



GREAT KEI LOCAL MUNICIPALITY
ANNUAL REPORT FOR THE YEAR
ENDED

30 JUNE 2007

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DATE : 28 MAY 2008
COUNCIL MEETING TO BE HELD ON : 30 MAY 2008

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ANNUAL REPORT 2006/07 OF THE GREAT KEI LOCAL MUNICIPAL

CHAPTER ONE

1. SPEAKER/MAYOR'S FOREWORD

A year of various activities has passed and gone and it is time now for us to report back and account to the Citizenry of Great Kei. Our main objective as the Great Kei Municipality is to deliver quality services for the benefit of our people and dramatically change their lives for the better. Now is the time for us to make a brief synopsis of what we have achieved or not achieved as well as coming up with innovative measures to improve on our performance as an organisation. The Annual Report therefore seeks to assist us to the electorate of our municipality in pursuance of their mandate as contained in the election manifesto.

The annual report is for the first time that this Municipality has presented and is a public document which will enable the people of Great Kei to assess and evaluate our performance. The past year will be remembered as one where the Strategic Planning became one of the main priorities as we developed crafted and consulted on the Integrated Development Plan for the next five years. This included IDP and Budget Roadshows to the communities in all our Wards during May 2007 to get feedbacks and comments. These developments were preceded by various workshops organised by Amathole District Municipalities as well as the growth and Development Summit held in March 2007 of the District which was crafted to be in line with other National initiatives and objectives of the National Spatial Development Perspective, Growth and Development Summit of June 2000 including the Provincial Growth and Development Plan. The essences of these strategic documents are as follows:

- To reduce the impact of HIV and Aids
- Poverty eradication
- To reduce unemployment by half in 2014
- Enhancing the economy of Great Kei and
- Investing in sustainable infrastructural development

Our mandate therefore is the will to uphold the principles of democracy and y Equity create a conducive environment that facilitates the development and empowerment of the communities both economically and socially. This also is meant to ensure sustainable and affordable services for our communities. In this regard, we are taking stock of the successes and shortfalls made during this financial year to instruct our planning processes into the future.

There have been political challenges during this financial year and are still persisting however we are beginning to stabilise that situation we have started the financial year with serious challenges of having to accelerate the transformation process so that we have a credible organisation that has systems, processes and wherent procedures. We were also faced with problems of staff turnover ranging from a number of issues including but not limited to exposures that emanated to the findings of the Auditor General and issues related to remuneration packages of Senior Management. We are still dealing and confronting these issues even at this stage, however in the next Annual Report we anticipate some level of positive reporting on these matters. Above all we had to ensure that we build as we continue doing an institutional culture that responds directly to these challenges, needs and aspirations of our people. We have also been faced with a challenge of compliance with some legislative requirements due to capacity and systems problems.

The production of the Annual Report, Annual 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, Municipal Systems Act have also been part of our huge challenges but we are still grappling with these issues.

The Audit Committee had been established but had not been executing its mandate due to other subjective and objective factors. The management have also been grappling with the development and implementation of numerous policies aimed at ensuring that we have an appropriate regulated Municipal environment. Extensive training has been undertaken to ensure that Councillors and staff are equipped with the necessary skills and expertise.

I, in the circumstances alluded to supra, present this first Annual Report as the documented substantiation of the road we have traversed in the implementation of the commitments made to the people of Great Kei and I express gratitude to those who made it possible both politically and administratively to achieve what we have. To this end Great Kei Municipality remains committed to our communities.

Truly

NGENISILE TEKILE (MAYOR)

1.2 MUNICIPAL MANAGER'S MESSAGE

During the year under review the Municipality had been confronted by a number of challenges which can be summarised as political, administrative, socio-economical as well as institutional. We want to be brutally frank about the situation we find ourselves in.

Part of the challenges that Great Kei Municipality confronted with were the lack of proper planning, leisure fair approach to issues, total disregard of policies and procedures, minimum sense of collectively and collective actions, lack of leadership at all levels of the institution including general laxity on issues of organisational strategy. In essence there had been serious lack of accountability and focus on the primary mandate of the Municipality to provide quality and sustainable service delivery to the populace of Great Kei.

The challenge of the year under review was lack of implementation of Strategies, Policies and procedures that had been developed to enable and enhance service delivery to key stakeholders and support the transformation agenda that should seamlessly unfold in this institution in line with the policy direction of the National, Provincial District wide and Local Governments. This state of affairs resulted in the timeous of the MEC for Housing, Local Government and Traditional Affairs as well as the Select Committees on finance including Local Government of the National Council of Provinces.

At a management level, there had been a number of vacant posts particularly at a senior management level and therefore lack of strategic management. The contract of the Municipal Manager was not extended in September 2006 and a rotational Acting System was introduced which undermined consistency and sustained accountability of municipal officials and employees. This was further compounded by the suspension of the Chief Finance Officer in December 2006 as a result of the contents of the report of the Auditor General with regard to a number of issues about non compliance with the applicable legislative framework including serious allegations about embezzlement of public funds and improper conduct by certain managers and councillors. This resulted in a state of disarray and chaos in both the political and administrative arrangements of the institution.

Revenue collection, proper billing systems, credit control policy, generally Acceptable Accounting Standards, upgrading of financial systems, Development of Financial reports, Indigent register, data cleansing were things of the past. This situation seriously hampered service delivery in that grant funding for service delivery was either not used or utilised for purposes not intended including financing operational activities which clearly is against the present legislative framework.

Only four senior managers were available at the time to salvage the situation. This management under the caretaker leadership of the Acting Municipal Manager used their best endeavours to keep the ship going in the correct direction with the assistance of the Amathole District Municipality's support. In an attempt to resuscitate the situation the Council with the support of the administration dealt a blow with political infighting and incompetence by certain officials which nearly led to the complete collapse of this tiny Local Municipality. The political will and firm leadership exercised by NCOP, DHLGTA, ADM was able to restructure the operations of the municipality almost from scratch. Most importantly, the newly defined role of the council and management had to instil discipline in council, introduced internal controls. Auditors were brought in to help sort out financial controls and stop the rampant thieving and misuse of Council's assets. The Council also dealt with abuse of municipal assets, political interference in the administration, a high staff turnover and a total disregard for policies and processes.

need to populate the organogram and employ persons in strategic posts also helped to salvage the municipality from eminent liquidation. The employments of permanent staff consolidate the efforts by

Municipality leadership to refocus the strategic agenda to improve service delivery despite bad media publicity.

processes were duly followed, hence it was adopted on time. Our communities were consulted as part of public participation from and the IDP was sent to all relevant stakeholders as per legislative for comment and the final document was also widely circulated.

Faced by the challenges highlighted supra, the municipality held a strategic workshop in May 2007 as an attempt to distil strategies and tactics on how we should respond to the existing status quo. The commitment by the new management and councillors to good governance has been a source of strength and inspiration to the workforce. This resulted in the crafting of a detailed Great Kei recovery plan with clear outcomes, timeframes and responsible bodies to perform certain tasks including where required resources will be harnessed.

with which management, councillors, ADM, DHLGTA, DBSA, Provincial and National Treasurer as well as select committees on finance and Local Government of the NCOP worked tirelessly to rekindle high morale of staff, improve performance of departments and ensuring service delivery does take place. Positive response and understanding by the community has been most encouraging and servicing to motivate the administration. There also has been the review of the policies, procedures in the form of credit control by-laws, customer case, finance policies and other human resources policies. This review process was informed by development in legislation and change in best practise.

In conclusion, the success of the municipality is dependant on a good understanding and practise by Councillors, staff and the community at large of the principle of continuous improvement and constant learning thus building 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 period 2006/07 and seeks to account to the communities that we serve.

In the 2007/08 Annual Report a detailed account of activities to respond to this situation will be reflected to indicate progress made and other new challenges confronting the institution.

Yours faithfully

A.A. SI HLAHLA
MUNICIPAL MANAGER

2. GREAT KEI GEOGRAPHICAL LOCATION AND SET UP

2.1 POPULATION DYNAMICS

GREAT KEI MUNICIPALITY (GKM) INFORMATION - AREA MAJOR CHARACTERISTICS

LOCATIONAL INFORMATION

The Great Kei Municipality (GKM) is located within the Eastern Cape Province and covers an area of 1 421 square kilometers (km²). The GKM is bounded in the East by the Great Kei River and Mnquma Municipality, in the South East by the coastline between Kwelera and Kei Mouth, in the West by the Buffalo City Municipality and the Amahlathi Municipality, which is situated to the North. The Municipality is divided into six wards, which are the amalgamation of previously different communities and municipal entities, including Komga, Kei Mouth, Cintsa East, Haga Haga, Mooiplaas and Kwelera.

The district is divided into six wards which were previously different municipal entities; Komga, Kei Mouth, Cintsa and Haga Haga together with the Komga TRC and portion of the East London TRC. Regional access is obtained through the district via the N2 National Route from East London to Butterworth with a provincial main road connection between Komga and Stutterheim. (Plan 1 shows the locality of Great Kei municipality with ward boundaries).

1.1 PHYSICAL AREA: TYPIFIED BY DEVERSE LAND USE

Significantly, land set aside for private commercial agriculture constitutes the bulk (96%) of the municipal available land resource where much of the agricultural practice in the area (77%) is based on the extensive utilisation of the veld for livestock production (cattle, sheep and goats). (Refer to Plan 2).

