



NDLAMBE
MUNICIPALITY

ANNUAL REPORT
2006/2007

NDLAMBE MUNICIPALITY

ANNUAL REPORT FOR THE 2006/2007 FINANCIAL YEAR

CHAPTER ONE

Introduction and Overview

- 1 Mayoral Forward**
- 2 Overview of the Ndlambe Municipality – Municipal Manager**
- 3 Executive Summary – Municipal Manager**

Chapter Two

Performance Highlights

- 1 Services Provided by Ndlambe Municipality**
- 2 Progress to Eliminate Backlogs**
- 3 Backlogs in Service Delivery**
- 4 Levels and standards of Services Offered**
- 5 Ndlambe Municipality Spending on Service Delivery Infrastructure**
- 6 Building Plans and Zoning Applications Passed**

Chapter Three

Human Resources and Other Organisational Management

- 1 Programmes developed to improve employment equity and skills development**
- 2 Performance management report for the year ending 30 June 2007 in terms of Section 46 of the Municipal Systems Act**

Chapter Four

Audited Statements and Related Financial Information

- 1 Audited Statements of the Ndlambe Municipality for the financial year ending 30 June 2007**
- 2 Report of the Auditor-General to the Ndlambe Municipal Council on the Financial Statements and Performance Information of Ndlambe Municipality for the year ending 30 June 2007**
- 3 Managements response to the report of the Auditor-General to the Ndlambe Municipal Council on the Financial Statements and Performance Information of Ndlambe Municipality for the year ending 30 June 2007**
- 4 Notes from Directors on material differences between budgeted and actual income and expenditure in their respective directorates**

Chapter Five

Functional Areas Service Delivery Reports

- 1 Corporate Services
- 2 Infrastructural Development
- 3 Finance



CHAPTER ONE

INTRODUCTION AND OVERVIEW

1.1 Mayoral Forward

As a point of departure, I think it is important to remind ourselves of the objects of local government as they are reflected in our Constitution. These are:

- To ensure the provision of services to communities in a sustainable manner;
- To promote social and economic development;
- To promote a safe and healthy environment; and
- To encourage the involvement of communities and community organisations in the matters of local government.

A municipality must strive, within its financial and administrative capacity to achieve all the objectives as set out above.

Our Constitution goes further to say that the developmental duties of a municipality are:

- Structure and manage the administration, budgeting and planning processes to give priority to the basic needs of the community;
- Promote the social and economic development of the community; and
- Participate in national and provincial development programmes.

Simeon Strunsky, an essayist and former literary editor of the New York Evening Post in the 1930's once said: "If you want to understand democracy spend less time in the library with Plato, and more time in the busses with people".

The annual report of the Ndlambe Municipality for the financial year 1 July 2006 to 30 June 2007 is published in terms of Section 127 of the Municipal Finance Management Act No. 56 of 2003 which requires municipalities to report on all aspects of performance during the respective year. The report serves as a statement of accountability for the 2006/2007 financial year and accounts on not only the successes but also the challenges and failures of the municipality. The report provides an opportunity for all stakeholders to comment and provide constructive criticism on municipal matters for the period reported on. I am sure that the annual report will serve as a useful document for all stakeholders to gauge performance as the Ndlambe Municipality continues to strive for improvement in all aspects of service delivery.

The Integrated Development plan of the Ndlambe Municipality provides the framework for service delivery that is to meet the objectives that are part of the municipalities' mission of providing affordable, acceptable and sustainable services. The annual report covers all areas of operation and includes areas that we are in partnership with other spheres of government such as housing and

provides one of the measurements on how the objectives of the Integrated Development Plan were met.

Critical services delivery objectives were addressed during the year under review and the Albany Water Project and the Thornhill Housing Development are but two examples. Improvement to the bulk sewer and water infrastructure form part of the two projects and are crucial to future development in the Ndlambe area. With the projects and developments that have started and taken place during the year, the foundation has been laid and now it is for us as a Council to build on it in a positive way. Unemployment and HIV/Aids will continue to be a challenge that the Ndlambe Municipality must vigorously address over the forthcoming years as is housing, water, sewer and roads backlogs.

If we continue to work hard and learn from past experiences we will reach our goals as set out in the Integrated Development Plan. Council together with the staff and external role players must however work together and if this is accomplished I can assure everyone of a better tomorrow for all citizens of Ndlambe.

V. BALURA
MAYOR

1.2 Overview of the Ndlambe Municipality

OVERVIEW OF THE NDLAMBE MUNICIPALITY : BY THE MUNICIPAL MANAGER – NCAMISILE GEORGE NGESI

Ndlambe Municipality incorporates the following towns: Alexandria, Boknes/Cannon Rocks, Bushmansrivermouth, Kenton On Sea, Port Alfred, Bathurst and Seafield with the surrounding farms. It falls within the Cacadu District Municipality area of jurisdiction, Eastern Cape Province. Ndlambe Municipality is bordered by the following Local Municipalities.

- Ngqushwa within the Amathole Distric Municipality to the East
- Makana within the Cacadu District Municipality to the North
- Sundays River Valley within the Cacadu District Municipality to the West.

The Ndlambe Municipality area forms part of the Eastern Coastal Zone. This area can be described as an area with:

- A prestige coastal zone
- Major tourism potential
- Well preserved river mouths and inter-tidal areas
- Diverse vegetation
- Relatively low density development along the coast

The Municipality consists of nine ward within a total population of 54 708 (Census 2001). Ndlambe Municipality shows a population growth of 2.9% from 1996 – 2001, which is the second highest growth rate in the District.

The administration of the Municipality is structured in the following manner. The Municipal Manager with four departments : Corporate Services, Infrastructural Development, Community /Protection Services and Financial Management. The total number of staff complement is 4 covering the entire municipality.

N.G. NGESI
MUNICIPAL MANAGER

1.3 Executive Summary

EXECUTIVE SUMMARY BY : MUNICIPAL MANAGER

The Annual Report has been compiled in terms of the guidelines provided by the National Treasury and the performance of Ndlambe Municipality based on functional areas.

The strategic goal and objectives of each function, as well as progress reports, key performance indicators as outlined in the Five Year Strategic Plan of Ndlambe Municipality the Integrated Development Plan (IDP) are part of this report.

1. DEPARTMENT OF FINANCIAL MANAGEMENT

The annual financial statements for the financial year ending 30 June 2007 was prepared on the basis of IMFO standards. An Adverse opinion has been issued by the Auditor General on the financial statements. In the last financial year 2005/6 the Auditor General issued a Disclaimer and in the 2006/2007 financial year the Audit General issued an Adverse opinion.

The Management Team of Ndlambe has prepared an Audit Action Plan in an attempt to address issues raised by the Auditor General. The Audit Action Plan is attached as Annexure “ “and it forms part of the agenda of the Management team meetings for purposes of monitoring progress. We have set a target for 2007/2008 as the Management team and that target is to receive an unqualified report from the Auditor General and each and every department is working towards achieving this target.

2. DEPARTMENT OF CORPORATE SERVICES

The following functions were performed by this quality of all departmental submissions to Council and its committees, provides, secretarial support to committee and council meetings, tracks the implementation of resolutions, rendered assistance to departments requiring information pertaining t resolutions and documents. The major support to committee and Council minutes because of the resignation of the Assistant Director responsible for this section. The second challenge was tracking this section. The second challenge was tracking the implementation of resolutions but with the new approved organisational structure the situation will improve.

Human Resources function which includes the following activities are performed by this section:

- Collective Bargaining
- Disciplinary Action

- Industrial Action
- Dispute Resolution
- The requirements of all applicable labour laws

These functions relatively well performed but there example of the challenges is proper guidance to other departments in relation to labour matters. Performance Management System which was introduced in March 2003 remains a challenge. Section 57 employees conclude employment as well as performance contracts which were approved by Council. Presently the municipality is in a process of cascading down the system to all other levels.

The provision of security, maintenance and the booking arrangements of Community Halls is performed by this department. Performance of these functions remains a challenge specifically to the community Halls in the townships mainly because of staff shortages.

Library services in terms of support, ordering of library material, maintenance of libraries, security, preparation and monitoring of library budgets are the responsibilities of this department. Six out of seven libraries are operational.

The town planning and administration division is responsible for the following: support, advise, building capacity and implementation of integrated and spatial planning. There are challenges in this division. A professional planner is needed in order to give proper and well thought advise.

Land and Estates is also performed by this department. There are major gaps and the main challenge is to maintain and update lease agreements and advise the finance department in order to avoid loss of revenue. This situation will be addressed soon.

Housing Construction is relatively well performed although there are challenges in any housing development in terms of proper administration and the building of quality RDP houses.

Local economic development strategy is in a process of being crafted. These are local economic development initiatives undertaken by government departments, municipality and the private sector. The co-ordination of all these initiatives remains a challenge and these challenges will be overcome when the local economic development strategy is submitted to Council, approved and carefully implemented.

3. DEPARTMENT OF COMMUNITY/PROTECTION SERVICE

Primary Health Care is a competency of the Province. Ndlambe Municipality operates clinics.

The main Challenge facing Ndlambe Municipality is limited funding for Primary Health Care. This limited funding puts a huge strain on the existing service substantially the patient: nurse ratio.

Environmental Health is a function of the District Municipality. In the period under review, Ndlambe Municipality rendered the service as the agent of the District Municipality. The challenge is the limited budget provided by the District Municipality.

Refuse removal is one of the key functions of this department which has been rendered successfully with the limited resources. The major challenge is to improve this service in the formally disadvantage areas. The limited resources impact on the quality of equipment to render the services.

Grass cutting is another functional area of this department. The challenge is to provide quality service because of inadequate budget. These are no proper tools to perfume this function because of limited resources. This challenge must be resolved by providing adequate budget.

4. DEPARTMENT OF INFRASTRUCTURE DEVELOPMENT

This department renders the following services:

ELECTRICITY

Ndlambe Municipality buys electricity in bulk from Eskom and is responsible for the distribution thereof with in its approved areas of supply this function is done by a service provider; Manelec Services, for the construction and maintenance of the Distribution network to ensure a reliable and affordable supply of electricity to all.

The challenge is streetlights backlog in the areas (mostly Townships) that were under Eskom but the Municipality is dealing with that.

WATER AND SANITATION

Ndlambe Municipality is the Water Services Authority and Provider, the Water supply is to each household and is maintained at a level which is sustainable to the consumer base.

The challenge for this service is that most of supply areas cannot provide sufficient bulk water to meet peak demands and in some of the cases the quality of water is inadequate. The big scheme which is the Bulk Water Supply from Glenmeville Dam will address the issue of the quality and inadequate capacity of the existing water quality throughout the Ndlambe area.

SANITATION

This is the most challenging competency for the Municipality as most of the people are using septic tanks, conservancy tanks and pit latrines. The municipality has got only four tanks to make the pump outs and sometimes we encounter problems of sewerage overflow. This can be addressed by sourcing funds from MIG for full water borne sewerage and budgeting for additional trucks.

BUILDING CONTROL

This function is performed without any problems and the personnel is strictly looking at the adherence of the National Building Regulations.

ROADS

The roads are in a poor state due to the fact that they were done years ago, lack of inadequate Plant and financial resources makes it very difficult for the municipality to upgrade the roads. We need to apply for funds from DBSA for upgrading of all Ndlambe roads and the municipality to budget for the Plant and maintenance.

CHAPTER TWO

PERFORMANCE HIGHLIGHTS

2.1 Services Provided by Ndlambe Municipality

Infrastructural Development Directorate Report

Integrated Development Planning priorities for Ndlambe Municipality include sustainable water provision. Focus and effort has been directed at improving both the management and the respective water supply systems.

As **Water Services Authority**, Ndlambe Municipality received support within a **Capacity Building Project** to enable the successful compilation of our **Water Services Business Plan** to be achieved. This plan has financial implications, which are being considered and addressed within the next IDP Phase.

Progress at achieving objectives has been good, although some disappointments are there to cloud the horizon. A low point has been the temporary failure of the Reverse Osmosis Plant in Cannon Rocks to provide a potable supply.

The **Water Quality Management Team (WQMT)** was established after the prioritisation of water quality by the Council, in conjunction with the Minister of Water Affairs and Forestry. One of the first tasks undertaken by the WQMT was a **Gap Analysis Project**, which was undertaken in 2006. It is envisaged that the WQMT will assist in strengthening water quality monitoring in the Municipality and be the centre of co-ordination for water quality initiatives.

Water storage capacity relative to water consumption on a daily consumption at peak and normal demand is being addressed in the form of project implementation and policy. This policy addresses the whole water supply chain requirements, in principal, relative to growth in population and growth in demand.

The performance highlights within water provision for the financial year 2006/2007 include and improvements to all three supply systems under this Directorate.

a) Alexandria Water Supply System Upgrade of Fish Kraals Abstraction System

The works included **civil, mechanical** and **electrical** works for the supply, installation and commissioning of a total of 7 additional wellpoint

boreholes. We sited 4 at wellfield No. 1 and 3 at wellfield No. 2. This included the sinking of the borehole casings with gravel packs and the equipping of the boreholes as per the detailed specification given in the set of drawings.

This Contract has successfully improved the source supply which had become derelict due to operating conditions being in an incredibly harsh environment.

The overall consumption usage for the year has remained relatively consistent at around 1500 m³/day compared to the 1470 m³/day consumed in the previous year. The capacity of the source which supplies the Alexandria consumer base is approximately 1650 m³/day, so there is very little allowable for loss and a very restricted scope for growth.

The fish kraals also performed with minimal problems.

During this period some emergency maintenance was performed on the HT power lines supplying the installation and this has brought increased stability in the supply. There still remains some outstanding work which will be addressed in due course.

b) Cannon Rocks Reverse Osmosis Plant

A project to upgrade the existing municipal water supply to the two towns of Boknes and Cannon Rocks was completed recently. The improvement to the system included the supply and installation of a technically advanced reverse osmosis plant. The R 3.5m project was funded by both Cacadu District Municipality (R 2m) and the balance through a DBSA loan by Ndlambe Municipality. The improvement has been a longtime wish for the residents of these towns. Technical hurdles have arisen subsequent to the commissioning of this project. These require capital input in order to be addressed, which is being sourced.

c) Albany Coast Water Board Supply System Upgrade of Ekuphumleni Pump Station

Peak demand and highly restricted bulk storage had resulted in the supply to Ekuphumleni, Merry Hill and the upper reaches of Kenton being compromised on a regular basis. This untenable situation was assessed.

From evaluation, pertinent weaknesses surfaced, which were addressed successfully within a project funded through the Drought Relief Programme.

Community/Protection Services Directorate Report

2.1.1.1 Synopsis:

This department comprises of the following 2 divisions, viz:

- (a) Community Services and
- (b) Protection Services

The 2 main divisions further comprise of various sections categorized as follows:

- (a) Community Services –
 - (i) Personal Primary Health Care (PPHC) Services
 - (ii) Municipal Health Services (MHS) also known as Environmental Health)
 - (iii) Environmental Conservation
 - (iv) Parks, Recreation & Cemeteries
 - (v) Solid Waste Management and
 - (vi) Cleansing
- (b) Protection Services –
 - (i) Fire & Emergency Services
 - (ii) Traffic Services and
 - (iii) Disaster Management

2.1.1.2 Performance Highlights and challenges

(a) Personal Primary Health Care (PPHC)

Highlights

- ◇ In 2005, Council formulated a draft Strategy Document for **HIV and AIDS**. The document advocated that a **Local AIDS Council (LAC)** should be established in-order to give specific attention to the scourge of HIV and AIDS and play a co-ordinating function for all efforts that are being undertaken by various institutions, CBOs, NGOs, business and others. In deed, the LAC was established but as time progressed it never really fulfilled the set role.

This structure is co-ordinated from the Mayor's office as the local political head of the institution. This is a local version of the National and Provincial AIDS Councils which are headed by the Deputy President of the Republic and the Premier of the Eastern Cape Province respectively. In November 2006, the LAC was revived and the Mayor mandated the Directorate to rekindle the structure. This process resulted in the establishment of and functioning of 3 task teams which were to deal with specific areas of responsibility as contained in the draft strategy document. These cover Children in distress, Education and Prevention and People living with HIV.

- ◇ The Wentzel Park clinic was slightly upgraded with the R40 000 allocated in the Capital budget - see newly constructed disabled ramp



- ◇ There was a noticeable decrease of people who tested positive in the Voluntary Counselling and Testing (VCT) program – 21% in the 2005/ 06 period and 20.6% in this period



Photo: Local AIDS Council meeting 16 Nov 2006

Challenges

- The absence of a budget for this very important program proved to be the main hindrance to the effective functioning of the LAC
- Co-ordination of this program is very involved and extensive and thus requires that an HIV and AIDS Co-ordinator be budgeted for and employed in the 2008/ 2009 financial year
- 1-person-manned clinics in Wentzel Park (Alexandria) and Station Hill (Port Alfred) are a challenge to effective health service delivery
- A significant increase of people on the Antiretroviral treatment (ART) program

(b) Municipal Health Services (MHS)

Synopsis

Since the promulgation of the National Health Act of 2006 municipal health services or environmental health services have become a District municipality competence. Ndlambe municipality has rendered these services on an agency basis through a Service Level Agreement with Cacadu District Municipality.

The field of environmental health is devoted to the identification, identification, monitoring and management of environmental hazards or stresses (i.e. physical, biological, chemical and psychosocial factors) that may be detrimental to the health of the inhabitants.

Human health and diseases are determined by factors in the environment. The field of environmental health concerns itself therefore with community safety from an environmental perspective (i.e. safe food, safe water and healthy and safety environment, etc) and with matters that affect community health. Environmental health deals with environmental factors that have an impact on the health and wellbeing of people.

Highlights

- ◇ A 94% success rate of monitoring of food-selling premises and an 89,5% of licensing of businesses was achieved
- ◇ Of the 48 water samples taken, only 6 were non-compliant i.e. below the SANS 241 standards. The high success rate is attributed to the establishment of a potable water monitoring sub-committee which was formed in partnership with Council's Water Services Provider (Water Division of the Directorate: Infrastructure Development).
- ◇ Clean-up campaigns were done in Station Hill (Port Alfred), Ekuphumleni (Kenton-on-Sea) and KwaNonkqubela (Alexandria). All projects involved local schools. The Kenton project was done in partnership with the Albany Coast Water Board and to the school that participated they donated R10 for every bag that was collected – in return for the beautification of the water reservoir in Ekuphumleni (Kenton on Sea).
- ◇ A "unit" dealing with Traditional circumcision issues was established and extensive public awareness on the legal framework within which this traditional rite must be practised was conducted and was a huge success – 1300 teenagers and parents were reached
- ◇ 418 initiates were monitored in 414 initiation schools throughout the area during the 2 seasonal periods
- ◇ 14 illegal schools were identified in the winter season and none in the summer season – 100% success rate
- ◇ One (1) death was reported and which was as a result of severe burns that were sustained by the initiate when the *ibhoma* (lodge) burnt down

- ◇ 26 *lingcibi* (traditional surgeons) and *Amakhankatha* (traditional nurses) underwent training on health-related matters (including the Application of Health Standards in Traditional Circumcision Act of 2001) – see photo below



Challenges

- Inadequate provision of municipal health services due to inadequate resources, particularly personnel. The national norm is 1: 15 000 (1 EHP/ health inspector for every 15 000 inhabitants). When using Census 2001 figures the population in Ndlambe is 60 000. Therefore, to be in line with the national norm a minimum of 4 EHPs would contribute significantly towards improving this service. The Census 2001 are believed to be very conservative.
- Only 37% of food premises had a Certificate of Acceptability as required in terms of Regulation R918 of 2001 made under the Health Act of 1977 and only 50% of dairy farms had a Certificate of Acceptability i.t.o Regulation R1111 of 2002
- Few food samples were taken for analysis due to budget constraints
- Inadequate resources and/ or support from institutional partners for the monitoring of the circumcision program
- High numbers of initiates who are admitted to hospital in the summer season

(c) Environmental conservation

Synopsis

This section's mission is: "Protection, preservation and sustainable utilization of fauna, flora and our natural resources to benefit present and future generations".

