



Mnquma Local Municipality

Annual Report  
For the Year Ended  
30 June 2007

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## **Executive Mayor's Foreword**



A year of various activities has passed and gone and its time now for us to account to the people's of Mngquma. The central task here was and still is to deliver quality services to benefit our people and change their lives for the better. It is time now to make a synopsis of what we have done and not done and come up with innovative ways to improve on our performance as an institution. The annual report therefore seeks to assist us to report to the people who voted us to the Municipality to pursue their mandate.

The annual report is the public document and will be able to allow people to evaluate our performance. Our mandate therefore is and has been the will to uphold the principles of democracy and equity create an enabling environment that facilitates the empowerment and development of the communities economically, socially and legislatively to ensure sustainable and affordable services. We now are taking stock of the successes and shortfalls made during this financial year to inform our planning processes into the future.

There have been political challenges during the beginning of the financial year and we stabilized towards the second quarter. We were also faced with problems of staff that went on illegal strike thereby compromising service delivery. We started the financial year having to accelerate the transformation process so that we have a credible institution that has systems, processes and procedures. Above all we had to ensure that we build an institutional culture that responds directly to the needs and aspirations of our people.

The processes towards the development of our five year IDP have been challenging and exciting but through our efforts we were able to produce it. We have been faced with a challenge of compliance with some legislative requirements due to capacity and systems problems. The production of the annual report and the financial statements are some of the compliance issues that are critical to the accountability and transparency of the municipality, compliance with the Municipal Finance Management Act has also been one of our huge challenges but we managed through.

The Audit Committee has since been resuscitated such that Council adopted the three year audit plan. The directorates also have been able to develop and implement numerous policies so that we have a regulated municipal environment. Extensive training has been undertaken to ensure that the councilors and staff are equipped with the necessary skills. We also have held numerous public campaigns to ensure that communities are consulted in various policy decision making processes.

I considerably present the annual report as the documented substantiation of the execution of the promises made to the people of Mngquma and many heartfelt thanks to those who made it possible, both politically and administratively.

Earnestly,

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**Cllr WM Duna**  
**Executive Mayor**

## Municipal Manager's Foreword

During the year under review it has been an interesting period as we engaged on a vigorous drive of revenue collection to turn the institution around. Billing systems audit took place and also the data cleansing exercise was done to improve revenue collection. There has been an engagement of more debt collectors who have assisted us tremendously in a quest to ensure that customers pay for municipal services and this was part of implementing the credit control policy. The appointment of the Chief Financial Officer on the 1<sup>st</sup> February 2007 gave impetus to all these processes. Additional interns at Budget and Treasury and the decision to employ a Chief Accountant speaks to our commitment of building the requisite capacity in Budget and Treasury to bring about a financially viable municipality. The re-training of staff in the sebate system and procedure manuals also recognizes the importance of sharpening the current staff compliment to respond to the above mentioned goals. Upgrading the financial system contributed into better categorization of debts, including printing of financial reports such as age analysis. Development of the indigent register would further assist the municipality with a clear data of consumers who can actually afford to pay for municipal services. The community outreach programmes led by the Executive Mayor, with an aim of sensitizing and encouraging communities to pay for municipal services has produced positive results.



The IDP processes were duly followed, hence it was adopted on time, the scorecards and the service delivery and budget implementation plan as part of the performance management system processes were all completed. Our communities were consulted as part of public participation processes and the IDP was sent to all the relevant stakeholders as per legislation for comment and the final document also circulated.

The resuscitation of the Audit Committee together with refocusing the internal audit in conducting special audits assisted a lot in regulating the internal environment. The Audit Committee approved a risk assessment and a three year audit plan as part of ensuring that we have an effective system of internal control and adequate risk management practices.

There also has been the review of the policies, procedures in the form of credit control, by-laws, customer care, finance policies and many human resources policies. This review process was informed by the developments in legislation and change in best practices. Our councilors and staff have gone through a comprehensive training program, that is, supply chain management processes, project management, team building workshop, performance management system processes and computer training.

The commitment by our new Councilors to good governance has been a source of strength to management demonstrated through adoption of policies, by-laws and operational procedures. Zeal and diligence with which management worked tirelessly to rekindle high morale by staff and improve performance of their directorates. Positive response by the community has been most encouraging and serving to motivate the administration

The acknowledgement by Provincial Treasury that the municipality submitted a budget complying to circular 28 standards and the completion of the annual financial statements and their submission on time served to prove that a lot of change has infact taken place during the year under review. The success of the municipality is dependant on a good understanding and practice by councilors, staff and the community members at large of the principle of continuous improvement and constant learning thus building the requisite capacity for sustainable development and a better life for all.

Indeed this annual report presents all the activities that the municipality has engaged itself upon for the period 2006/07 and seeks to account to the communities that we serve.

Yours faithfully,

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**N Pakade**  
**Municipal Manager**

## **Overview of the Municipality**

The Mquma Local Municipality is one of the eight municipalities under the Amathole District Municipality and the second largest in the district. It is an incorporation of the former towns of Butterworth, Centane and Ngqamakhwe and the rural areas of these towns.

### ***Socio-Economic Profile of the Municipality***

The population of Mquma Local Municipality is estimated to be made up of ± 300 000 people and ± 67 770 households. It is to be noted however, that the statistics have not been updated since Census 2001. 10 % of the population is children between the ages of 0 and 04 years, 30 % is ages between 05 and 14, 31 % is ages between 15 and 34, 22 % is ages between 35 and 64 and 7 % are people over the age of 65.

There has been a steady decline in the local economy of Mquma due to Butterworth, which is the hub of Mquma having lost investors in the past years due to removal of incentives. The factories closed leaving a huge number of people unemployed. The rate of unemployment in Mquma is estimated at 74 % on average. This translates to a poverty-stricken municipality with an estimated 66 %, 87 % and 86 % of levels of poverty for Butterworth, Ngqamakhwe and Centane respectively.

Education levels are very low with a significant lack of skills in the area. The high levels of HIV and AIDS are impacting negatively on the social and economic conditions of the Municipal area.

### ***Infrastructure Overview of the Municipality***

Approximately 134 km of road network in Mquma is tarred, whilst 1434 km is gravel. About 814 km is the responsibility of the Provincial and National Departments of Transport. Only one road (N2) is the responsibility of the National Department of Transport under South African Roads Agency Limited (SANRAL). The Department of Roads and Transport which is responsible for the provincial roads is trying to respond to the serious challenges of poor roads in the Area through the Area Wide Road Maintenance Contract (AWRMC) however the huge backlogs that exists makes their contribution not to be significant. There is generally poor maintenance of the road and infrastructure throughout the municipality and this a result of not having a dedicated budget for maintenance. The funding from MIG is only for capital projects and not for maintenance. The critical challenge in addressing this is lack of skilled personnel and funding for the purchase of new machinery.-

### ***Water and Sanitation Services***

This function is performed by Amathole District Municipality and Mquma Local Municipality has transferred all the employees who performed this function to them. The Council only facilitates provision of water in liaison with the Amathole District Municipality. There are still challenges with regard to the provision of the service to our communities, especially with regard to attending of the old infrastructure in the Butterworth township areas and as a result breakages are the order of the day. There has been an upgrade of the water and sanitation infrastructure in Centane and Ngqamakhwe and Siyanda informal settlement in Butterworth.

### ***Electricity***

There are still areas in Mquma that have no access to electricity. The function is performed by Eskom and there is a plan that has been developed to deal with the backlogs, especially in Centane and Ngqamakhwe. Eskom has raised concerned though with Department of Minerals and Energy around more funding so as to be able to meet the national target of electrification all the households by 2012. The Mquma Municipality is responsible for the maintenance of street lights and robots as well as high mast lighting. Due to lack of funding the municipality has not been able to cover the entire Mquma area in terms of installation and maintenance of the infrastructure during this financial year; however robots have been maintained in Butterworth and in some areas installation of high mast lights has been carried out. Serious challenge around coping with

electrical problem by the Municipality is the reinforcement of this section as there is only one personnel and that person is semi-skilled.

## **Executive Summary**

### ***Vision***

Mnquma Local Municipality will uphold the principles of democracy and equity, create an enabling environment that facilitates the empowerment and development of the community economically, socially and legislatively to ensure sustainable and affordable services.

### ***Mission***

In pursuit of the vision, we will:

- Create a democratic, responsive, effective, efficient and self-sustaining municipality able to deliver affordable quality services;
- Generate revenue and stimulate economic growth through investing in human capital;
- Ensure the optimal use of resources in a manner that will ensure active community participation and cooperative governance resulting in sustainable growth and development of our municipality.

### ***Values***

**(1) Accountability**

We will account to the community, stakeholders, provincial and national government for the performance of the municipality to ensure sustainable quality service delivery and financial management

**(2) Transparency**

The municipality will strive to be open and honest to the community and stakeholders about every aspect of its work.

**(3) Participatory Governance**

We will encourage and create conditions for local community and stakeholders to participate and be involved in the affairs of the municipality.

**(4) Governance Education**

We will strive to educate and empower our communities about the issues of governance to enable them to contribute positively to its development

**(5) Social responsibility**

We will encourage the local community and all stakeholders within the local municipality to act responsible with regard to control of the HIV and AIDS pandemic

### ***Partnerships***

Strategic partnerships have been entered into with private and public entities to ensure that the municipality is able to deliver on its mandate. The public entities referred to above include Eastern Cape Development Corporation, Amathole Economic Development Agency, Eastern Cape Tourism Board and Eastern Cape Parks Board and the private partners include Wiphold, Hluma Development Agency and Development Bank of Southern Africa which are at different stages of formation. Partnerships also exist with the institutions of higher learning locally, King Hintsa FET College and Walter Sisulu University. The municipality has signed a Memorandum of Agreement with Walter Sisulu University regarding areas of cooperation.

### ***The Audit Function***

There are still challenges with regard to the audit function of the municipality in terms of capacity. There is only one staff member dealing with the audit function and this is a risk to the municipality. An Audit Committee was established in 2004/5 financial year but due to instability politically and administrative in subsequent years the committee could not function. In the financial year under review the audit committee started functioning and meetings with the leadership and management of the municipality took place to set the tone for the functioning of the committee.

A three-year audit plan has been developed and adopted by Council. The municipality has rolled out the implementation thereof. Assistance from the Department of Housing, Local Government and Traditional Affairs in the form of human resources has been received.

### **Chapter Three:** **Human Resources and Organisational Management**

The institutional structure of Mnquma Local Municipality is divided into Political and Administrative arms, with the latter accountable to the Political structure.

#### **The Administrative Structure**

The principal-ship of the administrative structure as per Section 55 of the Local Government Municipal Systems Act lies with the Municipal Manager. He administers the municipality with managers/directorates reporting directly to him as per Section 57 of Act 32 of 2000.

#### **The Structure of Mnquma Local Municipality is as Follows:**

***Below is the summarized structure of the institution.***

##### **Functions:**

- ◇ The Management of the Municipality
- ◇ Rendering of Administrative Services
- ◇ Rendering of Financial Services to the Municipality
- ◇ Rendering of Human Resources Services to the Municipality
- ◇ Rendering of Technical Services
- ◇ Rendering of Community Services
- ◇ Planning and Development Services

***The above stated functions led to the establishment of the following departments:***

- ◇ Municipal Manager's Office
- ◇ Administration
- ◇ Budget & Treasury Office
- ◇ Human Resources
- ◇ Technical Services
- ◇ Community Services
- ◇ Planning & Development

*The table below is of a breakdown of posts per department*

<b>Department</b>	<b>No of Posts per Division</b>	<b>Total</b>
Office of the Executive Mayor	Secretary=1	1
Office of the Speaker	Secretary=1	1
Municipal Manager's Office	Municipal Manager=1 Secretary=1 Internal Auditor=1 Legal Advisor=1	4
Human Resources	Director=1 Secretary=1 Division: Personnel Management=3 Division: Human Resource Development=2	7
Administration	Director=1 Secretary=1 Division: Committee Support=4 Division: Office Service=24 Division : Registry & Archives=2 Division: Library Services=4 Division: IT =1	37
Finance	Director=1 Secretary=1 Division: Income& Revenue=16 Division: Planning & Budgeting=3 Division: Expenditure=4	25
Engineering	Director=1 Secretary=1 Division: Water& Sewage=68 Division: Public Works/Roads& Building=69 Division: Mechanical workshop=9	148
Community Services	Director=1 Secretary=1 Division: Environmental Services=0 Division: Primary Health=22 Division: Cleansing=104 Division: Protection and Law Enforcement Services=76	204
Planning &Development	Director=1 Secretary=1 Division: Land &Administration=1 Division: LED=1 Division: Housing=1 Division: Communication& Marketing =1 Division: SPU=1 Agric Officer=1	9
<b>Grand Total</b>		<b>436</b>

(i) **Populating the Organogram:**

The municipality enhanced its capacity in order to deliver to its services thereby recruiting the required staff during the year.

*The following is a table of posts filled per Department and Section:*

<b>Department</b>	<b>No of Personnel</b>	<b>Total</b>
Municipal Manager's office	1	1
<b>Finance</b>	5	5
<b>Administration</b>		
Supply Chain Management	2	2
<b>Engineering</b>		17
Public Works	15	
Building	2	
<b>Community Services:</b>		7
Disaster Management	6	
Strategic Planning & Development	1	1
<b>Grand Total</b>		<b>33</b>

(ii) **Job Description:**

This was intended to ensure that each and every employee function in accordance to job specifications which would help the institution assess its performance. This would also refocus the employees to the actual work they are supposed to perform. This project commenced by training Job Description Writers who were tasked to craft job descriptions for the entire staff. It commenced well and has since been finalized, the municipality is awaiting for the confirmation of Job Description and Post levels by the Moderations Committee.

## **Human Resources Development and Occupational Health and Safety**

(1) **Occupational Health and Safety Section**

Due to shortage of staff this section is being managed by the Office of Skills development. Once funds permit the institution has made an undertaking to populate it given its importance. This section performs the following functions:

- To implement the requirements of the Occupational Health and Safety and the Compensation for Injuries and Diseases Acts
- To develop and review all occupational and safety measures
- Ensures that health and safety committee continuously advises management on hazardous areas

A Health and Safety Committee has been established and is functioning well.

## **(2) Employee Assistance Programme**

The municipality recognized the importance of providing professional advice to employees in respect to their health and well-being and has consequently embarked on several programmes.

