ensure LED programmes are smoothly communicated to the Communities	Facilitate Implementation of Community Development Programmes	No of Community facilitations conducted	"Quarterly Report"	Project Facilitation	0	2 Community Development Promotes rep Quarter	2 Community Development Programmes rep Quarter	2 Community Development Programmes rep Quarter	2 Community Development Programmes per Quarter	"8 for the Annual"	Target not met	n/a	None	Director IPED

Priority Area	IDP Objective	Strategy	Indicator	Measurement Source and Frequency	Activity / Project	Baseline	Q1 Deliverable target	"Q2 Deliverable target"	"Q3 Deliverable target"	"Q4 Deliverable target"	Annual Target	Report on Annual target	Reason for variance	Portfolio of evidence	Custodian
EPWP	To ensure all Programmes are aligned to EPWP	"Increasing Labour Employment"	No of jobs created as per EPWP	"Quarterly Reports"	Job Creation	1604	77 Jobs	177 Jobs	177 Jobs	77 Jobs	" 709 Jobs Per Annum"	886 jobs created	Not applicable	reports	"Director Engineering"
Municipal Health	To provide comprehensive food control programmes	Inspection & Evaluation of Food Premises & Handling	% of Inspections conducted	Quarterly report	Food Inspection	0	50% of food inspected	60% Of food inspected	80% of food inspected	95% of food inspected	"95% Food Handling"	821 samples taken out of the tager of 800	Not applicable	inspection reports	"Director Health & Community Service"
"Corridor Development"	To ensure linkage and collaboration of CHDM Anchor Projects	Promotion and Marketing of Anchor Projects	No of Anchor Projects Marketed & Promoted	Quarterly	"Marketing of Anchor Projects"	0	Report on Community Engagements	Report on Branding of Anchor Projects	Report on Marketing of Anchor Projects to investors	"Report on Investor Engagements"	"3 Projects Marketed"	Target met	Not applicable	Agropark business plan	Director IPED

KPA 5: MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

Priority Area	IDP Objective	Strategy	Indicator	Measurement Source and Frequency	Activity / Project	Baseline	Q1 Deliverable target	"Q2 Deliverable target"	"Q3 Deliverable target"	"Q4 Deliverable target"	Annual Target	Report on Annual target	Reason for variance	Portfolio of evidence	Custodian
"Municipal Governance"	To ensure compliance with applicable legislation, regulations, policies and procedures on an ongoing basis	Implementation of Water Conservation and Demand Management	Development & Implementation of WC&DM	Quarterly reports	WC & DM	WC & DM Strategy	Report on WC & DM	"Report on WC & DM"	"Report on WC & DM"	Report on WC & DM	Implemented WC & DM	Implemented	Not applicable	reports on implementation	Director Engineering

"Municipal Governance"		To ensure compliance with applicable legislation, regulations, policies and procedures on an ongoing basis	Implementation and enforcement of EH & EM by-laws	% Reduction of by-law infringements	Quarterly reports	IDP	nil	"25% reduction on EH& EM BY-LAWS"	Situational Analysis Report	"2012/17 Draft IDP"	"Adopted 2012/17 IDP"	25% reduction on EH& EM BY-LAWS	25% reduction on EH& EM BY-LAWS	"25% reduction on EH& EM BYLAWS"	Target not met	Not applicable	not applicable	Director Health & Comm Services
"Municipal Governance"		To ensure compliance with applicable legislation, regulations, policies and procedures on an ongoing basis	Development of 5 yr Integrated Development Plan	Adopted 5 yr Integrated Development Plan	Council resolution - annually	IDP	11/12 IDP	"Adopted framework work Plan"	"Progress Report"	Draft PMF	Final Performance Management Framework	Adopted PMF	Adopted PMF	2012/17 (5yr IDP)	2012/17 IDP adopted	Not applicable	Adopted IDP	IPED Director
"Municipal Governance"		To ensure compliance with applicable legislation, regulations, policies and procedures on an ongoing basis	Operationalise Performance Management System	"Adopted Reviewed PMF"	Council resolution - annually	PMS	PMS Framework	Status Quo Report	"Progress Report"	Draft PMF	Final Performance Management Framework	Adopted PMF	Adopted PMF	PMF reviewed and NOT yet adopted	Not applicable	re-viewed PMF	IPED Director	
"Municipal Governance"		To ensure compliance with applicable legislation, regulations, policies and procedures on an ongoing basis	Operationalise Performance Management System	Performance assessment reports	Quarterly reports	PMS	10/11 reports	"Q1 Assessment Report"	"Q2 Assessment Report/ Mid year"	"Q3 Assessment Report"	Q4 Ass/ Annual Performance Report	"2011/12 Annual Performance Report"	Q1-Q3 assessment reports available	Not applicable	reports	Municipal Manager		
"Municipal Governance"		To ensure compliance with applicable legislation, regulations, policies and procedures on an ongoing basis	"Development of the Annual report"	Adopted annual report	Council resolution - annually	Annual Report	09/10 annual report	"1st Preparatory Report"	"Draft Report to Council"	"Final Adopted Annual Report"	"Circulation Report"	"2010/11 Adopted Annual Report"	2010/11 annual report adopted	Not applicable	annual report and council resolution	Municipal Manager		