The key performance areas are: i) Environmental education and awareness

- ii) Blue Flag beach management
- iii) Environmental compliance and Estuary management
- iv) Nature reserves management and
- v) Alien flora & fauna and animal control

Highlights

- ◇ A sea-worthy vessel with two (2) 60hp engines was purchased in-order to strengthen law enforcement on local rivers & estuaries and to deal with the scourge of abalone/ *perlemoen* poaching on our seashore. 2 new 25 hp engines were also purchased to replace those of the Witblitz vessel



Abalone Task team: Operation Scuba

- ◇ River & seashore patrols increased by a significant 325% compared to the previous period (2005/ 06)
- ◇ An Abalone Task Team was established in partnership with the South African Police Services (SAPS) and its primary goal was to curb poaching which had become rampant in the area. An operation known as Operation



Scuba was embarked upon – 1559 abalone was confiscated or found and 26 arrests were made (compared to 7 the previous year)

- ◇ Income generated from nature reserves increased by 93% compared to 2005/ 06 (excluding game sale which was carried out in the previous year)



- ◇ Kelly's beach maintained the international accreditation for the second consecutive year and obtained a 94% rating in the process (Eastern Cape) – only second to Pollok Beach in Port Elizabeth which obtained a 96% rating



- ◇ R2,5 million was made available by the Department of Environmental Affairs and Tourism (DEAT) for the Social Responsibility Program (Working for the Coast) projects that are implemented within this area. These are implemented by Nola Projects and are monitored through a Project Advisory Committee (PAC) which sits regularly.

Challenges

- No support received from the Marine and Coastal Management (MCM) to deal with abalone poaching in the area since a 3-year Memorandum of Agreement that was entered into in 2005 was terminated within the 1st year of its implementation
- Inadequate resources to effectively enforce the law on our rivers
- As part of expanding Blue Flag beaches in the area, Kariega / Main Beach (Kenton) entered the 1st year as a Pilot Blue Flag Beach. The project was a partnership with Kenton Business Chamber and Tourism office. Unfortunately, due to uncertainties of the Kenton Tourism office on the source of their funding, they withdrew their support although they had already fund-raised R90 000 towards upgrading of ablution facilities which are also an imperative requirement for Blue Flag beaches – a tourist attraction world-wide. This was a major set-back for the department & the public at large.
- Annually, Council engages a service provider to render life-guard services for our local beaches during the December/ January period. During the period under review the appointed service provider rendered a less-than-desired standard of service. This would hopefully be addressed in future.

(d) Parks, Recreation & Cemeteries

Synopsis

There are 16 cemeteries in the area and 10 are still operational. However, the impact of HIV and AIDS has significantly increased the mortality rate and graves are filling up at a high pace. There are very few developed recreational parks in the area and the department has viewed this as a challenge, hence projects to a value of R10 million were applied for for greening & beautification and developments of parks in townships.

(e) Solid waste management

Synopsis

Highlights

- ◇ A process of formulating an Integrated Waste Management Plan (IWMP) was started in June 2007 through funding obtained from the Municipal Infrastructure Grant (MIG) – R344 000. It is envisaged that this process will be completed some time in the middle of the next financial year. The formulation of the IWMP is in accordance with the National Waste Management Strategy published in 2000 and in conformance with the Waste Management Bill as tabled in Parliament and published in December 2006 for public comment.
- ◇ In an effort to bolster waste management in the area, Council took delivery of a skip-loader truck to add to the one already purchased in the previous financial year

Challenges

- Most vehicles available for refuse removal in all towns (except Port Alfred) have been in use past their life-span and require urgent replacement as they impact negatively on the level of the service provided
- The department has barely coped with the rate of development happening in the area and this had a profound effect on the service
- Waste disposal sites (and their management) were a challenge to deal with especially when one considers that of the 9 sites in the area, only 1 has a permit issued in terms of section 20 of Environment Conservation Act (issued by the Department of Water Affairs and Forestry (DWA))

(f) Cleansing

There are 25 public toilet facilities in Alexandria, Kenton-on-Sea, Bushmansriviermond and Port Alfred and a process of upgrading / renovating some of them is necessary.

Highlights

- ◇ The following public toilets upgraded during this financial year:
 - Town Taxi (Alexandria)
 - Town Hall (Kenton-on-Sea)
 - Bushmans slipway (Bushmansriviermond)



Artist impression of Kariega Blue Flag Beach (Kenton-on-Sea)

Challenges

- Substantial funding is required to upgrade these facilities as they are a critical component for any area that has tourism as its economic lifeline. This is particularly so in CBDs, taxi ranks and beach fronts.

(g) Fire & Emergency Services

Synopsis

Fire services are provided by a staff compliment of 13 permanent members and 4 retained fire- fighters covering the entire area. There are 4 vehicles available for this service.

The situation is worse off than it was before the establishment of Ndlambe municipality in 2000 where a staff compliment was 20 permanent and 8 retained fire-fighters who were based in Alexandria.

The reduction in staff was as a result of staff members having had an option to either remain in Ndlambe or join the Nelson Mandela metro during the establishment of the current dispensation of municipalities. Needless to say, they opted to join the Metro.

Highlights

- ◇ Rescue equipment to the value of R80 000 was purchased and include 1 hydraulic pump, hydraulic cutter and chocks
- ◇ A Hazmat unit was received from Cacadu Municipality and this will equip us to respond to hazard chemical spillages

Challenges

- The very serious shortage of personnel, vehicles and equipment may compromise the level, efficacy and effectiveness of the service rendered and requires serious consideration

(h) Traffic services

Synopsis

The Ndlambe Traffic Services comprises of five (5) subsections namely;

- i) Traffic Law Enforcement
- ii) Motor Vehicle Licensing & Registration (MVR)
- iii) Driving Licence Testing Centre (DLTC)
- iv) Technical (Road marking & signage)
- v) Administration: Traffic Control System

DLTC and MVR services are provided on an agency basis for the Department of Roads and Transport.



Outreach program- Shaw Park Pre-school

Highlights

- ◇ Our Service Level Agreement was renewed in February 2007 which also required that service points should, as far as practicable, be provided with air conditioners for the public. As part of our commitment to BATHO PELE principles air conditioners were installed at the DLTC and MVR centres in Alexandria and Port Alfred.
- ◇ Additional speed checking equipment were purchased in an effort to reduce speeding which had become the order of the day on our road network
- ◇ The Traffic Control system administration (traffic fines unit) was moved to the Traffic centre in Port Alfred in-order to provide a “one-stop shop” for the convenience of motorists and the public at large
- ◇ Visibility for law enforcement was increased significantly when a shift system was introduced despite the limited staff available and this resulted in more policing “after hours”- which yielded positive results
- ◇ Effected other legal compliance issues relating to DLTCs. These were found to have material breaches to applicable national guidelines
- ◇ The introduction of Operation Bhatala (pay-up) which concentrated on executing outstanding warrants – 93% success rate achieved

Challenges

- Increased usage of the R72 by heavy duty vehicles has posed a challenge on law enforcement in as far as it relates to overloading and speeding
- The generally high level of offences committed on our road networks by motorists is a concern

(i) Disaster Management

Synopsis

In terms of the Disaster Management Act of 2002, disaster management is a competency of a district municipality for the district as a whole. A local municipality still has a responsibility of dealing with this discipline for its locality. Presently, this service is predominantly reliant upon the support that the Cacadu District Municipality has so far provided by having an official (satellite office) who serves both this municipality and Makana municipality.

This situation needs to be improved by establishing a distinct unit that would deal with all aspects of disaster management including planning, co-ordination, policy implementation, monitoring & evaluation and other components.

Highlights

- ◇ Disaster management volunteer corps were established in Alexandria, Marselle and Bathurst and have already undergone training
- ◇ In August 2006 the area experienced heavy rains that flooded several homes and damaged infrastructure. Relief funding was sought from the Provincial Disaster Management Unit and was obtained through MIG funding which is administered by the Directorate: Infrastructure Development
- ◇ Several fire awareness campaigns were undertaken by the volunteers in their areas. Some were done in conjunction with the Fire & Emergency services

Challenges

- Serious consideration should be given to establishing a (local) Disaster Management Unit and the employment of a Disaster Management Officer to ensure co-ordination of this discipline. Investing in this would contribute towards preparedness and/ or pro-activeness in dealing with potential disasters.

2.2 Progress to Eliminate Backlogs

The progress to eliminate backlogs has begun and is an integral component of the Integrated Development Plan. Business Plans has been submitted to various government departments for funding. These include:

- a) Different projects to MIG to the value of R 55 million
- b) Projects to DWAF to the value of R 10 million

Service Delivery Backlogs within the Western region within the Infrastructural Development Directorate do not include water provision, unless new low cost housing projects are considered. These tend to introduce and create backlogs which previously did not exist.

Service Delivery standards, as determined by policy, exceeds DWAF Guidelines within the consumer base provided to by this municipality. However, backlogs do include **sanitation and sewerage management** capacity and within the ratepayer base.

2.3 Backlogs in Service Delivery

There is no municipal sewer reticulation within certain communities throughout Ndlambe. The present scenario facing the municipality is a serious and challenging one. Each system will be summarized below.

Town	Conservancy Tanks	Pit Latrine	Septic Tank	Small Bore	VIP	Waterborne
Alexandria		50	300			2900
Bathurst	575	890	612			
Cannon Rocks	1125					
Kenton on Sea	120	150	901	3126		
Port Alfred	1364	2136			3059	1147
Kleinemonde			633			

2.4 Levels and Standards of Services Offered

Infrastructure

Levels and Standards of Services offered by this Municipality differ from community to community within this municipality. However, the objective and reality is that services delivery levels exceeds those minimum norms and standards as determined by policy.

Water supply is to each household and is maintained at a level which is controlled, sustainable and acceptable to the consumer base. The exception to this is the water supply quality to the Cannon Rocks and Boknes consumer base.

Directorate: Community/ Protection Services

(i) Personal Primary Health Care

HIV and AIDS Program

Of the 10 clinics available in the area, 5 are managed by this Council and these are in the following areas:

Port Alfred – 4 (1 in town, 2 in Nemato & 1 in Station Hill)
Alexandria – 1 in Wentzel Park

The Program is still running successfully but there is greater demand for this service. During the period under review Wentzel Park Clinic was still not preparing clients for ARVs due to lack of essential training and shortage of staff.

Other challenges faced:

Alcohol abuse was found to be a factor which causes a barrier for clients to gain access to this program of ARV. Support groups are difficult to be established due to the stigma and fear of rejection. The ART program grew as the number of clients on ARV increased by 30 compared to 2005/2006 figures

See the following indicators:

ARV INDICATORS FOR 2005/2006 AND 2006/2007

JULY 2005 –JUNE 2006	JULY 2006 – JUNE 2007
38 Clients	68 Clients

HIV TESTING AND INFECTION RATE FOR 2005 – 2006 AND 2006 – 2007

INDICATORS	2005 - 2006	2006 - 2007
Females tested for HIV	629	694
Females tested HIV positive	138	141
Males tested for HIV	170	231
Males tested HIV positive	35	50
Pregnant women tested for HIV	315	405
Pregnant women tested HIV positive	73	70
Children tested (PCR)	29	52
Children tested positive after PCR	3	0

TB PROGRAM:

TB cases are still increasing and this program is currently regarded as one of the priority programs. In the Makana sub-district (which comprises of Ndlambe & Makana municipalities), a cure rate of 10% was reported. Intervention strategies were formulated to deal with this issue and it is hoped that progress will be shown in the report for 2007/ 08 period. Amongst the strategies engaged was a door-to-door campaign which was intended to screen as many people for TB. This resulted in a higher suspect rate than in the previous financial year.

Other challenges faced:

The number of MDR cases has increased to 44 and 11 XDR cases in the entire Makana area. In Ndlambe, however, no XDR cases were reported. TB clients who abscond and default on treatment.

TB SUSPECT RATE 2005/2006 – 2006/2007

INDICATORS	2005/2006	2006/2007
Tuberculosis Suspect cases	665	961
New TB clients on treatment	179	218

POLIO CAMPAIGNS:

The department of health was conducting its 5 yearly National Polio and Measles campaign this year. The first round was for polio and measles during 07 – 11 May 2007 and the second round during 11 – 15 June 2007. The target group was all children under 5 years. All nursery schools and creches were covered.

3 Children were investigated for measles between May and June. They all had signs and symptoms of measles. Bloods were taken to confirm the diagnosis and same was Rubella..

SEXUALLY TRANSMITTED INFECTIONS:

Sexually transmitted infections are the entry point for contracting HIV. Teenagers are reluctant to use condoms. Some have different perceptions of condom usage.

Other challenges

Teenage pregnancy is escalating.

Tracing of STI partners has proven to be a major challenge. During 2005/2006 the rate of contacts treated was 22.6% compared to 2006/2007 where 20% contacts treated on new STI partners.

STI INDICATORS

INDICATORS	2005/2006	2006/2007
STI (New)	521	578
Contact slips issued	488	305
Contacts treated	118	116

PROVINCIAL VCT UPGRADING SCHEME:

The renovation of the existing clinic at Nemato (PAL2) in early 2006 was a welcome development. It did however pose a challenge as the room that was renovated was an existing consulting room that was always utilised by a nursing sister. This means another consulting room needs to be constructed to accommodate another professional nurse.

YOUTH FRIENDLY SERVICES:

NAFCI / LOVELIFE is still operational from the Mimosa Clinic (e Ndlovini), although no funding has been made available to have a "Chill room" for the Groundbreakers. Groundbreakers are continuing with their program by visiting the surrounding schools and render education campaigns.

COMMUNITY HEALTH WORKERS:

A high turnover of CHW was noted and this been as a result of the different amount of stipends. The CHW are getting R1000 and the DOT Supporters are getting R600. This have a negative impact on service delivery and resulting in less people being interested in volunteering as DOTS Supporters.

(ii) Municipal Health Services

- **FOOD**

- 1) **Food handling premises**

SCOPE OF WORK	WORKLOAD	WORKLOAD ACCOMPLISHED	SUCCESS RATE
Monitoring of food premises	286	268	94%
Food samples analyzed	28	28	
No. of food premises with COA's R918	106	106	37%
No. of premises with provisional COA's	62	62	

Handling of licence applications	286 business premises	256 licences issued	89.5%
Food condemnations	2155kg	2155 kg	

2) Food poisoning

No. of food poisoning outbreaks	One
No. of hospital admissions due to food poisoning	Eight
No. of deaths	Nil

• DAIRY FARMS

SCOPE OF WORK	WORK LOAD	WORKLOAD ACCOMPLISHED	SUCCESS RATE
Monitoring of milking sheds	72	48	66.6%
No. of farms with COA's	72	36	50%
No. of farms with provisional COA's	72	12	16.6%

• COMPLAINTS

Nature of complaint	No. received	No. investigated	No. complied	Success rate	
Food related	16	16	16	100%	
Overgrown plots	135	135	98	73%	
Keeping of animals	144	144	22	15%	
Pollution	Noise	6	6	100%	
	Sewage	29	29	97%	
	Illegal dumping	78	78	59	76%

• WATER QUALITY MONITORING

Forty eight (48) water samples were taken for bacteriological analysis and six (6) were not satisfactory.

• HEALTH EDUCATION

- Twelve (16) educational sessions were conducted on the safe handling of food in formal and informal food businesses & food poisoning. About one hundred of ten (110) people were reached.

- **COMMUNICABLE DISEASES CONTROL**

One suspected case of Typhoid was reported in January 2007. Water samples were taken for bacteriological analysis and Salmonella Typhi was isolated.

- **BUILDING PLANS**

Eighty eight (88) building plans were scrutinized and recommended for approval.

- **COMMUNITY DEVELOPMENT PROJECTS**

Three clean-up campaigns were done in Station Hill, Ekuphumleni and Kwa Nonkqubela townships. In these projects school kids and adult members of the community participated. A soft drinks company donated soft drinks for clean-ups in Station Hill and Ekuphumleni townships. Albany water donated R10 per refuse bag to the participating school for Ekuphumleni clean-up and two hundred and fifty (250) bags were collected. Kwa Nonkqubela project is still ongoing.

- **FUNERAL UNDERTAKERS**

Four (4) funeral undertakers were inspected to ensure compliance with the Health Act, 63 of 1977 and Regulations relating to Funeral Parlours. One new application for a funeral parlour was received during the period under review adding to the four already existing to make a total of five funeral parlours.

- **EXHUMATIONS AND REBURIAL**

Four (4) exhumations were done at DE KOL farm, Southwell and Bathurst.

- **HEALTHCARE INSTITUTIONS**

Ten clinics and two hospitals were evaluated to ensure compliance with the Occupational Health and Safety Act and Regulations, and Regulation R918, General hygiene requirements for food handling premises and transport of food.

CIRCUMCISION REPORT

Ndlambe municipality's involvement in the running of the circumcision program started in June/July 2006 winter season after the municipality had acquired the services of two Designated Medical Officers, Mr. Z.P. Chagi & Mr. S. Teyise who joined the organization in December 2005. When they started the program, the community of Ndlambe was not well conversant with the provisions of the Act. Using the vehicle allocated for the program by the provincial office, they have managed to visit all the schools within the Ndlambe municipality to promote the implementation of the Act. As they were doing the awareness they had

discovered that, there is dire need of training the traditional nurses and surgeons in safe practice of the tradition.

Circumcision is a ritual, which serves as an initiation from boyhood to manhood among some African cultural groups. It was traditionally regarded, as educational institution where initiates were taught about courtship, negotiating marriage, social responsibilities and conduct. However the current rise in HIV/AIDS in South Africa is associated with initiation rites as practiced among African cultural groups. These practices have been noted to occur in unsterile conditions and many include repeated use of the same instrument, which might pose the risk of HIV infection.

TABLE OF SUMMARY

Admissions		Amputations		Deaths		No. of Schools visited		No.. of initiates		Arrests made		Assaults		NO. of illegal schools	
J	N	J	No	J	N	Jun/	Nov	Jun	No	Jun	No	Jun	No	JUN/	N
u	n	u	v/	u	o	Jul	/	/	v/	/	v/	/	v/	JUL	o
/	v/	n/	De	n/	v	2006	Dec	Jul	De	Jul	De	Jul	De	2006	v/
J	e	ul	200	ul	D		6	200	200	200	200	200	200		D
u	c	-	6	2	e			6	6	6	6	6	6		c
l	2	2		0	c										2
-	0	0		0	2										0
2	0	0		6	0										0
0	6	6			0										6
0					6										
6															
0	5	0	0	0	1	134	280	134	284	0	0	0	0	14	0

Note: The death shown in the summary table above was not a circumcision related case. He died due to severe burns while he was in his lodge.

OTHER ACHIEVEMENTS

- Formation of the traditional nurses and surgeons association called Ndlambe Traditional Nurses and Surgeons Association (NTNASA).
- Good working relationship with and between stakeholders like traditional surgeons, nurses, designated medical officers (DMO's) and the SAPS.
- Good working relationship with SAPS in Port Alfred.
- Effective usage of medical kits provided by the provincial office, initiates were treated on site to prevent further admissions.

(iii) **Environmental conservation**

(a) Environmental compliance

↳ Statistics of boat patrols (Estuaries)

ESTUARIES / RIVERS PATROLLED BY BOAT	NUMBER OF PATROLS 2005/6	NUMBER OF PATROLS 2006/7	INCREASE OR DECREASE
Fish Estuary	6	7	+ 1
Kowie Estuary	8	80	+ 72
Kariega Estuary	4	16	+ 12
Boesmans Estuary	7	18	+ 11
Kleinemonde East & West estuaries	3	3	=
Total	28	124	+ 96

Patrols (sea/ in-shore)

IN-SHORE PATROLS BY BOAT	NUMBER OF PATROLS 2005/6	NUMBER OF PATROLS 2006/7 (Jan - Jun)	INCREASE OR DECREASE
Ndlambe coastal area	2	11	+ 9

Boat licences

- ↳ The Environmental Conservation Section make use of 3 boat registration agencies to issue boat licenses throughout Ndlambe. They are:
- ↳ Port Alfred Small Boat Harbour
 - ↳ Boesmans Kariega Estuary Care
 - ↳ Boesmans Caravan Park

BOAT REGISTRATION AGENCIES	2006/07
Port Alfred Small Boat Harbour	980
Boesmans Kariega Estuary Care	627
Boesmans Caravan Park	
Total sold	

Abalone poaching Task Team

- Operation Scuba was undertaken by the Abalone Task Team consisting of the Ndlambe Environmental Law officer and the SAPS which was established in July 2006 and was in operation for 3 months till October 2006.