Table 2: Land Use

Land Use		Urban	Great Kei Municipality
	in km ²	Areas	Agglomeration
1	Residential	57.00	1,421.00
1a	Formal residential	20.00	20.00
1b	Informal residential	10.00	10.00
2	Business	1.00	0.50
3	Agriculture	1.00	1,364.00

4	Services	3.00	20.00
5	Transport	1.00	1.00
6	Other	21.00	4.50
7	Total	57.00	1,421.00
8	Conservation area (%)	5.0%	0.4%

Source: D Data (1995) - Existing Land Use / Magisterial district

Of the 1 421km² municipal area, some 57km² is taken up by the urban service centers of Komga and Kei Mouth which represents 4% of the total district area (refer to Table 2 and Figure 2). *Komga* functions as the predominant rural service centre to the surrounding agricultural areas as well as adjacent parts of Mngquma. It also serves as an urban communications link and small commercial centre between the Buffalo City and Butterworth urban areas. Komga is given the lowest rank (19th out of 19) of Level 1 District Centers within the sub region in terms of the Amatole District Council LDO's and Integrated Development Plan 1999 - 2000. The coastal settlements of Kei Mouth, Morgans Bay, Haga Haga and Cintsa, whilst having a small number of permanent residents, have over many years provided a tourism and holiday destination for both local and national visitors who regularly spend their holiday in the area. Approximately 0.5% of the area, mostly within the coastal forest reserve, is protected for environmental conservation purposes.

Figure 2: Land Use - District

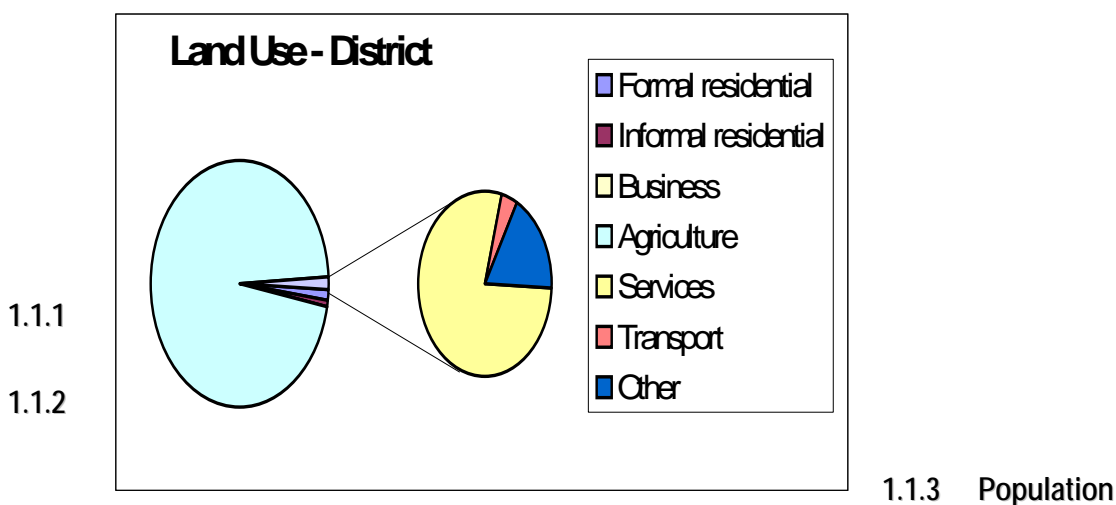


Table 3: Population by Sex

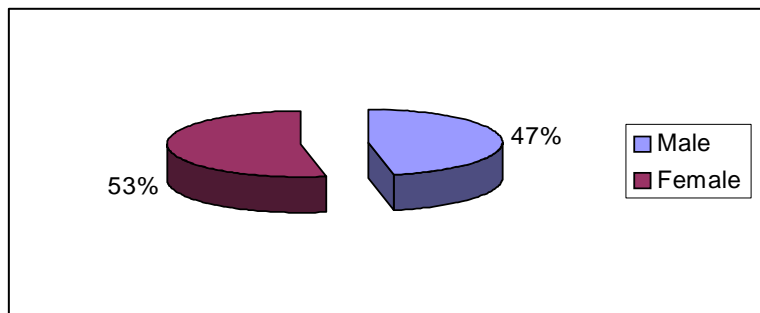
Age	White		Black African		Coloured		Indian/Asian		Total
	M	F	M	F	M	F	M	F	

0-19	297	274	10,036	9,716	95	99	0	0	20,517
20-34	203	195	4,249	4,733	61	52	3	0	9,496
35-49	252	302	2,516	3,523	36	45	0	0	6,674
50-64	358	378	1,394	2,207	27	28	0	0	4,404
65 +	251	257	1,077	1,776	11	6	0	0	3,378

Source: Statistics SA (2001)

Some 47 percent of the population in Great Kei Municipality is male and 53 percent female (refer to Figure 3). This highlights the fact that some men have left the area to work in areas of economic opportunity. Table 3 above illustrates that the female population (54%) within the rural area is slightly higher than that of the male population. However, this is considered to be a favourable distribution demonstrating a relatively high level of males remaining in the rural areas especially within the economically active age group.

Figure 3: Male/Female Ratio



Source: Statistic SA, 2001

Figure 4: Age According to Gender

There GKM currently has an estimated population of just 44 469 that make an approximate total of 11 363 households. Over 81 percent of the population of Great Kei lives in rural areas, villages and on farms. The population is spread amongst 6 wards with between 4 430 people (835 households) and 10 052 people (1 897 households) resident in each ward. This provides an average of 6 686 people per ward. The average household consists of 4.8 people.

Table 4: Population by Age

Population by age (1)	Great Kei Municipality	Female	Male	Total
5	0-19 years	10,089	10,428	20,517
6	20-34 years	4,980	4,516	9,496
7	35-65 years	6,495	4,583	11,078
8	65 years and more	2,039	1,339	3,378

Source: Statistics SA, 2001

Table 5: Population by Age

Population by age (2)	Great Kei Municipality Age Range	Total
9	0-4 years	3,612
10	5-19 years	16,905
11	20-29 years	6,980
12	30-49 years	9,190
13	50-64 years	4,404
14	65 years and more	3,378

Source: Statistic SA, 2001

It can be observed in the Table 4 (Data World Statistics, 2001) that half the population (46 percent) of Great Kei are children between the ages of 0 to 19 years. Some 21 percent of the population are youths (between 20 - 34 years), 25 percent middle aged (35 to 65 years) with 8 percent over 65 years of age (elderly).

However, information supplied by *Local Municipalities MDB Information, 2001*, demonstrate a disproportionate (low) number of children under the age of 4 years old (refer to Table 5). Given that 74,81% of the population is under the age of 15 years (*MDB Information, 2001*) this data requires further investigation, concerning the possible high incidences of child mortality;

Only 21% of the population fall within the 20 to 34 year age group (refer to Figure 5). This may be ascribed to the fact that (1) many of the economically active have left the municipality for further education, training and work; or (2) a distortion of the population pyramid through the possible impact of HIV/AIDS within this age group.

In addition to the above, the high number of economically active (43% of the total population) has implications for the kinds of job opportunities and facilities that will be required in future.

Table 6: Population Density

Population Density		people/km ²
1	Urban Areas	185.5
2	Great Kei Municipality	28.2

The service centers of Komga and Kei Mouth as well as the coastal settlements of Morgans Bay, Haga Haga and Cintsa can be described as urban areas falling within the national definition of "an urban area administered by a local authority or municipality". The population density within urban areas is estimated at 185 people/km (refer to Table 6). This can be attributed to the diverse economic activity and higher level of social and physical infrastructure services to be found within the centers. Urban centers within the area display a growth rate of around 1,5% per annum (refer to Figure 6) compared to a negative growth rate of – 1,9% for the entire Great Kei Municipal area. This is believed to be the result of the steady exodus of families from farming areas and adjacent rural settlements, causing a population increase within local urban centers. Recent studies in South Africa have found that resettlement to nearby small towns remains an attractive option to dislocated rural families and individuals (particularly women), as opposed to moving to larger urban environments such as Buffalo City, Port Elizabeth and Cape Town (DBSA 2001).

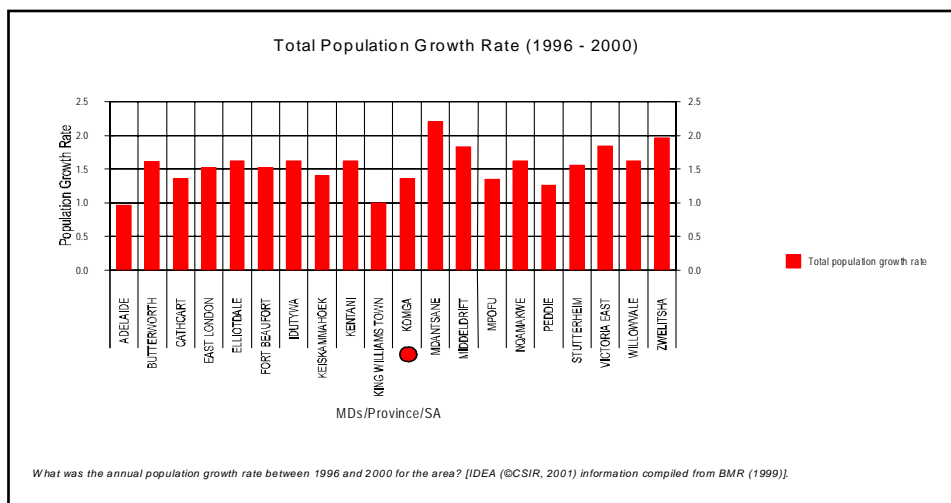


Figure 6: Total Population Growth Rate (1996-2000)

Whilst the population natural growth rate in urban centers has been positive over the last few years (just less than 1,5 percent), the implications of HIV/AIDS can be seen with projections to the year 2025 (where it decreases). This highlights that HIV/AIDS is becoming a critical issue and needs to be addressed through the IDP process.

In the light of the findings of the DBSA report on Provincial Population Projections (Sept 2000) a low 1,00% annual growth rate is projected for the next five years resulting in a population growth from the current 40 116 people to 42 162 people in 2006.