- This programme is aimed at assisting employees in improving their work performance
- It is also aimed at ascertaining whether employee's problems which may be caused by working conditions are rectified
- To improve employer care and employee loyalty to the employer

Several programmes aimed to achieve the above stated objectives have taken place and have had positive results.

## **(3) Organizational Capacity Building**

A focused and concerted effort has been made by the Municipality to seek to ensure that sufficient skills to fulfill the responsibility was developed and enhanced. The Municipality developed a Training Programme that was informed by its training needs gathered and compressed into a Workplace Skills Plan. This plan was subsequently submitted to Local Government Sector Education and Training Authorities (LGSETA).

Some other training were expected to be conducted by other service providers like South African Local Government Association (SALGA) and Amathole District Municipality (ADM), the municipality made a provision for training in its budget.

## **(4) Experiential Training Programme**

<b>Department &amp; Section</b>	<b>No of students</b>	<b>Total</b>
1. Administration		
2. Budget & Treasury: Expenditure	1	1
3. Community Services: Director's office	1	1
4. Human Resources:		
◇ Personnel Administration	2	4
◇ Human Resource development	2	
5. Technical Services: Director's Office	2	2
<b>Grand Total</b>		<b>8</b>

## **(5) Learnerships Programme**

In an attempt to enhance the capacity of employees the municipality in collaboration with the Amathole District Municipality (ADM) has registered learners to Learnerships programmes. During this financial year the municipality has organized the following Learnerships, viz

- Local Economic Development (LED) Learnership
- Waterworks learnership
- Municipal Finance and Administration Learnership

## **(6) ABET Programme**

One of the objectives of the Integrated Development Plan was to ensure that the human resource development that occurs within the municipal area is as well linked to the economic opportunities and social challenges of the area. To seek to realize this strategic objective the municipality has embarked on a focused programme of building employee capacity.

Concerted efforts at all levels to empower and uplift the performance standard of our employees thus we had enrolled employees as learners at Abet. 20 learners had enrolled during this year and continued to attend to learning session.

**(7) Financial Information On Medical Aid And Pension Funds Pension & Retirement Funds:**

MONTH	CAPE JOINT PENSION FUND	CAPE JOINT RETIREMENT FUND	NFMW	SAMWU PROVIDENT FUND
JULY		13292.39	231656.1	181445.2
AUG	103293.1	14089.9	242831.7	192250.5
SEPT	109490.7	14089.9	241982	192250.4
OCT	109490.7	14089.9	241982	192250.9
NOV	109490.7	11679.32	245891.7	192250.4
DEC	109490.7	11679.32	252045	195328.4
JAN	105629.1	12146.25	263340.7	201044.3
FEB	109383.7	15611.24	262474	201384.2
MARCH	109383.7	15611.24	262474	201384.2
APRIL	106985	15611.24	260329.7	201384.2
MAY	96752.82	15611.24	260329.7	200517.5
JUNE	97279.75	15611.24	261937	198394.4
<b>TOTAL</b>	<b>1263950</b>	<b>169123.2</b>	<b>3027274</b>	<b>2349885</b>

**(8) Medical Aid Payments**

Month	Bonitas	Munimed	Samwumed	LA Health
July	32271.29	36575	13412	31926.29
August	52662	36575	17595	30709.29
September	52532.2	36575	11595	27715.2
October	60129	32373	10458	26218.2
November	76078.8	80212.4	9748.8	26218.2
December	79250.4	74490	9748.8	22302.6
January	80265	69118	9748	20210
February	94173	69946	25021.2	20210
March	91375	78434.1	21582	20161
April	91798	70908.4	21582	19184
May	91342	67873.4	35686	19184
June	91342	53869	35759	18207
<b>Total</b>	<b>893218.7</b>	<b>633204.2</b>	<b>221935.8</b>	<b>235045.8</b>
<b>Grand Total</b>				

**ADDITIONAL INFORMATION**

- The post of a Municipal Manager which became vacant subsequent to his suspension as from July 2005 till April 2006 has been filled.
- The post of Director Human Resources that became vacant as at end of September 2005 till May 2006 was refilled.
- The post of Director Finance (CFO) which was vacant as at April 2006 has been filled
- An Acting allowance has been paid as from April 2006
- The post of Director Strategic Planning and development became vacant and the Acting Director is in place.

**Financial Statements for the Mnquma Local Municipality for the Year Ended 30 June 2007**

**Contact information:**

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N. Pakade

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Name of relevant Auditor:

The Office of the Auditor General - Mthatha

Contact telephone number:

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I am responsible for the preparation of these annual financial statements, which are set out on pages 2 to 41, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors (how about loans made to Councillors, if any, and payments made to Councillors for loss of office, if any) as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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N Pakade  
Municipal Manager

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Date

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Signature

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**MNQUMA LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2007**

	Note	2007 R	2006 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>		<b>89,248,994</b>	<b>75,318,953</b>
Government grant reserve		5,101,066	5,101,066
Capitalisation reserve		78,832,823	78,832,823
Donations and public contribution reserves		-	-
Accumulated Surplus/(Deficit)		5,315,105	(8,614,936)
<b>Non-current liabilities</b>		<b>-</b>	<b>-</b>
Long-term liabilities	1	-	-
Non-current provisions	2	-	-
<b>Current liabilities</b>		<b>70,677,376</b>	<b>81,135,899</b>
Consumer deposits	3	2,125,912	2,125,912
Provisions	4	10,229,119	4,176,173
Creditors	5	31,950,745	25,145,369
Unspent conditional grants and receipts	6	12,063,217	46,368,660
VAT	7	2,631,409	-
Bank overdraft	15	11,676,973	3,316,261
Current portion of long-term liabilities	1	-	3,524
<b>Total Net Assets and Liabilities</b>		<b>159,926,370</b>	<b>156,454,852</b>
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>88,925,166</b>	<b>78,836,348</b>
Property, plant and equipment	8	88,925,166	78,836,348
Investments	9	-	-
Long-term receivables	10	-	-
<b>Current assets</b>		<b>71,001,204</b>	<b>77,618,504</b>
Inventory	11	1,804,962	515,768
Consumer debtors	12	44,902,117	44,655,380
Other debtors	13	11,460,973	8,926,939
Current portion of long-term debtors	10	-	-
Call investment deposits	14	12,832,077	4,639,417
Bank balances and cash	15	1,076	18,881,000
<b>Total Assets</b>		<b>159,926,370</b>	<b>156,454,852</b>

**MNQUMA LOCAL MUNICIPALITY  
STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30th JUNE 2007**

	<b>Note</b>	<b>2007</b>	<b>2006</b>
		<b>R</b>	<b>R</b>
<b>REVENUE</b>			
Property rates	16	37,143,175	6,273,279
Property rates - penalties imposed and collection charges		-	-
Service charges	17	3,572,221	4,659,686
Rental of facilities and equipment		-	-
Interest earned - external investments		494,213	190,997
Interest earned - outstanding debtors		2,987,173	-
Fines		255,158	52,453
Licences and permits		1,028,916	1,313,539
Government grants and subsidies	18	53,342,115	47,582,175
Other income	19	3,311,754	13,605,092
Public contributions and donations		-	-
Gains on disposal of property, plant and equipment		-	-
<b>Total Revenue</b>		<b>102,134,725</b>	<b>73,677,221</b>
<b>EXPENDITURE</b>			
Employee related costs	20	58,944,400	50,981,054
Remuneration of Councillors	21	-	-
Bad debts		-	5,089,968
Collection costs		-	-
Depreciation		-	-
Repairs and maintenance		42,297	42,851
Interest paid	22	75,070	573,155
Bulk purchases	23	-	-
Contracted services			

	<b>Note</b>	<b>2007</b>	<b>2006</b>
		<b>R</b>	<b>R</b>
		-	-
Grants and subsidies paid	24	1,344,823	78,379
General expenses	25	27,798,094	24,253,861
Loss on disposal of property, plant and equipment		-	-
<b>Total Expenditure</b>		<b>88,204,683</b>	<b>81,019,268</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>13,930,042</b>	<b>(7,342,047)</b>
<b>Refer to Appendix E(1) for the comparison with the approved budget</b>			

**MNQUMA LOCAL MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007**

	<b>Pre-GAMAP Old Reserves And Funds</b>	<b>Government Grant Reserve</b>	<b>Capitalisation Reserve</b>	<b>Donations and Public Contribution Reserve</b>	<b>Accumulated Surplus/ (Deficit)</b>	<b>Total</b>
	R	R	R	R	R	R
<b>2006</b>						
Balance at 1 July 2005	-	40,278,457	-	-	(2,661,268)	37,617,189
Implementation of GAMAP (Note 26)		(35,177,391)	78,832,823			43,655,432
Restated balance	-	5,101,066	78,832,823	-	(2,661,268)	81,272,621
Surplus/(deficit) for the year					(5,953,668)	(5,953,668)
Capital grants used to purchase PPE						-
Donated/contributed PPE						-
Offsetting of depreciation						-
<b>Balance at 30 June 2006</b>	<b>-</b>	<b>5,101,066</b>	<b>78,832,823</b>	<b>-</b>	<b>(8,614,936)</b>	<b>75,318,953</b>
<b>2007</b>						
Correction of error (Note 27)						-
<b>Restated balance</b>	<b>-</b>	<b>5,101,066</b>	<b>78,832,823</b>	<b>-</b>	<b>(8,614,936)</b>	<b>75,318,953</b>
Surplus/(deficit) for the year					13,930,041	13,930,041
Capital grants used to purchase PPE						-
Donated/contributed PPE						-
Asset disposals						-
Offsetting of depreciation						-
<b>Balance at 30 June 2007</b>	<b>-</b>	<b>5,101,066</b>	<b>78,832,823</b>	<b>-</b>	<b>5,315,105</b>	<b>89,248,994</b>

**MNQUMA LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007**

	Note	2007 R	2006 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other		104,915,496	94,900,863
Cash paid to suppliers and employees		(79,984,831)	(58,410,922)
Cash generated from/(utilised in) operations	28	24,930,665	36,489,941
Interest received		494,213	190,997
Interest paid		(75,070)	(573,155)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>25,349,809</b>	<b>36,107,783</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(10,088,818)	(22,699,238)
Proceeds on disposal of property, plant and equipment		-	-
Decrease in non-current receivables		-	-
Increase in non-current investments		-	-
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(10,088,818)</b>	<b>(22,699,238)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase/(decrease) in funds and reserves		(34,308,967)	8,687,510
Increase in consumer deposits		-	27,084
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>(34,308,967)</b>	<b>8,714,594</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(19,047,976)</b>	<b>22,123,139</b>
Cash and cash equivalents at the beginning of the year		<b>20,204,156</b>	<b>(1,918,983)</b>

		<b>Note</b>	<b>2007</b>	<b>2006</b>
			<b>R</b>	<b>R</b>
Cash and cash equivalents at the end of the year	29		<b>1,156,180</b>	<b>20,204,156</b>

## **Accounting Policies To The Annual Financial Statements for the Year Ended 30 June 2007**

### **1. BASIS OF PRESENTATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except for the revaluation of land and buildings, which are carried at fair value.

#### ***[First – time Implementation of GAMAP/GRAP]***

In accordance with section 122(3) of the Municipal Finance Management Act (Act No. 56 of 2003), the Municipality has adopted Standards of GAMAP and GRAP issued by the Accounting Standards Board during the financial year, GAMAP and GRAP standards are fundamentally different to the fund accounting policies adopted in previous financial years. Comparative amounts have been restated retrospectively to the extent possible. The effect of the change in accounting policy arising from the implementation of GAMAP and GRAP is set out in Note 26.

The Municipality may have transactions, events or balances that are outside the ambit of GAMAP and GRAP but which are included in Standards of International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants – Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board or Generally Accepted Accounting Practice issued by the South African Accounting Practices Board and the South African Institute of Chartered Accountants. The Municipality has not complied with the measurement, recognition and disclosure requirements of those accounting standards.

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

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

### **2. PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand.

### **3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

### **4. RESERVES**

#### ***4.1 Government Grant Reserve***

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

## **4.2 Capitalisation Reserve**

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

## **4.3 Donations and Public Contributions Reserve**

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

## **5. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment, is stated at cost, less accumulated depreciation, except land and buildings, which are revalued as indicated below. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

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

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

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

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

	<u>Years</u>	<u>Other</u>	<u>Years</u>
<b>Infrastructure</b>			
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
		Watercraft	15
		Bins and containers	5
<b>Community</b>			
Specialised plant and equipment	10-15	Other items of plant and equipment	2-5
Buildings	30	Landfill sites	15
Recreational Facilities	20-30		
Security	5		

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

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

## 6. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the first-in, first-out method.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

## 7. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

## 8. TRADE CREDITORS

Trade creditors are stated at their nominal value.

## 9. REVENUE RECOGNITION

### 9.1 Revenue from Exchange Transactions

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

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

Interest and rentals are recognised on a time proportion basis.

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

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised

## *9.2 Revenue from non-exchange transactions*

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

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

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

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

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

## **10. CONDITIONAL GRANTS AND RECEIPTS**

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

## **11. PROVISIONS**

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

## **12. CASH AND CASH EQUIVALENTS**

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

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

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

## **13. RETIREMENT BENEFITS**

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

## **14. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **15. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **16. FRUITLESS AND WASTEFUL EXPENDITURE**

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

## **17. COMPARATIVE INFORMATION**

### *17.1 Current year comparatives:*

Budgeted amounts have been included in the annual financial statements for the current financial year only.

### *17.2 Prior year comparatives:*

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

**MNQUMA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	2007 R	2006 R
<b>1. LONG-TERM LIABILITIES</b>		
Local Registered Stock Loans	0	0
Annuity Loans	0	0
Government Loans : Other	0	0
Sub-total	<u>0</u>	<u>0</u>
Less : Current portion transferred to current liabilities	0	0
Local Registered Stock Loans	0	0
Annuity Loans	0	0
Government Loans : Other	0	0
	<u>0</u>	<u>0</u>
<b>Total External Loans</b>	<u><b>0</b></u>	<u><b>0</b></u>

Refer to Appendix A for more detail on long-term liabilities.