Abalone “hot spot areas” targeted by abalone poachers, making use of super ducks (vessels exceeding 8m and with at least 2 x 200hp engines – see photo above) and sophisticated diving gear, equipment, etc in the Ndlambe area of jurisdiction are:

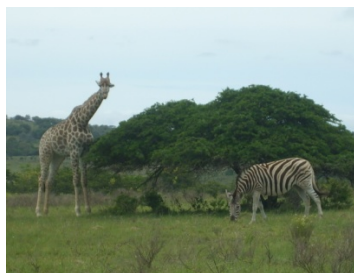
1. Fish River Point -> Fish River Lighthouse
 2. Kelly’s Blue Flag beach -> Rugged Rocks
 3. Kasouga -> Kariega River; Diaz Cross -> Fish Kraals
- Abalone poaching has increase by 400% at the end of this financial year, into the next financial year. This has now become a serious problem as it is increasing other crime related offences.
 - The Abalone Task Team as well as the acquisition of an in-shore protection vessel and the dedication from the Ndlambe Environmental Law Officer, contributed to the successes achieved over the financial period.
 - The dedication of these Task Team members and the Ndlambe Environmental Law Officer Mr Roget Fox is commended.

ABALONE POACHING OPERATION SUCCESSES	2005/ 2006	2006/ 2007	Varian ce
Arrests made	7	26	+ 21
Abalone recovered (found abandoned on beach)	1111	452	- 652
Abalone confiscated (caught in possession)	711	1107	+ 396
Vehicles / trailers confiscated	3	4	+ 1
Vessels confiscated	-	3	+ 3
Diving gear confiscated	-	3	+ 3
Abalone bags confiscated	45	114	+ 69
Abalone tools (lifters) confiscated	29	37	+ 8
Disruptive operations		11	+ 11
Traffic Fines issued (vehicles and trailers used)	-	122	
Beach patrols (Abalone Task Team)		47	
Foot patrols (ATT)		94	
Highway patrols (ATT)		281	
Suspects and members of public searched (ATT)		162	
Premises searched (ATT)		11	
Roadblocks (ATT)		46	
Vehicle patrols (ATT)		381	
Vehicle searched (ATT)		2870	

Abalone poaching successes 1 July 2006 – 30 June 2007

(incl the successes achieved by the Abalone Task Team-ATT from July 06 to October 06)

Nature reserves management



- In November 2006 the Cacadu District Municipality appointed consultants to draw up a Management Plan for all the reserves under their jurisdiction. A Draft management plan was drawn up for the Kap River-; Ghiyo Wetland-; Fish River Wetland- and Roundhill Nature Reserves as we are managing these reserves on behalf of Cacadu.
- The consultants and Cacadu officials indicated that the Ndlambe reserves are the best run reserves in the district. Nothing further has materialized

from this plan. Ndlambe municipality wants to take over the reserves from Cacadu.

INCOME GENERATED	2005/06	2006/07	% INCREASE
Hiking trails; canoe trails; accommodation establishments; picnic; fishing; camping	R 43 448,00	R 80 977,00	186,4 %
Game utilization income	R 108 700,00	N/A *	-

Income generated from the nature reserve (no game was sold in the 2006/7 financial year)*

Species	05/06	06/07
Giraffe (<i>Giraffa camelopardalis</i>)	2	2
Burchell's zebra (<i>Equus burchelli</i>)	33	32
Red Hartebeest (<i>Alcelaphus buselaphus</i>)	11	9
Reedbuck (<i>Redunca arundinum</i>)	7	4
Blesbok (<i>Damalisca dorcas phillipsi</i>)	3	3
Bush buck (<i>Tragelaphus scriptus</i>)	16	5
Impala (<i>Aepyceros melampus melampus</i>)	109	100
Common Duiker (<i>Sylvicapra grimmia</i>)	8	8
Warthog (<i>Phacochoerus aethiopicus</i>)	8	12

Game at Kap River nature reserve at end June 2007

- ↳ The Kap River Canoe trail was closed to the public from April 2006 till September 2006 as there was a roaming hippo. In November 2006 the canoe trail was opened again.

No	Species	2005/6	2006/7
1	Burchell's zebra (<i>Equus burchelli</i>)	26	28
2	Oribi (<i>Ourebia ourebi</i>)	8	5
3	Bontebok (<i>Damaliscus dorcas dorcas</i>)	31	31
4	Springbuck (<i>Antidorcus marsupialis</i>)	37	43

Game at Roundhill oribi Nature reserve at end June 2007

Blue Flag season 2006/ 07

Kelly's Beach successfully complied with all 4 main criteria of Blue Flag South Africa, namely:

1. Water Quality
2. Safety and Security
3. Environmental Management
4. Environmental Education



At the Blue Flag National Workshop in Hermanus, Ndlambe municipality and Kelly's Beach obtained **94%** for the past 2006/2007 Blue Flag season (1 Nov 2006 till 30 April 2007). This is the 2nd highest score for Blue Flag beaches in the Eastern Cape, beating Kouga and Buffalo City and most of Nelson Mandela Metro Municipal beaches.

Environmental Education; Training & Awareness

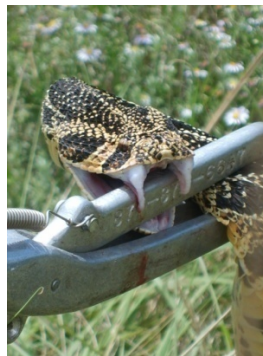
- Numerous projects like Adopt-a-Beach school outings, compilation of education pamphlets, inter-tidal studies; beach clean ups were done during the period under review.



Animal control

There is a need for a cattle truck to assist with the impoundment of cattle on roads.

Wild animals entering residential properties (houses and gardens) are a concern to residents, especially animals that are dangerous and a nuisance. These animals include snakes; Vervet monkeys; Porcupines; and especially snakes.



Puff Adder



Boomslang

(iv) Traffic Services

TRANSACTIONS	TOTAL TRANSACTIONS	REG AUTH FEES & ADMIN UNIT (MUN)	PROV ADMIN FEES (BISHO)	TOTALS
Registrations	2196	R 7,378.56		R 7,378.56
Licencing	10920	R 30,466.80	R 170,998.78	R 30,466.80
Duplicates	72	R 900.00		R 900.00
Temporary Permits	156	R 468.00		R 468.00
Special Permits	132	R 363.00		R 363.00
Personalized Reg No.	96	R 144,000.00		R 144,000.00
Search Fees	0			R 0.00
TOTALS	13572	R 183,576.36	R 170,998.78	R 183,576.36

Driving Licence Test Centres - Ndlambe.

TRANSACTIONS	TOTAL TRANSACTIONS	LOCAL AUTHORITY (FEES)	PROV ADMIN FEES (BISHO)	TOTALS
Driving Licence Applications	1077	R 37,899.63	R 185,039.37	R 222,939.00
Learner Licence Applications	1071	R 27,310.50	R 133,339.50	R 160,650.00
Driving Licences Issued	527	R 13,707.27	R 66,923.73	R 80,631.00
Learner Licence Issued	597	R 4,567.05	R 22,297.95	R 26,865.00
Temporary Licences Issued	104	R 1,166.88	R 5,697.12	R 6,864.00
Public Driving Permits Applications	139	R 3,615.39	R 17,651.61	R 21,267.00
Public Driving Permits Issued	132	R 1,683.00	R 8,217.00	R 9,900.00
TOTALS	3647	R 89,949.72	R 439,166.28	R 529,116.00

Law Enforcement Statical Information 2006/2007

WARRANTS OF ARREST ISSUED BY COURT	WARRANTS OF ARRESTS SERVED BY OFFICERS	SUCCESS RATE	WARRANTS OF ARRESTS STILL OUTSTANDING	MUN FEES COLLECTED	CONTEMPT OF COURT FEES	VALUE OF OUTSTANDING WARRANTS
1021	945	93%	76	R 283,500.00	R 189,000.00	R 22,800.00

STATISTICS ON FINES ISSUED AND COLLECTED/ISSUE DURING 2006/2007

SUMMONSES ISSUED	SUMMONSES ISSUED (VALUE)	SUCCESS RATE	TOTAL SUMMONSES PAID	SUMMONSES PAID TO THE VALUE	SUMMONSES OUTSTANDING	SUMMONSES OUTSTANDING (VALUE)
2893	R 944,145.00	67%	1950	R 975,000.00	943	R 188,600.00

2.5 Ndlambe Municipality Spending on Service Delivery Infrastructure

1. Municipal Infrastructure Grant

The MIG is the municipal infrastructure funding arrangement that combines different capital grants for municipal infrastructure into a single consolidated grant, namely, the Consolidated Municipal Infrastructure Programme (CMIP), Water Services Projects, Community Based Infrastructure Programme (CBPWP), Local Economic Development Fund (LEDF), Urban Transport Fund and the Build for Sport and Recreation Programme (BSRP). The Municipal Infrastructure Grant is aimed at providing all South Africans with at least a basic level of service by the year 2013 through the provision of grant finance (MIG funds) aimed at covering the capital cost of basic infrastructure for the poor.

The MIG programme is also a key part of government's overall drive to alleviate poverty in the country and, therefore, infrastructure is to be provided in such a way that employment is maximized through labour intensive construction methods and opportunities are created for enterprises to flourish.

Since MIG is aimed at assisting the poor to gain access to Infrastructure, MIG funds can only be used for Infrastructure for basic levels of service, only for poor households would qualify for MIG support.

2. Projects for 2006/2007 Financial Year

An amount of R7 047 164,64 was allocated for Ndlambe Municipality by the Department of Provincial and Local Government. The funds were allocated to the following project by Council.

Year 2006/2007	Projects	
R 7 047 165	a) Bathurst Waste Water Treatment Works and Bulk Sewer Reticulation Value : R 6 694 814,64	Completed
	b) Project Management Unit (PMU) (5%) Value : R 352 350.00	Completed

2.6 Building Plans and Zoning Applications Passed 2006/2007

The function renders Building Control services to the areas of Alexandria, Boknesstrand, Cannon Rocks, Boesmansriviermond, Kenton-On-Sea, Port Alfred, Nemato, Bathurst, Seafield as well as the rural areas within EC105

The following tables illustrate the value of building plans submitted for approval:

To 30 June	Value
2003	R 111 m
2004	R 196 m
2005	R 215 m
2006	R 216 m
2007	R 296 m

It is worthy to note that the above figures do not reflect the value of RDP houses erected. This is dealt with under the Housing section.

While every effort is made to ensure compliance with the relevant legislation, a lack of qualified personnel results in poor service delivery. Competent personnel need to be employed to ensure the department functions effectively.

CHAPTER THREE

HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT

3.1 Programmes Developed To Improve Employment Equity and Skills Development

EMPLOYMENT EQUITY

Concerted efforts were made during the 2006/2007 financial year to address the employment equity targets of the municipality as enshrined in the Employment Equity Plan.

- With implementation of the Municipal Employment Equity Plan the following were undertaken:
 - Analysis of staff profile & develop an Employment Equity agenda for municipality;
 - Ensure implementation of targeted employment practices & HRD functions

The following table indicates the demographic profile of the municipality's management

NAME	POSITION	GENDER DISTRIBUTION	
		RACE	GENDER
SECTION 57 EMPLOYEES			
Mr George Ngesi	Municipal Manager	Black	Male
Mr Sizwe Mvunelwa	Director: Community Protection	Black	Male
Ms Thandeka Mali	Director: Corporate Services	Black	Female
	Director: Finance-Vacant		
Mr Xolani Masiza	Director: Infrastructure	Black	Male
MANAGEMENT			
	Deputy Directors (4)-vacant 1	White (1)	Male
		Black (2)	Male 1
			Female 1
	Assistant Directors (4)	White (4)	Male (3)
			Female (1)

On the basis of the above table it should be highlighted that the municipality has not been able to meet the set employment equity targets especially with

reference to Gender (Women) and People with Disability (Disabled). Efforts are therefore to be made during the 2007/2008 financial year and in future to develop mechanisms to address these targets including focused attention aimed at addressing this challenge.

SKILLS DEVELOPMENT

In compliance with the Skills Development Act, the municipality's Workplace Skills Plan was submitted in June 2007 and various skills development interventions and training programs have been implemented.

These include:

- Conduct needs analysis & develop training programs for departments;

- Staff development
 - Provide support and advice to Training Committee;
 - Conduct workplace skills analysis and workplace skills plan;
 - Submission of WSP and levy grants funding and claim from LGSETA;

- Human Resource Development Support and skills analysis for the local economy & to address the local labour market needs & integrate these with other external focused interventions e.g. LED, Tourism Sector Plan, Agricultural Sector Strategy, Engineering Services etc.:
 - Allocate resources and align with local skills needs e.g. thru bursary scheme, PPP's with local tertiary institutions and others;

3.2 Performance Management Report for the year ending 30 June 2007 in terms of Section 46 of the Municipal Systems Act

PERFORMANCE MANAGEMENT

Although not fully realised, during the 2006/2007 financial year the municipality has made attempts to develop a Performance Management System and to implement same (although not successfully) within the organisation.

Quarterly Performance Reviews were carried out during the 2006/7 Financial Year for Section 57 Officials

Results

- A score of 100% indicates performance that meets the required standards.
- A score above 100% indicates performance above standard,
- and a score below 100% indicates performance that is below standard:

Table 1: Summary of Overall Municipal Performance in Key Performance Areas for 2006/7

KPA	% Performance Scores per Quarter*			Annual % Performance Scores per KPA
	1 and 2	3	4	
Municipal Transformation and Organisation Design	116.7	53.2	92.8	103.5
Infrastructure Development and Basic Service Delivery	88.9	80.1	88.4	88.0
Local Economic Development	66.7	33.3	84.8	64.6
Municipal Financial Viability and Management	100.0	65.9	95.0	95.5
Good Governance and Public Participation	90.7	73.4	90.5	90.2
Overall % Performance Score per Quarter	90.2	60.3	90.0	Overall Annual % Performance Score
*Based on the ratings agreed for the Municipal Manager on each of the KPIs				88.0

Variations

Inconsistencies in the above scores, particularly between the combined first and second quarters and the third and fourth quarters, can be attributed largely to the following factors in the learning process of implementing a performance management system:

- Differences in delegation of KPIs;
- Differences in allocation of weights;
- The incomplete state of development of the IDP and SDBIP;
- Lack of alignment between the IDP, SDBIP, Budget and PMS;
- A true reflection of the Municipality's overall performance in delivery of the IDP can only be obtained when performance reviews are carried out at every level of the Municipality

Since KPIs are the standards for **overall** performance of a job, team or institution, it is reasonable to conclude from the DPLG Regulations of 2006 that the National KPIs are the standards against which the overall performance of municipalities should be measured nationally.

Accordingly to the scores above, it can be concluded that, in the 2006/7 financial year, Ndlambe Municipality performed 12% below standard in the National Key Performance Areas.

Conclusion and Challenges

- Owing to the fluidity of the processes that directly affected the performance review during the period under consideration, the performance plans and scorecards are not a true reflection of performance at this stage. They are a mixture of new IDP process and old IDP content and are not likely to include all the measurable elements that depend on the successful completion of a comprehensive IDP for inclusion in the PMS.
- Since the IDP process was under review and the PMS itself is still in the process of being implemented, the scorecards for this review were still being prepared during the period under review. This is highly irregular and Howard Cook Associates would not normally be a party to a review under such circumstances. However, considering the turbulent nature of the period under review, Howard Cook Associates agreed to facilitate the process in the interests of assisting Ndlambe Municipality to establish and implement a world class performance management system on condition that any anomalies in the process were recorded and reported.
- Owing to a change-over in top management it is noted that the overall performance results for this period were skewed by the fact that the Municipal Manager was reviewed by the Mayor on all areas of municipal performance in the absence of ratings for certain Directors.
- It is noted that on occasion reviews took over two months to complete. This is very likely to have led to inconsistencies in ratings since human judgement is

affected by changing moods and perceptions over time. For this reason it is strongly recommended that performance reviews be concluded in as short a time as possible in future.

- It is noted that, owing to the learning process nature of the reviews carried out for the 2006/7 period, there has been leniency in requiring validating evidence for ratings. During the fourth quarter review, however, Officials were informed that they have now had adequate warning of, and preparation for, the requirement to produce validating evidence of performance against every indicator in their plans during the review and that they should not expect such leniency to continue during the panel reviews due to begin in the first quarter of the 2007/8 IDP financial year.

PMS Priority for 2007/2008

However, there is much that remains to be done, the main priorities of which include:

1. All Performance plans need to be revised, updated and aligned to the requirements of the 2007/8 IDP as reflected in the SDBIP, Budget and revised Organogram, taking particular note of:
 - a. The allocation of National KPIs according to accountabilities
 - b. Allocation of weights to all measurable indicators within the prescribed 80/20 percentages
 - c. The formulation of all indicators to be clear, specific, attainable with effort and measurable including specified quantifiable measurements based on statistical baseline information where applicable (Actual % reductions, % increases, Rand Values etc).
2. The development of a clearly defined performance management procedure and review that sets the following:
 - a. Determine a performance oriented employment exit process
 - b. Determine procedures to deal with failure to develop and submit suitable performance plans-those that do not, amongst others meet SMART principles
 - c. Clearly defined performance review process including defining standards and norms for balanced scorecards, provision of evidence etc.
3. Cascading of PMS to at least the first three levels of management i.e. Deputy Directors, Assistant Directors, process for Managers or next applicable level;
4. Mechanisms to deal with sub-standard performance including instituting corrective measures or intervention;
5. Address the PMS challenges as highlighted in the Auditor-General's Report including the development and submission on time of PMS documentation and PMS evidence which should be submitted at point of review.

CHAPTER FOUR

AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION

**4.1 Audited Statements of the Ndlambe Municipality for the Financial Year
Ending 30 June 2007**

4.2 Report of the Auditor-General to the Ndlambe Municipal Council on the Financial Statements and Performance Information of Ndlambe Municipality for the year ending 30 June 2007

REPORT OF THE AUDITOR-GENERAL TO EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF NDLAMBE MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2007

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Ndlambe Municipality which comprise the balance sheet as at 30 June 2007, income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages [xx] to [xx].

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the standard determined by the Institute of Municipal Treasurers and Accountants in its Code of Accounting Practice (1997) and Report on Published Annual Financial Statements (second edition – January 1996) which constitutes an entity specific basis of accounting and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)]. This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by [section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004)], my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's

preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

The municipality's policy is to prepare financial statements on the basis of the standards laid down by the Institute of Municipal Finance Officers as determined by the National Treasury and as set out in note 1 to the financial statements.

Basis for adverse opinion

Fixed assets

9. The completeness, existence and valuation of the fixed assets balance of R46,375 million as reported in note 4 and on appendix C to the annual financial statements could not be determined as the Municipality has no properly updated fixed asset register supporting this balance. A comparison performed between the fixed asset register and the annual financial statements revealed an unreconciled difference of R10,682 million.
10. Furthermore additions acquired during the year from trust funds and reserves were not reflected in the annual financial statements additions totaling R8,496 million and were not included in the asset register.
11. Proceeds received from the disposal of assets for the year of R5,308 million are not reflected in note 4 or on appendix C to the annual financial statements.