Priority Area	IDP Objective	Strategy	Indicator	Measurement Source and Frequency	Activity / Project	Baseline	Q1 Deliverable target	"Q2 Deliverable target"	"Q3 Deliverable target"	"Q4 Deliverable target"	Annual Target	Report on Annual target	Reason for variance	Portfolio of evidence	Custodian
Sector development Plans	To ensure development of Each sector plan per priority need identified	Coordinate development of all sector plans, strategies and policies	Status quo sector plan report	Sector plan report - Quarterly	"Sector Plans Development"	10/11 IDP sector plan chapter	Status Quo Report	Report on Sector Plans Developed	"Report on Draft Sector Plans"	Report on Adopted Sector Plans	"Development of Sector Plans"	SDF reviewed, and draft cooperative plan in draft form - other sector plans not developed	Non availability of funds,	Council resolution and draft plan	IPED Director
	To ensure a good quality of air space	Development of Air Quality Management Plan	Adopted Air Quality Management Plan	Annual report	Air Quality Plan	0	"Development of Terms of Reference"	Appointment of Service Provider	"Draft Air Quality Plan"	Adopted Air Quality Management Plan	Adopted air quality management plan	Target not met	Not applicable	not applicable	Director Health & Comm Services
	To ensure positive contribution towards Disaster reduction within the district	"Review of Disaster Management Plan"	Adopted DMP	Quarterly report	"Disaster Management"	Disaster Management Plan		1st Draft Disaster Management	"Draft Disaster Management"	Adopted Disaster Management	"Adopted Disaster Management"	Target not met	adopted scientific risk assessment plan	scientific assessment plan	Director Health & Comm Services

KPA 5: MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

Priority Area	IDP Objective	Strategy	Indicator	Measurement Source and Frequency	Activity / Project	Baseline	Q1 Deliverable target	"Q2 Deliverable target"	"Q3 Deliverable target"	"Q4 Deliverable target"	Annual Target	Report on Annual target	Reason for variance	Portfolio of evidence	Custodian
"Sector Plan Development"	To facilitate implementation of HIV/AIDS Strategies and programmes within the district	Development of District Strategic Plan document on HIV& AIDS	Adopted plan	Quarterly reports	HIV/AIDS Plan	1 Existing Plan	"Appointment of Service Provider"	First Strategic Planning Workshop held	1st Draft Strategic Plan Document	Final Strategic Planning Document	Adopted HIV/AIDS Plan	Target not met	(HIV and AIDS mainstreaming workshop conducted Draft HIV and AIDS mainstreaming policy developed but not yet adopted by council	Draft policy and attendance register	Director Health & Comm Services
"Sector Plan Development"	To promote economic development in the district	Review of Chris Hani Regional Economic Development Strategy	Adopted CHREDS	Quarterly report	Review of Plan	HREDS	"Situational Analysis"	Update Report	"Adopted Draft HREDS"	Adopted Reviewed HREDS	Adopted CHREDS	Target not met	Unavailability of funds	Not applicable	Director IPED
"Sector Plan Development"	To promote enabling environment on business operations to thrive	"Development of Cooperative Strategy"	"Adopted Co-op Strategy"	Quarterly	"Cooperative Strategy"	0	"Appointment of Service Provider"	Situational Analysis Report	Draft Cooperative Strategy		Adopted Cooperative Strategy	Target not met	Delays in procurement process	Draft cooperative strategy	Director IPED
"Sector Plan Development"	To promote enabling environment on business operations to thrive	"Review of SMME Strategy"	Adopted SMME Strategy	Quarterly report		SMME Strategy	Gap Analysis Report	Situational Analysis Report	Draft SMME Strategy	Adopted Reviewed SMME Strategy	Adopted SMME Strategy	Target not met	Unavailability of funds	reports	Director IPED
"Sector Plan Development"	To promote enabling environment on business operations to thrive	Development of Integrated Agricultural Dev Plan	Adopted Integrated Agricultural Plan	Quarterly report	"Integrated Agric Plan"	0	"Situational Analysis Report"	Consolidation report of Agricultural inputs	"Adopted Draft Integrated Plan"	"Final Integrated Agric Plan"	"Adopted Integrated Agric Plan"	Target not met	Unavailability of funds	reports	Director IPED

Priority Area	IDP Objective	Strategy	Indicator	Measurement Source and Frequency	Activity / Project	Baseline	Q1 Deliverable target	"Q2 Deliverable target"	"Q3 Deliverable target"	"Q4 Deliverable target"	Annual Target	Report on Annual target	Reason for variance	Portfolio of evidence	Custodian
"Sector Plan Development"	"To facilitate development of Sustainable Human Settlements by 2014"	Development of Housing Development Plan	Adopted Plan	Quarterly report	Housing Plan	0	"Appointment of Service Provider"	Situational Analysis Report	Draft Housing Developmental Plan	Adopted Final Housing Dev Plan	"Adopted Housing Dev Plan"	Target not met	Unavailability of funds	reports	Director IPED
"Sector Plan Development"	To ensure coherent strategic Spatial planning and development in the District	"Review District Spatial Framework"	Adopted SDF	Quarterly report	District SDF	CHDM SDF		Situational Analysis Report	Draft SDF	Final SDF	Adopted SDF	Target met	Not applicable	Council resolution	Director IPED
"Sector Plan Development"	To ensure coherent strategic Spatial planning and development in the District	Co-ordinate CHDM Sector Plan compliance with CHDM SDF	"SDF Compliance Report"	Quarterly report	SDF Compliance Study	0	"List of Sector Plans Compliance Report"	Situational Analysis Report	Draft SDF Compliance Report	Final SDF Compliance Report	"SDF Compliance Report"	SDF reviewed	Not applicable	Council resolution	Director IPED
"Sector Plan Development"	To coordinate water services authority by 2014	Review of Water Services Development Plan	Adopted WSDP	Quarterly report	WSDP	WSDP	"Situational Analysis Report"	"1st Draft WSDP"	"Final Draft WSDP"	Adopted WSDP	Adopted WSDP	Target not met	Not applicable	Not applicable	Director Engineering
"Sector Plan Development"	To ensure coordination & Integration of public transport services by 2014	Development of Integrated Transport plan	Adopted ITP	Quarterly report	ITP		Status Quo Report	1st Draft ITP	Final Draft ITP	Adopted ITP	Adopted ITP	Target not met	Not applicable	Not applicable	Director Engineering
"Sector Plan Development"	To ensure Compliance with legal framework on waste management services by 2014	Review of Integrated Waste Management plan	Adopted IWMP	Quarterly report	IWMP	2010/11 IWMP	Status Quo Report	"1st Draft IWMP"	"Adopted Draft IWMP"	"Adopted Final IWMP"	Adopted IWMP	Target met - IWMP adopted	Not applicable	Council resolution	Director Health & Comm Services