**2. NON-CURRENT PROVISIONS**

Provision for long-service	0	0
<b>Total Non-Current Provisions</b>	<u><b>0</b></u>	<u><b>0</b></u>

The long-service award is payable after every 5 years of continuous service. The provision is an estimate of the long-service based on historical staff turnover

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

Balance at beginning of year	0	0
Contributions to provision	0	0
Expenditure incurred	0	0
Increase in provision due to discounting	0	0
Transfer to current provisions	0	0
<b>Balance at end of year</b>	<u><b>0</b></u>	<u><b>0</b></u>

**3. CONSUMER DEPOSITS**

Electricity and Water	2 125 912	2 125 912
Interest paid	0	0
<b>Total Consumer Deposits</b>	<u><b>2 125 912</b></u>	<u><b>2 125 912</b></u>

Included in deposits is an accrual of interest at an effective interest rate of .... per annum (2006: ....) which is paid to

consumers when deposits are refunded.

**Guarantees held in lieu of Electricity and Water Deposits**

	2007 R	2006 R
	<u>2 125 912</u>	<u>2 125 912</u>

**4. PROVISIONS**

Performance bonus  
Current portion of long-service provision (see note 2 above)

Performance bonus	138 510	103 678
Current portion of long-service provision (see note 2 above)	55 000	65 000
<b>Total Provisions</b>	<u><b>193 510</b></u>	<u><b>168 678</b></u>

Performance bonuses are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date and no present obligation exists. The balance of the performance bonus provisions relate to amounts not yet paid to certain employees due to disputes over the assessment process. Also see note 35.

The movement in current provisions are reconciled as follows: -

**30 June 2007**

	<u><b>Performance Bonus</b></u>	<u><b>Current portion Long- service</b></u>
Balance at beginning of year	103 678	65 000
Transfer from non-current	-	55 000
Contributions to provision	306 120	-
Expenditure incurred	( 271 288)	( 65 000)
<b>Balance at end of year</b>	<u><b>138 510</b></u>	<u><b>55 000</b></u>

**30 June 2006**

Balance at beginning of year	264 636	8 254
Transfer from non-current	-	65 000
Contributions to provision	63 109	-
Expenditure incurred	(224 067)	(8 254)
<b>Balance at end of year</b>	<u><b>103 678</b></u>	<u><b>65 000</b></u>

**5. CREDITORS**

Trade creditors	15 883 771	12 879 031
Payments received in advance	160 617	106 617
Retentions	86 105	71 231
Staff leave	885 217	798 319
Other creditors	<u>80 754</u>	<u>83 769</u>

2007 R	2006 R
<b>17 096 464</b>	<b>13 938 967</b>

## 6. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

### 6.1 Conditional Grants from other spheres of Government

MIG Grants  
Provincial LED Projects

263 291	156 032
234 860	-
28 431	156 032

### 6.2 Other Conditional Receipts

Developers Contributions – Electricity  
Public contributions

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### Total Conditional Grants and Receipts

See Note 18 for reconciliation of grants from other spheres of government.  
These amounts are invested in a ring-fenced investment until utilized.

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## 7. VAT

VAT payable

<b>2 631 409</b>	<b>-</b>
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VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

## 8. PROPERTY, PLANT AND EQUIPMENT 30 June 2007

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Heritage	Other	Total
	R	R	R	R	R	R
<b>Carrying values at 1 July 2006</b>						
Cost	12 340 152	38 724 463	810 591	0	26 961 142	78 836 348
Correction of error ( note 27)	0	0	0	0	0	0
Accumulated depreciation	0	0	0	0	0	0
Acquisitions	204 831	8 996 088	0	0	887 899	10 088 818
Capital under Construction	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0
Carrying value of disposals	0	0	0	0	0	0
Cost	0	0	0	0	0	0
Accumulated depreciation	0	0	0	0	0	0
Impairment losses	0	0	0	0	0	0
Other movements	0	0	0	0	0	0
<b>Carrying values</b>	<b>12 544 983</b>	<b>47 720 551</b>	<b>810 591</b>	<b>0</b>		

Reconciliation of Carrying Value	<u>Land and Buildings</u>	<u>Infra-structure</u>	<u>Community</u>	<u>Heritage</u>	<u>Other</u>	<u>Total</u>
	R	R	R	R	R	R
at 30 June 2007					27 849 041	88 925 166
Cost	12 544 983	47 720 551	810 591		28 659 632	88 925 166
Accumulated depreciation	0	0	0	0	0	0

## 8. PROPERTY, PLANT AND EQUIPMENT (continued)

<b>30 June 2006</b>						
<b>Reconciliation of Carrying Value</b>	<u>Land and Buildings</u>	<u>Infra-structure</u>	<u>Community</u>	<u>Heritage</u>	<u>Other</u>	<u>Total</u>
	R	R	R	R	R	R
<b>Carrying values at 1 July 2005</b>	0	0	0	0	0	0
Cost	0	0	0	0	0	0
Accumulated depreciation	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0
Capital under construction	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0
Carrying value of disposals	0	0	0	0	0	0
Cost/revaluation	0	0	0	0	0	0
Accumulated depreciation	0	0	0	0	0	0
Impairment losses	0	0	0	0	0	0
Other movements	0	0	0	0	0	0
<b>Carrying values at 30 June 2006</b>	12 340 152	38 724 463	810 591	0	26 961 142	78 836 348
Cost	12 340 152	38 724 463	810 591	0	26 961 142	78 836 348
Correction of error ( note 27)	0	0	0	0	0	0
Accumulated depreciation	0	0	0	0	0	0

Refer to Appendix B for more detail on property, plant and equipment, including those in the course of construction.

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2007. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records. Furthermore, the Municipality has not assessed whether items of property, plant and equipment are impaired. It is

expected that an assessment of impairments will be done by 30 June 2007.

## 9. INVESTMENTS

### Financial Instruments

2007  
R

2006  
R

0

0

2007  
R

2006  
R

## 10. LONG-TERM RECEIVABLES

Car loans  
Sewerage connection  
loans  
Electricity appliance  
purchase scheme

0

0

0

0

0

0

0

0

Less : Current portion  
transferred to current  
receivables

0

0

Car loans  
Sewerage connection  
loans  
Electricity appliance  
purchase scheme

0

0

0

0

0

0

**Total**

0

0

## 11. INVENTORY

Consumable stores – at  
cost  
Maintenance materials –  
at cost  
Spare parts – at realizable  
value  
Less: Obsolete stock  
**Total Inventory**

1 919 868

633 733

0

0

0

0

(114 907)

(117 965)

1 804 962

515 768

## 12. CONSUMER DEBTORS

**As at 30 June 2007**  
Service debtors  
Rates  
Electricity  
Water  
Sewerage  
Less: Provision for bad

**Gross Balances**

R

177 307 142

0

0

0

0

(132 405 025)

**Provision  
for Bad  
Debts**

R

0

0

0

0

0

**Net Balance**

R

0

0

0

0

0

debts			
<b>Total</b>	<b>44 902 117</b>	<b>0</b>	<b>0</b>

<b>As at 30 June 2006</b>	<b>R</b>	<b>R</b>	<b>R</b>
Service debtors			
Rates	0	0	672 974
Electricity	0	0	764 478
Water	0	0	794 592
Sewerage	0	0	825 870
<b>Total</b>	<b>0</b>	<b>0</b>	<b>3 057 914</b>

**Rates: Ageing**

Current (0 – 30 days)	0	0
31 - 60 Days	0	0
61 - 90 Days	0	0
91 - 120 Days	0	0
121 - 365 Days	0	0
+ 365 Days	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**(Electricity, Water and Sewerage): Ageing**

Current (0 – 30 days)	0	0
31 - 60 Days	0	0
61 - 90 Days	0	0
91 - 120 Days	0	0
121 - 365 Days	0	0
+ 365 Days	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**Summary of Debtors**

**by Customer**

<b><u>Classification</u></b>	<b><u>Consumers</u></b>	<b><u>Industrial/ Commercial</u></b>	<b><u>National and Provincial Government</u></b>
<b>30 June 2007</b>			
	<b>R</b>	<b>R</b>	<b>R</b>
Current (0 – 30 days)	0	0	0
31 - 60 Days	0	0	0
61 - 90 Days	0	0	0
91 - 120 Days	0	0	0
121 - 365 Days	0	0	0
+ 365 Days	0	0	0
Sub-total	0	0	0
Less: Provision for bad debts	0	0	-
<b>Total debtors by customer classification</b>			

**Summary of Debtors by Customer Classification**

**30 June 2006**

**Consumers**

**Industrial/**

**Commercial**

**National and  
Provincial  
Government**

	R	R	R
Current (0 – 30 days)	1 553 831	0	0
31 - 60 Days	1 420 409	0	0
61 - 90 Days	1 505 727	0	0
91 - 120 Days	1 261 292	0	0
121 – 365 Days	171 319 148	0	0
Sub-total	177 060 407	0	0
Less: Provision for bad debts	(132 405 025)	0	0
<b>Total debtors by customer classification</b>	<b>44 655 380</b>	<b>0</b>	<b>0</b>

#### **Reconciliation of the bad debt provision**

Balance at beginning of the year	132 405 025	0
Contributions to provision	0	132 405 025
Bad debts written off against provision	0	0
Reversal of provision	0	0
Balance at end of year	132 405 025	132 405 025

### **13. OTHER DEBTORS**

Payments made in advance	0	0
Unauthorized expenditure (see Note 31.1)	0	0
Insurance claims	0	0
Government subsidies	0	0
Road reinstatements	0	0
Sundry debtors	11 460 973	8 926 939
<b>Total Other Debtors</b>	<b>11 460 973</b>	<b>8 926 939</b>

### **14. CALL INVESTMENT DEPOSITS**

Meeg bank call deposits	12 790 474	4 308 445
<b>First National Bank</b>	41 603	<b>58 049</b>
	12 832 077	4 366 494

#### **BANK, CASH AND OVERDRAFT**

### **15. BALANCES**

The Municipality has the following bank accounts: -

#### **Current Account (Primary Bank Account)**

Meeg Bank -Butterworth Branch: Account Number 40 – 52 732 025

Cash book balance at beginning of year – overdrawn	18 890 009	(1 918 983)
Cash book balance at end of year - overdrawn	<b>(8 360 712)</b>	<b>18 890 009</b>

Bank statement balance at beginning of year - (overdrawn)

Bank statement balance at end of year - (overdrawn)	0	0
	<b>(3 608 788)</b>	<b>0</b>

#### **Current Account (Salary Account)**

Cash book balance at beginning of year – overdrawn	0	0
Cash book balance at end of year – overdrawn	<b>0</b>	<b>0</b>

Bank statement balance at beginning of year - (overdrawn)  
 Bank statement balance at end of year - (overdrawn)

<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>

## TOTAL OVERDRAFT BALANCE

### Savings Account

Cash book balance  
 Bank statement balance

<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>

## 16. PROPERTY RATES

### Actual

Residential  
 Commercial  
 State

16 305 211  
 20 837 965

### Total Assessment Rates

<u>37 143 175</u>	<u>6 273 279</u>
-------------------	------------------

### Valuations

Residential  
 Commercial  
 State  
 Municipal

July 2007  
R000's

July 2006  
R000's

### Total Property Valuations

<u>                    </u>	<u>                    </u>
-----------------------------	-----------------------------

## 17. SERVICE CHARGES

Sale of electricity  
 Sale of water  
 Refuse removal  
 Sewerage and sanitation charges  
 Total Service Charges

0	0
0	
3 572 221	4 659 686
0	0
<u>3 572 221</u>	<u>4 659 686</u>

## 18. GOVERNMENT GRANTS AND SUBSIDIES

Equitable share  
 Provincial LED Projects  
 Provincial health subsidies  
 MIG Grant  
 FMG Grant  
 Licencing Dept

50 985 989  
 0  
 1 445 000  
 183 500  
 61 404  
 666 223

43 122 042  
 0  
 1 995 621  
 2 464 512  
 0  
 0

### Total Government Grant and Subsidies

<u>53 342 115</u>	<u>47 582 175</u>
-------------------	-------------------

### 18.2 Provincial Health Subsidies

Balance unspent at beginning of year  
 Current year receipts - included in public health vote  
 Conditions met - transferred to revenue  
 Conditions still to be met - transferred to liabilities (see note)

-	-
0	0
0	0
<u>-</u>	<u>-</u>

6)

The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 80% of total expenditure incurred. This grant has been used exclusively to fund clinic services (included in the public health vote in Appendix D). The conditions of the grant have been met. There was no delay or withholding of the subsidy

### **18.3 MIG Grant**

Balance unspent at beginning of year

Current year receipts

Conditions met - transferred to revenue

Conditions still to be met - transferred to liabilities (see note 6)

This grant was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas (included in the roads and sewerage votes in Appendix B). No funds have been withheld.

### **18.4 Provincial LED Projects**

Balance unspent at beginning of year

Current year receipts

Conditions met - transferred to revenue

Conditions still to be met - transferred to liabilities (see note 6)

Provincial LED Projects grants are used to promote Small, Medium and Micro Enterprises. The grant is spent in accordance with a business plan approved by the Provincial Government (included in Council General vote in Appendix D). No funds have been withheld.

### **18.5 Changes in levels of government grants**

Based on the allocations set out in the Division of Revenue Act, (Act ...of 2007), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

## **19. OTHER INCOME**

Other income

3 311 754

13 605 092

Recovery of unauthorized, irregular, fruitless and wasteful expenditure (Note 31)

0

0

**Total Other Income**

**3 311 754**

**13 605 092**

## **20. EMPLOYEE RELATED COSTS**

Employee related costs – Salaries and Wages

47 817 110

38 230 449

Employee related costs - Contributions for UIF, pensions and medical aids

5 703 879

6 078 200

Travel, motor car, accommodation, subsistence and other

3 479 743

4 759 053

allowances		
Housing benefits and allowances	93 484	363 899
Overtime payments	70 182	31 998
Performance bonus	0	0
Long-service awards	0	0
Less: Employee costs capitalized to Property, Plant and Equipment	0	0
Less: Employee costs included in other expenses	0	0
<b>Total Employee Related Costs</b>	<b>57 164 398</b>	<b>49 463 599</b>

#### ***Remuneration of the Municipal Manager***

Annual Remuneration	1 171 019	1 207 160
Performance Bonuses	27 698	27 403
Car Allowance	193 239	117 750
Contributions to UIF, Medical and Pension Funds	189 318	165 142
<b>Total</b>	<b>1 581 273</b>	<b>1 517 455</b>

#### ***Remuneration of the Chief Finance Officer***

Annual Remuneration	171 074	0
Performance Bonuses	0	0
Car Allowance	0	0
Contributions to UIF, Medical and Pension Funds	27 655	0
<b>Total</b>	<b>198 729</b>	<b>0</b>

#### ***Remuneration of Individual Executive Directors***

	<b><u>Technical Services</u></b>	<b><u>Corporate Services</u></b>	<b><u>Community Services</u></b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>30 June 2007</b>			
Annual Remuneration	0	0	0
Performance Bonuses	0	0	0
Car Allowance	0	0	0
Medical and pension funds	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>30 June 2006</b>			
Annual Remuneration	0	0	0
Performance Bonuses	0	0	0
Car Allowance	0	0	0
Medical and pension funds	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

## **21. REMUNERATION OF COUNCILLORS**

Executive Mayor		
Deputy Executive Mayor		
Speaker		
Executive Committee Members		
Councillors		
Councillors' pension contribution		
<b>Total Councillors' Remuneration</b>		

### ***In-kind Benefits***

## **22. INTEREST PAID**

Long-term liabilities	0	446 919
Consumer deposits	4 572	0
Bank overdrafts	70 498	126 236
<b>Total Interest on External Borrowings</b>	<b>75 070</b>	<b>573 155</b>

## **23. BULK PURCHASES**

Electricity		
Water		
<b>Total Bulk Purchases</b>		

## **24. GRANTS AND SUBSIDIES PAID**

Grant to Childcare	0	0
	<b>0</b>	<b>0</b>

The subsidy to Childcare is to assist this registered charity undertake its tasks. The subsidy is paid on a quarterly basis. The Municipal Manager sits on the governing body of Childcare to ensure that the subsidy is used for its intended purpose.