Trust funds and reserves

12. The trust fund Building Fund Erven as reported in note 2 and annexure A to the annual statements reflects contributions for the year amounting to R5,308 million in respect of erven sales. This amount represents only the net amount received by the municipality in respect of the erven sales after deducting amounts payable to the property developer in terms of a joint venture agreement. The result of reflecting only the net receipt is the understatement of both fund income by an amount of R33,208 million and expenditure by an amount of R29,13 million respectively. I was not able to determine the full extent of this error.
13. Upon comparison between the Division of Revenue Act (DORA) allocations and appendix A contributions to the trust funds Municipal Infrastructure Grant and National Electricity Regulator Grant revealed unexplained discrepancies of R1.4 million and R1.08 million respectively for the year.

14. Trust funds and reserves as reported on annexure A and note 2 for the year amounting to R33,174 million could not be agreed to the trial balance. Comparison with the total trust funds and reserves balances according to the trial balance revealed an unknown difference of R389 912. No explanation could be obtained for this difference.

Statutory funds

15. A comparison between the amounts paid by the Eastern Cape Department of Housing and Local Government revealed unexplained discrepancies of R3,096 million in Housing Fund contributions for the year as reflected in appendix A.
16. Adequate supporting documentation for payments made from the Housing Fund totalling R15,048 million could not be provided for audit purposes. The significance thereof represented a limitation of scope on the extent of audit work that could be performed.
17. Housing Fund income and expenditure for the year as reflected in annexure A to the annual financial statements is understated by R26,711 million and R24,610 million respectively as a result of not including transactions for the year processed from the housing bank account. The fund balance is therefore understated by an amount of R2,101 million.
18. The total statutory funds as reported on annexure A and note 2 for the year amounting to R25,352 million could not be agreed to the trial balance. Comparison with the total statutory fund balances according to the trial balance revealed an unknown difference of R90 000, however further consideration of the above omission indicates the amount of this difference to be R2,191 million.

Appropriation account

19. The unappropriated surplus balance as reported in note 15 for the year amounting to R587 508 could not be agreed to the trial balance. Comparison with the total unappropriated surplus balances according to the trial balance revealed an unknown difference of R4,053 million. No explanation could be obtained for this difference.
20. Adequate supporting documentation for journals totaling R1,99 million could not be provided for audit purposes. The significance thereof represented a limitation of scope on the extent of audit work that could be performed.

Cash and bank

21. The general ledger opening balance of the housing fund bank account of R7,016 million was found to be understated by an amount of R1,84 million when compared to the closing balance of R8,856 million reported in the prior year annual financial statements. No explanation for the difference could be obtained.

Value Added Tax (VAT)

22. A portion of the creditors balances as reported in note 10 to the financial statements comprises VAT owing to the South African Revenue Service (SARS) amounting to R2, 273 million. Due to the lack of a proper management framework for reconciliations, this amount remains unreconciled, as was reported in the prior year, as a result no documentation is available to support the valuation and existence of the balances.
23. Furthermore the municipality contracted a VAT investigator during the year to identify any unclaimed VAT input. The results of the investigation were received in April 2007 and showed claimable input VAT of R1,01 million. No adjustments have been made to the books of account for the amount which was claimed in the June 2007 Vat return. As a result the VAT balance as reported above is overstated by the amount whilst the full financial effect of the adjustments required to current and capital expenditure are unknown.
24. As reported under trust funds and reserves above the municipality has not properly account for transactions relating the sale of erven for the year. As a result the VAT balance as reported above is overstated by an amount of at least R1,237 million being VAT claimed in September 2007 on the transactions which were not recorded during the year. The full extent of this error could not be determined as stated above.

Accounts receivable

25. An analysis of service debtors balances as at 30 June 2007 revealed that debtors totalling to R47,862 million have been outstanding for a period of longer than 90 days. In view of the aforementioned a provision amounting to R35,325 million has been made to cover the possible level of irrecoverable debts. The provision is therefore considered to be understated by an amount of R12,618 million which could result in unbudgeted charges against the rates and general account in future financial periods. Furthermore trade debtor's balances have increased by R5,488 million since the prior year, whilst the provision has decreased by an amount of R1,654 million.

Accounts payable

26. Creditors balances as reported in note 10 for the year amounting to R5,993 million could not be agreed to the trial balance. Comparison with the total creditor's balances according to the trial balance revealed an unknown difference of R1,018 million. No explanation could be obtained for this difference.
27. The trade creditors balance was found to be understated by an amount of at least R3,132 million in respect of unpaid obligations at the yearend having not been accounted for as creditors. As a result current expenditure for the year is also understated by the same amount.
28. The municipality has unidentified deposits amounting to R1,2 million as at the year end. The full financial effect of not having cleared the unidentified deposits account is not known, however it is considered that this will have a material effect on the municipalities debtors, creditors and revenue balance's.

29. A portion of the accounts payable balances accounts reported in note 10 to the annual financial statements amounting to R4,105 million could not be substantiated and are considered unlikely that these balances represent an outstanding obligation of the municipality. Due to the lack of a proper management framework for reconciliations and the processing of journals, these accounts have not been investigated and cleared on a regular basis. It was therefore not possible to confirm the existence, accuracy and completeness of these payables.
30. Included in creditors is an account balance of R1,760 million which is in debit and should therefore not have been disclosed as a liability. Furthermore this balance is unsubstantiated and it is therefore not known what the full financial effect of reallocating the balance from payables will be.

Expenditure

31. Procedures performed on expenditure and contracts awarded, revealed significant unsatisfactory results regarding the procurement and payment processes. Audit findings included:
- Service level agreements and or tax clearance certificates could not be provided in numerous instances.
 - The competitive bidding process was not followed in numerous instances. All such instances identified amounted to R2,544 million.
 - Payments totaling R784 000 were found to have been made without obtaining the minimum number of required quotations.
32. The above instances were considered to meet the definition of irregular expenditure in terms of the MFMA. No disclosure of the amounts was made in the annual financial statements and, furthermore, no written notification was submitted to the relevant treasury in this respect. As a result it was not possible to determine the full extent of irregular expenditure that should be disclosed in note 33 to the annual financial statements.

Commitments and contingent liabilities

33. Contingent liabilities amounting to R5,704 million are reported in note 25 whilst no commitments were disclosed in note 35. However additional contingent liabilities totalling R411 622 and commitments amounting to R6,843 million were identified that should have been disclosed respectively. We were however not able to determine the full extent of commitments and contingent liabilities that were not disclosed.

Unauthorised expenditure

34. Actual expenditure for the main division of trading services for the year exceeded the budgeted expenditure by R4,250 million. The resultant unauthorised expenditure as a result of this over expenditure had not been disclosed in the financial statements.

Adverse opinion

35. In my 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, in all material respects, the financial position of Ndlambe Municipality as at 30 June 2007 and its financial performance and cash flows for the year then ended, in accordance with the standards as laid down by the Institute of Municipal Finance Officers and in the manner required by the MFMA.

EMPHASIS OF MATTER

I draw attention to the following matters:

Highlight of a matter affecting the financial statements which is included in a note to the financial statements

36. Approximately R34,650 million of the funds and reserves balances reported in note 2 and appendix A has been loaned to fund the operations of the municipality. It is considered unlikely that these amounts will be repaid timeously and this could affect the completion of capital projects as delays may be experienced due to a shortage of available funds.

37. Attention is drawn to note 5 to the annual financial statements, reflecting a long term investment with New Republic Bank – who have been placed under curatorship. Interest is accrued by the bank, but no withdrawals can be made. It is therefore doubtful when and at what value this amount will be recovered.

OTHER MATTERS

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

Internal control

38. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The paragraphs below depict the root causes of the matters indicated, as they relate to the five components of internal control. In some instances deficiencies existed in more than one internal control component.

Reporting item	Control environment	Assessment of risks	Control activities	Monitoring
Fixed assets			✓	✓
Trust funds and reserves			✓	✓
Statutory funds			✓	
Appropriation account			✓	
Cash and bank				✓
Value Added			✓	

Reporting item	Control environment	Assessment of risks	Control activities	Monitoring
Tax				
Accounts receivable				✓
Accounts payable			✓	
Expenditure			✓	
Commitments and contingent liabilities				✓
Unauthorised expenditure				✓
Cash flow statement				✓
Non-compliance with applicable laws and regulations				✓
Material corrections to the financial statements			✓	✓

Material non-compliance with applicable legislation

Value Added Tax Act No.89 of 1991

39. The audit of VAT revealed that output VAT was not declared on revenue transactions that have become taxable at the standard rate as of 1 July 2006 due to the amendments to the act. These amendments now include the activities of municipalities within the scope of the ordinary test for an 'enterprise' in terms of paragraph (a) of the 'enterprise' definition and section 7(1)(a) of the VAT Act.

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

40. Two joint venture agreements were identified and these are considered to meet the definition of a public private partnership. The municipality did not comply with the prescripts of section 120 of the MFMA prior to entering into these agreements.

Material corrections made to the financial statements submitted for audit

41. The financial statements that were approved by the accounting officer and submitted for auditing on 30 August 2007 have been significantly revised in respect of the following material misstatements identified during the audit:

- Interest expense was increased by R696,859 and the fixed assets were decreased by R468,872 and appropriation credited by R226,987.

- Grants and subsidies was increased by R1,133 million and operating revenue was decreased by R578,397 and the appropriation account debited by R554,278 Transfer payments were decreased and current expenditure was increased by R2,6 million.
- Security disclosure of R5 million on the Development Bank of South Africa loans was moved as being disclosed in note 25 to be disclosed in note 3, and a contingent liability of R130,275 was removed from note 25.
- Additional disclosure in note 31 of R3,652 million in PAYE.
- Lottery fund revenue increase by R553,000 and expenditure increase by R352,269.
- Creditors increased by R735,765 while long term liabilities decreased by the same amount.
- Capital asset additions were decreased by R771,236 and creditors was reduced by the same amount.
- Disclosure note 14 interest earned increased by R1,694 million.
- Debtors were reduced by R506,723 while current expenditure was increased by R138,942 and the appropriation account was debited by R367,304.
-Bad debts provision was decreased by R1,564 million and the appropriation account was credited by the same amount. And the bad debt write off disclosed in note 8 was increased by R1,564 million.
- Debtors were increased by R1,324 million while creditors were increased by the same amount.

OTHER REPORTING RESPONSIBILITIES

Responsibility of the accounting officer

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

Responsibility of the Auditor-General

43. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with *General Notice 646 of 2007*, issued in *Government Gazette No. 646 of 25 May 2007* and section 45 of the MSA.

44. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The audit procedures selected depend on the auditor's judgment.

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

Audit findings

46. I was not able to complete an evaluation of the quality of the reported performance information as set out on pages xx to xx of the annual report, since the information was not received in time.

APPRECIATION

47. The assistance rendered by the staff of the Ndlambe Municipality during the audit is sincerely appreciated.

Auditor-General

East London

05 December 2007



AUDITOR-GENERAL

4.3 Managements Responses to the Report of the Auditor-General to the Ndlambe Municipal Council on the Financial Statements and Performance Information of Ndlambe Municipality for the year ending 30 June 2007

MANAGEMENTS RESPONSES TO THE REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE NDLAMBE MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2007

BASIS FOR ADVERSE OPINION

Fixed Assets

Points 9,10,11

The asset register is not updated on a regular basis and this does result in differences between the asset register and the financial statements. The main reasons for this are as follows;

- 1 Assets are purchased by departments and finance is not advised of the acquisition.
- 2 Assets are donated to the municipality and finance is not advised of the donation.
- 3 Maintenance is booked to capital expenditure when there are no funds in the operating budget for maintenance.
- 4 Assets acquired through grants are recorded in the books of Council but not recorded in the asset register.
- 5 The municipality acquires assets through joint venture / trade off agreements with developers and the assets acquired are not recorded.

The points mentioned above are compounding the misstatement of assets year on year and the following control measures have been put in place / or need to be put in place to address the matter;

- 1 The service provider who maintains Ndlambe Municipality's asset register, BAUD, will be starting early in 2008 to reconcile the asset register with the financial statements, to do a complete stock take to highlight acquisitions, disposals and transfers and losses and update the asset register to include movable and immovable asset.
- 2 All directors have been provided with forms to complete when an asset is acquired, sold or transferred. The forms are to be completed and returned to finance for the necessary adjustments.
- 3 Staff to be trained on the BAUD system to ensure that assets can be captured daily and that we do not have to rely on any service provider to do the work on an annual basis.

- 4 The practise of trade-offs / joint ventures with property developers needs to be stopped or controlled by Corporate Services with immediate effect. The reason for this is that the transactions have to be captured correctly in the financial records of Council. Income from the sale of ground must be reflected at actual value and levies must be reflected as per the tariff list. Assets created by the developer are to be recorded at actual costs. True income and expenditure has to be recorded to ensure that all accounts are correctly stated, the asset register is updated and VAT is accounted for correctly.

Trust Funds and Reserves

Point 12

Here again the trade-offs and joint ventures are the contributing factors to the financial records not been stated correctly. The actual sale price of ground dispersed of is not correctly stated and the assets that the Council acquires are not recorded as expenditure in the financial records.

An example is, a contract shows an erf sale at R2 500 000.00 but the actual amount receipted is 0.00 as the land was traded for services to be installed. The fund is therefore understated by R2 500 000.00. Sewer reticulation to the value of R2 500 000.00 was acquired by Council but was not shown as expenditure in the books of Council thus understating the expenditure and Councils asset register was not updated by the R2 500 000.00 thus understating the assets of the Council. The VAT on the cost of R2 500 000.00 was also not recovered as the expenditure was not reflected.

If one looks at the above example, one trade-off / joint venture has resulted in funds, expenditure, assets, VAT and the cash flow being incorrectly stated.

Point 13

The grant of R1 080 000.00 received from the national Regulator was spent by 30 June 2007. The discrepancy is as a result of the way in which the expenditure was accounted for. Correct vote numbers are to be used when procuring goods and/or services from grant funding.

The entire MIG funding was not spent by 30 June 2007 but was all spent by 31 July 2007. In future all funding received must be spent before the end of the respective financial year or provision must be made in the next years' budget for a roll over of funds.

Point 14

The entire general ledger of Ndlambe Municipality needs to be cleansed and unknown funds, reserves, creditors and debtors that have no documentation or movement on them for the last three years need to be written off. This must happen before the 30 June 2008 or else the same comment will appear in the

next Auditor-Generals report. Funds that are not cash backed must also be written off the books as they are meaningless and will raise unnecessary audit queries. An item on the matter is to be placed before Council before 30 June 2008. The majority of the unaccounted for balances date back to amalgamation and should have been cleared at that time.

Statutory Funds

Point 15

Funds were received from the provincial Housing Board in June 2007 and the funds were paid into the general account and not the housing fund account due to insufficient details received with the payment. When the required information was received in July 2007 the funds were transferred to the housing account.

Point 16

All relevant supporting vouchers were handed to the Auditor-General at the time of the audit and the concerns raised were adequately addressed.

Point 17

The true income and expenditure should have been reflected in the financial records. The impact of trade-off's and exchanges was not understood at the time and in future all such transactions must be recorded in the relevant income and expenditure votes as actual and not net amounts.

Point 18

Numerous 2006 financial year adjustments were processed extremely late (on 30 November 2006) and necessitated manual adjustments to the financial statements. It became evident during the course of the 207 audit that many of these adjustments had not been processed in the Abakus General ledger, resulting in numerous discrepancies.

Appropriation Account

Point 19

Numerous 2006 financial year adjustments were processed extremely late (on 30 November 2006) and necessitated manual adjustments to the financial statements. It became evident during the course of the 207 audit that many of these adjustments had not been processed in the Abakus General ledger, resulting in numerous discrepancies.

Point 20

Many 2006 financial year adjustments were processed by arrangement between the erstwhile Chief Financial Officer and the Audit Manager from the Auditor-General. Clarity regarding these journal entries was not obtained prior to the termination of service of the Chief Financial Officer on 1 March 2007. Adjustments had to be made based on the variances between the 2006 Annual

Financial Statements and the general ledger without adequate knowledge of the reasons therefore.

Cash and Bank

Point 21

The matter has been investigated and the difference is due to the funds received from Lotto being incorporated in the balance. This will be corrected before year end.

Value Added Tax

Point 22

Here again we are dealing with history. The VAT account is balanced on a monthly basis but an unsubstantiated balance is been brought forward. As stated by the Auditor-General, this has been reported in prior years but no action has been taken to resolve the matter. This point must also be included in the report that is to go to Council before 30 June 2008.

Point 23

Max Prof was commissioned to undertake a VAT audit of the Ndlambe Municipality. On completion of the audit Max Prof submitted their findings and a claim was submitted to the Receiver of Revenue. On payment of the claim by the Receiver of Revenue, Max Prof was paid their commission as per the signed contract. The money received from the Receiver of Revenue and the payment to Max Prof occurred during the 2007/2008 financial year and was recorded as prior year's income and expenditure in the books of Council. The Auditor-General is however of the opinion that the transactions should have been recorded in the 2006/2007 financial year as the bulk of the audit was in respect of that year and the results were received in April 2007.

Point 24

Here again the financial records are not correctly stated due to trade-offs and joint ventures with developers. Prior comments made in this regard are also applicable here.

Accounts Receivable

Point 25

The provision for bad debts is understated and needs to be increase but must be done in a responsible manner so as not to inflate tariffs unrealistically. A policy has been put before Council in this regard.

Accounts Payable

Point 26

This is a reporting issue and in future audit notes must be handed to the Auditor-General for him to track how the amounts reflected in the notes are extracted from the trial balance. It is not always as simple as just taking the total reflected in the trial balance under creditors and comparing that to the notes in the financial statements as other factors could influence the totals reflected in the notes.

Point 27

All directorates need to maintain project registers that details all commitments that will only be paid in the new financial year. The registers are to be forwarded to finance within the first week of July each year in order for commitments to be captured in the financial transaction of the specific year.

Point 28

This is a problem that will not be simple to rectify as we do not have any control of payments made into our bank account with no supporting information. Government departments are the main culprits in this regard as they do not supply enough information for us to allocate their payments. It is very difficult to track down the correct person at the governments departments to assist with account numbers.

Point 29,30

The balance does not represent an obligation by the municipality to an outside organization but represents an obligation from the rates fund to the revolving fund within the municipality. Automatic journals are set up to do the internal transfers and the auditors in the past have not raised a concern on our method for accounting for internal transfers. As this has now been raised as a concern the matter will be investigated and resolved with the Auditor-General.

Expenditure

Points 31,32

All the point raised by the Auditor-general are as a result of staff procuring goods and services doing so with total disregard to the supply chain regulations. The finance directorate is to ensure that no orders are supplied and no payments are made if any staff member has not followed the legislated procedures.

Commitments and Contingent Liabilities

Point 33

This point has been dealt with under point 26

Unauthorised Expenditure

Point 34

All departments that see that they are overspending or could overspend during a financial year on a vote must submit an adjustment budget to Council for approval. If this is not done the over expenditure is then classified as unauthorised and the person responsible for the over expenditure should be dealt with in accordance with the applicable legislation. This should however be the last resort but staff procuring goods and services should be made aware of the implications of spending without a budget.

Adverse Opinion

Point 35

The adverse opinion indicates that the Auditor-General can express an opinion which is different to last year where a disclaimer was given as no opinion could be expressed. The implication is still very serious as although they can express an opinion, as they have the evidence of how the material differences occurred, they are unable to quantify them.

The main factors that have contributed to the adverse opinion are, the asset register, impact of joint ventures / trade-offs with developers, non-adherence to the supply chain regulations and unsubstantiated funds that are been carried forward.

EMPHASIS OF MATTER

Internal Loans

Point 36

This is a serious situation and is impacting on the operations of the municipality. The income in the operating budget has to cover all operating expenditure. This was not the case over the past few years and the operating account has loaned money from other internal funds to cover day to day expenditure. The two funds that have been negatively affected are the Housing Fund and the Revolving Fund. From my assessment of the situation I am of the opinion that the maintenance budget, to maintain our aging assets, was grossly understated and the tariff increase should have been at least 3% more to sustain the operating expenditure.

The situation has been compounded in the 2007/2008 financial year as the 5.5% tariff increase has once again resulted in operating income not been sufficient to cover operating expenditure and infrastructure breakdowns resulting in over expenditure of certain of the maintenance budgets after only the first half of the financial year.