"Sector Plan Development"	To have an enterprise wide risk management by 2012	"Reduction of Risk Impact"	100 % Implementation of Risk Management Plan/ Register	Quarterly reports	Risk	Risk Management Strategy	Risk Assessment & Achievement	Report on implementation and achievements	Risk management strategy	Target not met	Manager for Risk and compliance post not yet filled	recruitment report	Municipal Manager
"Institutional Readiness"	To ensure CHDM fully exercises its assigned powers and functions	Conduct Assessment of Performance of District Powers and Functions	Assessment report	Annual report	Powers & Functions	Devolved powers and functions	Status Quo Report	MEC Engagements Report	Propely allocate Powers & Functions	Delegation of powers and functions policy available	Not applicable	Policy and council resolution	Municipal Manager

KPA 5: MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

Priority Area	IDP Objective	Strategy	Indicator	Measurement Source and Frequency	Activity / Project	Baseline	Q1 Deliverable target	"Q2 Deliverable target"	"Q3 Deliverable target"	"Q4 Deliverable target"	Annual Target	Report on Annual target	Reason for variance	Portfolio of evidence	Custodian
"Supply Chain Management"	To ensure a fair, equitable, transparent competitive and cost effective procurement of goods and services	"By reviewing SCM policy"	"Adopted reviewed SCM policy"	"Quarterly Report"	"Review SCM policy"	SCM Policy	Status Quo report	1st Draft SCM Policy	2nd Draft SCM Policy	Adopted SCM Policy	Adopted SCM Policy	Target not met	Draft policy is done and consultation processes followed	Draft policy and proof of consultation donee	CFO
"Supply Chain Management"	To ensure a fair, equitable, transparent competitive and cost effective procurement of goods and services	Development and maintenance of Demand Management Plan	"Adopted Demandant Plan"	Quarterly	Demand Management Plan		"Developed and Adopted DMP"	Report on updated DMP	Report on updated DMP	Report on updated DMP	Developed & Maintained DMP	Target not met	DMP will be completed once the SDBIP's are finalised, as this is informed by the SDBIP	Demand management plan/ proof of consultation	CFO
"Support to Local Municipalities"	To ensure LM's are fully capacitated to effectively render services that are within their powers and functions	Facilitate Integrated Development Planning Session	No of sessions held with LM's	Quarterly report	IDP Sessions	Nil	IDP & SDBIP Reports	IDP & SDBIP Reports	IDP & SDBIP Reports	IDP & SDBIP Reports	2012/13 IDP	Target met	Not applicable	012/13 IDP and SDBIP	Director IPED
"Support to Local Municipalities"	To ensure LM's are fully capacitated to effectively render services that are within their powers and functions	Implementation of Shared Services on Internal Audit	No of LM's assisted on Internal Audit	Quarterly	Shared Service on Internal Audit	8 LM's	8 LM's per Quarter	"8 LM's per Quarter"	"8 LM's per Quarter"	"8 LM's per Quarter"	"8 LM's Assisted on Internal Audit"	8 LM's assisted	Not applicable	report	Municipal Manager

"Special Programmes"	To strengthen support of previously disadvantaged groups	Development of Special Programmes Policy on Youth, Women & People with Disability	Adopted Special Programmes Policy	Quarterly report	"Special Program"	0	Status Quo Report	1st Draft	Adopted Draft on Special Programmes	"Adopted final Draft"	Adopted final Draft	Policy still in draft form	research on the policy took time	draft special programmes policy	Municipal Manager
"Special Programmes"	To strengthen support of previously disadvantaged groups	Mainstreaming of HIV & AIDS	Adopted HIV & AIDS Mainstreaming Plan	Quarterly report	HIV Mainstreaming	0	"Signing of MOU between CHDM & CMRA"	HIV/AIDS Mainstreaming Workshop	Draft HIV/AIDS Mainstreaming Policy	Adopted HIV/AIDS Mainstreaming Policy	Adopted HIV/AIDS Mainstreaming Policy	Target not met	HIV and AIDS mainstreaming workshop conducted Draft HIV and AIDS mainstreaming policy developed but not yet adopted by council	Attendance register and draft policy	ALL HOD's
Communications	To promote and enhance communication in all CHDM programmes	Develop Communications & Marketing Strategy	Adopted Communications Strategy	Quarterly report	"Communication Strategy"	0	"Draft 3yr Strategy Consultation Process"	Adopted Communication Strategy	"Implementation Report"	"Implementation Report"	Comm Strategy	Communication strategy developed and implemented	Not applicable	Communication strategy and quarterly implementation reports	Municipal Manager