Figure 7: Male/Female Ratio per Urban/Rural Area

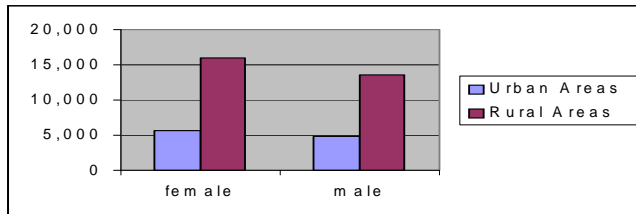


Table 7: Average Household Size

No.	White	Black/African	Coloured	Indian Asian
1	173	1,866	22	0
2	488	1,517	17	3
3	159	1,480	20	0
4	175	1,472	21	0
5	43	1,277	20	0
6	23	940	12	0
7	8	637	3	0
8	0	401	0	0
9	3	237	0	0
10+	0	346	3	0

Source: Statistics SA, 2001

Figure 7: Male/Female Ratio per Urban/Rural Area

2.2 HEALTH

Health facilities within the area consist of one community health centre (Komga) and 7 clinics (Komga, Eliqolweni, Mooiplaas (2), Icwili and a Farm clinic). The availability of health facilities is an important determinant of the health status of the sub-region. This refers not only to their existence, but also ease of access to and quality of health facilities. As most health facilities fall within the urban areas, most of the rural population has limited access to these facilities. Some 58% of people live more than 5 km from medical facilities and only 1,5% have access to a medical benefit fund (DBSA, 1997).

Table 9: Hospital Beds

Hospital beds	Number of persons per hospital bed.
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	Total population should be divided by number of beds.	
	Great Kei Municipality	Number of beds
1	Com. Health Centre	16
3	Other (Clinics)	4
4	Total	20
5	Number of person/ bed	2234

Source Dept of Housing & Local Government, 1997

According to the Department of Housing and Local Government (1997) the total capacity of hospitals and clinics in the district is 20 beds (refer to Table 9). This amounts to ½ bed / 1 000 people in the district or 2 234 persons/bed. This figure is much lower than that of the central sub region (2,3 beds per 1 000 people) and 5,1 beds / 1 000 for South Africa.

There is a strong trend towards decentralisation in South Africa and tremendous demands are being placed upon the local government sphere. Local government currently does not have the capacity to accept and carry out additional functions.

It is in this context that the *District Health System* is being established. The process of developing such a system will have to take account of current reality and the various processes that will impact on health service delivery. It will be important for people involved in the health sector to:-

- participate in the Integrated Development Planning process;
- explore new mechanisms for delivering services;
- engage with the allocation of health service functions to Municipalities;
- continue to improve the rendering of high quality health care in an integrated manner.

EDUCATION

There are 34 *primary schools* within the Great Kei municipal area - located at Komga, Mooiplaas (9), Kwelera, Ocean View, Icwili and upon Farms (20). There are 8 *combined schools* - located at Springvale, Mandela, Elephindweni, Kwamhomba, Mooiplaas (2) and Farms (2). Three (3) *secondary schools* exist at Mooiplaas, Icwili and Eluqolweni.

Table 10: Number of Primary and Secondary Schools

Great Kei Municipality	primary/combined	secondary
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	schools	schools
number of schools	42	3
number of Schools/1000 children	2.62	0.19

Source: Dept of Housing & Local Government (2001)

Table 10 above illustrates the total number of schools and average number of schools per 1 000 children (between the ages of 5 and 19). In the area there is a notable deficiency in secondary schools available (only three), resulting in this municipality being forced to send their pupils to secondary schools outside the municipal area. There is a trend that the educational facilities within the urban areas are of better quality and regular maintenance is being undertaken. Most of the population is leaving the municipality to receive further secondary and tertiary education, they do not return to the municipality after completing their education.

Table 11: Adult Literacy Rate

Adult Literacy rate	Defined as the percentage of people' (male and female) age 15 years and over who can, with understanding, both read and write a short simple statement on their everyday life.	
		Adult Literacy
1	Total Gt. Kei (female and male)	74,4%
2	National (female and male)	81.8%

Source MDB, 2001

The Great Kei Municipal area appears to have a high illiteracy rate (25,6%) when compared to the rest of the country (refer to Table 11). This fact may be ascribed to a general low provision in higher education facilities within the municipality, a low demand for literacy within the local economic sector and the loss of a portion of the literate population to other work centers outside the municipality.

SAFETY AND SECURITY

There are 5 police stations and 1 magistrate's court within the Great Kei Municipal area. The community has expressed concerns that the police force is under capacitated, has limited resources, equipment and vehicles. It is also a problem that the municipality is geographically dispersed and the police have long distances to patrol (for example Gonubie Police services the Cintsa area).

Predominant crimes include stock theft, house break-ins, rape, assault and theft. The main areas where crime is experienced are the rural settlements, Komga, coastal resorts and farm homesteads. Community Police Forums are in a process of being resuscitated.

HIV/AIDS

HIV/AIDS has led to the explosion of AIDS-related diseases. It is with regard to the loss of productivity that HIV/AIDS has a negative impact on the economy (DBSA, 2001).

On average it takes approximately six years before HIV-infected people show any sign of the disease. In the first phase the disease has very little or no effect on productivity. Productivity can vary between 85% and 100% of capability. In the second phase infected people suffer HIV/AIDS related diseases. Productivity drops to between 59% and 80% of the normal level. Productivity in the third phase varies from between 0% and 10%. Industry will have to employ up to 20% more workers over the next five years to maintain normal production levels, in order to replace expected losses in workforce. The result will be an increase in the wage account - more people and continuous training to attain the same level of productivity (Provincial Population Projections, DBSA, September 2001)

Possible indicators identified within the Great Kei area that require further investigation are:-

- Low number of children under the age of 5 years;
- Low number of people within the 20-29 age group.

Whilst still awaiting specific figures for Great Kei, the following general information is useful to reflect on. In South Africa, the HIV/AIDS epidemic is among the most severe in the world. The epidemic constitutes a grave threat to the development and social transformation of the country. It will be a major obstacle to reducing poverty and has the potential to reverse many gains made during the past decade.

- 1 in 9 South Africans are HIV positive
- 2.5 million South African women between 15 and 49 were HIV positive at the end of 2000 (information from ante-natal clinics)
- 2.2 million men infected (15 to 49 years)
- The most vulnerable group are women between the ages of 20 and 29
- 20 percent of pregnant women in the Eastern Cape are infected

The prediction is that 6 million South Africans will die from Aids related diseases by 2010.

The epidemic will:

- Reduce the projected number of people
- Reduce life expectancy
- Increase infant mortality
- Greatly increase the need for health care
- Greatly increase the need for poverty assistance
- Exacerbate inequalities
- Result in large number of orphans
- Change the demographic structure of the population
- Increase the number of aged who need care (who have lost adult children)
- Affect income and expenditure patterns
- Reduce growth
- Reduce the ability of households to pay for services, rents and rates
- Threaten productivity due to increased absenteeism, higher recruitment, training and employment benefits and loss of skills
- Reverse years of investment in training and education

(Source: HIV/Aids Toolkit for Local Government)

These figures are alarming and require the municipality to address HIV/AIDS through its IDP. This is particularly important for the young and economically active youth living in Great Kei that are at risk. **Socio–Economic Characteristics**

Poverty Indicators

The total percentage of poor households within the municipality is estimated at 79% (refer to Table 8 and Figure 8). In the area of Komga, women head just under 40 percent of all households. Being sensitive to this requires that the needs of women headed households should be taken into account when developing strategies and programmes.

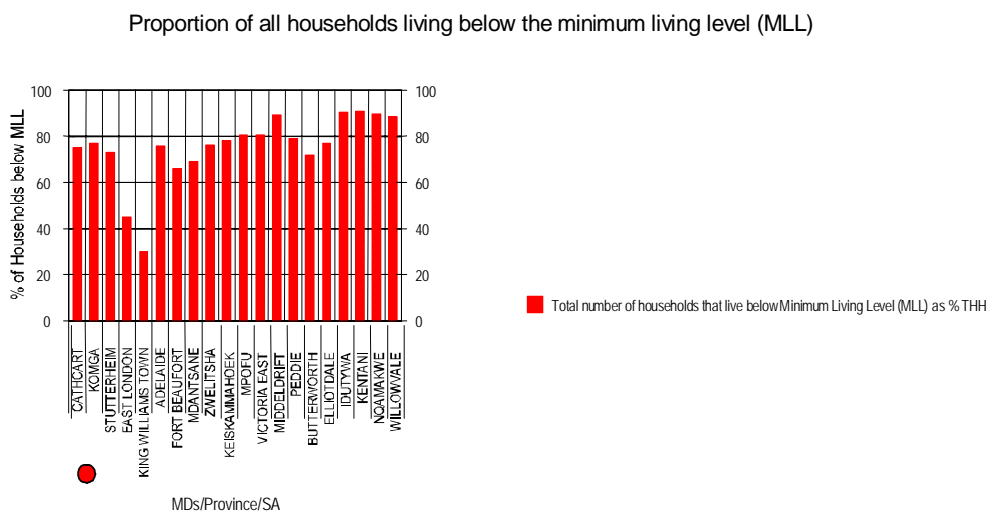
Table 8: Households below Poverty Line

Households below Poverty line	Percentage of households in the district situated below the poverty-line.		
	Great Kei Municipality	Total Number	% of households
1	Households	8,352	100.0%
2	Poor Households	6,598	79.0%
3	Woman-headed h/holds	3,257	39.4%

	Poverty line in R per month:		
4	One person	R 740.00	R/month
5	Two persons	R 800.00	R/month
6	Average households	R 770.00	R/month

Source: MDs/Provinces SA

Figure 8: Households Living Below the Minimum Living Level

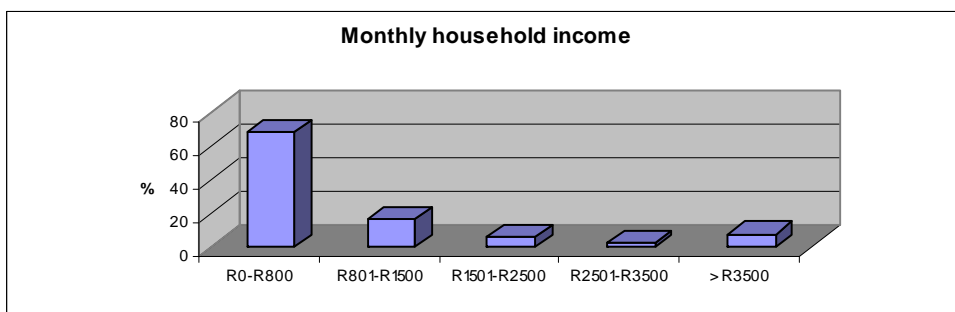


What proportion of all households lives below the minimum living level (MLL)? [IDEA (©CSIR, 2001) information compiled from StatsSA (Census 1996)].