New Republican Bank

Point 37

The curators dealing with the New Republican Bank have informed that there will be a proportional payout to investors but we are unsure of the cents in the rand we will be receiving at this point. If the curators have not finalised the matter by year end an estimate will be taken of the payout we stand to receive and the balance will be written off as irrecoverable.

Internal Control

Point 38

All policies that have been adopted by Council need to be reviewed to ensure that they are applicable to the Ndlambe Municipality and that staff are able to comply with all requirements. Legislative requirements contained in the policies cannot be changed or altered but the manner in which compliance is to be achieved can be streamlined to meet our limitations. Procedures, techniques and control mechanisms have to be developed by each directorate to ensure that all legislation and policies are adhered to.

MATERIAL NON-COMPLIANCE WITH APPLICABLE LEGISLATION

Value Added Tax Act No. 89 of 1991

Point 39

The Value Added Tax Act No. 89 of 1991 was amended and the amendments were with effect from 1 July 2006. Extension was granted to Local Authorities to 1 July 2007 to comply. The extension was interpreted by the finance officials as complying from 1 July 2007 and not getting systems in place by 1 July 2007 and backdating to 1 July 2006. To rectify the matter the VAT for the period 1 July 2006 to 30 June 2007 will be audited and the necessary corrections made.

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

Point 40

In terms of the MFMA, joint ventures entered into between Council and developers require a public private partnership to be established. This matter must be considered when future trade-offs are done with developers.

MATERIAL CORRECTIONS MADE TO THE FINANCIAL STATEMENTS SUBMITTED FOR AUDIT

Point 41

During the time of the audit, the staff of the Auditor-General raised certain concerns to the manner in which certain entries were processed. The concerns were discussed and if merit could be seen in their interpretation we amended the statements accordingly. The corrections made were as a result of the following;

- Interest on capital expenditure was capitalised but the Auditor-General was of the opinion that the amount capitalised should only be the actual cost.
- Grants – these adjustments were effected due to issues relating to late manual entries and adjustments to the 2006 Annual Financial Statements.
- The security of R5 million in respect of the DBSA was disclosed in note 25 but the staff of the Auditor-General was of the opinion that it should be included under note 3. This was agreed to and the notes to the statements were adjusted.
- No disclosure was made in the notes to the statements with regard to PAYE paid by Ndlambe Municipality to the receiver of revenue. It was agreed that the PAYE paid should be included in the notes and the adjustment was made.
- Lotto fund transactions were included in the housing fund. The staff of the Auditor-General was of the opinion that the Lotto fund income and expenditure should be disclosed separately. This was agreed to and the adjustment to the disclosure was made.
- Creditors –An adjustment was made to effect a correction to the short term portion of amounts due to the DBSA.
- An adjustment to reverse capital expenditure accruals deemed by the Auditor-General to belong to the 2008 financial year, notwithstanding the fact that both the budget provision and order commitment were made in the 2007 financial year.
- Debtors were adjusted as certain debtors had been included in creditors in the Annual Financial Statements spreadsheet program.
- Interest earned – this amount was adjusted to include interest charged on arrear debtor accounts.

- Debtors were reduced due to adjustments processed to write off valuation expenses paid which will not be funded from external sources as anticipated.
- Bad debts written off during the year were debited to the appropriation account but the staff of the Auditor-General were of the opinion that it should have been written off against bad debts. The matter was debate at length as to debit the provision for bad debts would have further understated the provision. The Auditor-General was not prepared to alter his opinion and it was agreed that we would make the necessary adjustment.

OTHER REPORTING RESPONSIBILITIES – ANNUAL PERFORMANCE REPORT

Responsibility of the Accounting Officer

Point 42

The annual report for the 2005/2006 financial year did not include an annual performance report as per the applicable legislation due to the institution not been measured at that stage.

Responsibilities of the Auditor-General and Audit Finding

Point 43, 44, 45, 46

The Auditor-Generals comments indicate a failure to submit performance documentation when required. This highlights the weakness in the availability of documentary evidence of the performance reviews. The comments reaffirms the need for a management information system, preferably electronic, to be operating effectively.

Appreciation

Point 47

It needs to be recorded that the latitude permitted by the staff of the Auditor-General during the audit was greatly appreciated by all staff.

General Observations

The Ndlambe Municipality must move away from the Auditor-General issuing adverse opinions and disclaimers to a qualified report for the year ending 30 June 2008. This can be achieved if the asset register reflects all assets of the Ndlambe Municipality and balances to the general ledger, Council and directorates refrain from trade-off / joint ventures with developers, all expenditure is budgeted for, the supply chain policy is adhered to by all staff, and unsubstantiated balances and funds are written off the books of Council.

An audit action plan has been developed that deals with correcting all aspects raised by the Auditor-General, Internal Audit and the assessment report undertaken for the water project. The Municipal Manager is driving the project but all the aspects raised will not be able to be addressed by 30 June 2008. The target date to have all aspects addressed is 30 June 2009 but funding will be a critical factor.

Processes, policies and controls put in place at this stage will already improve matters significantly but it will need a concerted effort from all staff to comply with all processes, policies, controls and legislation.

The tariff increase for the 2008/2009 financial year is anticipated to be around 12%

4.4 Notes on Material Differences Between Budgeted and Actual Income and Expenditure in Directorates for the year ending 30 June 2007

Directorate: Financial Management

<u>Line Item Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>	<u>Reason</u>
<u>Assessment Rates</u>				
<u>Income</u>				
Rates	27 483 100	27 982 382	499 282	More development occurred than anticipated
Rates Interest	387 400	490 494	103 094	Due to the expected income increased on rates the expected interest to be received was exceeded
<u>Administration</u>				
<u>Income</u>				
Fees	69 400	48 949	(20 451)	Number of disconnections done for non-payment was far less than expected
Sundry Income	116 100	84 728	(31 372)	Includes commission on insurance deductions, search fees, special and final readings. Difficult to budget for as you do not know the demand before hand
Valuation Roll	69 700	114 351	44 651	More valuation rolls were sold to the public than anticipated
<u>Expenditure</u>				
Salaries	3 285 700	3 013 035	272 665	Director Finance post vacant for four months
Salaries – O/T	61 000	7 790	53 210	Cut back on overtime due to financial constraints
Allowances	187 300	279 881	(92 581)	Director Finance post vacant for four months so

				acting allowance paid
Housing Subsidy	56 100	50 683	5 417	Director: Finance post vacant for four months
Vehicle Subsidy	358 100	302 852	55 248	Director Finance post vacant for four months
Group Insurance	140 900	27 570	113 330	Budgeted for all staff but not all staff joined group life
Pension	502 300	462 478	39 822	Director: Finance post vacant for four months
UIF	39 400	29 574	9 826	Director: Finance post vacant for four months
Casuals		26 096	(26 096)	Casuals employed in vacant budgeted positions during the time posts were been filled
Administration	40 000	525	39 475	Due to resignation of CFO, administration activities did not take place
Fidelity Cash	26 200		26 200	Paid under council general expenditure
Fuel	3 200	8 304	(5 104)	Petrol price increase and meter readers having to be transported
Legal Expenses	240 000	455 731	(215 731)	Debtors handed over for collection exceeded expectations. Income received compensates for the expenditure
Printing and Stationery	110 000	131 038	(21 038)	Cartridges for printers price escalation
Printing Paper	65 000	57 764	7 236	Number of consumer forms printed less than anticipated
Rent: Office Machines	555 000	533 812	21 188	Finance systems fees escalation less than budgeted for
Stores and Material	4 500	3 174	1 326	Materials for cleaning etc not required as budgeted for
Sundries	5 000	1 165	3 835	Incidentals not needed as budgeted for.
Teas	5 500	6 513	(1 013)	Difficult to budget for as one never knows how many visitors or meetings there are going to be in

				finance each year
Transfer Returns	6 000	7 698	(1 698)	Original draw down of registered properties from the deeds office more than anticipated
Rental Offices	35 000		35 000	Rental of building paid by property and estates
Repairs: Vehicle	3 800	266	(3 534)	Vehicle did not go in for service
Interest: Internal Loans	28 200		28 200	Operating budget did not have the funds to redeem loans.
Redemption-InternalLoans	177 100		177 100	Operating budget did not have the funds to redeem loans.
Small Capital	22 000		22 000	No cash flow to purchase small capital items
<u>Stores</u>				
<u>Expenditure</u>				
Salaries	134 800	147 751	(12 951)	Due to the change in the head of the unit that have different salary structures
Salaries – O/T	10 800	19 317	(8 517)	Staff called out after hours to provide petrol and stores to various sections
Allowances	7 000	7 607	(607)	Due to the change in the head of the unit that have different salary structures
Housing Subsidy	6 000	3 207	2 793	Due to the change in the head of the unit that have different salary structures
Group Insurance	6 400	1 543	4 857	Due to the change in the head of the unit that have different salary structures
Medical Aid	13 700	11 379	2 321	Due to the change in the head of the unit that have different salary structures
Pension	20 200	22 202	(2 002)	Due to the change in the head of the unit that have different salary structures
Printing / Stationery	900			Printing still done at administration department
Railage and				The costs are dependent

Transport	79 700	47 822	31 878	on orders issued and this was below expectation
Electricity	4 000		4 000	Paid for by properties and estates
Subsistence and Travel	1 000		1 000	Unit staff was not required to undertake any out of town trips
Water	200		200	Paid for by properties and estates
Small capital	3 000	1 923	1 077	No cash flow to purchase all small capital items required

Accrued income in respect of assessment rates and income generated by the finance directorate for the financial year was R29 332 622. Budget income for the financial year was R28 737 100. If the bad debt component of the accrued rates is added to the income that was budgeted for the effect is that R3 546 182 needed to be removed from the cash flow to ensure that operating expenditure did not exceed actual cash received from operating income. The net result is that fixed costs cannot be reduced and repairs, maintenance and capital costs have to be reduced. This has a direct impact on service delivery.

Actual expenditure in respect of the finance directorates activities was R6 281 456.00. The budgeted expenditure for the finance directorate expenditure was R6 770 200 resulting in a savings on budgeted expenditure for the year of R488 744. The expenditure under the finance directorate is mostly fixed costs and where it not for the budgeted posts in finance been vacant during the financial year and not redeeming loans due by finance, the expenditure would have been very close to budget.

More care has to be exercised when budgeting for income and allowance must be made for debt that will not be recovered during the year. The budget must therefore move towards a cash budget and not an accrual budget.

CHAPTER FIVE

FUNCTIONAL AREAS SERVICE DELIVERY REPORTS

5.1 Corporate Services

INSTITUTIONAL ARRANGEMENTS

1.THE COUNCIL

The Ndlambe Council is composed of 18 councillors with nine (9) Proportional Representative and nine (9) ward councillors. The party political and demographic representation of Councillors is represented as follows:

POLITICAL PARTY	NUMBER OF COUNCILLORS	GENDER DISTRIBUTION	
		MALE	FEMALE
ANC	14	7	7
DA	4	1	3

The Municipality has in total 53567 registered voters.

The ward representation is as represented in the table below:

WARD NO	COUNCILLOR	POLITICAL PARTY	GENDER
Ward 1	Councillor T Mayinje	ANC	Male
Ward 2	Councillor J Wentzel	ANC	Male
Ward 3	Councillor M Mike	ANC	Female
Ward 4	Councillor D Mnyungula	ANC	Male
Ward 5	Councillor Maphaphu	ANC	Male
Ward 6	Councillor S Tandani	ANC	Male
Ward 7	Councillor L Swanepoel	DA	Female
Ward 8	Councillor L Maneli	ANC	Female
Ward 9	Councillor N Mani	ANC	Female

2. THE EXECUTIVE COMMITTEE

The Municipality has an Executive Committee system which consists of the Mayor and three Mayoral Committee Members as follows:

PORTFOLIO COMMITTEE	NAME
Mayor	Councillor V Balura
Portfolio Chairperson: Corporate Services	Councillor S Tandani
Portfolio Chairperson: Community Protection	Councillor L Swanepoel
Portfolio Chairperson: Finance	Councillor L Maneli

3. ADMINISTRATION

To implement the Integrated Development Plan (IDP) and achieve the strategic objectives of the municipality the Municipality has a staff complement as follows:

TOTAL NUMBER OF POSTS	POSITIONS FILLED	VACANCIES
424	411	13

The municipality is in the process of reviewing the organogram to, amongst others:

- (1) Ensure alignment with the IDP and the municipality's strategic objectives- (to fulfil the structure follows strategy principle);
- (2) Eliminate duplication within department and to streamline departmental functions;
- (3) Stabilise staff costs-the accepted norm is for staff costs to be at 28% with at least 32% of the Operating Budget-in Ndlambe the staff costs is way above this accepted norm.

The Section 57 Appointments or Executive Management is composed of the following:

NAME	POSITION	GENDER DISTRIBUTION	
		RACE	GENDER
SECTION 57 EMPLOYEES			
Mr George Ngesi	Municipal Manager	Black	Male
Mr Sizwe Mvunelwa	Director: Community Protection	Black	Male
Ms Thandeka Mali	Director: Corporate Services	Black	Female
	Director: Finance-Vacant		
Mr Xolani Masiza	Director: Infrastructure	Black	Male

KEY INSTITUTIONAL PERFORMANCE AREAS

In line with National Regulatory Framework and Guidelines, the following are main elements of institutional performance and the 5 National Key Performance Areas:

- Basic Service Delivery
- Local Economic Development (Socio-Economic Development)
- Municipal Institutional Development and Transformation
- Good Governance and Public Participation
- Financial viability and management

1. BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

1.1 HOUSING

During the 2007 financial year the Municipality built 591 houses. The current housing backlog is still at an estimated 5,000 units.

Houses Completed July 2006-June 2007

The breakdown of the total number of houses built during this period is as follows:

Project No	Project Location/Description	No of Units Built
471	Wentzel Park	25
664	Alexandria-Phokoza	10
665	BRM Marcelle Ph2	174
187	KOS Ekuphumleni Ph1	80
645	KOS Ekuphumleni Ph2	58
403	Klipfontein Harmony Park	6
443	Port Alfred NEMATO Ph3	100
TOTAL		591

An additional 2,500 houses were installed SCCCA (Plaster, Paint and ceiling)
The Municipality is confronted with quite a few challenges in housing provision which is one of the critical service delivery areas for local government, the most problematic being the slow pace of release of funding for the construction of low cost houses by the Provincial Department of Local Government, Housing and Traditional Affairs.

Other challenges in the provision of social housing include:

- Perpetuation of old planning practices that sustains the unwanted spatial form
- The zoning / town planning schemes do not support a new paradigm of thinking – different schemes in the Municipal area
- Lack of qualified town planner & technical expertise
- Lack of clear standards for housing development – there is no localized strategic guidelines

- Cumbersome protracted & bureaucratic administrative procedures & processes for both housing & development planning-which stagnate economic development, are anti-poor & hamper service delivery
- Due to poor planning practices of the past regime, town planning decisions and infrastructure developments are not aligned.
- Housing developments face a new stakeholder in terms of child headed families.
- The management of information relating to housing development is challenged by:
 - Unreliable data regarding influx of people
 - Difficulties in “cleaning” of waiting lists
 - Inability to link with Provincial DLG&TA as well as Home Affairs data bases

1.2 DEVELOPMENT PLANNING AND LAND USE MANAGEMENT

Development Planning and Land Use Management is aligned to the legislative landscape that includes:

- Development Facilitation Act
- National Spatial Development Perspective
- Provincial Growth and Development Strategy
- Housing Act
- National Housing Code
- Land Use Management Bill

The **guiding principles** to promote sustainable development include the following:

- That development in the municipality takes place within the fiscal, institutional & administrative means of the institution;
- That as an outcome of development initiatives-Establishes viable communities; (Breaking New Ground – Sustainable Human Settlements)-a core protocol of a developmental state;
- Meets the basic needs of all citizens in an affordable way;
- Protects the environment;
- Promote efficient & integrated land development that : integrates human & rural areas, rich & poor; black & white communities & integrates different land uses & deviates from keeping them strictly separate-move away from apartheid planning;
- Promote the development of housing & work opportunities near to each other & encourage environmentally sustainable practices & processes;

Therefore, the **core areas of delivery** include:

- The provision of land & development planning in line with the SDF – addressing issues such as integration, diverse land use and density.
- Facilitate the development of formal settlements

- Reduce the number of existing informal settlements
- Develop measures to combat land invasions
- Ensure the safe use of land
- Facilitate integrated development processes in terms of infrastructure and social facilities
- Manage an effective administrative process that provides security of tenure
- Housing developments contribute to skills development and job creation as per provincial guidelines.

1.2 (a) MAIN CHALLENGES:

- Shortcomings in the existing SDF both in terms of content and process followed make the usefulness of the document questionable. (The suggested spatial form does not accommodate community needs in terms of business development along major roads in Southwell, Bathurst or Boknes; communities find it hard to interact with a technical document; council approval process did not meet legislative requirements.) Lack of integrated planning procedures that is needed to create a new spatial form
- Un-integrated planning result in municipality supporting activities in areas not zoned accordingly for example LED activities at SANTA (old) – area not zoned for business and initial ideas to convert the old school in Kenton as LED infrastructure were never realised and the building has been vandalised beyond repair. The statistics and related forecasts used in the spatial planning are outdated.
- No comprehensive land audit information is available to facilitate the allocation and management of land in a proactive manner as a result contribution to LED is not meaningful.
- Perpetuation of old planning practices that sustains the unwanted spatial form
- The zoning / town planning schemes do not support a new paradigm of thinking – different schemes in the Municipal area
- Lack of qualified town planner & expertise
- Lack of clear standards for housing development – there is no localized strategic guidelines
- Cumbersome protracted & bureaucratic administrative procedures & processes for both housing & development planning-which stagnate economic development, are anti-poor & hamper service delivery
- Due to poor planning practices in the past, town planning decisions and infrastructure developments are not aligned. Currently the infrastructure is facing tremendous pressure to the point of collapse (sewerage ponds exceeding their capacity, undrinkable water etc., Shortage of water to areas like Kenton/ Boesmansriviermond/ Seafielde/ Bathurst is acute.).
- Inaccurate information on available maps e.g. the existence of roads results in approval of development requests that should not be approved.

- Housing developments face a new stakeholder in terms of child headed families.
- The management of information relating to housing development is challenged by:
 - Unreliable data regarding influx of people
 - Difficulties in “cleaning” of waiting lists
 - Inability to link with Provincial DLG&TA as well as Home Affairs data bases

1.2 (b) POTENTIAL / POSSIBLE SOLUTIONS:

- Strategic Environmental Assessment has been commissioned
- SDF Review process underway
- Thornhill Development (housing project) and Ekuphumleni Housing Projects are developed within the context of Breaking New Ground, the possibility and focus here is not the sole provision of housing only or a piecemeal approach But rather to ensure a holistic developmental approach and simultaneously ensure the provision of other basic services especially water provision-which has been a main challenge in Ndlambe.
- CDM in partnership with Department of Land Affairs and Agriculture together with local municipalities is engaging in a District Land Audit – information will be available by December 2007.
- A new Provincial Housing Code will be available by November 2007. Based on the code Ndlambe will formulate a housing strategy that will entrench BMG principles in all housing developments, address issues such as rental stock and eradication of squatter areas.
- New augmentation fee structure could contribute to increased revenue for the municipality and thus more resources available for infrastructure upgrade.

1.3 LIBRARY SERVICES

Library services represent a provincial government function performed by the municipality on an agency basis on behalf of the provincial sphere. This function, being concurrent competence of province and national government (Schedule 5 of the Constitution)- the arrangement and Nature of the Agency agreement is as follows:

In accordance with the Division of Revenue Act (DORA)-the financial arrangement the municipality submits business plans through the Cacadu District Municipality and funding for the function is allocated from the provincial government through the district municipality.

1.3 (a) PROGRAM OBJECTIVES

To enhance access to information and services for the public through provision of libraries and related resources;

This includes the development of a culture of learning and reading in accordance with both the schools and ABETS programmes.