Priority Area	IDP Objective	Strategy	Indicator	Measurement Source and Frequency	Activity / Project	Baseline	Q1 Deliverable target	"Q2 Deliverable target"	"Q3 Deliverable target"	"Q4 Deliverable target"	Annual Target	Report on Annual target	Reason for variance	Portfolio of evidence	Custodian
Public participation	To promote public participation in CHDM activities	"Develop Public Participation Policy"	"Adopted Public Participation policy"	"Quarterly Reports"	"Public Participation"	Public Participation Framework	"Situational Analysis Study"	Draft Public Participation Policy	Adopted Public Participation Policy	"Implementation Report"	"Adopted Public Participation Policy"	Public participation strategy in draft form	Consultation processes took longer period	Draft public participation strategy and attendance register for workshop held	Municipal Manager
Public participation	"To ensure involvement of communities in the affairs of the district"	Develop policy on Private Public Partnerships	Approved policy	Quarterly		nil					Approved PP Partnership policy	Policy is part of SCM policy, which is still a draft	Not applicable	SCM Policy	CFO
Asset management	To ensure that all assets are adequately managed and maintained	"Review Asset Management Policy"	Adopted Asset Management Policy	"Quarterly Report"	"Asset Management"	Asset management policy	Status Quo Report	1st Draft	Adoption of Draft Asset Management Policy	FINAL adoption of Asset Management	Adopted Asset management policy	Target not met	The policy is in the review process	Draft policy and proof of consultation done	CFO
Asset management	To ensure that all assets are adequately managed and maintained	"Review Fleet Management Policy"	Adopted Fleet Management policy	Quarterly	Fleet Policy	Fleet management policy	Review the policy & develop procedure manual	adoption of the reviewed policy, procedure manual & awareness	Implementation of the reviewed policy	Implementation of the reviewed policy	Reviewed policy adopted & implemented	Target not met	Policy reviewed and consultation done	Draft reviewed policy	"Director Corporate Services

KPA 5: MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

Priority Area	IDP Objective	Strategy	Indicator	Measurement Source and Frequency	Activity / Project	Base-line	Q1 Deliverable target	"Q2 Deliverable target"	"Q3 Deliverable target"	"Q4 Deliverable target"	Annual Target	Report on Annual target	Reason for variance	Portfolio of evidence	Custodian
Policies	To ensure compliance with applicable legislation, regulations, policies and procedures	Review of HR Policies & Strategies	"No of Reviewed HR Policies"	"Quarterly Report"	HR policies	HR policies	Analysis of policies to be reviewed	Consultation & Workshops	"Adoption & awareness"	Implementation of reviewed policies	Reviewed HR Policies adopted & implemented	HR Policies reviewed, pending adoption	Consultation process took longer	Draft reviewed policies and proof of consultation	"Director Corporate Services"
Council Support	To co-ordinate and schedule council statutory and other business	Development of CHDM Council Calendar	"Adopted Council Calendar"	"Quarterly Report"	"Council Calendar"	2010/11 Council Calendar	collecting data & draft calendar	Adoption of the calendar	"implementation & monitoring of the calendar"	"implementation & monitoring of the calendar"	"Calendar adopted & implemented"	Calendar adopted and implemented	Not applicable	Calendar and council resolution	"Director Corporate Services"
"Skills Development"	To attract develop and retain skilled and effective human capital	Implementation of internship, LED Learnership	No of employees benefitted in learnership	"Quarterly Reports"	Learnership	0	Declaration of Intent & identification of beneficiaries	"Develop TOR & engage SP"	Implementation of learnership	Implementation of learnership	50% of LED learnership implemented	Target not met	LG Seta funds stopped by LGTAS, therefore there were no funds to continue	Proof of funds received from LGTAS	"Director Corporate Services"
"Skills Development"	To attract develop and retain skilled and effective human capital	Implementation of MFMA regulations on minimum competencies	No of designated positions/people trained	"Annual Report"	"Minimum Competency"	10	Identification of beneficiaries & implementing agent	Implementation of programmes	Implementation of the programmes	"Assessment Report"	75% compliance with the regulations	Target met	Not applicable	Proof of attendance and commitment forms of learners	"Director Corporate Services"