## **25. GENERAL EXPENSES**

Included in general expenses are the following:-

	<b>27 798</b>	
25.1 Operational expense	<b>094</b>	<b>24 253 861</b>
25.2 Net exchange differences		
Loss attributable to operating activities – importation of chemicals	0	0
25.3 Material losses	0	0
Robbery from cash hall	0	0

### **CHANGE IN ACCOUNTING POLICY -**

## **26. IMPLEMENTATION OF GAMAP**

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GAMAP: -

### **26.1 Statutory Funds**

#### **Balance previously reported: -**

Capital Development Fund  
Land Trust Fund  
Parking Development Fund  
Loans redeemed and other capital receipts

<b>Total</b>	
<b>Implementation of GAMAP</b>	
Transferred to Accumulated Surplus/(Deficit)	
(see 26.7 below)	
Transferred to Government Grant Reserve	
Transferred to Capitalization Reserve	
<b>26.2 Provisions and Reserves</b>	
<b>Balance previously reported</b>	
Valuation Roll Reserve	
Staff Bursary Reserve	
<b>Total</b>	
<b>Implementation of GAMAP</b>	
Transferred to Accumulated Surplus/(Deficit)	
(see 26.7 below)	
<b>26.3 Inventory</b>	
<b>Balance previously reported</b>	
<b>Implementation of GAMAP</b>	
Transferred to Accumulated Surplus/(Deficit)	
(see 26.7 below)	
Write-down of spare parts to realizable value	
<b>Total</b>	
<b>26.4 Non-current provisions</b>	
<b>Balance previously reported</b>	
<b>Implementation of GAMAP</b>	
Transferred from Accumulated Surplus/(Deficit)	
(see 26.7 below)	
Long-service	
<b>26.5 Property, plant and equipment</b>	
<b>Balance previously reported</b>	
<b>Implementation of GAMAP</b>	
Infrastructure previously not recorded credited	
to Accumulated Surplus/(Deficit) (see 26.7	
below)	
<b>Total</b>	
<b>26.6 Accumulated Depreciation</b>	
<b>Balance previously reported</b>	-
<b>Implementation of GAMAP</b>	
Backlog depreciation: Land and buildings	
Backlog depreciation: Infrastructure	
Backlog depreciation: Community	
Backlog depreciation: Other	
<b>Total (debited to Accumulated</b>	
<b>Surplus/(Deficit)) (see 26.7 below)</b>	
<b>26.7 Accumulated Surplus/(Deficit)</b>	

### Implementation of GAMAP

Adjustments to inventory (see 26.3 above)  
Excessive provisions and reserves no longer permitted (see 26.2 above)  
Non-current provisions previously not recognized (see 26.4 above)  
Transferred from statutory funds (see 26.1 above)  
Fair value of Property, Plant and Equipment previously not recorded (see 26.5 above)  
Backlog depreciation (see 26.6 above)  
**Total**

\_\_\_\_\_  
=====

## 27. CORRECTION OF ERROR

During the year ended 30 June 2005, improvements to library buildings were erroneously expensed as repairs and maintenance: -

The comparative amount has been restated as follows: -

Corrections of improvements to library buildings expensed as repairs and maintenance  
Depreciation  
Net effect on surplus/(deficit) for the year

\_\_\_\_\_  
=====

## 28. CASH GENERATED BY OPERATIONS

Surplus/(deficit) for the year  
Adjustment for:-  
Depreciation  
Gain on disposal of property, plant and equipment  
Contribution to provisions - non-current  
Contribution to provisions – current  
Interest paid  
Investment income  
**Operating surplus before working capital changes:**  
Decrease in inventories  
(Increase)/decrease in debtors  
(Increase)/decrease in other debtors  
(Decrease)/increase in conditional grants and receipts  
Increase in creditors  
Increase in VAT  
**Cash generated by/(utilized in) operations**

\_\_\_\_\_  
=====

## 29. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position :

Bank balances and cash  
Bank overdrafts  
Call investment deposits  
**Total cash and cash equivalents**


## UTILISATION OF LONG-TERM LIABILITIES

### 30. RECONCILIATION

Long-term liabilities (see Note 1)  
Used to finance property, plant and equipment – at cost  
Sub- total  
Cash set aside for the repayment of long-term liabilities  
**Cash invested for repayment of long-term liabilities (see note 14)**


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

### 31. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

#### 31.1 Unauthorized expenditure

Reconciliation of unauthorized expenditure  
Opening balance  
Unauthorized expenditure current year  
Approved by Council or condoned  
Transfer to receivables for recovery (note 13)  
Unauthorized expenditure awaiting authorization

0	0
0	0
0	0
0	0
<b>0</b>	<b>0</b>

Incident	Disciplinary steps/criminal proceedings
----------	---

#### 31.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure  
Opening balance  
Fruitless and wasteful expenditure current year  
Condoned or written off by Council  
To be recovered – contingent asset (see note 46)  
Fruitless and wasteful expenditure awaiting condonement

0	0
0	0
0	0
0	0
<b>0</b>	<b>0</b>

Incident	Disciplinary steps/criminal proceedings
----------	---

#### 31.3 Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	0	0
Fruitless and wasteful expenditure current year	0	0
Condoned or written off by Council	0	0
Transfer to receivables for recovery – not condoned	0	0
Irregular expenditure awaiting condonement	0	0
	<u>0</u>	<u>0</u>

Incident	Disciplinary steps/criminal proceedings
----------	---

## 32. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

### 32.1 Contributions to organized local government

Opening balance	0	0
Council subscriptions	0	0
Amount paid - current year	0	0
Amount paid - previous years	0	0
<b>Balance unpaid (included in creditors)</b>	<u>0</u>	<u>0</u>

### 32.2 Audit fees

Opening balance  
Current year audit fee

Amount paid - current year  
Amount paid - previous years

**Balance unpaid (included in creditors)**

<u>                    </u>	<u>                    </u>

The balance unpaid represents the audit fee for an interim audit conducted during May and June 2007 and is payable by 31 July 2007

### 32.3 VAT

VAT inputs receivables and VAT outputs receivables are shown in note 7. All VAT returns have been submitted by the due date throughout the year.

### 32.4 PAYE and UIF

Opening balance  
Current year payroll deductions  
Amount paid - current year  
Amount paid - previous years

**Balance unpaid (included in creditors)**

<u>                    </u>	<u>                    </u>

The balance represents PAYE and UIF deducted from the June 2007 payroll. These amounts were paid during July 2007.

### 32.5 Pension and Medical Aid Deductions

Opening balance  
 Current year payroll deductions and Council  
 Contributions  
 Amount paid - current year  
 Amount paid - previous years  
**Balance unpaid (included in creditors)**


The balance represents pension and medical aid contributions deducted from employees in the June 2007 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2007.

### **32.6 Councilor's arrear consumer accounts**

The following Councilors had arrear accounts outstanding for more than 90 days as at: -

#### **30<sup>th</sup> June 2007**

Councillor	0	0	0
Councillor	0	0	0
Councillor	0	0	0
<b>Total Councillor Arrear Consumer Accounts</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### **30<sup>th</sup> June 2006**

Councillor	0	0	0
Councillor	0	0	0
Councillor	0	0	0
<b>Total Councillor Arrear Consumer Accounts</b>	<b>0</b>	<b>0</b>	<b>0</b>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days

<u>Highest Amount Outstanding</u> R	<u>Ageing Days</u>
--	------------------------

#### **30<sup>th</sup> June 2007**

Councillor	0	0
Councillor	0	0

#### **30<sup>th</sup> June 2006**

Councillor	0	0
Councillor	0	0

### **33. CAPITAL COMMITMENTS**

Commitments in respect of capital expenditure:

- Approved and contracted for

*Infrastructure*

*Community*

*Heritage*

*Other*

0	0
0	0
0	0
0	0
0	0

- Approved but not yet contracted for

*Infrastructure*

*Community*

0	0
0	0
0	0

Heritage  
Other

0	0
0	0

**Total**

<b>0</b>	<b>0</b>
----------	----------

**2007**  
**R**

**2006**  
**R**

### 33. CAPITAL COMMITMENTS (continued)

This expenditure will be financed from:

- External Loans
- Government Grants
- Own resources
- District Council Grants


### 34. IN-KIND DONATIONS AND ASSISTANCE

The Municipality received the following in-kind donations and assistance

#### Description

- Development of Integrated Development Plan by donor agency

### 35. COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2).

**APPENDIX A**  
**MNQUMA LOCAL MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2007**

<b>EXTERNAL</b>	<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance 30/06/05</b>	<b>Received during period</b>	<b>Redeemed written off during the period</b>	<b>Balance 30/06/06</b>	<b>Carrying Value of Property, Plant &amp;</b>	<b>Other in with the MFMA</b>
<b>LONG-TERM</b>			<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>Total long-term</b>								
<b>ANNUITY LOAN</b>								
<b>GOVERNMENT</b>								
<b>Total</b>								
<b>TOTAL</b>								

**Municipality has no External Loans.**

**APPENDIX B**

**MNQUMA LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007**

	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
<b>Land and Buildings</b>										
Land	6 443 975	0	0	0	6 443 975	0	0	0	0	6 443 975
Buildings	5 896 177	455 662	0	0	6 351 839	0	0	0	0	6 351 839
	<b>12 340 252</b>	<b>455 662</b>	<b>0</b>	<b>0</b>	<b>12 795 814</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12 795 814</b>
<b>Infrastructure</b>										
Streets	3 515 589	0	0	0	3 515 589	0	0	0	0	3 515 589
Roads Infrastructure	35 208 874	0	0	0	35 208 874	0	0	0	0	35 208 874
Bulk water	8 530 640	29 831	0	0	8 530 640	0	0	0	0	8 530 640
Sewerage Mains & Purif		0	0	0	0	0	0	0	0	0
Electricity Mains	1 569 088	0	0	0	1 569 088	0	0	0	0	1 569 088
Electricity Peak Load Equip	0	0	0	0	0	0	0	0	0	0
Water Mains & Purification	0	0	0	0	0	0	0	0	0	0
Reservoirs – Water	0	0	0	0	0	0	0	0	0	0
Water Meters	0	0	0	0	0	0	0	0	0	0
Water waste	4 847 612	0	0	0	4 847 612	0	0	0	0	4 847 612
	<b>53 671 803</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>53 671 803</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>53 671 803</b>
<b>Community Assets</b>										
Parks & Gardens										
Libraries										
Recreation Grounds	810 591	0	0	0	0	0	0	0	0	810 591
Civic Buildings										
	<b>810 591</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>810 591</b>
<b>Heritage Assets</b>										
Historical Buildings	0	0	0	0	0	0	0	0	0	0
Painting & Art Galleries	0	0	0	0	0	0	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total carried forward</b>	66 822 646	0	0	0	66 822 646	0	0	0	0	66 822 646

\* Includes correction of error referred to in Note 27.