Monthly Household Income

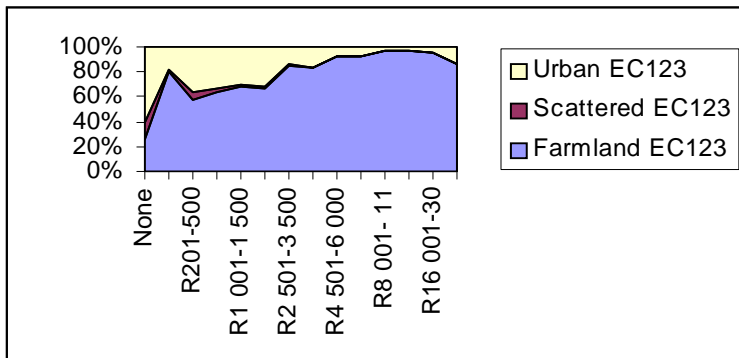
Most households are very poor. Some 68 percent of households earn less than R800 per month (refer to Figure 9). Given the fact that Great Kei Municipality does not have lots of money, decisions around service levels will have to take these constraints into account when planning new services.

Figure 9: Monthly Household Income



Notwithstanding the above, Figure 10 below demonstrates the significance of rural household income to the local economy.

Figure 10: Rural Household Economy



Source: Local Municipalities MDB Information, 2001

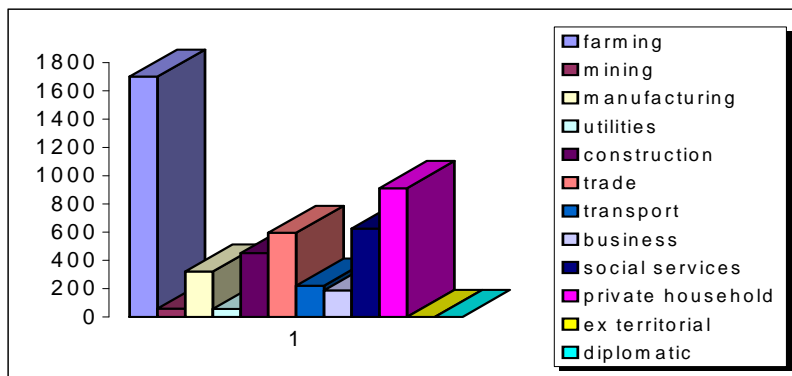
Income and Poverty

One of the indicators of poverty is the total income of persons in the area. The above table Figure 10. Provides the significance of rural household income in the economy. It highlights the fact that there is a considerable number of households who earn income as reflected in the 2001 census.

Economic Characteristics

The largest employee and contributor towards the municipality GDP is the Finance and Community Services sector of which the Community service sector accounts for 95% of the annual GDP. The agricultural sector follows as the next largest employer and GDP contributor (DBSA 1994). Figure 11 below depicts the various employment activities, which exist in the area.

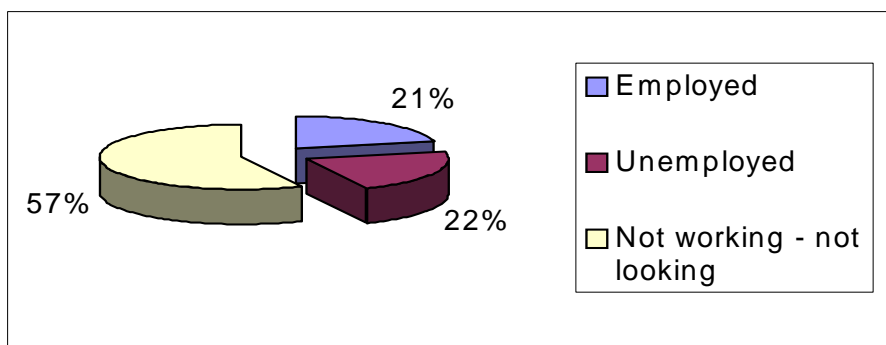
Figure 11: Employment Activities



The unemployment percentage within the Great Kei Municipal area is not as high as other areas of Amathole District Municipality but significant nonetheless. The employment status of the Municipality shown in Figure 12 can be divided into the following categories:

- Employed
- Unemployed – looking for work
- Not working – not looking for work
- Not working – other reasons

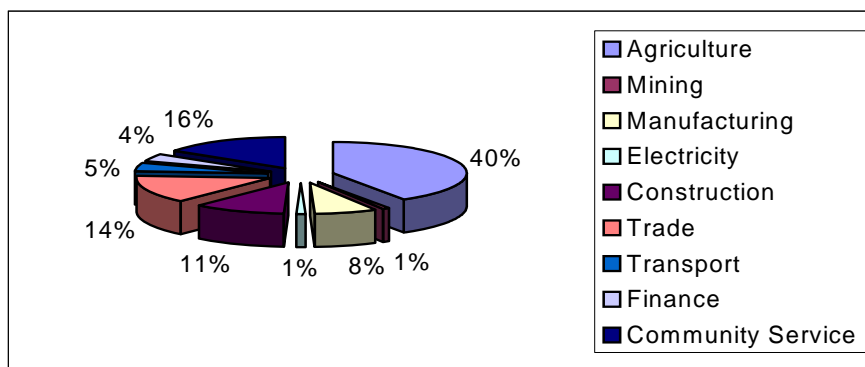
Figure 12: Unemployment



Source: Institute for Socio-Economic Research, 2003

The agricultural sector is the largest employment sector within the area.

Figure 13 shows the employment per sector and employment percentage.



Source: Institute for Socio-Economic Research, 2003

Agriculture

The GKM Spatial Development Framework Report indicates that the GKM coastal belt has a high agricultural potential and suitable for a wide variety of vegetable, fruit and nut production. Dairy production has been introduced successfully. However, the potential contribution of agriculture to the overall economy is possibly not fully realized.

"Apart from some relatively small areas, the potential for crop production in the municipal area is limited because the soil base is a poor one. In contrast the veld is comparatively sweet due to a significant component of winter rain. The agricultural potential of the municipality lies therefore in livestock production. In the past higher production has come from dairy farming. Dairying had been made more difficult by increased crime and by the changing attitudes of labour while the profitability of dairy farming has been eroded over a period of years but it was significantly damaged when multinational dairying came to South Africa and demanded farmers produce at lower prices.

Small stock farming has been made very difficult by the crime factor. Beef farming is also increasingly being affected by crime. Game farming, particularly allied to eco-tourism on the other hand is booming and the price of live game, sold to potential farmers to start new ventures reflects this.

There is a widespread switch to game farming within the municipality and it is important that the IDP reflects this so that development planning does not form barriers to future developments in the game farming industry which should see more and more fences come down as neighbours co-operate in forming larger units as can be seen in Mpumalanga bordering on Kruger Park."

Local problems associated with farming relate to theft, veld fires and jackals. There exists an unrecorded amount of direct trading of agricultural produce (vegetables, maas and meat) into the adjacent Mnyama area - it has been argued that levels of malnutrition that one could expect within the former Transkei have been significantly reduced by such historic direct trading practice.

Problems associated with realising the potential agricultural production of this area have been stated as (a) high irrigation cost owing to the broken terrain of the area; (b) high cost of security; resulting in (c) a low level of interest in pursuing long term intensive agricultural practices; and thereby (d) interested agro-industries are not committed fully to negotiations and conclusion of contracts.

Great Kei Municipality has a thriving services, agriculture and manufacturing sector. In terms of agriculture, opportunities exist for SMME's in high value crops production, vegetable productions, livestock production in the form of cattle and sheep farming. The fact that the area is centrally and strategically located on the N2 presents enormous opportunities for distribution and service-related business activities. Because Great Kei Municipality is surrounded by rural and village areas, there is a hugely un-serviced market that small businesses can capitalize on given the right advice, skills and resources.

It is proposed that Great Kei Municipality should look at finding assistance to promote access to markets for some of the initiatives. The municipality should also investigate means of ensuring access for emerging farmers and consider how to restructure and improve its competitiveness.

Small, Medium and Micro Enterprises

A report commissioned by the ADM on SMME's indicates that Great Kei Municipality has one of the most sophisticated but not necessarily the ideal support system for small enterprises in all of the Great Kei, however Strategic Planning and Local Economic Development Unit has established partnership with Afesis Corplan, SEDA and the Youth Commission in order ensure formation of business networks, registration of Cooperatives, product improvements, business skills, career guidance etc.. The Great Kei Municipality has to improve its links with bodies that are membership-driven and provide a series of services to their own members. These including membership magazines, information and advice, trade facilitation, black economic empowerment, bulk discounts, lobbying and capacity building programmes.