Priority Area	IDP Objective	Strategy	Indicator	Measurement Source and Frequency	Activity / Project	Baseline	Q1 Deliverable target	Q2 Deliverable target	Q3 Deliverable target	Q4 Deliverable target	Annual Target	Report on Annual target	Reason for variance	Portfolio of evidence	Custodian
"Skills Development"	To attract develop and retain skilled and effective human capital	Co-ordination and implementation of training for Officials and Councillors [WSP]	Development and Submission of WSP	"Quarterly Reports"	Submissions of Workplace Skills Plan	WSP	Submission of Training Implementation Plan	Submission of monthly monitoring report	Compilation of WSP & Implementation Report	Adoption of WSP & Submission to LG-SETA	WSP in place	WSP in place	Not applicable	WSP	"Director Corporate Services"
"Skills Development"	To attract develop and retain skilled and effective human capital	Co-ordination and implementation of training for Officials and Councillors [WSP]	% of Councillors Trained	"Quarterly Report"	"Councillor Training"	6	"Appointment of service Providers & 10% implementation"	25% of training conducted	50% training conducted	80% training conducted	Councillors capacitated	Target achieved, Councilors were sent for Induction Programme, Labour Law and computer programme	Not applicable	Attendance register	"Director Corporate Services"
"Skills Development"	To attract develop and retain skilled and effective human capital	Co-ordination and implementation of training for Officials and Councillors [WSP]	% of officials that have undergone training	"Quarterly Report"	"Officials Training"		25% of training conducted in line with WSP	50% of training conducted in line with WSP	75% training conducted in line with WSP	100% training conducted in line with WSP	Officials capacitated	50% implementation	sourcing of service providers, budget allocation for training	Reports on training implemented	"Director Corporate Services"
"Employment Equity Plan"	To ensure compliance with Employment Equity Act	Implementation of the reviewed employment equity plan	% annual targets met	Quarterly reports	Implementation of EE Plan & review	"EEP 60%"	Implementation of existing plan & Report to DoL	Assessment Report & Analysis Process	Workshop & consultation on review of plan	Adoption of the reviewed plan	"EEP Implemented & reviewed"	EEP implemented, and review pending finalisation	Not applicable	report on EEP implementation and revised draft EE Plan	"Director Corporate Services"

KPA 5: MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT

Priority Area	IDP Objective	Strategy	Indicator	Measurement Source and Frequency	Activity / Project	Baseline	Q1 Deliverable target	"Q2 Deliverable target"	"Q3 Deliverable target"	"Q4 Deliverable target"	Annual Target	Report on Annual target	Reason for variance	Portfolio of evidence	Custodian
Organisational structure	To review and maintain an organizational structure that will ensure efficient and effective service delivery	Align human capital needs to strategic objectives of the municipality	% of vacant positions filled	Quarterly reports	Approval of structure & Filling of Vacant Positions	Structure in place	Reviewed & adopted structure	30% of vacant positions filled	50% of vacant positions filled	75% of vacant positions filled	"Provision of Human Capital"	Targets not fully achieved	Readvertisement due to non availability of some skills	Proof of post filled and readvertised	"Director Corporate Services"
Organisational structure	To review and maintain an organizational structure that will ensure efficient and effective service delivery	Align human capital needs to strategic objectives of the municipality	% intake of experiential trainees	Quarterly reports	"Experiential Training"	Policy in place	Coordinate request from Directorate & recruitment	Engagement of trainees as per need & implementation	Monitoring of experiential training	"Assessment Report"	Exposure of trainees to have experience required by the Labour Market	Target achieved, Assessment report available	Not applicable	Assessment report	"Director Corporate Services"
"Employee Wellness"	"To create a healthy, optimum & efficient workforce"	Implementation of integrated wellness programmes	"No of programmes implemented that improved employee moral, performance and well being"	Quarterly Evaluation Reports	"Wellness Programmes"	Integrated Wellness Strategy & calendar	Review & alignment of wellness calendar	Implementation of wellness programmes	Implementation of wellness programmes		Improved employee well being & performance	Wellness programmes implemented	Not applicable	Attendance registers and reports	"Director Corporate Services"
OHS	To ensure a healthy optimum & efficient workforce	To ensure safe working environment	% reduction in occupational hazards & incidents	Quarterly Reports & SHE Plan	OHS	SHE PLAN	Review & align SHE Plan	"Adoption awareness"	Implementation of the SHE Programmes	Implementation of the SHE Programmes	Reduction in Occupational Hazards & Incident	REPS elected, trained and awareness created	Not applicable	Reports and attendance register	"Director Corporate Services"

Priority Area	IDP Objective	Strategy	Indicator	Measurement Source and Frequency	Activity / Project	Baseline	Q1 Deliverable target	"Q2 Deliverable target"	"Q3 Deliverable target"	"Q4 Deliverable target"	Annual Target	Report on Annual target	Reason for variance	Portfolio of evidence	Custodian
Legal	"To ensure compliance with municipal legislation & attend to litigations"	Development of policies, strategies and procedural manual	No of policies developed and approved	Annually		Policies in place	Identification of no of policies to be developed	Formulation of policies	Consultation & Workshop	Approval of policies	Approved policy	Target not achieved	Legal manager only appointed in March 2012	Proof of appointment of legal manager	Municipal Manager
Legal	"To ensure compliance with municipal legislation & attend to litigations"	Minimize litigations	% reduction in litigation	Annually		0					50 % Reduction	Not fully achieved	Not applicable	Proof of litigations received during the period and finalised	"Director Corporate Services"
Labour relations	To promote sound labour relation and compliance with collective agreements	Compliance with working conditions	% decrease in labour disputes & grievances	ANNUALLY	Constant engagement with labour & dept	5	Quarterly report on outcomes of engagement	Engagement & resolution of labour matters within stipulated time-frames	"Engagement & resolution of within stipulated time-frames"	Report on labour matters	Reduction of labour dispute & harmonize relations	report on labour matters done, some settled at dept level	Not applicable	Reports attendance registers	"Director Corporate Services"
Assets	To ensure that municipal buildings are properly maintained	Development of maintenance plan for municipal buildings	Developed and approved maintenance plan	Annually.	"Maintenance Plan"	0	Develop TOR & Engage SP	Draft Maintenance Plan	Implementation of the Plan	Implementation of the Plan	"Maintained Municipal Buildings"	not fully achieved as maintenance plan is in draft form and maintenance is done regularly	vacant position	draft maintenance plan and reports on maintenance done	"Director Corporate Services"