APPENDIX B (continued)

**MNQUMA LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007**

	Cost					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
<b>Total brought forward</b>	66 822 646	0	0	0	66 822 646	0	0	0	0	66 822 646
<b>Other Assets</b>	5 372 513	0	0	0	5 372 513	0	0	0	0	5 372 513
Motor vehicles	5 309 757	0	0	0	5 309 757	0	0	0	0	5 309 757
Fire engines	4 890	0	0	0	4 890	0	0	0	0	4 890
Refuse tankers	0	0	0	0	0	0	0	0	0	0
Computer equipment	1 326 552	0	0	0	1 326 552	0	0	0	0	0
Councilors Regalia	0	0	0	0	0	0	0	0	0	0
Conservancy tankers	0	0	0	0	0	0	0	0	0	0
watercraft	0	0	0	0	0	0	0	0	0	0
	<b>12 013 712</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12 013 712</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12 013 712</b>
<b>Total</b>	<b>78 836 358</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>78 836 358</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>78 836 358</b>

**APPENDIX C**

**MNQUMA LOCAL MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT**

**30 JUNE 2007**

	Cost					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Executive & Council										
Finance & Admin										
Planning & Development										
Health										
Community & Social Services										
Public Safety										
Sport & Recreation										
Environmental Protection										
Waste Management										
Road Transport										
Water										
Electricity										
Other										
<b>TOTAL</b>										

**APPENDIX D**

**MNQUMA LOCAL MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED  
30 JUNE 2007**

<b>2006</b>	<b>2006</b>	<b>2006</b>		<b>2007</b>	<b>2007</b>	<b>2007</b>
<b>Actual</b>	<b>Actual</b>	<b>Surplus/</b>		<b>Actual</b>	<b>Actual</b>	<b>Surplus/</b>
<b>Income</b>	<b>Expenditure</b>	<b>(Deficit)</b>		<b>Income</b>	<b>Expenditure</b>	<b>(Deficit)</b>
<b>R</b>	<b>R</b>	<b>R</b>		<b>R</b>	<b>R</b>	<b>R</b>
-	767,159.00	-767,159.00	Technical Services	-	780,917.00	-780,917.00
47,053.00	1,868,634.00	-1,821,581.00	Building	94,337.00	1,676,406.00	-1,582,069.00
-	526,592.00	-526,592.00	Workshop	-	1,028,436.00	-1,028,436.00
24,899.00	3,131,274.00	-3,106,375.00	Public works	31,760.69	3,586,498.00	-3,554,737.31
-	3,260,097.00	-3,260,097.00	Health Management	-	1,436,291.00	-1,436,291.00
1,995,621.00	2,208,490.00	-212,869.00	Nursing dept	-	2,721,992.00	-2,721,992.00
-	693,420.00	-693,420.00	Community Service Management	-	788,210.00	-788,210.00
-	4,721,715.00	-4,721,715.00	Security	-	7,129,755.00	-7,129,755.00
1,373,693.00	2,446,634.00	-1,072,941.00	Traffic department	2,275,757.00	3,472,873.00	-1,197,116.00
-	699,271.00	-699,271.00	Disaster Management	-	1,520,294.00	-1,520,294.00
10,540.00	8,184,601.00	-8,174,061.00	Admin Support Services	455,393.04	9,385,149.00	-8,929,755.96
-	5,420,007.00	-5,420,007.00	Human Resources	140,087.19	2,426,356.00	-2,286,268.81
-	459,721.00	-459,721.00	Library	-	581,301.00	-581,301.00
-	-	-	Estates	-	11,336.00	-11,336.00
-	311,996.00	-311,996.00	Information Technology	-	409,345.00	-409,345.00
58,851,909.00	17,869,871.00	40,982,038.00	Finance Department	91,820,332.23	23,092,179.00	68,728,153.23
6,787,558.00	4,978,652.00	1,808,906.00	Sanitation / Sewerage	7,147,589.53	7,502,483.00	-354,893.47
-	867,850.00	-867,850.00	Cleaning	-	4,425.00	-4,425.00
-	1,526,262.00	-1,526,262.00	Stores & Purchases	-	484,841.38	-484,841.38
-	2,564,917.00	-2,564,917.00	Municipal Manager	-	2,761,191.91	-2,761,191.91
-	2,585,384.00	-2,585,384.00	Mayoral Office	-	4,770,871.33	-4,770,871.33
-	4,924,296.00	-4,924,296.00	Speakers Office	-	8,890,906.75	-8,890,906.75
-	2,955,129.00	-2,955,129.00	Strategic & Development Plan	-	2,499,545.95	-2,499,545.95
-	-	-	Technical Services	-	247,186.66	-247,186.66
4,585,948.00	7,725,275.00	-3,139,327.00	Water works	169,468.32	995,895.34	-826,427.02
-	322,021.00	-322,021.00	Electricity			
<b>73,677,221.00</b>	<b>81,019,268.00</b>	<b>-7,342,047.00</b>	<b>Sub Total</b>	<b>102,134,725.00</b>	<b>88,204,685.32</b>	<b>13,930,039.68</b>
0	0	-	Less Inter-Department Charges	-	-	0
<b>73,677,221</b>	<b>81,019,268</b>	<b>-7,342,047.00</b>	<b>Total</b>	<b>102,134,725.00</b>	<b>88,204,685.32</b>	<b>13,930,039.68</b>

**APPENDIX E(1)**

**MNQUMA LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2007**

	<u>2,007.00</u>	<u>2,007.00</u>	<u>2,007.00</u>	<u>2,007.00</u>	<u>Explanation of Significant Variances greater than 10% versus Budget (Explanations to be recorded)</u>
<b>REVENUE</b>	<u>Actual (R)</u>	<u>Budget (R)</u>	<u>Variance (R)</u>	<u>Variance (%)</u>	
Property rates	37,143,175.00	19 820 469	-6 493 134	-7.00	
Property rates - penalties imposed and collection charges	-	-	-	-	
Service charges	3,572,221.00	-	-	4.00	
Rental of facilities and equipment	-	230,000.00	3 153 577	-13.00	
Refuse removals –	-	1 500 000			
Interest earned - external investments	494,213.00			-3.00	
Interest earned - outstanding debtors	2,987,173.00	2 643 354		-22.00	
Fines –	255,158.00	1 500 000		4.00	
Licenses and permits	1,028,916.00			-	
Government grants and subsidies	53,342,115.00	57 328 259	-592,883.00	1.00	
Other income	3,311,754.00	2 259 478	-1 040 881	-31.00	
Public contributions, donated/contributed PPE	-	-	-	-	
Gains on disposal of property, plant and equipment	-	-	-	-	
<b>Total Revenue</b>	<b>102,134,725.00</b>	<b>85 281 560</b>			
<b>EXPENDITURE</b>					
Technical Services Management	780,917.00	1,420,690.00	-740,930.00	-52.00	
Building Control	1,676,406.00	2,440,678.00	-848,658.00	-35.00	
Workshops	1,028,436.00	1,817,811.00	-524,159.00	-29.00	
Public Works	3,586,498.00	7,496,103.00	-1 691 306	-23.00	
Health: Management	1,436,291.00	-	1 458 680	100.00	
Nursing and Community Services	3,510,202.00	2,829,607.00	-478,345.00	-17.00	
Security	7,129,755.00	985,758.00	-262,253.00	-27.00	
Traffic	3,472,873.00	6,332,975.00	-27,026.00	-	
Disaster Management	1,520,294.00	2,505,930.00	315,601.00	13.00	
Admin Support Services: General	9,385,149.00	1,412,155.00	82,032.00	6.00	
Human Resources	2,426,356.00	7,492,511.00	238,917.00	3.00	
Library	581,301.00	4,349,695.00	- 212 749	-51.00	
Estates	11,336.00	682,842.00	-191,652.00	-28.00	
Information Technology	409,345.00	115,131.00	-103,795.00	-90.00	
Finance Department: Management	23,092,179.00	436,254.00	-74,795.00	-17.00	
Sewerage / Sanitation	7,502,483.00	19,750,056.00	-10 896 275	-55.00	
Cleaning	489,266.38	7,281,005.00	-718,457.00	100.00	
Stores & purchases					
Municipal Manager	2,761,191.91	-	10,830.00	100.00	
Mayoral Office	4,770,871.33	994,135.00	-597,055.00	-60.00	
Speakers Office	8,890,906.75	3,527,807.00	-1 001 471	-28.00	
Strategic & Developmental plan	2,499,545.95	4,492,210.00	11,230.00	-	
Water Works	247,186.66	7,532,423.00	1 699 338	23.00	
Electricity	995,895.34	3,430,418.00	-1 188 379	-35.00	
		-			
Less Inter-Departmental Charges	-	-	-	-4.00	
<b>Total Expenditure</b>	<b>88,204,685.32</b>	<b>87,326,194.00</b>	<b>-17 697 710</b>	<b>-27.00</b>	
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>13,930,039.68</b>	<b>3,984,107.00</b>		<b>10.00</b>	

# **APPENDIX E(2)**

**MNQUMA LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR  
ENDED 30 JUNE 2007**

	<u>2007</u> <u>Actual</u>	<u>2007</u> <u>Under</u> <u>Construction</u>	<u>2007</u> <u>Total</u> <u>Additions</u>	<u>2007</u> <u>Budget</u>	<u>2007</u> <u>Variance</u>	<u>2007</u> <u>Variance</u>	<u>Explanation of Significant</u> <u>Variances</u> <u>greater than 5% versus Budget</u>
	R	R	R	R	R	%	<i>(Explanations to be recorded)</i>
Executive & Council							
Finance & Admin							
Planning & Development							
Health							
Community & Social Services							
Public Safety							
Sport & Recreation							
Environmental Protection							
Waste Management							
Road Transport							
Water							
Electricity							
Other							
<b>TOTAL</b>							

APPENDIX F

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant and Subsidies Received

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Mar	Jun	Sept	Dec	Mar	Mar	June	Sept	Dec	Mar	Mar	June	Sept	Dec	Mar			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

**THREE YEAR STRATEGIC**

**INTERNAL AUDIT PLAN**

**FOR**

**PERIOD JULY 2005 – JUNE 2008**

## **CONTENTS:**

<b>No.</b>	<b>Detail</b>	<b>Page</b>
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## **1. Introduction**

In terms of the Municipal Finance Management Act 56 of 2003 chapter 8 Sec 62© , the accounting officer for the Municipality must ensure that the entity has and maintains, inter alia, effective, efficient and transparent systems of financial accounting, risk management and internal controls.

Mnquma Municipality has prepared this three-year strategic internal audit plan, with the assistance of Development Bank of southern Africa's Internal Audit Unit, to be in compliance with the Act.

## **2. Basis of strategic plan**

A comprehensive risk assessment exercise has been conducted in conjunction with the Development Bank of southern Africa's risk management unit. The strategic internal audit plan has been prepared following the aforesaid risk assessment. The purpose of the plan is to align the Municipality's Internal Audit Function with the mission and vision of Mnquma Municipality and to focus audit efforts on areas where Municipality is most at risk.

We also consulted Director Finance for the purpose of preparing this strategic plan.

## **3. Internal audit mission and vision**

Internal audit is a management advisory tool and the audit process provides an overview to obtain reasonable assurance regarding management's assertions that objectives are achieved for effectiveness and efficiency of operations, reliability of financial information, and compliance with laws and regulations. Internal auditing will proactively partner with Mnquma Municipality management on the performance of financial, compliance, information technology operational and performance audits, as well as consulting reviews and special projects, to maximise value adding contributions from the process. Value is created with an integrated audit approach using well-trained, knowledgeable qualified staff, total quality management principles, teamwork, and innovation.

The vision of internal audit is to be a professional function staffed by well trained qualified staff, using leading edge methodologies and tools to provide value-adding services to the Municipality.

The broad definition, then, of internal audit would be the enhancement of management's understanding of risk management and the underlying concepts, and assisting them in implementing an effective risk management system. The Internal Audit Function will also provide objective feedback on the quality of organisational controls and performance.

#### 4. Scope of work

The following processes will be audited by the internal audit:

<b>Key Process</b>	<b>Major Process</b>	<b>Audit Area</b>	<b>Ref No: Audit Prog</b>
1.Financial Management	1. Expenditure Management	(a) Tenders	<b>B30.2</b>
Human Resource	2. Human Resources Management	(a) Personnel appointments (b) Payment of salaries (including deductions) (c) Overtime (d) Attendance register (e) Personnel files	<b>B40.1</b> <b>B40.2</b> <b>B40.5</b> <b>B40.7</b> <b>B40.8</b>
Financial Management	3. Cash Management	(a) Receipts (including all cash points for services) (b) Bank reconciliations (d) Mail register and postdated cheque register (Control procedures at other revenue generating units.)	<b>B45.1</b> <b>B45.2</b> <b>B45.4</b>
Financial Management	4. Service rendered	(a) Application for services (b) Meter readings (c) Sending of accounts (d) Handling of complaints regarding errors on the accounts. (e) Indigents (f) Valuation roll	<b>B50.2</b> <b>B50.3</b> <b>B50.3</b> <b>B50.4</b> <b>B50.5</b> <b>B50.6</b>
Financial Management	5.Credit control (including debt control policy)	(a) Credit control <ul style="list-style-type: none"> <li>• Cut off of services</li> <li>• Long overdue accounts</li> </ul>	<b>B55.1</b> <b>B55.2</b> <b>B55.3</b>

The scope of examinations and evaluations to be conducted jointly by the Internal Audit Function of Mngquma Municipality will comprise an appropriate mix of:

- ⇒ Financial audit;
- ⇒ Operational audit;
- ⇒ Compliance audit;
- ⇒ General and application review of computer systems; and
- ⇒ Assessment of measures taken to mitigate fraud and corruption.

#### **5. Internal audit reviews are planned for the following Departments:**

- ⇒ Budget and Treasury
- ⇒ Administration
- ⇒ Technical Services
- ⇒ Community Services
- ⇒ Human Resources
- ⇒ Ngqamakhwe site cash point
- ⇒ Centane site cash point

#### **6. Reporting and communication**

Communication, orally and through reports, is an essential part of the internal audit process. Internal Audit will also communicate with management through a series of planned formal meetings.

*Reports will be submitted to management after each and every audit has been completed. A quarterly summarised report will also be submitted to management with a copy going to the Audit Committee. Reports will clearly demonstrate the control and operational concerns arising from the reviews, the potential impact and the practical reasoned recommendations for change. Any critical issues will be reported orally to management and the Audit Committee immediately upon identification.*

Management will be given 14 days to respond to management reports and will have 30 days after the issuance of final reports to see that corrective action on reported weaknesses is either planned or taken.

Follow-up audits will be carried out to ensure that control weaknesses have been adequately rectified, or that appropriate action is being planned.

## 6.1 Co-ordination of internal auditing

The co-ordination of the internal audit effort will be carried out by:

### ➤ Mnquma Municipality

The contact persons will be the following:

Position	Name	Telephone No	Email	Fax No
Internal Auditor	M. Xuma	047-4914297	Mxuma@mnquma.gov.za	(047)4913587
Municipal manager	N. Pakade	047-4914295	npakade@mnquma.gov.za	(047)4913587

## Contact with the External Auditors

*We will liaise with the External Auditors when requested by the Management of Mnquma Municipality.*

## 7. Mnquma Municipality expectations

Based on the risk identification process as set out previously, the following expectations of Mnquma Municipality have been identified:

- Improvement of financial management practices;
- Better value for money, reports on proper accounting for income and expenditure, improvement on cash-flow techniques and computer and performance auditing;
- Assess measures available to mitigate fraud and corruption;
- Recommend practical solutions to problems;
- Timely issue of internal audit reports and regular follow-ups;
- Performance of independent compliance tests/reviews to ensure that controls have been functioning throughout the period under review;
- Creation of risk awareness;
- Efficient and effective audits that react and report promptly;
- Adequate visibility of the internal audit function within Mnquma Municipality;
- Commentary on the effectiveness of internal control functions;
- Compliance to the relevant legislation and by laws

## **8. Quality control**

It is important to monitor both the extent and the quality of the internal audit service to Mnquma Municipality on an ongoing basis.

**The quality of the internal audit assignments will be addressed by adhering to the Institute of Internal Auditors' standards on quality control. Continuous comparison of planned assignments (in hours) will also form part of the focus on improvement.**

## **9. Transfer of skill to the internal audit department**

The Internal Auditor of Mnquma Municipality will be involved in all stages of the audit with ultimate aim of enabling her to handle all the stages competently.