Libraries represent an untapped resource as a critical Municipal-customer interface point and offers opportunity for:

- Increased Customer Relations Management and enhanced Public Participation (notice boards /and posting of public notices for meetings and vacancies, agendas / place of meeting and interaction etc.)
- E-government especially the Government – to –Citizen (access to electronic communication)
- Government – to – Business opportunities (notice boards / access to electronic communication / knowledge resources regarding business)
- Administration – to – political interface (facilities for ward councilors)

1.3 (b) CURRENT ISSUES/STATUS QUO:

Location / town	Size of Community that the facility serves	Average number of visitors per quarter	Condition of physical facility
Alexandria – Town	8 071	750	Cramped Facility in need of repair No space to set up computer facility.
Marcelle / Bushmans	6116	800	Cracks – structural deficits Have computer, copier, and air conditioning, Printer, TV and DVD.
Kenton on Sea	6497	1 200	No public ablution facilities / no space for office / limited shelf space One exit only No fire extinguishers
Ekuphumleni	Unknown	0	Very limited equipment / furniture / books Lack recreational space Not operational – new facility completed two years ago – (white elephant) However, electricity to be supplied by Eskom only in 2008;
Port Alfred	16 860	1 500	No Public ablution facilities Have computer, printer, blinds and air conditioning recently fitted.
Bathurst (Hilda Peddie)	6929	600	Cracks and minor repairs required. Water leakage at windows. Damage to floor tiles In need of furniture such as tables for reading and projects. Need fax machine.
Freestone		500	Computer, printer and copier available. Leaking at windows, repairs to fence required as stray animals cause damage.
Trappes Valley		0	Not operational as at June 2007.

1.3 (c) MAIN CHALLENGES:

- There are currently no library facilities available in two densely populated settlements namely NEMATO and Kwa-Nonkqubela.
- Six out of the seven existing facilities require upgrade and maintenance including 3 facilities without public ablution facilities.
- Inadequate funding allocation from provincial government-the municipality is therefore not in a position to provide or adequately service the community in this regard;
- Compliance to health and safety requirements including a minimum of two exits per building, fire extinguishers in working condition and the availability of first aid kits are not met at the facilities.
- None of the facilities have the infrastructure to offer on line electronic information access. (See potentials below)
- Most of the facilities have insufficient space to accommodate public and office facilities. At some venues up to 100 children approach the library to work on projects but have to be turned away.
- Staff lack a customer centric culture within the service e.g., bad attitude towards public, deterioration of the service due to lack of monitoring & supervision.
- Operating hours are influenced by the sharing of staff among the facilities leaving some communities without service during critical time periods.
- Knowledge resources are extremely outdated and this is exacerbated by slow bureaucratic processes in the delivery of books by the DSRAC (up to two years delays).

1.3 (d) POTENTIALS / POSSIBLE SOLUTIONS:

- Public-private partnerships and increased community involvement can be explored for example the creation of a “Friends Of the Libraries” initiative (private donations and involvement).
- Exploration of public-public partnerships with more established libraries in the district with regard to sharing of knowledge resources and technical advice / support to staff.
- Creation of library facility in Kwa-Nonkqubela at the existing Kwa-Nonkqubela Support Centre through a private-public partnership with services providers in Housing Projects.
- Installation of computer and internet facilities through Cacadu Library computer initiative (modernization) at all existing facilities.

- The improvement of equipment and computers result in additional security requirements.

1.4 LOCAL ECONOMIC DEVELOPMENT

The role of the Municipality in Local Economic Development is defined as: To create an enabling regulatory environment for local economic development to reduce unemployment, promote job creation, alleviate poverty and promote a 'pro-growth' environment. Through LED local people work together with the support and facilitation of local government with other external stakeholders to achieve sustainable economic growth and development that brings an improved quality of life for all in a defined area.

In line with the National Spatial Development Program principles the existing industrial nodes are being expanded and alternatives are being explored to ensure equitable development and industrial zoned land. Strong emphasis is placed on the creation of partnerships (public – private / public-public) in the creation of a “pro-growth” environment.

Through the existing IDP, a list of LED projects targets the second economy, although the aim being to graduate to the 1st economy. This includes support measures to promote tourism, provision of infrastructure and incentives to attract industries, provide facilities to support the economic activities of the community, support measures to commercialize emerging farmers, support measures to support SMMEs from 2nd economy based activities 1st economy, co-ordinate mainstreaming of led in all municipal work.

Secondly the strategic objectives of the PGDP (Eradication of Poverty, job creation and human resource development, transformation of Public Sector, stimulating growth and building of infrastructure Development of Agriculture, etc) talks directly to the principles of ASGISA.

Key aspects of the competitive advantage of the Ndlambe Municipality include:

- The strategic location of Ndlambe between two IDZ's i.e. Coega and East London. Through R72- this represents the truck route of motor industry.
- The natural beauty, scenery and moderate climate (Tourism potential)
- Surrounded by two Universities i.e. NMMU and Rhodes. This offers skills development opportunities and research possibilities.
- Home to a pool of retired experts
- Large number of property developments and building initiatives (booming construction industry)

1.4 (a) **CURRENT ISSUES / STATUS QUO:**

- The current budget allocation does not support any performance in terms of LED.
- The institutional capacity of the institution is limited to a single LED officer. An additional two officers will be appointed within the 2007/2008 financial year.
- Lack of resources-access to transport limits the work of the staff.
- The formulation of a LED Strategy to guide the activities and investments.
- As a result of transition and integration of municipalities Alexandria has deteriorated into a 'Ghost Town' and it appears there is no strategy or plan in place for its economic revitalization;
- Currently no plans exist to strategically position the municipality in terms of 2010 Soccer World Cup. Ndlambe is strategically located as a gateway between two main cities namely Port Elizabeth which is host city and East London which is potential practice city. Special attention should be paid to the tourist transport sector. 450 000 tourist are expected to visit the area during this time.
- Tourism structures do not show a strong enough commitment and implementation of transformation.
- Creation of a baseline data for local economic planning and economic intelligence resource. A business plan has been submitted to Thina Sinako in this regard.
- Establishment of a skills audit in line with JIPSA. Cooperation with the Human Resource Division should be established to facilitate such an audit.
- Conduct an institutional assessment for LED-create an LED institutional readiness;
- Targeted LED Training & capacity building and appropriate LED organizational structure or LED Unit;
- Interaction with social partners is limited to ad-hoc discussions. The resuscitation of an LED Forum that is well constituted in terms of interested and affected stakeholders (bias to ensure unorganized sectors are represented) and with clear terms of reference, is critical to promote the engagement of all partners. The re-establishment will also facilitate the creation of a local think tank on issues of economic importance.
- Attracting events linked to existing potentials for example surfing / cycling / boating is limited due to the lack of a proactive municipal strategy, reluctance from the community to embrace the possibilities and poor road conditions. The intended R72 upgrade could unlock this potential in the future.
- Existing municipal infrastructure in terms of land and buildings are not sufficiently used for the promotion of the local economy. Potential projects / funding are lost as suitable venues cannot be found. The existing SDF to not provide sufficient guidance in this regard.

The following sectors are viewed as priority:

- Tourism
- Agriculture
- Enterprise development, encourage and promote entrepreneurship and develop and support Small business sector

1.4.1 TOURISM:

Focus areas for the tourism sector include:

- The revival and implementation of the existing Tourism Sector Plan
- Restructuring of Tourism to create a single tourism entity;
- Develop a strategic agenda for broadening tourism with the vision “Tourism - Working For All” as the main driver. This will require a more proactive approach to initiating transformation through BEE initiatives
- Branding & Marketing: Creating an icon around Ndlambe. Currently engaged with Rhodes University History Department
- The tourism potential include:
 - Create an environment, awareness & capacity for viable Heritage Tourism
 - Sports tourism-water sports, football potential, triathlon annual events

The following initiatives have been identified as potential boost for local tourism:

Port Alfred:	<ul style="list-style-type: none"> • Training for Tourism through Public Private Partnerships with EISS: <ul style="list-style-type: none"> ○ B & B Training-Pilot project ○ Training of Tourist Guides; • Exploring partnerships for 2010 readiness in terms of hospitality & service sector incl. training of taxi operators;
Kenton	<ul style="list-style-type: none"> • Tourism & Annual Sports Event • Game Reserves present opportunity for Public Private Partnerships
Alexandria:	<p>Heritage tourism</p> <ul style="list-style-type: none"> • Heritage potentials include the Grave of Nongqause, Highlight frontier war battle zones, Residence of Chief Ndlambe in area and Mountain/Hill of Chief Chungwa • Explore Public Partnership with Makana Municipality on Forts & Towers Project
Bushmans:	<ul style="list-style-type: none"> • Cultural Tourism with Cultural Village as anchor tourism project for area; • Heritage tourism-with Khoisan Caves along Bushman's River;
Bathurst	<ul style="list-style-type: none"> • Heritage tourism and develop partnerships with local bodies involved in Heritage Tourism • Potential for eco-tourism and promotion of eco-tourism in the area

1.4.2 AGRICULTURE DEVELOPMENT:

Municipal commonage represents a valuable municipal resource for supporting agricultural development. Some of the challenges include poor access roads, inadequate fencing and vandalised infrastructure and equipment. It is questionable whether these commonages are currently being used and managed in the most effective manner with particular reference to economic development. A thorough Land Use Profile for municipality will contribute to a more strategic approach.

Summary of Commonage:

Location	Name of farm	Size (Ha)	Number of beneficiaries	Nature of agreement with beneficiaries	Use of farm (number of cattle etc)	Adequate fencing
Alexandria	Alexandria-Brakfontein Farm	40 ha	33	Land useage	Hlumani Crop Farming and Nosiseko Crop Farming	Yes
Alexandria	Kruisfontein Farm	100 ha		Leased out since 1998/1999	Dormant	Yes
Bushman's	Forest Hill	600 ha	25 10	Land useage Land useage	Marcelle Farmers Association Masizakhe Mbeki	Yes
Port Alfred	Milfarm	450 ha	60	Land useage	Various agricultural farming projects	Yes
Bathurst		100 ha	33	Land useage	Masiphathisane Crop Project	Yes
Bathurst	Mount Pleasant	50 ha	15	Land useage-pineapple beneficiat ion		No vandalised

Based on the above a Commonage Policy will be put in place during the 2007/2008 financial year to ensure a more effective and efficient management. Although a comprehensive Agriculture Sector Plan is required to guide the Municipality in terms of their involvement and investment.

Current initiatives include:

Alexandria	<ul style="list-style-type: none"> • Chicory (Discussions underway with Chicory Board and the Department of Agriculture) • Dairy Farming and associated processing e.g. cheese factory-with market plan • Exploring opportunities for an abattoir (surrounding cattle farms, small husbandry and chickens are currently transported to Port Elizabeth)
Bushman's River Mouth	<ul style="list-style-type: none"> • Chicory Production • Poultry farming • Poultry abbatoir • Potential dairy farming
Kenton-on-Sea	<ul style="list-style-type: none"> • The provision and procurement of suitable farming land is the main priority for this area;
Port Alfred	<ul style="list-style-type: none"> • Chicory Farming • Exploring the potential for production of essential oils financed by DEDEA and implemented with technical support from SEDA (Essential Oils Unit) ECDC, Dept of Agriculture
Bathurst:	<ul style="list-style-type: none"> • Pineapple production • Pineapple by-products (investment of R228m through Public private partnership) • Exploring the potential for the production of Essential oils (implemented with technical support from SEDA (Essential Oils Unit), ECDC, Dept of Agriculture
Dairy Farming	<ul style="list-style-type: none"> • Identified as huge potential and business plan is being formulated with support from Cacadu District Municipality and modeling around Tsitsikama Dairy Farming Project • Potential funders including Department of Agriculture and Land Bank have been identified and plans in place to approach them
Aquaculture	<ul style="list-style-type: none"> • As this is a highly specialized field and due to lack of internal expertise, Conduct Research and development for aquaculture (2007/2008) • Explore potential for aqua-culture within area and solicit support through PPP's (2007/2008)

<p>SMME Development</p>	<ul style="list-style-type: none"> • Promotion of SMMEs and development of entrepreneurship has been identified as huge potential area for successful LED • Business plans being submitted for funding for the establishment of Business Information Centres (BIC's) primarily in Alexandria which can be replicated in one other area especially Port Alfred; • Project plan for SME Skills Development Program being developed and potential funders will be identified to support same; • As a component of the BIC's service-developed process to also assist with SMME registration and registration of cooperatives <ul style="list-style-type: none"> ○ Facilitate access to training for SMMEs ○ Strengthen business associations esp. Black Business Forum ○ Assistance with SMME marketing & promote SMME competitiveness; • Provide business support & technology transfer, incubation & commercialization <ul style="list-style-type: none"> ▪ Create Business Support Services-by creating Business 1 Stop Shop Facilities/BIC's ▪ Facilitate availability of business infrastructure & premises ▪ Support by improving access to finance;
<p>Research and Development</p>	<ul style="list-style-type: none"> • Potential for Research & Development identified and expert institutions being approached for various project related R & D;
<p>Policy Development</p> <p>Land Allocation and Land Use Management</p>	<ul style="list-style-type: none"> • Whilst the municipality has no policy on land allocation for industrial development, it is critical that policy principles be set in place to ensure that land use management is aligned with (economic development and industrial policy or within an LED Strategic Framework); • Assessment and (possible) adjustment/review of the current regulatory framework that helps or hinders SMME development e.g. Trading regulations, by-laws and the municipal tendering process;

2. MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION

It can be mentioned that in relation to municipal transformation and the overall development of the institution, the objectives are:

- To build institutional capacity so as to accelerate service delivery
- To ensure the integrated and coordinated development including cooperation with other state agencies and other spheres of government;
- To ensure building and promotion of local democracy, promote active participation of citizens in municipal business-development, planning, budgeting etc and good governance
- To develop a strategic policy capacity, mobilise resources and ensure that tools are put in place to ensure that societal inequalities are addressed whilst simultaneously maintaining the existing social, economic and municipal infrastructure
- To develop and institute a culture of performance management whilst also improving overall institutional performance;

2.1 ORGANISATIONAL DEVELOPMENT

Much work has been done by the municipality in putting in place a local government system and administrative machinery that is developmental in nature and responsive to community needs. Amongst others, the following has been done:

- An organisational structure is in place. As one of the fundamental Organisational Development (OD) principles, structure follows strategy- as the IDP is reviewed on an annual basis and organisational structures are dynamic and not cast in stone-processes have been put in place to ensure alignment of the organisational structure with the IDP during the 2007/2008 financial year;
- Appointment of the Municipal Manager and Managers directly reporting to the Municipal Manager i.e. Directors: Community Protection and Infrastructure with effect from January 2007, The Director: Corporate Services with effect from May 2007 and the vacant post of Director: Finance will be filled during the 2007/2008 financial year-interviews already having been finalised during the 2007 financial year and the successful candidate to commence duties with effect from July 2007.
- Finalisation of placement process and job evaluation-with the main challenge being the lack of progress with the implementation of job evaluation results causing a very low morale and low levels of motivation amongst staff;
- Development of a markedly improved Integrated Development Plan in comparison to the IDP of the previous years;

- The commencement of Performance Management System (PMS) process-notwithstanding the shortcomings of the current consultant-driven PMS which does not meet the key PMS SMART criteria. The PMS is therefore being reviewed with a possibility of putting in place a system that meets the SMART principles.
- Establishment of nine (9) ward committees
- In addition following integration the municipality is now functioning as a single integrated entity and mechanisms are being explored to improve Customer Relations Management (CRM) or Customer Care so as to ensure equitable service delivery throughout the municipality and citizen satisfaction;
- One of the main institutional problems confronted once more this financial year has been the slow pace of the implementation of the TASK job evaluation system at the level of the South African Local Government Bargaining Council (SALGBC). In addition the municipality lacks a fully integrated Human Resources Management system which therefore hampers ease of access to reliable HR data and also somehow hinders Human Resource Planning. A fully functional and integrated HR system will be pursued during the 2007/2008 financial year which will assist with the implementation of end-to-end Human Resource Business Processes including a capability to assist with career management-which is currently lacking and therefore a huge gap in integrated Human Resource Development.

2.2 HUMAN RESOURCES

Human Resources Division within Corporate Services is responsible for managing human resources related issues and promoting effective human resources development and career management practices within the organisation.

Focus Area

The Human Resources Division operates within a rich and well defined policy and legislative landscape including:

- White Paper on Transformation of Public Service
 - Labor Relations Act including recruitment policy and practices
 - Skills Development Act;
 - Skills Development Levy Act
 - Employment Equity Act
 - Occupational Health & Safety Act
- Amongst others, it is responsible for the provision of Human Resource function:

- Recruitment & selection;
 - Develop and determining employee life cycle management processes-incl. exit strategy, procedures & processes;
 - Provision of traditional personnel functions (employee benefit administration including administration of medical aids, pension funds and other benefits);
 - Perform Employee Wellness function including the provision of employee welfare services incl. counseling & referrals;
- Implementation of Disciplinary Code and Code of Conduct for Municipal Officials

HR SERVICE DELIVERY ACHIEVEMENTS AND FACTORS

2.2 (a) HUMAN RESOURCES ADMINISTRATION

(i) Leave and Conditions of Service

As part of the organisational assessment process various challenges identified in leave management including:

- Incorrect location of Leave Administration Unit and function within Finance Department thus resulting in lack of clearly defined roles and responsibilities, duplication and sub-standard performance;
- Annual audit queries especially in relation to Leave control, financial accounting and the management and control of leave records,

Subsequently a need has been identified for additional procedures and/or more streamlined leave management procedures (and business process accompanied by the relocation of leave administration) so as to ensure good governance and adherence to leave policy as enshrined in the Conditions of Service.

In addition a need has been identified for the implementation of Policy on Incapacity on Ill-Health, and on absenteeism and to also streamline the processes on ill health retirement within the organisation including the soliciting of external professional assistance where required.

2.2 (b) RECRUITMENT AND SELECTION

This Division continues to perform well in its recruitment and selection processes and in the implementation of the Recruitment and Selection Policy.

However as there is a tendency to take long in recruitment of staff, a turnaround strategy and approach is to be developed to ensure that service delivery is not negatively affected through protracted recruitment and selection processes

2.2 (c) PERFORMANCE EVALUATION AND PERFORMANCE MANAGEMENT SYSTEM

Whilst Performance Management is a core human resource function, one of the shortcomings identified is that the performance management function is performed elsewhere within the Corporate Services department and not in Human Resources Division-which is a misnomer. This will be addressed during the IDP Review process in 2007/2008 to ensure that function and structure is properly aligned with strategy.

Amongst others, a Human Resource Development (HRD) driven performance management will ensure that:

- A culture of performance is instilled within the organisation
- All staff members enter into performance agreements
- There is close monitoring and tracking of performance of staff on probation
- At least bi-annual performance evaluation takes place and corrective measures are timeously put in place to achieve performance excellence and thereby ensure quality service delivery and customer satisfaction;
- To ensure that Incentive schemes, staff training and mentoring program are institutionalised through performance management

2.2 (d) LABOUR RELATIONS

- The performance of the labor relation functions and maintenance of sound labour relations is doing well by, amongst others,:
 - Ensuring the protection of employees right to freedom of association;
 - Provision of support & conducive environment for collective bargaining
 - Provision of a conducive environment, support & engagement on right to strike & employer's right to lock-out (where applicable);
 - Ensure the establishment & smooth functioning of Workplace Forums-through provision of Support to the Local Labor Forum-as enshrined in the Organisational Rights Agreement entered into by SALGA, SAMWU and IMATU as provided for through the SALGBC.
 - Providing advice & support to the municipality in dispute resolution & representation in dispute resolution structures incl. CCMA, Labor Court etc

- Implementation of Disciplinary Code and Code of Conduct for Municipal Officials

Summary of Disciplinary Action and Grievances 2006/2007

Directorate	Number of cases	Cases resolved
Finance	0	0
Corporate Services	2	2
Technical Services	10	10
Community Services	24	24

In promoting and the maintenance of a sound labour relations environment, the turn around time in the resolution of grievances and disciplinary action balanced with productivity and staff morale is critical-it is worth mentioning that for the above-mentioned cases the minimum number of days taken to resolved the matters was 6 days and only one case took 46 days (including weekends) to resolve.