ICT	To ensure provision and improvement of ICT support services	To ensure provision of timeous and efficient ICT support services	% help-desk calls resolved timeously	helpdesk system, weekly	ICT Support	95% calls resolved timeously	95% calls resolved timeously	95% calls resolved timeously	95% calls resolved timeously	95% calls resolved timeously	95% calls resolved timeously	Target achieved	Not applicable	System report	"Director Corporate Services"
ICT	Ensure reliable available and robust network to enable continuous communication	Improving network so as to perform at optimum levels	% decrease in network down times	Network monitoring system, monthly	Network maintenance	95% acquire a network monitoring system	"network monitoring- 95% uptime"	"network monitoring- 95% uptime"	"network monitoring- 95% uptime"	"network monitoring- 95% uptime"	"network monitoring- 95% uptime"	Target achieved	Not applicable	System report	"Director Corporate Services"
ICT	To ensure a highly secured network with an excellent recovery system	To acquire a functional network backup system	Percentage of backup tapes stored offsite	Quarterly	disaster recovery	0% SCM process towards acquiring a backup system	acquiring a backup system	taking backups and storing them offsite				Target not fully achieved	SCM processes	Proof of progress	"Director Corporate Services"
ICT			100% complete and approved DRP (Disaster Recovery Plan)		disaster recovery	80% approval of disaster recovery plan	implementation of disaster recovery plan					Target not fully achieved	SCM processes	Proof of progress	"Director Corporate Services"
ICT	ensuring that software used at CHDM is licensed	"to appoint a Microsoft Large Account Reseller"	LAR appointment and 90% software licensed	"Quarterly Reports"	Software licensing	80% SCM process towards LAR appointment	LAR appointment and Audit	"Software Licensing"				Target achieved	Not applicable	Licenses	"Director Corporate Services"



Auditing to build public confidence



AUDITOR-GENERAL
SOUTH AFRICA



Audit Report
Chris Hani District Municipality
For the Year ended 30-June 2012



REPORT OF THE AUDITOR-GENERAL TO EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON CHRIS HANI DISTRICT MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the financial statements of Chris Hani District Municipality set out on pages ... to ..., which comprise statement of financial position as at 30 June 2012, the statement of financial performance, changes in net assets and cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

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 South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA), and the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), as well as 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.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse audit opinion.

Basis for adverse opinion

Trade and other payables

6. Trade creditors and expenditure were understated by R161,7 million (2011: R33,6 million) as the municipality did not account for expenditure and accruals at year-end.

Irregular expenditure

7. The municipality did not implement and maintain an appropriate procurement and

provisioning system as required by the MFMA. The municipality made payments in contravention of the supply chain management requirements which were not disclosed as irregular expenditure, resulting in irregular expenditure being understated by R199, 5 million.

Value-added tax receivable

8. The municipality did not have adequate systems in place, to record input value-added tax (VAT) on purchases of property, plant and equipment. The value of the assets is recorded inclusive of the VAT portion in the fixed asset register and the general ledger, instead of the VAT portion being allocated to the VAT input account and this resulted in infrastructure assets being overstated by R27, 5 million, while the VAT receivable is understated by the same amount.

Property, plant and equipment

9. The municipality incorrectly accounted for land and buildings for which they do not have the title deeds. This land was transferred to the municipality by the provincial government; however, the title deeds for the land were not transferred. The land does not meet the definition of an asset as it is not probable that economic benefits or service potential will flow to the municipality. This resulted in an overstatement to land and buildings and accumulated surplus amounting to R19,7 million.

Accumulated surplus

10. The municipality incorrectly restated prior year balances to reflect revenue that was charged at the incorrect tariff rates or not charged at all to consumers in the prior year. The municipality incorrectly debited the accumulated surplus balance with R12,9 million. The adjustment represents the value of revenue that should have been billed but was not billed in the prior year. As a result accumulated surplus is understated and the corresponding figure for revenue from services is also understated by R12,9 million.

Corresponding figures

11. During the 2010-11 year, I was unable to obtain sufficient appropriate audit evidence for the for the following elements:
 - Receivables from exchange transactions – R100,2 million
 - Trade and other payables – R118 million
 - Other Debtors – R24,5 million
 - Inventory – R4,2 million
 - Employee costs – R3,2 million
 - Property, plant and equipment – R3,4 million
12. I was unable to obtain sufficient appropriate audit evidence for the above by alternative means. Consequently, I was unable to determine whether any adjustments to these amounts and accumulated surplus were necessary. My audit opinion on the financial statements for the period ended 2010-11 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of these matters on the comparability of the current period's figures.

Receivables from exchange transactions

13. The prior year comparative figure is understated by R34, 4 million as the municipality impaired the full amount for consumer debtors and did not calculate the impairment for consumer debtors in accordance with the requirements of IAS 39. My opinion on the

current period's financial statements is also modified because of the possible effect of these matters on the comparability of the current period's figures.

Revenue

14. Prior year revenue is understated by R5,6 million as no adequate system of internal control over revenue for water was not in place, as consumers were billed at incorrect tariffs or were not billed at all. As a result, the corresponding figure for revenue and receivables from non-exchange transactions is understated by R5,6 million. My opinion on the current period's financial statements is also modified because of the possible effect of these matters on the comparability of the current period's figures.