## **10. Risk assessment summary**

We have reviewed the risk areas of Mnquma Municipality as set out in the Risk Assessment Report. This review was performed to ensure that the internal audit work is properly focused and represents value for money for Mnquma Municipality.

# 11. Three-year internal audit plan July 2005 - June 2008

A three-year plan is proposed as shown below.

Schedule of auditable areas of programme	Hours spent in audit during			Total
	Year 1 2005/06	Year 2 2006/07	Year 3 2007/08	Total
<b>1.Expenditure Management (H)</b>				
(a) Expenditure Management (Including Procurement Policy)	218hrs	218hrs	218hrs	654hrs
(b) Tenders	118hrs	118hrs	118hrs	354hrs
(c) Preferential Procurement Policy Framework act no 5 of 2000	12hrs	12hrs	12hrs	36hrs
<b>2. Assets Management (H)</b>				
(a) Stores	80hrs	80hrs	80hrs	240hrs
(b) Fleet Management	100hrs	100hrs	100hrs	300hrs
<b>3. Cash Management (H)</b>				
(a) Receipts (Including all cash points)	90hrs	90hrs	90hrs	270hrs
(b) Bank Reconciliations	90hrs	90hrs	90hrs	270hrs
(c) Monthly cash-flow reports	36hrs	36hrs	36hrs	108hrs
(d) Control procedures at other revenue generating units.	120hrs	120hrs	120hrs	360hrs
<b>4. Human Resources Management</b>				
(a) Performance management system (quarterly)	31hrs	31hrs	31hrs	93hrs
(b) Payments to Councillors	31hrs	31hrs	31hrs	93hrs
(c) Remuneration of public offices bearers act no 20 of 2000	12hrs	12hrs	12hrs	36hrs
(d) Leave	31hrs	31hrs	31hrs	93hrs

Schedule of auditable areas of programme	Hours spent in audit during			Total
	Year 1 2005/06	Year 2 2006/07	Year 3 2007/08	Total
<b>5. Integrated Development Plan</b>				
(a) Performance Management System IDP annually	200hrs	200hrs	200hrs	600hrs
<b>6 Human Resources Management (H)</b>				
(a) Personnel appointments	31hrs	31hrs	31hrs	93hrs
(b) Payment of salaries (including deductions)	31hrs	31hrs	31hrs	93hrs
(c) Dismissals and resignations	31hrs	31hrs	31hrs	93hrs
(d) Overtime	31hrs	31hrs	31hrs	93hrs
(e) Temporary workers	31hrs	31hrs	31hrs	93hrs
(f) Attendance register	31hrs	31hrs	31hrs	93hrs
(g) Personnel files	31hrs	31hrs	31hrs	93hrs
(h) Training of employees (including skills development levy)	31hrs	31hrs	31hrs	93hrs
<b>7. Services Rendered (H)</b>				
(a) Approval of tariffs (Including compliance with the relevant legislation)	56hrs	56hrs	56hrs	168hrs
(b) Application for services	76hrs	76hrs	76hrs	228hrs
(c) Meter readings	76hrs	76hrs	76hrs	228hrs
(d) Sending of accounts	56hrs	56hrs	56hrs	168hrs
(e) Handling of complaints	36hrs	36hrs	36hrs	108hrs
(f) Valuation roll	36hrs	36hrs	36hrs	108hrs
<b>8. Credit Control (H)</b>				
(a) Credit Control (Including debt collection policy)	168hrs	168hrs	168hrs	504hrs

Schedule of auditable areas of programme	Hours spent in audit during			Total
	Year 1 2005/06	Year 2 2006/07	Year 3 2007/08	Total
<b>9. Compliance with legislation (H)</b>				
(a) Municipal Structures Act no 117 of 1998	12hrs	12hrs	12hrs	36hrs
(b) Section 10G of Local Government Transaction Act no 97 of 1997	12hrs	12hrs	12hrs	36hrs
(c) Local Government System Act no 32 of 2000	12hrs	12hrs	12hrs	36hrs
(d) Skills Development Levies Act no 9 of 1999	12hrs	12hrs	12hrs	36hrs
(e) Rating of State Property Act no 79 of 1984	12hrs	12hrs	12hrs	36hrs
(f) Electricity Act no 41 of 1987	12hrs	12hrs	12hrs	36hrs
(g) Housing Act no 107 of 1997	12hrs	12hrs	12hrs	36hrs
(h) Water Services Act no 108 of 1997	11hrs	12hrs	12hrs	36hrs
<b>10. IT Management (H)</b>				
(a) Logical and physical security around the IT system	30hrs	30hrs	30hrs	90hrs
(b) Disaster recovery and business continuity plan	20hrs	20hrs	20hrs	60hrs
(c) IT system life cycle policy	10hrs	10hrs	10hrs	30hrs
(d) Access to data	16hrs	16hrs	16hrs	48hrs
(e) Integrated management system	10hrs	10hrs	10hrs	30hrs
<b>11. Meetings</b>	36hrs	36hrs	36hrs	108hrs
<b>12. Risk assessment review</b>	20hrs	20hrs	20hrs	60hrs
<b>TOTAL HOURS</b>	<b>2098HRS</b>	<b>2098HRS</b>	<b>2098HRS</b>	<b>6094HRS</b>

## Operational plan

The internal audit plan is based on a risk assessment that was performed during May 2005. The three-year internal audit plan, is summarized as follows;

- ⇒ Expenditure Management
- ⇒ Asset Management
- ⇒ Cash Management
- ⇒ Human Resources Management
- ⇒ IDP
- ⇒ Services Rendered
- ⇒ Credit Control
- ⇒ Compliance with legislation
- ⇒ It Management

The operational plan can be adjusted as the need arises after approval of the changes by the Audit Committee.

## 12. Approval of the plan

**SIGNATURE-----**

**W.M. DUNA**

**EXECUTIVE MAYOR**

**SIGNATURE-----**

**H.J. HOOLE**

**AUDIT COMMITTEE (CHAIRPERSON)**

**Chapter Five:**  
**Functional Service Delivery Reporting**

**Executive and Council**

Function: Executive and Council			
Subfunction		N/A	
		Total	
Reporting Level	Detail		
Overview	The Mquma Local Municipality consists of 10 members of the mayoral committee six of which are full time and four part time, and 61 councillors. The Mayoral Committee is chaired by the Executive Mayor with the assistance of the Deputy Executive Mayor in his absence. The municipality has 31 wards and 310 members of the ward committees. The Speaker of Council is responsible to ensure that council is effectively and efficiently running its programmes in line with the legislative imperatives of the municipality and the Country.		
Description of the Activity	<p>The matters adopted at the mayoral committee are reported to Council and anything beyond the mandate of the Council for a decision. The following are the committees of Council that assists in the decision making process:</p> <p>◇     <b>Administration Standing Committee</b> which deals with all administration-related activities such as the support services, records management, information technology;</p> <p>◇     <b>Human Resources Standing Committee</b> which deals with personnel and industrial matters;</p> <p>◇     <b>Budget and Treasury Standing Committee</b> which deals with safety and security, disaster management, health services, environmental management services, cleansing;</p> <p>◇     <b>Strategic Planning and Development Standing Committee</b> which deals with land administration, town planning, housing and local economic development, IDP and performance management;</p> <p>◇     <b>Technical Services Standing</b></p>		

Function: Executive and Council			
Subfunction	N/A		
		Total	
Reporting Level	Detail		
	<p><b>Committee</b> which deals with roads and infrastructure, electricity, workshop and building control services.</p> <p>◇ <b>The Rules Committee</b> which deals the standing rules of council in as far as the amendments and consideration of rules crafted by the Speaker during Council meetings.</p> <p><b>Key Challenges for the Council:</b></p> <p>◇ Political Instability, which handicapped service delivery and which affected the administration of Mnquma rendering it ungovernable;</p> <p>◇ Legal battles between Council and Councillors and between Council and Heads of Administration which plunged the municipality into a financial crisis.</p>		
<b>Analysis of the Function</b>	<p><b>Council Details:</b> Total Number of Councillors Number of Councillors on Mayoral Committee</p> <p><b>Ward Details:</b> Total Number of Wards</p> <p>Total Cost to Council in terms of Councillor Allowances</p> <p><b>Mayoral Office:</b> No of Full Time Councillors and Officials</p> <p><b>Speaker's Office:</b> No of Councillors and Officials</p> <p><b>Number and type of Council and Committee Meetings from July 2005 to June 2006:</b> Council Mayoral Committee Administration Standing Committee Human Resources Standing Committee Budget and Treasury Standing Committee Community Services Standing Committee Technical Services Standing Committee Planning and Development</p>	<b>61</b> <b>10</b>     <b>13</b>    <b>23</b> <b>06</b> <b>5</b> <b>5</b> <b>5</b> <b>2</b> <b>7</b> <b>4</b>	      <b>R2 539 452.72</b>      <b>R5 160 919.80</b>
<b>Key Performance</b>	◇ Councillor Education and Training		

Function: Executive and Council			
Subfunction		N/A	
			Total
Reporting Level	Detail		
Area	◇	Community Participation	
	◇	Efficient and Effective Management of Council Meetings	

***Sub-function: Budget and Treasury Office***

Function	Finance and Administration		
Sub Function	Budget and Treasury Office		
Reporting Level	Detail	Total	
			R'000
<b>Overview</b>	<p>The Budget and Treasury Office is a directorate of the municipality responsible for the management of municipal finances. It used to be known as the Finance Directorate and was re-named in line with the Municipal Finance Management Act. The administrative head of the Directorate is the Chief Financial Officer and it is composed of the following sections:</p> <ul style="list-style-type: none"> <li>◇ Budget, Bookkeeping and Asset Management</li> <li>◇ Income and Revenue Management</li> <li>◇ Expenditure and Procurement</li> </ul>		
<b>Description of the Activity</b>	<p><b><i>Budget, Bookkeeping and Asset Management:</i></b></p> <p>This section is responsible for budget planning and monitoring, financial reporting and management of municipal assets, insurance claims and compiling and maintaining the asset register of the municipality.</p> <p><b><i>Income and Revenue Management:</i></b></p> <p>It is responsible for the following activities:</p> <ul style="list-style-type: none"> <li>◇ Collection of income from all cashiering points;</li> <li>◇ Billing of rates and services;</li> <li>◇ Issuing out of clearance certificates; and</li> <li>◇ Management of the general valuation.</li> </ul> <p><b><i>Expenditure and Procurement:</i></b></p> <p>This section is responsible for the following activities:</p>		

Function	Finance and Administration		
Sub Function	Budget and Treasury Office		
Reporting Level	Detail	Total	
			R'000
	<ul style="list-style-type: none"> <li>◇ Payment of creditors;</li> <li>◇ Payment of salaries, wages and sundries;</li> <li>◇ Management of creditors' reconciliations</li> <li>◇ Management of stores items and stationary; and</li> <li>◇ Management of audit queries</li> </ul>		
<b>Analysis of Activity</b>	<p><b><i>In performing the function and enhancing the quality of performance the municipality spent, in terms of resources, as follows:</i></b></p> <p>Total number of personnel</p> <p>Director 49</p> <p>Secretary 1</p> <p>Deputy / Assistant Directors 1</p> <p>Managers 0</p> <p>Section Heads / Supervisors / Administrators 3</p> <p>Office Assistants / Clerks 4</p> <p>General Assistants 39</p> <p>1</p> <p><b><i>Total Cost of Salaries to the Municipality</i></b></p> <p><b><i>Expenditure on projects and programmes for the financial year:</i></b></p> <p>Compilation of Annual Financial Statements</p> <p>Other projects that are in the IDP could not be implemented due to financial constraints of the municipality.</p>		<p><b>R3 689 364.48</b></p> <p><b>R554 678.00</b></p>
<b>Key Performance Areas</b>	<p><b><i>The following are key performance areas in the year under review:</i></b></p> <ul style="list-style-type: none"> <li>◇ Enhancing revenue collection and management</li> <li>◇ Improving financial reporting and accountability</li> <li>◇ Developing, reviewing and implementing financial policies</li> <li>◇ Improve the functioning of the financial system</li> <li>◇ Capacity building for employees in Budget and Treasury Office</li> </ul>		

Function: Finance and Administration			
Sub-function: Administration			
Reporting Level	Detail	Total	
			(R'000)
<b>Overview</b>	<p>The administration function includes the following:</p> <ul style="list-style-type: none"> <li>▪ Office Services</li> <li>▪ Committee Support</li> <li>▪ Registry &amp; Archives</li> <li>▪ Information Technology</li> <li>▪ Supply Chain Management</li> <li>▪ Speaker Support Services</li> <li>▪ Estates Services</li> <li>▪ Library Services</li> <li>▪ Ngqamakhwe &amp; Centane Units</li> </ul> <p>In terms of best practice, the administration of any municipality is inward-looking, which means it provides support to all other functional areas. In the case of our municipal administration department, this is different in that it has a component of community services and planning in the form of library services and estates services. This is an anomaly that has been corrected through restructuring of the institutions Organogram.</p>		
<b>Description Of Activity</b>	<p><b><u>Office Services</u></b> – this includes the administration relating to telecommunication services, reception, customer care, office cleaning services, fleet management services</p> <p><b><u>Committee Support</u></b> – this section is responsible for the provision of administrative support to council and its committees including production and issuing of meetings notices and agendas, production minutes and resolutions and communication of these to internal stakeholders for implementation as well as safekeeping of minutes of council and committees</p> <p><b><u>Registry and Archives</u></b> – the safekeeping of documents and records of the municipality in line with the National Archives of South Africa Act, 1996, development and implementation of the</p>		

Function: Finance and Administration			
Sub-function: Administration			
Reporting Level	Detail	Total	
			(R'000)
	<p>filing system, incoming and outgoing correspondence and reprographic services is the responsibility of this section.</p> <p><b><u>Information Technology</u></b> – the section is responsible for providing information technology support to the municipality including network administration, systems administration, IT infrastructure maintenance, hardware and desktop support. It is as well responsible for development and implementation of IT policies.</p> <p><b><u>Supply Chain Management</u></b> – the section is responsible for the implementation of the Supply Chain Management Regulations and related legislation, the development, implementation of the Supply Chain Management Policy and implementation thereof including demand management, acquisition management, logistics managements, disposal management, contract administration and performance management.</p> <p><b><u>Speaker Support Services</u></b> – this includes the provision of administrative support to the office of the Speaker and the Chief Whip, as well as administration relating to community and/or public participation.</p> <p><b><u>Estates Services</u></b> – this includes provision of administrative services relating to lease agreements with municipal tenants, facilitating the transfer of properties (title deeds), hall bookings and caretaking services.</p> <p><b><u>Library Services</u></b> – provision of library services to the Mquma community including lending library material, subscription management, liaison with other public libraries and the department of Sports, Recreation, Arts and Culture, developing and maintaining database of library patrons and managing revenue in the form of subscription fees, internet access fees, etc.</p>		