Despite such a seemingly busy support environment, Great Kei lacks an integrated approach to small business development. The past absence of a functional local economic development unit within the municipality has created a serious gap in the coordination of the existing support organizations. As a result, there is a need to improve the quality of services provided, the capacity of support organizations and strengthening dialogue between the service providers and local enterprises. There provision of business finance, new markets, sector-specific support and business infrastructure (accommodation facilities) needs to be addressed as matter of priority.

Sectors and activities identified for support (link with financial and non-financial institutions) are:

Sector	Activity
Agriculture	Chicken farming Vegetables Stock farming Crop farming Milk production
Services sector	Phone shops Shoe repairs Hair salons Car washes Tyre repairs

	Panel beaters Cleaning services Crèches HIV/AIDS Home based care
Retail	Street vendors Catering Spaza shops
Manufacturing	Brick and blocks Wood related manufacturing e.g. Furniture Clothing and dress making Bead making Bread making and bakery Builders and construction Recycling
Forestry	Bee keeping Mushroom growing Forest related adventure tourism Firewood

Hydroponic tunnels

The recent upsurge in appearance and interest on hydroponics tunnels in the GKM area of which the proliferation of these growing tunnels is particularly evident along the Kei Mouth Road, Kwelera and Cintsa areas. It has been indicated that the application of agricultural production under these tunnels is in fact a significant contributor to the economy of the area.

Emerging farmers

Obtaining additional land for grazing and settlement is considered as priority issues for the municipal area. Emerging farmers need access to farmland as well as acquiring the necessary skills for agriculture production. However it is important to highlight the fact that in order to overcome a number of barriers relating to the transformation of emerging farming activities to commercial activities, a variety of issues and barriers need to be addressed. These barriers and issues relate to:

- Land and Tenure Security
- Ownership and responsibility of administration of land
- Project formulation, planning and implementation

- The conflicts between the different role-players, associations in terms of roles and responsibilities
- Limited access to markets and insufficient transportation to markets.

Subsistence farming

It is important to note that subsistence farming is not directly linked to the commercial agricultural activities, the high levels of subsistence farming in the GKM should be encouraged and it should be advanced in a manner that is conducive to the formation of a stronger emerging farmer base which should be guided through the transformation process in order to be commercially viable and sustainable. A shift in focus favouring the utilization of the local produce in value-adding activities could be achieved through the progressive formation and establishment of agro-processing activities within the rural areas.

Tourism

The municipal area encompasses several significant natural attractions, which make it a popular tourist destination. These include the coastal nature reserves between Morgan Bay and Haga Haga and at Kwelera River Mouth. The beaches, river estuaries and indigenous forests contribute to the attractive environment. Several tourism products have been established to cater mainly for domestic tourism and a small proportion of foreign tourism mainly backpackers and small adventure/eco independent tourism groups).

These products include:-

- Hotels at Kei Mouth, Morgans Bay, Bulugha and Haga Haga
- Backpacker accommodation at Cintsa, Kei Mouth and Arena (*Buccaneer's Retreat* is one of the Provinces' premier backpacker resort)
- Holiday homes
- Restaurants (*Michaela's* at Cintsa East is exceptional)
- Hiking trails (*The Strandloper Trail* is managed as a coastal eco-tourism trail from Kei Mouth to Gonubie with overnight huts at reasonable distances for moderate hikers. The *Wild Coast Meander* involves a coastal trail from Kei Mouth in an easterly direction utilizing existing hotels on the Wild Coast for accommodation)
- Private guest farms
- Nature Reserves (*Inkwenkwezi* is a recently established game reserve which provides a cluster of tourism facilities including game viewing, conferencing and entertainment/function venues).
- Safari/Game farms

- Heritage and Cultural Centers (There is one registered heritage site; the *Ocean View Farm* and a cultural village – *Kaya La Bantu*).
- Two conference centers at Cintsa East and at Bulugha Inn.
- The local tourism product owners are establishing a tourism route known as the Jikileza meander.

The tourism stakeholders in the district have welcomed the recent completion of the road from the (N2) National Route to Kei Mouth that has been tarred. This is because the road is a critical component of maintaining a sustainable tourism industry in the area.

The spatial distribution of the tourism industry tends to be situated mainly along the coastal belt and to a certain extent along the Kubusi/Great Kei Rivers (game farms). Key issues which have been identified include:-

- The spatial distribution of Tourism (with a coastal focus) and the need to open up job opportunities through tourism;
- The need for improved access and other infrastructure to support tourism development;
- The need for community awareness in tourism;
- The need for training and skills development; and
- The need to engage with potential funding sources to assist in the development of community based eco-tourism ventures
- The municipality is engaging in a process of ensuring community involvement in tourism industry through identification of spatial distribution of tourism (presently it has a coastal focus)
- the need to open up job opportunities through tourism
- the need for improved access and other infrastructure to support tourism
- the need for community awareness in tourism
- the need for improved training and skills development – at present the Great Kei Municipality has conducted limited training programmes, linkage with sector departments needs to be encouraged so as to enhance training programmes encompassing production line of tourism products and agro-industry
- SMME's to be supported to take part in marketing and promotion particularly in printing of promotional material associated with tourism and production of strategic communication documents. –diversification of visitor products has a high demand in should encompass promotion of the Xhosa Culture for the benefit of the community and community involvement need to be expanded to harness the heritage and culture of the area.

In an attempt to enhance the achievements attained in tourism thus far Great Kei Municipality is embarking on a process of packaging and ensuring tourist product development, and understanding what tourists want, improving the standards of existing products to ensure that they are appealing enough to attract and enrich visitors experience.

Great Kei Municipality is also engaged in a process of advancing local economic development initiatives through the activities of a Local Economic Development Forum that will drive stakeholder coordination and inputs. The LED Forum is envisaged to have the following

Guiding principles.

- creating favourable location factors i.e qualities which make your place a good place to do business. This includes obvious elements such as improving the infrastructure and training workers, but also less obvious elements such as business mindedness and efficiency of local administration.
- promoting business - this can be existing business, start-ups or external companies coming into your location. It is also important to link things, promote and support spin-offs and subcontracting, attracting investors which fit nicely into the local economic structure, and consider franchises as a source of new local business.
- making local markets work better. - aims at creating places and opportunities to match supply and demand as well as discover, propagate and promote new business opportunities.
- making better use of locally available resources, instead of complaining about the difficulties of finding adequate advisors for local business service centre. It advocates for involvement of experienced business people and managers in coaching both entrepreneurs and advisors
- involving different target groups - local stakeholders should be encouraged and persuaded to look for specific project ideas which are quickly implementable and make a difference for local businesses.

- Governance structure important

A step-by-step philosophy is proposed:-

- Exploring the local context and its interrelations is an incremental process, with surprises waiting around each corner.
- Facilitating LED must therefore take an incremental approach in the form of step-by-step process. In this process local actors are encouraged to rather opt for introducing a variety of small and incremental changes instead of one ambitious big change, as this strategy gives the local actors and institutions sufficient time to adjust.

Guiding principles emanating from this step-by-step process:

- Pursue process orientation and incrementalism
- Promote stakeholder participation and networking
- Pursue market driven approach
- Focus on opportunities

Plotting of options for management structure

-LED can develop a number of options for formal institutional arrangements and specific management mechanisms. As it was indicated in our presentation in our first engagement session, there is no ideal pattern to follow. Also the structure does not have to be comprehensive and holistic. It should be utilized as a vehicle to facilitate partnerships between institutions on certain issues and clarifying roles of existing and functioning institutions should have priority before designing comprehensive institutional models to be implemented.

-A forum or arena for consultation, negotiations and joint decision making.

- Professional management units i.e (LED Units) for guiding and managing LED processes.

-Issue-focused temporary task teams for coordinated implementation of action programmes.

2.8 ENVIRONMENTAL OVERVIEW

The IDP process highlights environmental issues as a priority/key issue in the formulation of strategies and projects. However, it is recognised that effective Environmental Management is critical to the survival of Tourism and Agriculture which are the backbone of the municipal economy. The Great Kei Municipality lacks adequate capacity to manage and monitor the various activities and development projects from an environmental point of view. It is anticipated that the District municipality will assist in monitoring new projects and existing operations where detrimental environmental impacts can result. Examples include the establishment of cemeteries in flood plains, dumping of hazardous waste and effluent, burning of waste material and exploitation of natural resources.

The Environment Conservation Act provides several measures and tools by which the Environment can be managed including Strategic Environmental Assessment, Environmental Impact Auditing procedures. In addition, regulations and municipal by-laws offer additional regulatory instruments to enforce the appropriate practices and protect the municipal area from harmful activities.

The following National Environment Management Act (NEMA) principles will have to be considered when development is being planned

Quality in environmental decision-making

- The environmental management principles in Chapter 1 of the Act, that apply to the actions of all organs of state that may significantly affect the environment;
- The conciliation procedures in Chapter 4 of the Act that provide a variety of mechanisms for referring a disagreement regarding the protection of the environment to conciliation; and
- The integrated environmental management procedures in Chapter 5 of the Act.

Co-operative governance in the environmental sector

- The committee for Environmental Co-ordination (CEC), and interdepartmental committee, responsible for promoting integrated and co-ordination of environmental functions by the relevant organs of state; and
- Environmental Implementation Plans and Environmental Management Plan (EIP's/EMP's) to be compiled by listed departments and provinces. The purpose of the EIP'd and EMP's is to co-ordinate and harmonise the environmental policies, plans, programmes and decisions of various departments (at national, provincial and local level) whose functions may affect the environment, or whose powers and duties are aimed at managing the environment.