Expenditure

15. The prior year comparative expenditure amount is overstated by R5,2 million as expenditure was recognised inclusive of VAT when the VAT portion should have been allocated to the VAT input account, or not recognised at all as some suppliers were not registered for VAT. My opinion on the current period's financial statements is also modified because of the possible effect of these matters on the comparability of the current period's figures.

Accumulation of immaterial uncorrected misstatements

16. The financial statements as a whole are materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements in the following elements making up the statement of financial position and the statement of financial performance:

Statement of financial position

- Trade receivables from non-exchange transactions reflected as R105,6 million in the statement of financial position and note 5 is overstated by R2,6 million
- VAT receivable balance reflected as R16,4 million in the statement of financial position and note 6 is overstated by R237 120

Statement of financial performance

- Impairment losses reflected as R9 million in the statement of financial performance and note 30 is understated by R2,8 million
- General expenditure reflected as R28,3 million in the statement of financial performance and note 35 is understated by R470 700

17. In addition, I was unable to obtain sufficient appropriate audit evidence to confirm or verify the following elements:

Statement of financial position

- Adjustments of R2, 2 million to accumulated surplus reflected as R3, 001 million in the statement of financial position and note 20
- Creditors of R55 592 reflected as R29,6 million in the statement of financial position and note 14

Statement of financial performance

- Government grants and subsidies received of R1,7 million included in the disclosed amount of R799,5 million in the statement of financial performance and note 21
- General expenditure of R412 908 included the disclosed amount of R28,3million in the statement of financial performance and note 35
- Other income of R84 776 included the disclosed amount of R55,5million in the statement of financial performance and note 26

18. As a result, we were unable to determine whether any adjustments to these elements were necessary.

Adverse opinion

19. In my opinion, because of the significance of the matters described in the Basis for adverse opinion paragraphs, the financial statements do not present fairly the financial position of Chris Hani District Municipality as at 30 June 2012 and its financial performance and cash flows for the year then ended, in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the MFMA and DoRA.

Emphasis of matters

20. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Significant uncertainties

21. With reference to note 50 of the annual financial statements the municipality is a defendant in lawsuits. The outcome of these lawsuits cannot be determined at present and no provision has been made for any liability that may result.

Restatement of corresponding figures

22. As disclosed in note 38 to the financial statements, the corresponding figures for the prior year balance sheet date have been restated as a result of an error discovered during the current year. These corrections were made in the financial statements of the Chris Hani District Municipality at 30 June 2012.

Material impairments

23. As disclosed in note 30 to the financial statements, material losses to the amount of R9 million were incurred as a result of receivables from non-exchange transactions.

Unauthorised expenditure

24. As disclosed in note 44.1 to the financial statements, the municipality incurred unauthorised expenditure of R56,4 million as a result of exceeding the total budgeted amount of expenditure.

Additional matters

25. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited supplementary schedules

26. The supplementary annexures 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 this schedule and, accordingly, I do not express an opinion thereon.

Achievement of planned targets

27. Of the total number of 146 targets planned for the year, 51 were not achieved during the year under review. This represents 35% of total planned targets that were not achieved during the year under review. This was mainly due to the fact that indicators and targets were not suitably developed during the strategic planning process.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

28. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

29. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages ... to ... of the annual report.
30. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned development priorities. The usefulness of information further relates to whether indicators and targets are measurable, i.e. well defined, verifiable, specific and measurable and time bound and relevant as required by the National Treasury Framework for managing programme performance information.
31. The reliability of the information in respect of the selected development priorities is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

32. The material findings are as follows:

Usefulness of information

Presentation

33. Improvement measures in the annual performance report for all of the planned targets not achieved were not disclosed as required by section 46 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA). This was due to inadequate internal policies and procedures over the processes pertaining to the reporting of performance information.

Consistency

34. A total of 22% of the reported targets are not consistent with the targets as per the approved IDP. This is due to the lack of adhering to applicable laws and regulations.

Measurability

Performance targets not specific

35. The National Treasury *Framework for managing programme performance information* (FMPPi) requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 69% of the targets were not specific in clearly

identifying the nature and the required level of performance. This was due to the fact that management was not aware of the requirements of the FMPPI.

Reliability of information

Reported performance not valid

36. The FMPPI requires that processes and systems which produce the indicator should be verifiable. A total of 20% of the actual reported performance relevant to basic service delivery and infrastructure investment objectives and strategies was not valid when compared to the source information and/or evidence provided. This was due to a lack of standard operating procedures for the recording of actual achievements by senior management.

Reported performance not accurate

37. The FMPPI requires that the indicator be accurate enough for its intended use and respond to changes in the level of performance. A total of 31% of the actual reported performance relevant to basic service delivery and infrastructure investment objectives and strategies were not accurate when compared to source information.

Compliance with laws and regulations

38. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the general notice issued in terms of the PAA are as follow:

Per compliance focus area

Budgets

39. Expenditure was incurred in excess of the limits of the amounts provided for in the votes of the approved budget, in contravention of section 15 of the MFMA.
40. Quarterly reports were not submitted to the council on the financial state of affairs of the municipality within 30 days after the end of each quarter, as required by section 52(d) of the MFMA.