Function: Finance and Administration			
Sub-function: Administration			
Reporting Level	Detail	Total	
			(R'000)
	<b><u>Nggamakhwe &amp; Centane Units</u></b> – ensuring that the Mngquma Centane and Butterworth units have access to administrative services such as telecommunication services, information technology services, office cleaning services and general management of the units.		
<b>Analysis Of The Function</b>	<p><b><i>In performing the function and enhancing the quality of performance the municipality spent, in terms of resources, as follows:</i></b></p> <p>Total number of personnel 49</p> <p>Director 1</p> <p>Secretary 1</p> <p>Deputy / Assistant Directors 0</p> <p>Managers 2</p> <p>Section Heads / Supervisors / Administrators 5</p> <p>Office Assistants / Clerks 2</p> <p>General Assistants 14</p> <p>24</p> <p><b><i>Total Cost of Salaries to the Municipality</i></b></p> <p><b><i>Expenditure on projects and programmes for the financial year:</i></b></p> <p>Municipal Properties Database</p> <p>Radio Link Installation</p> <p>Ward Committee Support &amp; Resources</p> <p>Municipal Regalia</p> <p><b><i>Total Expenditure</i></b></p> <p><b><i>GRAND TOTAL</i></b></p> <p><b><i>The municipality budgeted for 1 project during the financial year from its own budget but did not implement the project. Funding was to be solicited for other projects and/or programmes but due to instability this could not be done. The only spending was on Salaries and related</i></b></p>		R4 408 724.52
<b>Key Performance Areas</b>	<p>The key performance areas of the administration during the year under review were the following:</p> <p>Information Technology</p> <p>General Administration Systems</p>		

Function: Finance and Administration			
Sub-function: Administration			
Reporting Level	Detail	Total	
			(R'000)
	Supply Chain Management Policy development and review  <b>Key challenges for the department in the year under review:</b> Getting the employees of the department to work (from the period of instability) Re-establishment of systems including council systems, IT systems and review of policies		

**Sub-function: Community Services**

Function	Finance and Administration		
Sub Function	Community Services		
Reporting Level	Detail	Total	
			(R'000)
<b>Overview</b>	The Community Services Department is one of the six departments of Mnquma Local Municipality and is responsible for the following activities structured around sections. <ul style="list-style-type: none"> <li>• Traffic Services</li> <li>• Security Services</li> <li>• Emergency Services</li> <li>• Cleansing Services</li> <li>Health Services</li> </ul>		
<b>Description of Activity</b>	<b>Traffic Services</b> The activity is divided into two divisions, namely, <i>Law Enforcement and Administration</i>  <b>(1) Law Enforcement:</b> The law enforcement unit is responsible for: <ul style="list-style-type: none"> <li>• Manning of roadblocks to determine vehicle roadworthiness and alcohol abuse</li> <li>• Issue of Spot Fines for Traffic violations</li> <li>• Execution of warrants of arrest</li> <li>• Setting up of speed measuring</li> <li>• General patrols</li> <li>• Conducting of Point duties</li> <li>• Attending court cases at the registered magistrate's offices</li> <li>• Attending road accidents and direct</li> </ul>		

Function	Finance and Administration		
Sub Function	Community Services		
Reporting Level	Detail	Total	
			(R'000)
	<p>traffic flow</p> <ul style="list-style-type: none"> <li>Attending seminars relating to traffic safety</li> <li>Demarcating of Loading Zones and installation of traffic signs</li> </ul> <p>During 2006/2007 financial year the Law Enforcement Unit became visible by servicing the above functions and their revenue collection was not improved as they were not meeting their targets. Investigation in the form of Audit has been conducted in order to rectify the situation.</p> <p>The programme of road marking has been implemented in Butterworth CBD area due to lack of personnel.</p> <p>Old traffic vehicles created another constraint in their services delivery. Road marking and installation of sign posts have been done in the CBD.</p> <p><b>Administrative Unit</b></p> <ul style="list-style-type: none"> <li>Assists members of the Public with Traffic related information</li> <li>Liase with other governmental departments with a view to assist where a need so arises</li> <li>Arranges appointments for learner driving tests</li> <li>Tests applicant's competency in learning licenses</li> <li>Issue of learning licenses</li> <li>Renewing of driving licenses</li> <li>Conversion of driving licenses</li> <li>Issuing of temporal driving licenses</li> <li>Issuing of professional driving permit</li> <li>Issuing of duplicate learning licenses</li> <li>Capturing of summonses into NATIS</li> <li>Arrange Court Dates for Traffic Officials</li> </ul> <p>The suspension of DLTC (Driver's License Testing Centre) due to non-compliance with national standards impacted negatively to the municipal revenue.</p>		

Function	Finance and Administration		
Sub Function	Community Services		
Reporting Level	Detail	Total	
			(R'000)
	<p>Later the testing of learners licenses was re-opened of which the DLTC remained suspended.</p> <p>The Traffic Municipal Revenue depended in the Renewals, Conversions of Drivers Licenses, Learners Licenses and PDPs (Public Driving Permits).</p> <p><b>Parking Meters</b> Little income is generated from the parking meter operating system which is conducted by service provider (DPS'2) Disified Parking Meter System reason being the failure from Technical Services Department to maintain streets, so this department is unable to create larger proportions of parking bays and parking by-laws were another problem.</p> <p><b>Traffic Forums and Justice Forums</b> These forums provide advises to our Traffic Section and they are continuously attended.</p> <p><b>Security Services</b> This section comprises of two Units:</p> <ul style="list-style-type: none"> <li>• <b>Asset Protection Unit</b></li> <li>• <b>Close Protection Unit</b></li> </ul> <p><b>Asset Protection</b></p> <ul style="list-style-type: none"> <li>• Guard and patrol premises regularly</li> <li>• Maintain and improve access control</li> <li>• Recording entries of occurrences during shift</li> <li>• Avoid any offences/ illegal practices within the premises</li> <li>• Act as witness in court cases</li> <li>• Protect all assets from damage and theft</li> <li>• Record all incidents and observation on post</li> <li>• Make note of any problems whilst on patrol</li> </ul> <p><b>Close Protection Unit</b></p> <ul style="list-style-type: none"> <li>• Provide security service to political</li> </ul>		

Function	Finance and Administration		
Sub Function	Community Services		
Reporting Level	Detail	Total	
			(R'000)
	<p>office bearers and senior personnel</p> <p><b>Cleansing Services</b></p> <p>This section is composed of three (3) sub sections</p> <ul style="list-style-type: none"> <li>• Refuse removal</li> <li>• Parks and Gardens</li> <li>• Cemeteries</li> </ul> <p><b>Refuse Removal</b></p> <p>This subsection performs various activities such as:</p> <ul style="list-style-type: none"> <li>• <b>Street sweeping</b> <ul style="list-style-type: none"> <li>- Undertaken by two teams of workers who only sweep CBD area.</li> </ul> </li> <li>• <b>Anti Littering</b> <ul style="list-style-type: none"> <li>- Done on daily basis</li> <li>- Anti-littering by-laws are in the process of implementation.</li> </ul> </li> <li>• <b>Dumping/Heap Removal Programme</b> <ul style="list-style-type: none"> <li>- Removal of dumpings to all locations is in progress</li> <li>- "No dumping" signs are installed</li> </ul> </li> <li>• <b>Rubbish bins</b> <ul style="list-style-type: none"> <li>- Most of them are painted white and located to strategic positions</li> </ul> </li> <li>• <b>Tip Site</b> <ul style="list-style-type: none"> <li>- One tip site in Butterworth is operating illegally as there is no permit.</li> <li>- Feasibility study has been submitted to the Department of Water Affairs and Forestry to issue permit.</li> <li>- Department of Environmental Affairs and Forestry is in the process of closing the dumping sites and construct transfer stations.</li> </ul> </li> <li>• <b>Regional Waste Site</b> <ul style="list-style-type: none"> <li>- Fencing is finished</li> </ul> </li> </ul> <p>Process of constructing weight bridges is in progress</p> <p><b>Parks and Gardens</b></p> <p>This involves the following sub-activities:</p> <ul style="list-style-type: none"> <li>• Grass Cutting</li> <li>• Bush Cutting</li> </ul>		

Function	Finance and Administration		
Sub Function	Community Services		
Reporting Level	Detail	Total	
			(R'000)
	<ul style="list-style-type: none"> <li>• Tree Trimming</li> <li>• Flower Planting</li> <li>• Maintenance of public open spaces</li> </ul> <p><b>Areas of Operation</b></p> <ul style="list-style-type: none"> <li>• Sports Ground</li> <li>• CBD streets</li> <li>• Gcuwa Dam</li> <li>• Sisonke Park</li> <li>• Water Works</li> <li>• Traffic Offices</li> <li>• Both Clinics</li> <li>• DLTC</li> </ul> <p><b>Cemeteries</b> Maintenance of cemeteries to all units. This is a sharing function with Technical Services Department in the digging of graves. Ensuring proper register of graves and their administration. The development of cemetery plan is in progress.</p> <p><b>Health Services</b> The Mquma Local Municipality runs two clinics, i.e., Nozuko and Ibika Clinics, which are providing primary health care services to its community. This is a constitutional mandate of the Provincial Department of Health; however, a Memorandum of Understanding was entered into between these spheres of government.</p> <p><b>The following activities are performed:-</b></p> <ul style="list-style-type: none"> <li>• Anti- Natal Care</li> <li>• Child Health and Growth Monitoring</li> <li>• Family Planning / Reproductive Health</li> <li>• Sexually Transmitted Diseases</li> <li>• Chronic Diseases</li> <li>• Communicable Diseases</li> <li>• Health Promotion</li> <li>• HIV and AIDS and STI</li> </ul> <p><b>Emergency Services</b> This section comprises two sub-sections namely:-</p> <ul style="list-style-type: none"> <li>• Fire Fighting &amp; Rescue services</li> </ul>		

Function	Finance and Administration		
Sub Function	Community Services		
Reporting Level	Detail	Total	
			(R'000)
	<ul style="list-style-type: none"> <li>Disaster Management</li> </ul> <p><b>Fire Fighting</b></p> <p>This performs the following functions:</p> <ul style="list-style-type: none"> <li>Attending veld fires and forest fires</li> <li>Rescue and Recovery</li> <li>Attending Domestic and Industrial Fires</li> </ul> <p><b>Disaster Management</b></p> <p>This performs the following functions:</p> <ul style="list-style-type: none"> <li>Damage assessment of houses</li> <li>Disaster awareness campaigns</li> <li>Mitigation and responses to disasters</li> <li>Co-ordination of rebuilding of Disaster Damaged Homes</li> <li>Co-ordination of recruitment and training of volunteers and Communities.</li> </ul>		
<b>Analysis of the Function</b>	<p><b><i>In performing the function and enhancing the quality of performance the municipality spent, in terms of resources, as follows:</i></b></p> <p>Total number of personnel 186</p> <p>Director 1</p> <p>Secretary 1</p> <p>Deputy / Assistant Directors 1</p> <p>Managers 05</p> <p>Section Heads / Supervisors / Administrators 11</p> <p>Office Assistants / Clerks 1</p> <p>General Assistants and other 165</p> <p><b><i>Total Cost of Salaries to the Municipality</i></b></p> <p><b><i>The following are projects and programmes that were planned for in the IDP but could not be implemented:</i></b></p> <ul style="list-style-type: none"> <li>Purchase of Traffic Vehicles</li> <li>Purchase of Security Vehicles</li> <li>Purchase of Cleansing equipment i.e. Mowers and Tractor</li> <li>Training of Security Personnel</li> </ul>		<b>R12 103 144.56</b>

Function	Finance and Administration		
Sub Function	Community Services		
Reporting Level	Detail	Total	
			(R'000)
	<ul style="list-style-type: none"> <li>• Street Numbering at Msobomvu</li> <li>• Fencing of Butterworth Tip-Site</li> <li>• Fencing of Butterworth Cemetery</li> <li>• Installation of Security Cameras</li> <li>• Purchase of heavy additional Fire Fighting Truck</li> <li>• Installation of GIS Computers (Geographical Information System) at Disaster Management Centre</li> </ul> <p>The Municipality budgeted for two projects during the financial year from its own budget but not implemented due to financial constraints and instability. Funding was to be solicited for the other projects.</p>		
<b>Key Performance Areas</b>	<p>The following were the highlights for the function during the financial year:-</p> <ul style="list-style-type: none"> <li>• Developing strategies for traffic and pounding services</li> <li>• Re-tendering and appointment of Contractor for Centane Satellite Fire Station.</li> <li>• Signing of memorandum of agreement between Municipality and Department of Health</li> <li>• Engagement of life savers to our beaches</li> <li>• Auditing of street naming signs</li> <li>• Intensifying security services</li> <li>• Construction of Regional Waste Site</li> <li>• Development of comprehensive cleansing strategy plan</li> </ul>		

***Sub-function: Strategic Planning and Development***

Function	Finance and Administration		
Sub-Function: Strategic Planning and Development			
Reporting Level	Detail	Total	
			(R'000)
<b>Overview</b>	<p>The Directorate of Strategic Planning and Development is responsible for Strategic Planning as well as development in the Municipality.</p> <p>It is tasked with providing assistance and direction on strategic issues. These include</p>		