Role of civil society in environmental governance

- The National Environmental Advisory Forum, which advises the Minister, among others, on appropriate methods of monitoring compliance with the principles in section 2 of the Act;
- The Environmental Management Co-operation Agreements, that provide a mechanism for the Minister, every MEC and municipality to enter into an agreement with any person or community for the purpose of promoting compliance with the principles in section 2 of the act;
- The provisions on protection of whistle-blowers that protect the public from prejudice or harassment for disclosing information of environmental risk, in good faith, and using the required procedures;
- The provision that relax legal standing and enable any person or group of persons, in the public interest or in the interest of protecting the environment to seek appropriate relief for a breach or threatened breach of a provision of NEMA; and
- The provision that facilitate private prosecutions of environmental offenders.

Constitutional imperative to respect, protect, promote and fulfill the environmental right in the Bill of rights

- The duty of care that requires anyone that causes, has caused or may cause significant pollution or degradation of the environment, to take reasonable measures to prevent such pollution or degradation from occurring, continuing or recurring;
- Provisions that protect workers from prejudice or harassment, for refusing to do environmentally hazardous work; and

- Procedures for the control of emergency incidents, including a major emission fire or explosion that may endanger the public, or lead to potentially serious pollution of, or detriment to the environment.

CLIMATE CHANGE

- The GKM Spatial Development Framework indicates that the climatic conditions of GKM varies from mild temperature conditions (14 - 23 °C) along the coast to slightly more extreme conditions (5 – 35 °C) in the hinterland, (source: National Botanical Institute, Cape Town).
- The mean annual rainfall in the municipality amounted to 756.7 mm per annum.
- The annual temperature amounted to 17.8 °C.
- The mean maximum temperature of the warmest month of the year amounted to 25.7°C.
- The mean minimum temperature of the coolest month of the year amounted to 8.1 °C.
- Potential evapotranspiration amounted to 589mm per annum.
- The potential evaporation ratio for the area is 0.77, which falls within the holdridges “humid” humidity province.

The Great Kei Municipality Spatial Development Framework proposes that GKM should approach spatial planning with climate change in mind. The following recommendations were proposed to advance the thinking:

- Greenhouse gases are thought to contribute to global climate change, and these gases include carbon dioxide, carbon monoxide and methane. Carbon dioxide and carbon monoxide are released from inter alia vehicle tailpipes and during the burning of fuel-wood. Methane is released by domestic livestock and waste disposal sites. However, it is important to note that the subtropical thicket found within the GKM is very efficient at capturing carbon and hence at offsetting the effects of the greenhouse gas emissions.
- Therefore the SDF further proposes that the protection of biodiversity is the primary motivation for the protection of the subtropical thicket, it nevertheless has additional value as inter alia a potential means to slow down, or buffer the rate of climate change.
- The Spatial perspective advances that the areas covered by the thicket vegetation should therefore be targeted for conservation. This may take the form of spatially gazetted conservation areas or the promulgation of By Laws to protect pristine, highly sensitive or endangered categories of subtropical thicket vegetation.

- Similarly, areas covered by indigenous forest should be excluded from destructive developments that would involve inter alia the clearing of vegetation. The clearing of vegetation would entail a loss of biomass and hence store carbon. Limited action would be required from GKM in this regard as indigenous forests are protected under the National Forests Act, 1998. Clearly indigenous forests, indigenous dune forests, are unsuitable for residential development of any sort.

Air quality

There are no major industries within the GKM likely to contribute to a marked decrease in air quality. However, the proximity of GKM to Buffalo City Municipality may make it susceptible to air pollution generated there, although this is not likely to be significant (GKM Spatial Development Framework).

Water quality

GKM SDF indicated that Eutrophication is considered to be a problem at a number of localities in GKM. It is a direct result of nutrient enrichment in water systems. The main nutrients causing eutrophication are phosphorus and nitrogen. Nutrient-enriched systems exhibit significant water quality, toxin production by algae, taste and colour problems, oxygen depletion, loss of aquatic biodiversity, the clogging of workways, disruptions of flocculation and chlorination processes in water treatment plants, and sometimes excessive loss of water through evapotranspiration (Van Ginkel et al, 2001)

GKM SDF cautions us that very little water quality monitoring has been carried out in the Great Kei River drainage region. However, it is likely that microbial concentrations, total phosphorus and suspended solids in the run-off from unserviced settlements are high, resulting in elevated levels of these variables in receiving water bodies.

INFRASTRUCTURE OVERVIEW

Roads Infrastructure

Road construction and improvement was considered as the prime infrastructural component to the municipality that would assist in bringing about improved access for tourism, health facilities and agricultural developments. Roads leading to coastal areas are usually gravel or in a state of disrepair.

Great Kei Municipality should engage in a process of promoting and enhancing node development areas with a focus in provisioning of relevant infrastructure. All of these growing centers will contribute to the growth in the economy, creation of jobs and increase the rates revenue to Great Kei Municipality. Growth and development however needs to be matched by improved infrastructure and institutional arrangement.

The road network within the Great Kei Municipality consists of 729,55 kilometres of surfaced and unpaved road. Unpaved roads are defined as gravel roads as well as ungravelled roads and tracks i.e. identified access or minor roads that have not been upgraded in any way.

The responsibility for capital expenditure and maintenance rests with various authorities including the Great Kei Municipality.

Table 12 below schedules the various categories of road, the length of road and the authority responsible for capital expenditure and maintenance.

Table 12: Categories of Road

Road Classification	Lengths (km)		Responsible Authority
	Paved	Unpaved	
National	48,97	0	South African National Roads Agency
Trunk	23,45	0	Department Of Roads and Public Works
Main	4,27	41,11	Amatole District Municipality
District	32,45	71,82	Great Kei Municipality
Minor	21,30	463,65	
Access	0	22,53	
TOTAL	130,44	599,11	

The Great Kei Municipality is thus directly responsible for 21,30 kilometres of surfaced and 486,18 kilometres of unpaved road. An updated and consolidated list is in the process of being compiled with the assistance of stakeholders through the Transport Forum. Although no detailed inspection has been done, the vehicles, plant and equipment are generally in poor condition due to age and lack of maintenance.

Available records indicate that, of the unpaved minor and access roads approximately 258 kilometers have gravel surfacing i.e. some betterment, drainage work and regravelling has taken place previously while approximately 228 kilometers can be classified as ungravelled roads or tracks i.e. no improvement has taken place and roads have only been identified but are in use. It is also important to note that located on the unpaved minor and access roads a total of approximately 41 structures i.e. stream crossings with minor structures and causeways (not pipes) have been identified and a total of approximately 56 stream crossings

requiring minor structures have been identified. The status of unpaved minor and access roads in terms of upgrading and structures is given below (Table 13).

Table 13: Road Status

Road Classification	Roads Status 1.		Structure 2.	
		Ungravelled/Tracks	Existing	
Minor Access		214 14	401	
TOTAL		228	401	

Note: differentiation between gravel and ungravelled track in text.

Structures exclude all pipe culverts.

A capital works programme is required to upgrade all ungravelled roads and tracks to all weather gravel road standards and for the provision of minor structures and causeways where none exist.

Existing gravel roads and structures will also have to be assessed to determine if existing infrastructure meets desirable standards and any upgrading required will have to be included in capital programmes.

With the establishment of the Transport Forum, Great Kei Municipality can safely say coordination and management of various activities implemented by responsible authorities such as the Department of Roads and Public Works in regard to both capital and maintenance works on roads under their jurisdiction i.e. trunk and minor roads to ensure a holistic approach.

Existing infrastructure as well as infrastructure developed through capital expenditure requires regular and ongoing maintenance to preserve the asset created and to prevent premature deterioration.

An overall integrated strategy will be achievable which will address issues such as higher order strategies developed by National Departments, Provincial Departments and the District Municipality as well as local issues and requirements such as, road standards, policy. This must also integrate with other initiatives within the Great Kei Municipality e.g. the construction of a clinic, school or sports facility should be preceded by the construction of an access road to ensure a holistic approach to the provision of services.

A holistic approach must include for:-

- Determination of Municipal policy in regard to Minor and Access Roads taking into account the requirements of higher order strategies.
- Conformation of existing road infrastructure;
- Determination of standards for roads and structures e.g. width of gravel, maximum grades etc;
- Determination of upgrading requirements e.g. upgrade of existing gravel roads as well as tracks;
- Determination of requirements in terms of the provision of additional services within the Municipality e.g. schools, clinics etc to provide for the upgrading of access where necessary;
- Determination of capital works and maintenance programmes for all roads and structures.

Refer to Plan 3 of the road network for further detail.

Water and Sanitation

A District Water Sector plan has been compiled by Amathole District Municipality and needs to be reviewed to incorporate new information as there are extension areas in rural areas and some level of informal areas mushrooming in the small towns. A summary of the broad findings are as follows (refer to Plan 4 that need to be updated)

The Komga Local Water Supply Scheme supplies the main town of Komga.

Regional schemes in the area include the:

- Mooiplaas Regional Water Supply Scheme
- Kwelera Regional Water Supply Scheme
- Kei Mouth/Morgan Bay Regional Water Supply Scheme

In addition to the above, a number of local water supply schemes service the coastal towns.

According to the DWAF, the current percent of the total population (44 116) that have access to water to an RDP level of service is 68% of the 27 279 population. The current percentage of the total population (44 116) that have sanitation coverage to RDP levels is 56% (22 465). Refer to maps showing water and sanitation levels of hardship and projects/schemes.