2.3 LEGAL SERVICES

This area of work is poorly defined and managed from various locations in the municipality. Sources of litigation include predominantly labour relations issues and town planning decisions. In addition no assessment is available regarding the quality of the legal services that is being contracted. Also measures are to be put in place during 2007/2008 to minimise litigation preferably at source.

2.4 INTEGRATED DEVELOPMENT PLAN

2.4 (a) Formulation of IDP 2006 / 2007

The Constitution as supported by the White Paper on Local Government (March 1998), and in turn the Municipal Systems Act (MSA 32 of 2000) defines the new landscape of Developmental Local Government. The Integrated Development Plan is described as the tool of transformation in the WPLG (1998), and the formulation and management of the Integrated Development Plan (IDP) is rooted within the Municipal Systems Act, Chapter 5, which states that:

- Municipal planning has to be developmentally orientated and within a system of cooperative governance.
- The IDP represents a single inclusive plan to link, integrate and co-ordinate service delivery.
- The IDP forms the basis for annual budget.
- An IDP adopted by the council is the “principal strategic planning instrument”.
- The municipality should “give effect to its IDP and conduct its affairs in a manner which is consistent with its integrated development plan”.

The IDP process was approached in this spirit to ensure compliance to all elements of the legislative framework. This includes ensuring that, for example, the public participation, the IDP content and the adoption process meet all requirements. Consideration was also given to other legislative guidance, for example the Municipal Structures Act (117 of 1998) in terms of powers and functions, the Disaster Management Act 57 of 2002, Performance Management Regulations, and the MFMA: Section 57 requirements for the SDBIP and the Intergovernmental Relations Act 13 of 2005.

The formulation of the IDP commenced during October 2006 with the presentation and adoption of a Process Plan by Council. The approval of the Process Plan was followed up by an IDP workshop with the IDP steering committee, supported by the Advisor from the Consolidated Municipal Transformation Programme. The workshop introduced the concept of a credible IDP and prepared stakeholders for the ward committee meetings to follow during November. The Municipality facilitated nine ward meetings focussing on the introduction of the IDP Process Plan and collection of development issues and priorities.

The Ndlambe Municipality agreed to approach the IDP as an opportunity to develop an implementable strategic plan that will guide all development investments and work of the Municipality. The IDP will no longer represent a list of capital projects that require a separate fundraising strategy from the existing budget process. The Ndlambe IDP represents the road map for the Municipality that will guide operations and decision making for the following five years. The IDP will at all times inform the municipal processes, including the budget.

The annual IDP Review process will therefore become amongst others the tool for measurement instrument of overall performance and also to determine, document and report progress in line with the requirements for an Annual Report. It will be responsive to changes in the environment, including both threats and opportunities, and will serve as the only means by which the strategic plan of the Municipality can be adjusted in a structured and legal manner. Emerging needs/projects during the following year will be considered by the Municipality in a careful manner to avoid disruptions in the delivery of the IDP objectives.

In line with National regulatory Framework and Guidelines, the IDP Framework and consequently the Framework for the Ndlambe Performance Management System will compose of the following main elements and the 5 National Key Performance Areas:

- Infrastructure and Basic Services
- Socio-Economic Development
- Institutional Transformation
- Good Governance and Public Participation
- Financial viability and management

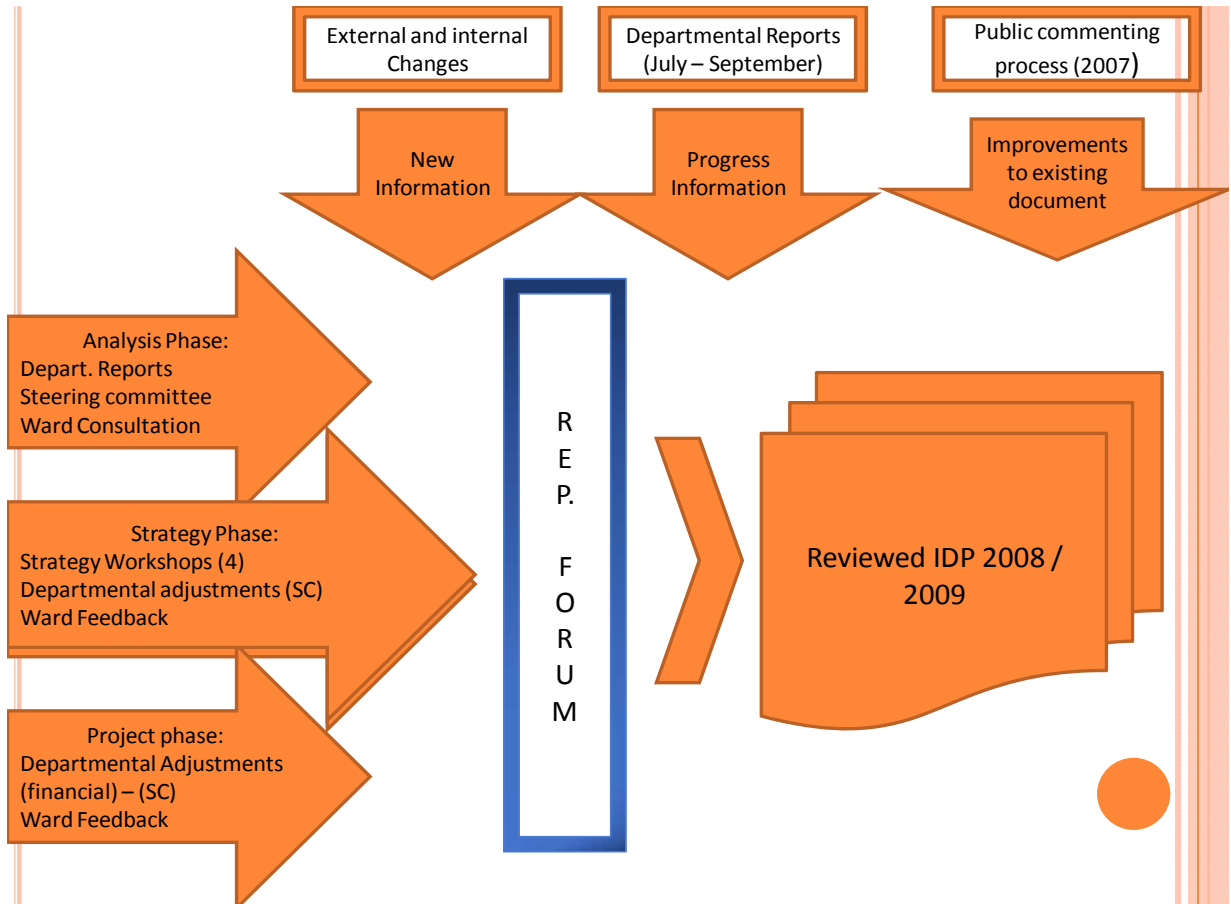
The following list demonstrates the activities embarked upon by the IDP office in the completion of the Ndlambe municipal IDP.

- IDP and Performance Management System Alignment– January 2007:
Steering Committee
- Defining and determining measurable and people oriented IDP principles and Strategic IDP
Approach – 31 January 2007: Steering Committee Meeting
- Presentation of status quo information and IDP prioritisation process– 14 February 2007
- Feedback to Representative Forum – 16 February 2007
- IDP Strategy workshop – 27/28 February 2007
- Presentation of results from Strategy Workshop to Steering Committee – 2 March 2007
- Project workshop – 8 March 2007
- Representative Forum meeting – 16 March 2007
- HIV/AIDS workshop – 22 March 2007
- Representative Forum meeting – 23 March 2007
- IDP Integration workshop – 29 March 2007
- Draft presentation to Council for Adoption – 4 April 2007
- Budget dialogue – 16 April 2007
- Document for public comment – 18 April 2007
- Processing of comments – 9 to 11 May 2007
- *Final IDP adoption by council – 31 May 2007*

PROCESS PLAN:

A process plan, modelled on the District Review process was tabled for Council approval on 1st September 2006.

The diagram below demonstrates the agreed process in brief. The IDP 2006 / 2007 offered a comprehensive list of outstanding matters that forms the foundation of the review process. These issues are listed on page 26 – 28 of the IDP.



GOOD GOVERNANCE AND PUBLIC PARTICIPATION

- Developing a reputation for good governance and Customer Service
 - Public participation and communication strategy (all planning and reporting processes)
 - Effective management of municipal assets (public facilities: Community halls, sports fields, ablution, open spaces)
 - Dealing with matter of health and safety of municipal facilities
 - Institutionalizing and monitoring Batho Pele / Customer first principles

- To enhance community participation and deepen democracy, 100 % of ward committees were fully functional as at end June 2007.
- Based on the strategic assessment of the functioning of ward committee support and administration a need has been identified for the Align ward committee support with committee support and enhance internal capacity to ensure that the ward committees function with full capacity.
- In addition one of the key challenges identified is the capacity and skills of the ward committees and plans are in place to solicit funds to conduct skills audit of ward committee members to be followed by relevant training
- Another key issue is the issue of language and whether the current scenario assists in the government program to entrench democracy and in democratisation how language is to be used as an enabler or to disable democracy. A need has therefore been identified to develop plan for language policy formulation

Good Governance

Whilst the Local Government Anti-Corruption Strategy is being implemented mechanisms need to be developed to tailor make the Strategy for local situation. This will be done during the 2007/2008 financial year. This will be conducted by, amongst others conduct risk assessment and develop measures to mitigate risk.

Auditor

One of the critical issues indicated includes the failure to submit documentation for audit purposes including performance documentation when required. This highlighted the weakness in the availability of documentary evidence, document management strategy and a policy in this regard. This also points to, and reaffirms the need for, a comprehensive Information and Communication Technology Strategic plan for the municipality and a proper management information system, preferably electronic, to be operating effectively. In addition, a detailed plan needs to be developed to ensure a break away from the qualified audit to achieve a clean audit

5.3 Infrastructural Development

5.3.1 Electrical Services

1. Description of the function

Ndlambe Municipality buys electricity in bulk from Eskom and is responsible for the distribution thereof within its approved areas of supply, under license from the National Electricity Regulator. Electricity is taken from Eskom at two intake substations, i.e. Port Alfred and Alexandria, and redistributed to the end consumer through a series of cables, lines and substations.

The directorate is responsible, and employs a service provider, namely, Manelec Services (Pty) Ltd, for:

- The construction and maintenance of the distribution network as well as providing new infrastructure to ensure a reliable and affordable supply of electricity to all;
- The effective management of revenue by ensuring all electricity supplied is billed for and reducing losses in order to cover operating and capital expenses;
- The provision of a reliable and acceptable level of public lighting to improve the safety and living standards of residents, including street and public lighting for Boknes, Cannon Rocks, Bushmans River, Marselle, Bathurst, Nemato, Alexandria, Ekuphumleni, Station Hill and Kleinemonde

2. The Municipality's Mandate

Ndlambe Municipality renders electrical services in the towns of Port Alfred and Alexandria. Eskom supplies electricity in bulk to both components. Port Alfred town has one 11-kilovolt-supply point and Alexandria has one 11-kilovolt-supply point.

Eskom supplies electricity to the rural areas outside Ndlambe, also Boknes, Cannon Rocks, Bushmans River, Marselle, Bathurst, Nemato, KwaNonqubela, Ekuphumleni, Station Hill and Kleinemonde.

3. Strategic objectives of the function

- a) To become a world-class electricity utility, striving for the social and economic development of the region.
- b) To meet customer and stakeholder expectations.
- c) To provide the service in an environmentally acceptable manner.

- d) To provide sustainable, affordable, reliable and safe electricity supply and public lighting
- e) To constantly provide timeous and efficient customer service.
- f) To see that electricity is available to all residents in the region.
- g) To establish a customer forum.
- h) To ensure that customers understand their “Rights and Responsibilities”.
- i) To make the client feel that he/she is the most important visitor to the premises of the Municipality and Manelec Services.

4. Key issues

- a) Financial capacity to maintain operating and maintenance services and provide new infrastructure.
- b) Ageing of tools, plant and equipment – responsibility of Manelec Services.
- c) Possible inclusion into the REDS.
- d) Affordability to replace obsolete vehicles and equipment – responsibility of Manelec Services
- e) Loss of income due to tampering with meters – responsibility of Manelec Services

5. Gaps in service delivery

The shortcomings experienced by the directorate, and which need to be addressed immediately and in the short term, can be summarized as follows:

- a) Replacing old cables, obsolete vehicles and equipment – responsibility of Manelec Services
- b) Loss of income due to tampering with meters – responsibility of Manelec Services

Detail	Total	
	Quantity	Cost
Total quantity and cost of bulk electricity purchases in kilowatt hours and rand, by category of consumer Breakdown not available.	49 991 554 MWH	R 7.550 million
Total quantity and receipts for bulk electricity sales in kilowatt hours and rand, by category of consumer <ul style="list-style-type: none"> • Residential • Commercial • Industrial 	387 250 MWH	R 12 358 million
Total year-to-date electricity losses in kilowatt hours and rand	3 990 MWH	R 780 550
Households with electricity access – number and cost per service <ul style="list-style-type: none"> • Electrified areas <ul style="list-style-type: none"> ○ Municipal ○ Eskom ○ Ndlambe Municipality 	3 967 MWH	N/A
Number and cost of new connections	54	R 16 906.50
Number and cost of disconnections and reconnections	887	R 108 530.00
Number of households receiving free basic service provision: <ul style="list-style-type: none"> • Quantity (number of households affected) • Quantum (value to each household) 	3 797	R 7 850 R 255.00
Number and total operating cost of streetlights servicing population	1 960	R 546 245
Total bulk kilowatt hours consumer for street lighting	61 400	R 21 490
Total operating cost of electricity distribution function:		
Salaries and Allowances		R 244 023
General Expenses		R 14 117 586
Repairs & Maintenance		R 17 853
Capital Expenses		R 13 925
Total		R 14 393 387

5.3.2 Water and Sanitation Services

Ndlambe Municipality is located within the Cacadu District Municipality and is home to some 80 000 people. Besides being the Water Services Authority for the area, Ndlambe Municipality is also the Water Services Provider for the six major settlements within its borders, with the exception of towns of Boesmansriviermond and Kenton on Sea where the Albany Coast Water Board provides bulk treated water. The communities where bulk water is provided are namely, Port Alfred, Seafield, Bathurst, Boknestrand/Cannon Rocks and Alexandria.

It is a well known fact that the reliability of the yields and the quality of the water from the respective water sources is in general inadequate. Furthermore the capacity of the bulk infrastructure is in general inadequate especially during peak holiday seasons when holiday makers flock to the coastal resort town and demand cannot be met. This results in many of the households in the area augmenting the Municipal supplies by rainwater harvesting.

Most of the supply areas cannot provide sufficient bulk water to meet daily and peak demands. The capacities of the other supply areas are fast reaching their limits. Water quality in the area is of a marginal to poor classification and needs to be addressed as a matter of urgency. Additional storage capacity for treatment water is also a priority.

To address this, recent developments within water supply have been auctioned, with planning and implementation underway. This includes the following projects:

- a) Albany Regional Water Scheme, to supply Ndlambe Municipality
- b) 5MI Reservoir for Boesmansriviermond/ Kenton-On-Sea consumer base.
- c) Improvements to the Alexandria Supply System
- d) Reverse Osmosis Plant in Cannon Rocks
- e) Improved pumps and telemetry for Boesmansriviermond/ Kenton-On-Sea consumer base.

Lack of sufficient bulk water as well as water of acceptable quality has definitely hampered investment and growth in the area and it is envisaged that the Albany Regional Water Scheme will alleviate this.

5.3.2.1 Bulk Water Supply

Ndlambe Municipality is located partly within the Fish River Catchments and partly within the Albany Coast Catchments of South Africa as defined in the Water Research Commission Report No 298 of 1944. The primary drainage

regions in the area are the Great Fish, the Kowie Kariega Boesmansriviermond Boknes and 2 Kleinemonde Rivers.

The main phenomena affecting the quality of the water in the region is the materialization / salination of the water in the main catchments due to the geology (marine origin) of the area.

There are six (6) local water supply schemes which service the main settlements within the area. Port Alfred, Seafield and Bathurst are all fed mainly from surface water schemes whilst Boesmansriviermond, Kenton on Sea and Alexandria are supplied from ground water schemes. Boesmansriviermond and Kenton on Sea augment their groundwater supplies with desalinated water through the Reverse Osmosis plant situated at Boesmansriviermond. The Boknestrand/Cannon Rocks Water System has 3 boreholes within the urban footprint of Cannon Rocks as the source. 2 of these boreholes are connected to a Reverse Osmosis Plant.

The planned Albany Regional Water Scheme will eliminate the need for these six (6) local water supply schemes which service the main settlements within the area.

5.3.2.2 Water Reticulation

5.3.2.2.1 BATHURST / NOLUKHANYO

Nolukhanyo, Freestone and a small section of Bathurst are supplied with water from the Golden Ridge Dam which is privately owned. The rest of Bathurst is dependant on privately owned boreholes and rainwater tanks. The water treatment works can only produce 430 kℓ/day with a current daily demand of approximately 1300 kℓ/day once the whole area is reticulated.

The planned Albany Regional Water Scheme will eliminate the need for this local water supply scheme and will provide a platform for economic growth and improved service delivery.

5.3.2.2.2 SEAFIELD / KLEINEMONDE

Raw water is obtained from the Wellington Dam as well as two boreholes. The water purification works is situated on the East Kleinemonde peninsula with a capacity to produce 360 kℓ/day. The December peak demand is currently 360 kℓ/day. The capacity of the purification works is significantly reduced if water from the Wellington Dam is turbid (muddy). This happens frequently after rain has fallen in the area.

The planned Albany Regional Water Scheme will eliminate the need for this local water supply scheme and will provide a platform for economic growth and improved service delivery.

5.3.2.2.3 PORT ALFRED / NEMATO

Raw water is pumped from the Kowie River to the Sarel Hayward Dam, a storage facility situated on the Bathurst Stream. From the dam it is pumped to a balancing dam situated on the commonage and from there, gravity fed to the purification works situated in Nemato. Raw water is also obtained from an aquifer on the East Beach but this source only produces approximately 0,3 Mℓ/day. Maintenance is costly for this scheme due to continually shifting sand dunes which cover the wells.

The current daily demand is 3,5 Mℓ/day with a December peak of over 5,0 Mℓ/day. The water purification works has been designed to produce 5,0 Mℓ/day and December demand does cause supply problems. The licence to extract water from the Kowie River is also limited to 5,0 Mℓ/day and the infrastructure from the Sarel Hayward Dam to Port Alfred is also limited to this quantity.

The Total Dissolved Solids of the water ranges from 1500 mg/ℓ to 2500 mg/ℓ depending on the water level in the dam. This puts the water in the Class II to Class III (marginal to poor) classification.

The planned Albany Regional Water Scheme will eliminate the need for this local water supply scheme and will provide a platform for economic growth and improved service delivery.

5.3.2.2.4 BOESMANSRIVIERMOND / KENTON ON SEA / MARSELLE / EKUPHUMLENI / HARMONY PARK

Raw water is obtained from the Diaz Cross well fields and blended with Reverse Osmosis water at the Albany Coast Water Board situated at Boesmansriviermond which is then pumped to storage reservoirs situated at Kenton on Sea.

The planned Albany Regional Water Scheme will eliminate the need for this local water supply scheme and will provide a platform for economic growth and improved service delivery.

5.3.2.2.5 BOKNESSTRAND / CANNON ROCKS

Water is obtained from three (3) boreholes to the west of Cannon Rocks and pumped via a pump station through a rising main to a Reverse Osmosis Plant. After Bulk Storage, the treated water is fed, via gravity, through the reticulation network to the two communities.

The planned Albany Regional Water Scheme will eliminate the need for this local water supply scheme and will provide a platform for economic growth and improved service delivery.