Strategic planning and performance management

41. The municipality did not take steps to improve performance with regard to those development priorities and objectives where performance targets are not met as required by section 41 of the MSA.

Annual financial statements, performance and annual report

42. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected, which resulted in the financial statements receiving an adverse audit opinion.
43. The annual performance report for the year under review does not include measures taken to improve performance, as required by section 46(1)(c) of the MSA.

Human resource management

44. The municipality did not submit quarterly reports on the status of disciplinary cases to the

MEC responsible for local government in the province as required by Disciplinary Regulations for Senior Managers regulation 19(3)(1) and (3).

45. No evidence was provided indicating that the municipality performed background checks on the senior managers that were appointed during the year to ensure that they were not dismissed in the past 10 years for financial misconduct in local government, corruption or fraud as required by MSA section 57A(1) to 57A(5).

Procurement and contract management

46. Goods and services with a transaction value below R200 000 were procured without obtaining written price quotations from at least three different prospective providers as per the requirements of SCM regulation 17(a) & (c).
47. The preference point system was not applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act and SCM regulation 28(1)(a). Two transactions advertised did not state the preference point system to be used.
48. Awards were made to providers who are persons in service of other state institutions and whose directors are persons in service of other state institutions, in contravention of SCM regulations 44. Similar awards were identified in the prior year and no effective steps were taken to prevent or combat the abuse of the SCM process in accordance with SCM regulation 38(1). Twenty-seven companies did not declare their interest or connection to persons in the service of the state and were awarded contracts. Similarly, three companies owned by people who are in the service of the state and declared their interest were awarded contracts as well.
49. Appropriate action was not taken against officials and role players in the SCM system where investigations did not comply with the SCM system, as required by SCM regulation 38(1)(b).
50. The municipality did not implement an SCM policy as required by section 111 of the MFMA. The 2011-12 draft SCM policy review was not approved during the period under review.

Expenditure management

51. An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred and accounted for creditors, as required by section 65(2)(b) of the MFMA.
52. The accounting officer did not promptly inform the mayor in writing, of unauthorised, irregular and fruitless and wasteful expenditure incurred by the municipality, as required by section 32(4)(a) of the MFMA.

Conditional grants

53. The municipality did not evaluate its performance in respect of programmes funded by the allocation within two months after the end of the financial year, as required by section 12(6) of DoRA.
54. Unspent conditional grant funds not approved by the National Treasury for retention were not surrendered to National Revenue Fund, as required by section 20(1) of the DoRA.

55. The municipality did not submit, within 20 days after the end of each month, its monthly expenditure reports to the national department (CoGTA), as required by the Division of Revenue Grant Framework, Gazette No. 34280.
56. The municipality did not submit project implementation plans to the national department (CoGTA), as required by the Division of Revenue Grant Framework, Gazette No. 34280.

Asset management

57. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2) (a) and (b) of the MFMA.

Internal control

58. I considered internal controls relevant to my audit of the financial statements, performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for disclaimer of opinion, the findings on the performance report and the findings on compliance with laws and regulations included in this report.

Leadership

59. Oversight responsibilities regarding the monitoring of internal controls over financial reporting, compliance with applicable laws and regulations were not adequately performed. This resulted in material misstatement in the annual financial statements that were submitted for audit purposes, non-compliance with applicable laws and regulations and also resulted in the information presented in the report on predetermined objectives not being valid, accurate and complete.
60. Leadership failed to implement adequate controls to prevent or detect (and subsequently report) on irregular expenditure and unauthorised expenditure incurred.

Financial and performance management

61. The municipality did not prepare reliable and accurate monthly and quarterly financial statements. This is due to not understanding the requirements of the applicable reporting framework and the instability that existed in key positions in the finance department.
62. The municipality did not have updated policies and procedures to support the compliance with the GRAP reporting framework and accounting for transactions in accordance with the reporting framework.
63. The municipality has not implemented controls to ensure that the information supporting the report on predetermined objectives is credible, accurate and complete. As misstatements were identified on the accuracy, validity and of reported performance.
64. The municipality does not perform daily and monthly processing and reconciling of transactions throughout the financial year, as a result material misstatements are identified during the audit and cannot be substantially corrected by management, thereby having a negative impact on the audit outcome.
65. The municipality has not implemented adequate review mechanisms to ensure the report on predetermined objectives and the annual financial statements are reviewed for accuracy

and completeness prior to submission for audit purposes.

Governance

- 66. The municipality has an audit committee and internal audit unit in place. The recommendations of the audit committee and internal audit unit are not adequately addressed by management and will therefore have a negative impact in addressing control deficiencies that exist in the municipality's control environment.

OTHER REPORTS

Investigations

- 67. An investigation was conducted by an independent consulting firm on request of the municipality. The investigation was initiated based on the allegation of possible authorisation of financial transactions and/ or payments made on the municipal banking system contrary to the profile of the municipality. The profile provides that two of the four municipal signatories must authorise and release payments. The municipal banking profile was changed by the systems administrator during year ultimately resulting in payments being released and authorised by one signatory. The investigation was still ongoing at the reporting date.
- 68. An investigation was conducted by the internal audit unit on request of the municipal council on the appointment of service providers without following proper supply main chain process for cleaning and refurbishment of the Cradock Garden of Remembrance and the close relation of a key official within the municipality to the appointed service providers. The investigation was still ongoing at the reporting date.

Auditor-General

East London

30 November 2012



AUDITOR - GENERAL
SOUTH AFRICA

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