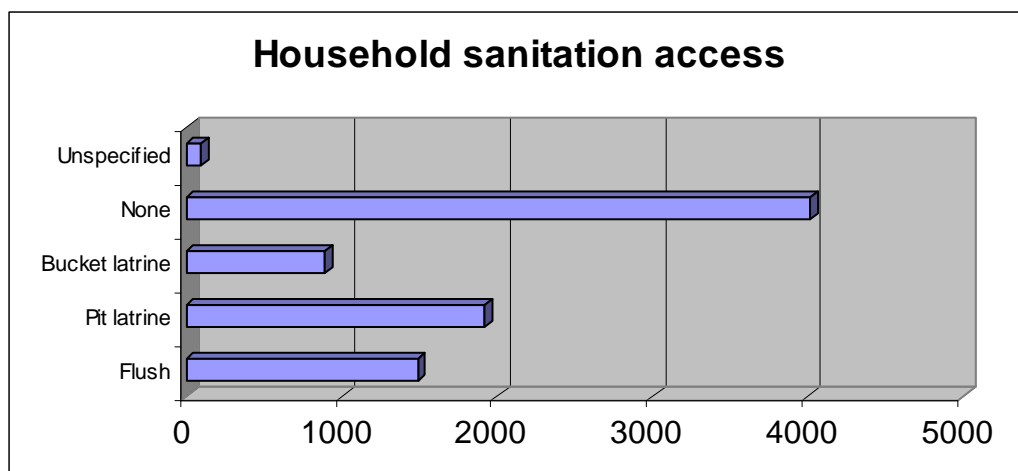
Table 14: Water

In dwelling	On site	Public tap	Tan ker	B/hole	Natural	Other	Unspecified
12%	9%	56%	1%	7%	15%	0%	1%

Source: PIMSS, 2001

Most of the households in Great Kei have access to water through public standpipes (56 percent) or on-site (9 percent) or in their dwellings (12%). Thus, 77 percent of households have access to reticulated water (refer to Table 14). What is of concern is that 15 percent rely on natural sources (rivers, springs or dams) for their water supply.

Figure 14: Household Sanitation Access



Adequate and acceptable water and sanitation provision to all settlements was considered an essential component to bring about an improvement in the quality of life.

The coastal towns within the municipal area are considered to have major tourism potential. The only hindrance to this potential being maximised is that there is insufficient bulk infrastructure. The existing water supply already cannot handle the present demand in certain areas, nonetheless providing for resort facilities. The current system is a combination of conservancy tanks and waterborne into oxidation ponds. These systems are inadequate and completely unable to cope in peak holiday periods. Ninham Shand was tasked to investigating options for irrigation of grey water from the sewage treatment works.

It was generally felt that from a water and sanitation perspective, the Great Kei area has enormous tourism potential and it was felt the pollution resulting from poor sanitation systems in the area may be problematic. There is a need to do an Environmental study for the Great Kei area with a specific focus on the impact of seasonal loading (very high peaks over Christmas) on the coastal infrastructure.

There is also a need to address the collection of revenue in the Great Kei and the Water Services Authority functions have been clarified which promises to be an advantage for the municipality (the ADM) to ascertain how they impact on the Local Municipality. There is an influx of people from Mnquma and this will need to be addressed through Land Use Management Planning and land settlement zones.

Storm water

The storm water drainage for the town of Komga is reported as being adequate. The low cost housing settlements in Komga however do not have infrastructure to drain storm water runoff. The water therefore drains along gravel township roads, rapidly deteriorating the condition of these access roads. A project has been identified to upgrade the storm water drainage within the low cost township in Komga.

The provision of storm water drainage within the Kei Mouth and Morgan Bay and Haga-Haga areas is poor to non-existent and requires upgrading. The Icwili settlement, near Kei Mouth has concrete lined drains however the drains are reported as being blocked. The roads project that is in the process implementation at Icwili/Gxarha is also attending to issue of drains in he said Township.

Storm water drainage is currently being installed at Cintsa East by the Amatole District Municipality. This project will continue for some time and address the deficiencies in the system (apparently some 60% of the drains need repair).

Table 15: Toilet Type

Flush	Pit latrine	Bucket latrine	None	Unspecified
18%	23%	11%	48%	1%

Source: PIMSS, 2001

The majority of Great Kei households use pit latrines (23 percent) or report having no form of sanitation at all (48 percent). This is particularly concerning (refer to Figure 14 and Table 15). It is also of concern that 11 percent rely on the bucket system which is in a process of being eradicated. The remaining 18 percent that have access to flush toilets reside in the urban areas (refer to Plan 5).

HOUSING

The Great Kei Municipality has a diverse housing need relating to the fact that many families live in traditional dwellings in Mooiplaas and Kwelera (see bar chart below). The coastal towns of Kei Mouth, Morgans Bay, Haga Haga, Crossways, Bulugha, Glen Muir and Cintsa East have a need to provide serviced sites and low cost housing for the workers who would like to live in these centers. There is also potential for development of holiday homes and tourism related accommodation.

Figure 19: Housing Type

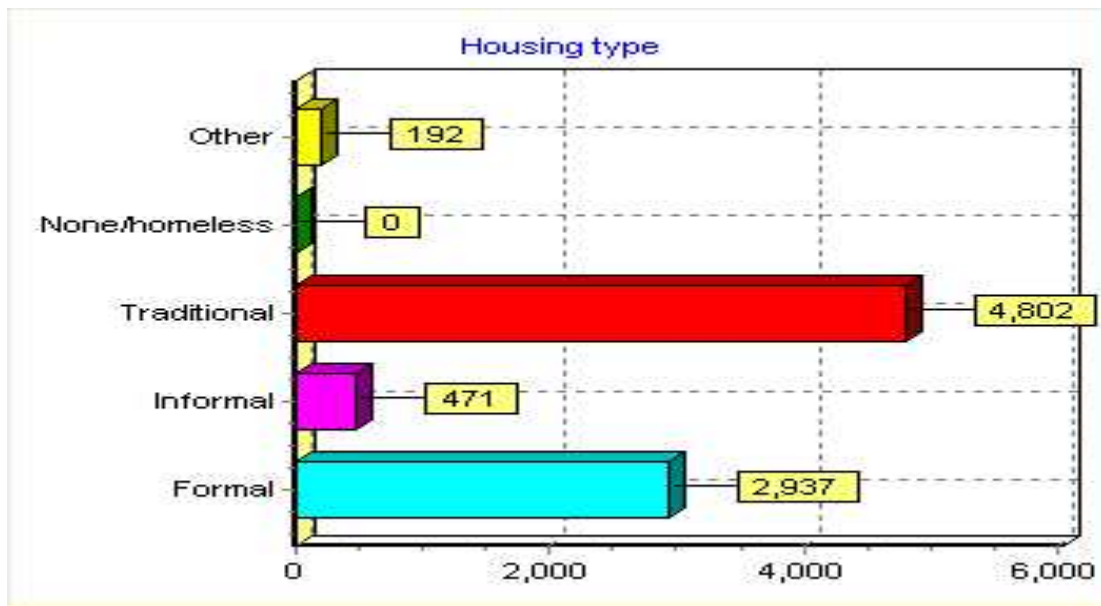


Table 20: Housing Type

Traditional	Informal	Formal	Other
57%	6%	35%	2%

Most households live in traditional structures (57 percent) with 35 percent of households living in formal structures (refer to Figure 19 and Table 20). The total housing need for low-income families in Komga is estimated by the Council at 3 000 houses with serviced sites. The settlements in Kwelera and Mooiplaas also require formalisation of tenure and infrastructure. The municipality has to plan for the extension of services inclusive of housing for Cintsa East, Kei Mouth and Komga.

Formal Housing

Private developers are involved in the provision of most formal housing within the urban areas, however people in the lower income groups have been marginalised by this as they cannot afford the types of housing presently provided. This has led to a high demand for rented accommodation, overcrowding and increased numbers of backyard shacks. A very high demand for serviced sites and housing thus exists.

The Provincial Housing Board subsidy projects have the opportunity of making inroads into the affordable and low cost housing need. However, the over allocation of funding together with the slow rate of delivery places a number of new housing projects on the waiting list.

During the IDP/ Budget Review 2005/ 2006 an allocation of 6000 Units was identified and it was broken down into allocation by Wards that is, 1000 Units per Ward. Due to the problem with the existing housing projects a Directive from the Office of The MEC, Housing, Local Government and Traditional Affairs that priority must be given to blocked, stopped, and incomplete projects. The Funding allocation for the 2005/ 2006 and 2006/2007 would be used to unblock and complete these outstanding projects. That is no funding would be allocated for new housing projects for the period 2005/ 2006 and 2006/2007.

Tshani Consulting has been contracted by Department of Housing, Local Government and Traditional Affairs to develop the housing Strategy for Great Kei Municipality. The first Draft of the Housing Strategy has been presented to the IDP/Budget Performance Management Representative Forum and the Great Kei Strategic Session that was hosted in January 2008 and February 2008 respectively.

Current Housing Access

Area	Completed	Approved	Planned	Blocked
Kei Mouth (Icwili)	183	278		95
Morgan Bay (Ixarha)	90	90		
Haga Haga			200	
Chintsa East	85	85		
Komga	1231	1231		
Municipal wide			6000	
TOTALS	1589	1684	6200	95

Challenges Relating To Housing Provision

Icwili Housing project has been blocked due to the poor performance and bad workmanship of the appointed Contractor. An Application has been made to the Department of Housing, Local Government and Traditional Affairs for a top up funding in order to complete this project. Construction of the housing Units, total 278 Units and 183 have been completed with defects and a balance of 95 still to be constructed, the construction has resume in mid-January 2008 and is still in process.

Informal Housing

The in-migration of people to urban centers is manifest in informal settlements developing in the periphery of towns and small centers. This leads to an increase in the urban population density through further fragmentation of urban land for housing, including the establishment of backyard shacks.

The number of informal settlements is growing because existing accommodation cannot meet the demand for housing. There is an increasing demand by the lower income groups for land and services for housing.

Formal planning of the villages

There is anticipated a slow-down in housing demand. It is anticipated that HIV/AIDS will have a negative effect on the building industry where demand for affordable housing could decline by as much as 55% over the next 5 years (Provincial Population Projections 1996 - 2021; DBSA, September 2000).

Electricity

The supply of electricity has tended to concentrate in the past in the urban areas and the commercial farms. This has meant that the settlements have not been well served and backlogs exist there.