5.3.2.2.6 ALEXANDRIA, KWANONQUBELA AND WENTZEL PARK

Raw water is obtained from a series of coastal springs near Cape Padrone and from two (2) boreholes near Fishkraals. Both sources are located some 15 km South East of Alexandria on the coast line. Water is pumped to a balancing reservoir some 10 km from Alexandria and then pumped to the main storage reservoir in Alexandria.

The planned Albany Regional Water Scheme will eliminate the need for this local water supply scheme and will provide a platform for economic growth and improved service delivery.

5.3.2.3 Bulk Sewerage Disposal

As with the Water Services, the Sanitation Services are also determined by community system. Each system, or lack thereof, will be summarised below. This includes for Sewerage Reticulation, as disposal and reticulation systems are interlinked.

Unfortunately, the present scenario facing the municipality is a serious and challenging one. The natural terrain, coupled to the congregation of urban density along the local river banks as a result of the recreational attraction which the rivers provide, has resulted in sever ingress of leacheate from decades-old septic tanks and pit latrines into the subterrain and subsequently into the rivers themselves. This is a compromise which the local communities cannot afford. Serious consideration needs to be given to providing an improved status in disposal of sewerage.

5.3.2.3.1 BATHURST / NOLUKHANYO

The community of **Bathurst** and **Nolukhanyo** is being serviced by Septic Tanks and pit latrines. The construction of the new Waste Water Treatment Works and Bulk Sewer Reticulation which was funded by MIG will partially address the current situation.

5.3.2.3.2 SEAFIELD / KLEINEMONDE

There is no municipal sewer reticulation within the communities of **Seafield/Kleinemonde**. Households are either serviced by municipal vacuum tankers, which dispose of their loads at the Port Alfred Sewerage Works, or have septic tank systems.

5.3.2.3.3 PORT ALFRED / NEMATO

Approximately 30% of Port Alfred and 50% of Nemato is serviced by a waterborne sanitation system, the remainder of the erven being serviced by either soakaways or conservancy tanks. The Works consists of a series of 5 oxidation ponds with the treated effluent irrigated into the natural bush. It is envisaged that the oxidation ponds will be upgraded to accommodate additional volumes from the planned Thornhill Development.

5.3.2.3.4 BOESMANSRIVIERMOND / KENTON ON SEA / MARSELLE / EKUPHUMLENI / HARMONY PARK

There is no municipal sewer reticulation within the communities of **Boesmansriviermond** or **Kenton-On-Sea**. Households are either serviced by municipal vacuum tankers, which dispose of their loads at the Marselle Sewerage Works, or have septic tank systems.

Ekuphumleni is serviced by a Small Bore Water Borne Reticulation System. This is not ideal, but is a vast improvement to the minimum RDP Standard VIP. Blockages to the small bore system are a regular and frustrating occurrence, often due to ignorance and misuse. The community is prone to use inappropriate cleansing material and this creates an ideal environment for blockages to occur.

This system feeds into Aerator Tanks and a Chlorinator, sited north of Ekuphumleni, which has substantial unused capacity at present. This is due to the planned future inclusion of a system servicing Kenton-On-Sea into Works. Harmony Park and Marselle are also serviced by a Small Bore Water Borne Reticulation System. This is not ideal, but is a vast improvement to the minimum RDP Standard VIP. Blockages to the small bore system are a regular and frustrating occurrence, often due to ignorance and misuse. The community is prone to use inappropriate cleansing material and this creates an ideal environment for blockages to occur. The system feeds into the Marselle Works. These works consist of an aerator and 5 settling dams.

5.3.2.3.5 BOKNESTRAND / CANNON ROCKS

There is no municipal reticulation within these communities. Households are either serviced by municipal vacuum tankers, which dispose of their loads at the Marselle Sewerage Works, or have septic tank systems. The latter are being discouraged and disallowed for future developments in this area. This is due to the proximity of the water-source boreholes being located within the urban footprint. Only municipal-approved conservancy tanks will be considered until such time, if ever, a water-borne system is established.

5.3.2.3.6 ALEXANDRIA, KWANONQUBELA AND WENTZEL PARK

There is partial municipal sewer reticulation within the community of **Alexandria**. Those households not linked to reticulation are either serviced by municipal vacuum tankers, which dispose of their loads at the Alexandria Sewerage Works, or have septic tank systems.

The balance of the households in Alexandria, Kwanonqubela and Wentzel Park are linked to a small bore system which flows into a series of oxidation dams on the outskirts of the town. This siting of this plant is not satisfactory.

5.3.3 ROADS AND STORMWATER

The condition of the road network in Ndlambe is generally poor due to the non-existing stormwater control, lack of inadequate plant and financial resources and a general shortage of maintenance staff necessary to maintain in excess of 280km of surfaced and gravel roads. The table below indicates the extent of the road network in the various towns within Ndlambe.

Ndlambe received a grant from the DBSA and commissioned Consulting Engineers, Stewart Scot Inc. to prepare a Roads Management Programme. The report indicates an amount in excess of R 300m for capital investment in order to repair/reconstruct the existing surfaced road network and an amount of approximately R10m per annum for maintenance. With an annual capital budget of R 3.2m and a maintenance budget of R2.2m per annum the municipality is faced with a mammoth task of maintaining the road network.

AREA	SURFACED (m)	GRAVEL (m)
Port Alfred & Nemato	48623	46297
Alexandria, Wentzel Park & Kwanonqubela	18321	22704
Cannon Rocks	4620	7675
Boknesstrand	10177	3072
Boesmansriviermond, Marselle & Harmony Park	19176	13865
Kenton-On-Sea & Ekuphumleni	30935	4052
Bathurst & Nolukhanyo	9579	38835
Seafield	9333	1140
TOTAL	148764	137640

5.3.4 Building Control Services

The function renders Building Control services to the areas of Alexandria, Boknesstrand, Cannon Rocks, Boesmansriviermond, Kenton-On-Sea, Port Alfred, Nemato, Bathurst, Seafield as well as the rural areas within EC105

The following tables illustrate the value of building plans submitted for approval:

To 30 June	Value
2003	R 111 m
2004	R 196 m
2005	R 215 m
2006	R 216 m
2007	R 296 m

It is worthy to note that the above figures do not reflect the value of RDP houses erected. This is dealt with under the Housing section.

While every effort is made to ensure compliance with the relevant legislation, a lack of qualified personnel results in poor service delivery. Competent personnel need to be employed to ensure the department functions effectively.

5.3.5 Fleet Management

The Municipal fleet comprises of more than 100 vehicles ranging from heavy earth moving equipment to LDV's and small tractors. In addition there are over 50 items of small plant and equipment such as weed eaters, lawnmowers, pumps etc.

The Automotive Workshop Unit comprises of 1 Workshop Foreman, 2 Mechanics and 3 Workshop Assistants which is totally inadequate to be able to maintain the fleet in an acceptable condition with frequent breakdowns being the order of the day. The majority of the fleet is aging and down time often exceeds operating time.

The Municipality has implemented an electronic Fleet Management System which records vehicle speed, time worked, idle time, harsh braking, fuel consumption etc. in order to monitor operator usage.

5.3.6 REPORT ON MIG PROJECTS

1. Municipal Infrastructure Grant

The MIG is the municipal infrastructure funding arrangement that combines different capital grants for municipal infrastructure into a single consolidated grant, namely, the Consolidated Municipal Infrastructure Programme (CMIP), Water Services Projects, Community Based Infrastructure Programme (CBPWP), Local Economic Development Fund (LEDF), Urban Transport Fund and the Build for Sport and Recreation Programme (BSRP). The Municipal Infrastructure Grant is aimed at providing all South Africans with at least a basic level of service by the year 2013 through the provision of grant finance (MIG funds) aimed at covering the capital cost of basic infrastructure for the poor.

The MIG programme is also a key part of government's overall drive to alleviate poverty in the country and, therefore, infrastructure is to be provided in such a way that employment is maximized through labour intensive construction methods and opportunities are created for enterprises to flourish.

Since MIG is aimed at assisting the poor to gain access to Infrastructure, MIG funds can only be used for Infrastructure for basic levels of service, only for poor households would qualify for MIG support.

2. Projects for 2006/2007 Financial Year

An amount of R7 047 164,64 was allocated for Ndlambe Municipality by the Department of Provincial and Local Government. The funds were allocated to the following project by Council.

Year 2006/2007	Projects	
R7 047 164,64	1. Bathurst Waste Water Treatment Works and Bulk Sewer Reticulation Amount : R 6 694 814,64	Completed
	2. Project Management Unit (PMU) (5%) Amount : R 352 350.00	Completed

5.4 Finance

REPORT OF THE DIRECTOR: FINANCIAL MANAGEMENT

It is a privilege for me to present the Report on the finance directorate of the Ndlambe Municipality for the financial year ending 30 June 2007. Due to the fact that I took up the position of Director: Financial Management on 1 July 2007 I am not in the position to capture all issues that impacted on or influenced the finances of the Ndlambe Municipality for the period 1 July 2006 to 30 June 2007 but will attempt to address matters that I have become or been made aware of. The annual financial statements for the financial year ending 30 June 2007 were presented on the "fund accounting" basis under the IMFO standards and were prepared by Mr Roger Gates. The Auditor-General issued an adverse opinion on the financial statements of the Ndlambe Municipality for the financial year ending 30 June 2007 which is consistent with the opinion issued on the previous financial year's statements. Such an opinion is unacceptable and issues raised in the report of the Auditor-General must be taken seriously and be addressed as a matter of urgency.

The demands on the finances of the Ndlambe Municipality continue to be significant as backlogs in services, aging infrastructure, and maintenance remain a serious challenge. Emphasis has to be put on enhancing our revenue streams and collecting debt due to the Ndlambe Municipality by consumer and ratepayers that have the ability to pay.

A major challenge facing the administration of the Ndlambe Municipality is the implementation and compliance to regulations emanating from the Municipal Finance Management Act including but not limited to supply chain management issues, asset management and budget control.

Finance Directorate - Staff Component – 2006/2007

Director: Financial Management – Vacant from March 2007 – Budgeted Post

Assistant Director: Expenditure

Assistant Director: Income

Senior Accountant: Budget and Treasury Unit – Vacant – Budgeted Post

Supply Chain Unit Manager

Secretary – Vacant – unbudgeted post

Senior Accounts Clerk: Budget and Treasury Office – Does secretary work as well

Senior Accountant: Expenditure – Acts as paymaster as well

Senior Accounts Clerk: Expenditure – Creditors

Accounts Clerk: Expenditure – Creditors

Data Operator: Expenditure

Accounts Clerk: Supply Chain Unit

Storekeeper/Buyer

Assistant Storekeeper

Senior Accountant: Income

Accounts Clerk: Rates
Accounts Clerk: Indigent
3 x Accounts Clerks: Credit Control
2 x Data Operators: Income
3 x Accounts Clerks: Income Enquiries
6 x Cashiers – 1 Post Vacant – Budgeted Post
Senior Meter Reader
8 x Meter Readers

The staff component does not fall into an ideal structure and this has been addressed in the 2007/2008 financial year. It is also critical that the budgeted posts in finance must be filled at all time or segregation of duty becomes a problem and in turn increases the risk factor.

The job evaluation needs to be concluded as a matter of extreme urgency as it is not only impacting on staff moral, it is resulting in staff getting restless and looking for alternate employment. To attract competent staff on the current levels will be a challenge but staff retention is far more important.

Staff Training – 2006/2007

All finance staff underwent training on the Howard Cook Performance Management System but after the training nothing happened so the entire exercise will more than likely have to be repeated. This is due to the fact that new staff have joined the directorate.

Training needs to be prioritised during 2007/2008 as many staff lack general computer skills, understanding of the financial system ABAKUS and understanding of basic accounting principles. Once training has been conducted I am positive that the moral of the staff will improve dramatically as they will then be confident in their working environment.

Highlights for finance during 2006/2007

The only highlight I am aware of that can be reported on for the 2006/2007 financial year is the manner in which all finance staff pulled together under the leadership of Mr Buys to ensure that the directorate continued to operate in the absence of a Director and other key personnel.

Challenges faced by finance during 2006/2007

As mentioned, the directorate was without a Director for four months of the year and the budget and treasury office was not staffed. This led to huge challenges as the section not staffed is responsible for, amongst others, the preparation of the annual budget, the annual financial statements and budget control.

The exceptions raised in the management report from the Auditor-General for the financial year ending 30 June 2006 were not addressed and resulted in the same issues once again been raised as exceptions. The challenge that has to be faced during the 2007/2008 financial year is to analyse the general ledger and get rid of

all the unsubstantiated balances. Funds and reserves that are not cash backed also need to be written down.

Budget

The budget process for the 2007/2008 financial year did not follow the required time table during the 2006/2007 year. The result was that the only capital items budgeted for were those funded through grants and the operating budget was an incremental budget based on the previous year's history. No proper planning went into the operating budget which is a concern as this could result in unauthorised expenditure during the 2007/2008 financial year.

The tariff increase for the 2006/2007 financial year was not adequate to cover operating expenditure and this resulted in cross subsidisation from other internal funds. The revolving funds cash reserves were depleted and we now sit with a fund that is not cash backed. This is limiting capital development as all internal capital works are funded out of the revolving fund. Half yearly projections are showing that the tariff increase for the 2007/2008 financial year was also not adequate to fund the operating expenditure and this is again going to impact negatively on capital expenditure and maintenance. The ratepayers and consumers are going to have to brace themselves for an abnormally high tariff increase for the 2008/2009 financial year due to the shortfall recorded in the 2006/2007 financial year, the projected shortfall in the 2007/2008 financial year and the recent announcement that Eskom will be increasing their tariffs by 14% in 2008.

Budget Control

Directorates exercised very little control over their expenditure during the year and the result being that many votes were overspent and no adjustment budget was submitted to Council for approval. The overspending on votes was not reported to the Accounting Officer or the MEC for local government and is thus regarded as unauthorised, irregular, fruitless or wasteful expenditure.

Internal Control

During the year, the following policies, relating to finance, were approved by Council;

- Budget policy
- Fixed Asset Policy
- Banking and Investment Policy
- Anti-Fraud and Anti-Corruption Policy
- Internet, Intranet and E-Mail Policy
- Grants and Donations Policy

The Rates Policy and the Tariff Policy was referred to ward committees for consideration.

The by-laws of the Ndlambe Municipality were published on 13 October 2006 in Provincial Gazette No. 1610

It is all well and good to have all the policies and by-laws in place but the challenge is for all employees to comply with the policies and by-laws. Non-compliance is going to result in unnecessary audit queries and this must be avoided at all costs. All staff must be familiar with all the policies and by-laws of the Council and must ensure that they comply with all aspects.

During the 2007/2008 financial year, internal controls have to receive further attention.

Revenue

During the 2006/2007 financial year all ratepayers and consumers were billed monthly but the collection of overdue accounts stills remains a point of great concern. A further concern is the access to meters in homes that are locked and having to average meters for long periods.

The general valuation in terms of the Property Rates Act commenced during the 2006/2007 financial year and should be concluded in the first half of 2008. The draft rates policy was placed before Council in May 2007 and is due to be implemented with the new valuations on 1 July 2008.

Supply Chain Management Unit

The supply chain management unit was established during the 2006/2007 financial year and the post of Supply Chain Unit Manager was filled. There are still many challenges that have to be overcome to have the unit running as a fully fledged supply chain management unit but I am confident that most of the issues should be resolved by 30 June 2008.

One of the biggest challenges that needs to be overcome is to get all directorates to adhere to the Ndlambe Supply Chain Management Policy. This point has been highlighted in both the internal audit report and the report of the Auditor-General. The vendor data base has to be improved so that the emerging companies and local based businesses are registered. Once this is done the opportunities for the previously disadvantaged should increase dramatically.

Expenditure

Although hampered by cash flow from time to time the expenditure section has ensured that creditors are paid within 30 days of receipt of the invoice and all salaries have been paid on time. Special payment arrangements have been made for emerging contractors in order for them to maintain their cash flows.

Grants received 2006/2007

Equitable Share	18 451 000	(763 000 for councillor allowances)
MIG	7 265 000	(Infrastructure Grant)
NER	1 080 000	(Electricity Grant)
FMG	500 000	(Finance Grant)

A concerted effort needs to be made by all directorates to have grant allocations increased.

REPORT – SUPPLY CHAIN MANGEMENT UNIT – 2007

Establishment

The Supply Chain Management Policy was approved by Council, in terms of Sections 111 and 112 of the Municipal Finance Management Act, 2003, on 31 May 2006. The approval of this Policy was the culmination of a process which included workshops involving both Councillors and Senior Officials.

Notices issued by National Treasury in terms of Section 180(2) of the Municipal Finance Management Act stipulated that the commencement date for Ndlambe Municipality of Sections relating to the Supply Chain Management Policy and processes was 1 July 2006.

The Ndlambe Municipality Supply Chain Management Unit staff structure was populated by the Municipal Manager after meetings with relevant officials of the Financial Management and Corporate Services Department and was finalised as follows:

- Supply Chain Management Unit Head – Mr. Johan Doyle (Mr. Doyle, who was placed as Internal Auditor in 2000 and was working as such, accepted a transfer to this unit, with no changes to his conditions of service, due to the outsourcing of Ndlambe Municipality's Internal Audit function to Messrs. Pricewaterhousecoopers).
- Acquisition Officer - Vacant
- Storekeeper/Buyer – Mrs. Diane Rudman (No change to her position)
- Assistant Storekeeper – Mr. Gladwell Tisani (No change to his position)

It should be noted that both Storekeepers were previously in the Expenditure Section of the Financial Management Directorate and reported to the Assistant Director, Mrs. A. Scriven.

An office at the Stores complex in Pascoe Crescent was identified as being suitable as accommodation for the Supply Chain Management Unit Head and Acquisition Officer.

Operation

Notwithstanding the approved Unit structure above, in the absence of a Chief Financial Officer, the Storekeepers continued to work in accordance with the previous system and worked in the Expenditure Section under Mrs. Scriven. During his time as Supply Chain Management Unit Head, Mr. Doyle began the establishment of a Supplier Database (15 Suppliers registered by the time of his departure) and was involved with various processes relating to acquisition processes.

Mr. Doyle resigned and left the service of Ndlambe Municipality on 27 October 2006. Due to the timing of his departure, this position was not filled until Mr. Roger Gates, Assistant Director – Financial Control, accepted a transfer, with no change to his conditions of service, to the Unit with effect from 1 February 2007.

Ms. Andiswa Dyani was appointed Acquisition Officer as from 1 February 2007.

Mr. Doyle commissioned the writing of a Supplier Registration Database program by Messrs. EP Web (Port Elizabeth) before he left and all testing and checking was done by Ms. Dyani before the product was finally accepted in May 2007. The number of Suppliers on the database as at 30 June 2007 was therefore very small (+-50).

Ms. Dyani also arranged the establishment of the SCMU office in Pascoe Crescent and organised the acquisition of telephone lines, office furniture and carpeting and also arranged for the painting of the office. Due to a substantial delay in obtaining the telephone lines, Mr. Gates and Ms. Dyani could only relocate to the new premises in June 2007.

The physical size of the office as well as noise levels from the adjacent yard tend to make the smooth operation of the Unit rather difficult. The lack of document storage (archive) space and a comfortable working environment are also challenges which need to be addressed.

Although tendering procedures and many other provisions of the Supply Chain Management Policy were adhered to, many deviations, mostly relating to the Informal and Formal Written Quotation provisions, occurred on a regular basis. Management of the Unit was mostly restricted to providing guidance/advice, Supplier Database and Formal Tender (Committee System) matters.

The empowering and obtaining of commitment to the legal parameters of the Supply Chain Management process in terms of the Municipal Finance Management Act remains the biggest challenge facing both the Unit and Municipality as a whole. During the course of the 2007 audit, many issues were identified and the standard of operation of the Unit as well as the general lack of commitment of some role players was unsatisfactory.

It is suggested that a think tank be convened at the highest level to address systems, procedures, accountabilities, education and empowerment issues relating to Supply Chain matters. It is vital that the Municipality complies with all relevant provisions of the Municipal Finance Management Act.

R. M. GATES
Head: Supply Chain Management Unit