Function	Finance and Administration		
Sub-Function: Strategic Planning and Development			
Reporting Level	Detail	Total	
			(R'000)
	<p>the provisioning of Spatial Planning Services (Town/Regional Planning, Surveys and Zonings), land and housing administration services as well as promotion of economic development activities such as tourism, agriculture, mining, fishing, forestry, manufacturing and retail.</p> <p>Within the Municipal context, it plays a leading role in facilitating the attraction of investment into the area</p> <p>For optimum realization of its responsibilities it is divided into two broad activities viz:-</p> <ul style="list-style-type: none"><li>1. Strategic Planning which is further divided into<ul style="list-style-type: none"><li>o Co ordination &amp; Research (IDP &amp; PMS)</li><li>o Communication and Marketing and</li><li>o Special Programs and</li></ul></li><li>2. Development Planning which is further divided into:<ul style="list-style-type: none"><li>o Land Administration</li><li>o Housing Development &amp; Estates management and</li><li>o Economic Development including Agriculture and Tourism</li></ul></li></ul>		
<b>Description of Activists</b>	<p>Core Functions:</p> <ul style="list-style-type: none"><li>o To co ordinate and manage the formulation and implementation of the Municipal Integrated Development Plan and its related sector plans &amp; strategies</li><li>o To co ordinate and manage the formulation and implementation of municipal wide PMS (Performance Management System) and</li><li>o To advise and support municipal management on matters related to the macro strategy of the municipality</li></ul> <p>Other Functions</p> <p><b>Local Economic Development</b></p> <ul style="list-style-type: none"><li>o To stimulate local economic development through tourism,</li></ul>		

Function	Finance and Administration		
Sub-Function: Strategic Planning and Development			
Reporting Level	Detail	Total	
			(R'000)
	<p>manufacturing, agriculture marine industry, mining beneficiaries, forestry and woodlots and heritage</p> <ul style="list-style-type: none"><li>○ To ensure job creation by facilitating local economic development activities and capital programmes</li><li>○ This entails putting together such systems as LED Strategy, Tourism Strategy etc and facilitate establishment of such structure as LED Forum, LTO, Farmers Associations etc</li></ul>		
	<p><b>Land Administration and Land Use Management</b></p> <ul style="list-style-type: none"><li>○ To ensure optimum management of the available land and advise on the allocation of same and a sensitive and user-friendly manner</li><li>○ To achieve this objective, it has to develop a coherent and comprehensive Spatial Development Framework that will result in an orderly utilization of the land and its resources and in line with the Strategic Environment Assessment (SEA)</li></ul>		
	<p><b>Housing Development</b></p> <ul style="list-style-type: none"><li>○ This function entails facilitating the provisioning of low cost housing through PHP and Social Housing and Development of affordable housing for middle income group guided by Development facilitation act and Housing Sector Plan.</li></ul>		
	<p><b>Communication and Marketing</b></p> <p>This function ensures internal and external interfaces whereby the public is informed in a positive manner about the municipality, its activities and its potentials. It must of necessity culminate in the formation of Communication Forum and Communication and Marketing Strategy that is transparent.</p> <p>It has, also, the responsibility of establishing the IGR –Forum wherein the sector departments, parastatals, institutions of higher learning, private business, NGO's and CBO's and the municipality share ideas for</p>		

Function	Finance and Administration		
Sub-Function: Strategic Planning and Development			
Reporting Level	Detail	Total	
			(R'000)
	forward planning.		
	<b>Special Programmes</b> This is intended to facilitate the integration and mainstreaming of the marginalized groups which include Women, Youth, Elderly, disabled, aids sufferers and orphans. Lately sport and its codes have been included in this function. <ul style="list-style-type: none"><li>o Mobilization of marginalized group ongoing on an adhoc basis involving ADM and other spheres of government</li><li>o Youth Skills Development Centre Agreement signed with ECDC and the processes towards customizing the centre have started.</li></ul>		
	<b>Town and Regional Planning</b> This function in conjunction with spatial planning, land use administration, housing development, economic development, infrastructure creation and environmental considerations so as to keep the conflicts amongst the above to a minimum and ensure influence and integration of same in service delivery.		
	<b>Staffing</b>	1	8
	Director (Acting)		
	Secretary	1	
	Divisions: Land Administration	1	
	Town/Regional Planning	1	
	Local Economic Development	1	
	Agricultural Officer	1	
	Communication and Marketing	0	
	Housing Development	1	
	Special Programmes	1	
<b>Analysis of function</b>	<b>Land Use Management</b> <ul style="list-style-type: none"><li>o Draft SDF completed &amp; adopted in 2005</li><li>o GIS Installed</li><li>o Housing needs identified in the Butterworth urban area</li><li>o Land Administration Committee headed by the Executive Mayor in place</li><li>o Funding for review of SDF and development of SEA sourced</li><li>o Negotiations towards acquisition of</li></ul>		

Function	Finance and Administration		
Sub-Function: Strategic Planning and Development			
Reporting Level	Detail	Total	
			(R'000)
	land for development around Butterworth initiated		
	<b>Housing</b> <ul style="list-style-type: none"><li>o Butterworth identified as “BNG” Pilot project</li><li>o Agreement for land signed with FRA</li><li>o Social Facilitation on Macibe sanitation successfully concluded</li><li>o Engagement of implementing agent for Housing development approved by Council</li><li>o Unblocking the bottlenecks in housing programme initiated</li></ul>		
	<b>Urban Renewal</b> <ul style="list-style-type: none"><li>o The process to facilitate the diversion of funds for phase ii development to other projects linked to the programme initiated. Amount involved is R2.1 million.</li></ul>		
	<b>Internal and External Communication</b> <ul style="list-style-type: none"><li>o Communications Forum established</li><li>o Attempts towards establishment of IGR Forum initiated</li><li>o Monthly issue of newsletter published and distributed.</li></ul>		
	<b>SMME Development</b> <ul style="list-style-type: none"><li>o Municipal Business information centre established with the aid of ECDC and Old Mutual</li><li>o Procurement policy of the municipality has been influenced to favor local SMME's</li><li>o Processes towards capacitating local SMME's in the construction industry have been initiated with the aid of CIDB and Nurcha.</li></ul>		
	<b>Tourism Development</b> <ul style="list-style-type: none"><li>o Heritage sites have been developed and are being maintained.</li><li>o Heritage museum at Centane (Gobe)</li><li>o Camping site at Cebe being built at a cost of R3,9 million</li><li>o The process of identifying other sites for tourist attraction ongoing</li></ul>		
	<b>Mining Beneficiaries</b> <ul style="list-style-type: none"><li>o The process of development of granite mining with communities ongoing at Gcuwa locality (Centane)</li></ul>		

Function	Finance and Administration		
Sub-Function: Strategic Planning and Development			
Reporting Level	Detail	Total	
			(R'000)
	<ul style="list-style-type: none"><li>Sessions to facilitate capacitating of communities have been initiated with DME.</li></ul>		
	<b>Forestry and Woodlots</b> Sessions for capacitation of communities initiated with DWAF		
	<b>Economic Development</b> - Strategic Partnerships The following partnerships have been established <ul style="list-style-type: none"><li>Wiphold group that includes Old Mutual, Mutual and Federal and Nedbank</li><li>Amathole Economic Development Agency</li><li>Eastern Cape Parks Board and</li><li>Hluma Development Agency</li></ul> These partnerships have been forged for the sole purpose of triggering economic development in the area.		
	<b>IDP Formulation</b> The five year Integrated Development Plan was formulated and adopted by Council in line with the requirements of the legislation		
	<b>Food Security Programme</b> The wards were provided with agricultural inputs as follows: <ul style="list-style-type: none"><li>Cabbage Seedlings = 130 500</li><li>Spinach Seedlings = 56 500</li><li>Potato Seed = 218 X 25 kg bags</li></ul> No of wards supplied = 31 wards, Small scale irrigation projects = 15 Community gardens = 93 Youth Projects = 06 Home based care projects = 06 School garden 4H Clubs = 11 Old Age homes = 1 Physically challenged people = 2 <b>TOTAL NUMBER OF BENEFICIARIES: 1598</b>		
	<b>Stock Improvement</b> In order to improve the quality of stock bulls & rams were supplied with the assistance of ADM as follows:		

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			(R'000)																		
	<p>Nguni Bulls were supplied as follows:</p> <ul style="list-style-type: none"><li>○ Ngancule at Ward 15 = 6 Bulls</li><li>○ Qorha at ward 22 = 4 Bulls</li><li>○ Cebe at ward 27 = 4 Bulls</li></ul> <p>Goat Rams</p> <ul style="list-style-type: none"><li>○ Ngancule at Ward 27 = 8 Rams</li><li>○ Kei Bridge at ward 11 =3 Rams + 50 claves</li><li>○ Qorha at Ward 22 = 4Rams</li></ul> <p>Sheep Rams</p> <ul style="list-style-type: none"><li>○ Tanga at Ward 20 = 5 sheep Rams</li><li>○ Teko at Ward 24 = 5 sheep Rams</li><li>○ Ntseshe at Ward 19 = 5 sheep Rams</li><li>○ Construction of a livestock sale pen at Teko farms ward 23</li><li>○ Construction of spray dip tank at ward 10 (Zangwa)</li></ul> <p>Poultry</p> <p>Supply and installation of three poultry structures including drinkers, feeders, feed and 3000 broiler chickens at Kei Bridge agricultural project (ward 11)</p> <p><b><i>In performing the function and enhancing the quality of performance the municipality spent, in terms of resources, as follows:</i></b></p> <table><tr><td>Total number of personnel</td><td>6</td></tr><tr><td>Director</td><td>1</td></tr><tr><td>Secretary</td><td>1</td></tr><tr><td>Deputy / Assistant Directors</td><td>0</td></tr><tr><td>Managers</td><td>0</td></tr><tr><td>Section Heads / Supervisors / Administrators</td><td>4</td></tr><tr><td>Office Assistants / Clerks</td><td>0</td></tr><tr><td>General Assistants and other</td><td>0</td></tr><tr><td><b>Total Cost of Salaries to the Municipality</b></td><td></td></tr></table>	Total number of personnel	6	Director	1	Secretary	1	Deputy / Assistant Directors	0	Managers	0	Section Heads / Supervisors / Administrators	4	Office Assistants / Clerks	0	General Assistants and other	0	<b>Total Cost of Salaries to the Municipality</b>			R1 013 784.00
Total number of personnel	6																				
Director	1																				
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<b>Total Cost of Salaries to the Municipality</b>																					
<b>Challenges facing the Municipality</b>	<p>Critical challenge to the institution is to carry out the following activities to improve on service deliver:-</p> <ul style="list-style-type: none"><li>○ Populating the recently approved organogram</li><li>○ Regularizing its strategic partnerships</li><li>○ Ensure commitment to inter-governmental relations by establishing intersectoral forum</li><li>○ Simplification and workshopping policies and legislation</li></ul>																				

Function	Finance and Administration		
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Reporting Level	Detail	Total	
			(R'000)
	<ul style="list-style-type: none"><li>○ Expedite the review of the SDF and development of SEAs</li><li>○ Facilitate development of sector plans</li><li>○ Facilitate the LED Summit</li><li>○ Ensure beneficiaries to the Community in the utilization of natural resources</li><li>○ Facilitate the unlocking of land for development through negotiations with owners/custodians particularly traditional leaders, ECDC and MCSA</li><li>○ Facilitate identification of projects/programmes that will have huge impact on local economic develop.</li><li>○ Continue engaging the provincial and national government with regard to LED Projects</li><li>○ Continue looking for other strategic partners</li></ul>		

***Sub-function: Technical Services***

Function	Finance and Administration		
Sub Function	Technical Services		
Reporting Level	Detail	Total	
			R'000
<b>Overview</b>	<p>The Technical Services Directorate is one of the six directorates of the Mngquma Local Municipality responsible for infrastructural related activities. It consists of the following sections:</p> <ul style="list-style-type: none"> <li>◇ Roads and Public Works</li> <li>◇ Building Services</li> <li>◇ Workshop</li> <li>◇ Electrical Section</li> </ul> <p>The Department has a responsibility to facilitate the delivery of the services with are in the competence of the district municipality and Eskom. These include water and sanitation, electricity programme and disaster management.</p>		
<b>Description of the Activity</b>	<p><b>Roads and Public Works</b></p> <p>This Section deals with public utilities e.g. roads and bridges, etc. It mainly deals with access roads, storm water, open drainage system, pavement management and kerb</p>		

Function	Finance and Administration		
Sub Function	Technical Services		
Reporting Level	Detail	Total	
			R'000
	<p>laying and maintenance thereof in terms of its powers and functions.</p> <p>The total number of kilometers for the roads network is estimated at 1 800km of which 134km is surfaced. 98% of our roads is in a very bad state and the backlog in terms of upgrading to acceptable levels is estimated at R200 million.</p> <p>The three (3) towns in MLM can be categorized, in terms of cost as follows:</p> <p>Butterworth Centane Ngqamakhwe <b>TOTAL</b></p> <p>The total number of roads upgraded during the financial year under review is 62 and 158,7 km in length.</p> <p><b>Building Services</b> According to powers and functions, this function was performed by Amathole District Municipality (ADM) and reverted back to the local Municipality in 2005. This Section deals with the scouting of building plans and regulations thereof. It also deals with the implementation of building legislation and regulations including preventing and controlling erection of illegal structures and billboards. It is also responsible for the repairs and maintenance of municipal properties.</p> <p>Plans approved Illegal Structures Billboards approved</p> <p><b>Mechanical Workshop</b> This Section deals with repairs and maintenance and licensing of the Municipal Fleet.</p> <p>Municipal vehicles licensed: Municipal vehicles serviced</p> <p><b>Electrical Section</b> This is a shared function between Eskom and</p>		<p><b>R60 000 000</b> <b>R 5 000 000</b> <b>R 0 500 000</b> <b>R70 500 000</b></p> <p><b>R8 965 961.00</b></p> <p><b>68 27 01</b></p> <p><b>68 52</b></p>

Function	Finance and Administration		
Sub Function	Technical Services		
Reporting Level	Detail	Total	
			R'000
	<p>Mnquma Local Municipality in that Mnquma deals with the construction and maintenance of street lights, high mast lights, robots and council properties whereas Eskom deals with the power distribution to all Mnquma areas.</p> <p>Number of sets of robots maintained <b>04</b>  Number of street lights maintained in Mnquma <b>04</b>  Number of High mast lights maintained <b>20</b>  Functionality of Street lights <b>40 %</b>  Functionality of robots <b>90 %</b></p> <p><b>Key Challenges for the Department:</b></p> <ul style="list-style-type: none"> <li>◇ Shortage of staff and non-replacement of staff who have left the municipality;</li> <li>◇ Lack of skilled personnel, e.g., engineers</li> <li>◇ Lack of project managers to properly manage the infrastructural projects resulting in huge costs incurred by the municipality through mismanagement by consultants</li> </ul>		<b>R1 793 578.30</b>
<b>Key Performance Areas</b>	<ul style="list-style-type: none"> <li>◇ 100 % spending on the projects funded with the Municipal Infrastructure Grant (R14 million). Most projects that were funded were the roads projects.</li> </ul>		