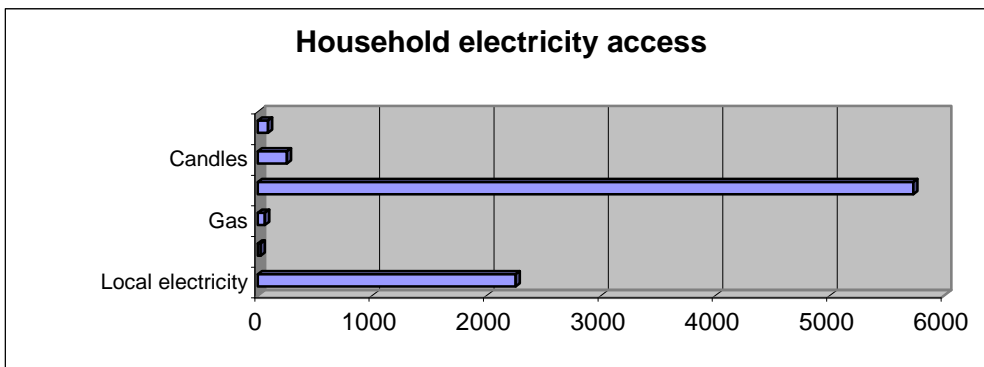


Figure 15:
Household
Electricity Access
Table 16: Lighting
Type

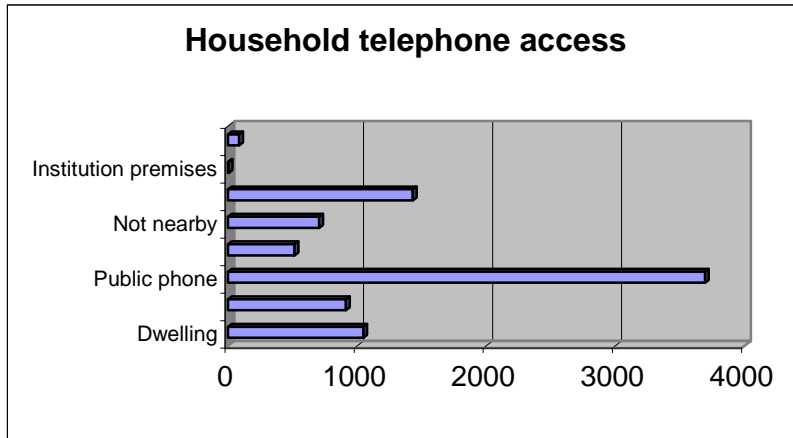
Local electricity	Electricity other	Other	Gas	Paraffin	Candles
27%	1%	0%	1%	68%	3%

Source: PIMSS, 2001

Most households do not have access to electricity (72 percent) and currently rely on paraffin for lighting purposes (68 percent) as shown on Figure 15 and Table 16. Eskom has undertaken an electrification programme in the rural areas, Kwelerha and d Mooiplaas and they were given site offices in Gwaba village and Mooiplaas Resource Centre to ensure success of this programme. In the current list Eskom has to electrify involves a beneficiary list of 500 households and the installation of few sub-stations in Cintsa East.

Telephones

Figure 16: Household Telephone Access



Source: PIMSS, 2001

Table 17:
Household Telephone
Access

Dwelling	Neighbours	Public phone	Other nearby	Not nearby	No access	Telephone unspecified
12%	11%	44%	6%	8%	17%	1

Vodacom has applied for installation of high masts in Kwelerha and Kei Mouth areas to improve network coverage. Most households within the Great Kei area have access to either a public phone or a phone in their dwellings (refer to Figure 16 and Table 17). Some 17 percent do not have any form of telephone access. It is not clear what the access rate for cell phones is.

Table 18: Infrastructure Expenditure

Infrastructure expenditure			
	The ratio of total expenditures in Rand on infrastructure services during the current year, and the urban population		
1	Total expenditures on infrastructure		R 14,259,234
2	Total population		44,688
3	Infrastructure expenditure/ person (2001-2002)		R 319

Source Great Kei Municipality, 2001

Table 18 shows the current expenditure on infrastructural services which represents some 44% of the total capital and operating budget for the district. This represents an infrastructure expenditure/person of R319 (2001).

Solid Waste

Solid waste management within the Great Kei area is characterised by a predominantly privately managed dump system upon individual sites (i.e. backyards) rural villages and farms. Urban centers and some villages receive a weekly local authority waste collection service.

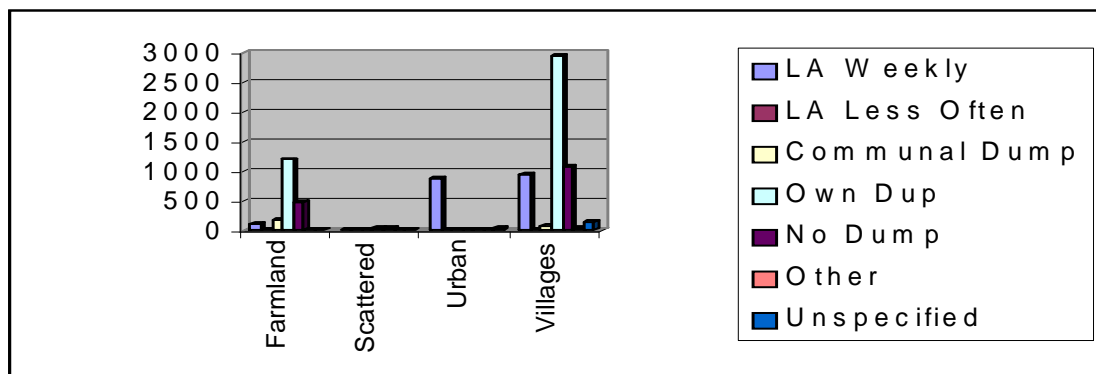


Figure 17: Solid Waste Collection Services

Figure 17 and Table 19 indicate that some 20% (1 665 households) lack any form of solid waste disposal service with 53% (4 456 households) providing their own on-site facilities.

Table 19: Waste Collection Services

	LA Weekly	LA Less Often	Communal Dump	Own Dump	No Dump	Other	Unspecified
Farmland	119	2	181	1198	495	4	21
Scattered	0	1	0	47	58	1	0
Urban	895	4	0	9	16	0	31
Villages	955	10	77	2957	1096	41	147
TOTAL	1969	17	258	4211	1665	46	199

Source Local Municipalities MDB Information, 2001

There are no registered solid waste sites in Great Kei Municipality, however a number of unlicensed solid waste sites do operate in the area. The establishment and operation of regional sites is a District municipality function.

The site in Komga is in a very poor condition. The site has not been fenced off and solid waste is dumped randomly and there is a distinct possibility of it becoming a health hazard.

The solid waste is burned periodically. A tractor drawn trailer is used to collect refuse from the town and the settlement adjacent to the town. The solid waste site is situated on a hill, and the extent of the water pollution resulting from rainwater runoff needs to be investigated further.

An unlicensed solid waste site is located on the outskirts of Kei Mouth and Morgan Bay on a hill slope. Trenches are excavated into which the solid waste is placed. Once full, the trenches are covered using the excavated material. Garden refuse is dumped separately.

Solid waste within Cintsa is collected and taken to a site in East London. No provision is made for garden refuse however, and this is disposed of at the sole discretion of the "dumper".

Two regional solid waste sites are currently being planned within neighbouring Local Municipalities. The first site (between Fort Jackson and Berlin) is being planned and funded by Buffalo City and it is the intention that this site will replace Buffalo City's existing (7) unlicensed sites.

The second site is being planned by the Amatole District Municipality to service the Mquma and Mbashe Municipal Areas. The proposed site is on the outskirts of Butterworth. At this stage it appears that no provision has been made to service the Great Kei Area in the planning of either site. It is therefore recommended that the Municipality interact with the ADM to address the long term handling of solid waste in the area. However, in the interim, it is recommended that transfer stations be established possibly in the vicinity of existing sites. Funding for transfer stations could possibly be secured via poverty relief funding, provided that a recycling forum is established.

Public Transport

The provision of formal public transport is lacking between the major travel destinations within the area. There are few registered taxi routes and no formal bus routes. Formal bus terminals and taxi ranks do not exist either.

The current public transport within the area consists of privately owned vehicles and "bakkies", most of which are not suitable for public transport purposes. The use of appropriate technology for rural areas needs to be promoted and it is necessary to get "bakkies" registered as special category vehicles.

There is an unused taxi rank in Icwili, the settlement near Kei Mouth. Although there is no formal taxi rank at the intersection between the N2 and the main road (MR00695) through Mooiplaas to Haga Haga, taxis do stop here. In addition to this there is an informal taxi stop area in Komga which is poorly serviced by taxis.

A backpacker bus runs on request between Kei Mouth and East London but is expensive. The Baz bus (a back packer bus) from Cape Town to Durban stops daily at Buccaneers at Cintsa West.

No rail passenger service exists in the area although the railway line between East London and Umtata passes through Komga. The East London Amabhele to Umtata Railway which once was an important service to the Transkei hinterland and farming activities in the area. The Provincial Government and Department of Transport are currently investigating the revival of this railway to offer commuter and freight transport opportunities.

As a result of the current lack of formalised public transport, commuters traveling between Komga and Kwelera must travel via East London.

There is a need to establish formal taxi and bus routes within Great Kei to link Kwelera, Mooiplaas, Komga, other coastal towns and East London. Transport routes traversing in an East-West direction should be investigated to link Mooiplaas and Kwelera, currently situated either side of the N2 to the N6.

Integrated Spatial Development Framework in terms of transportation

The spatial characteristics of the Great Kei Municipal area are largely determined by the influence of the coast, the Great Kei River and the National Road which dissects it in an east/west direction. There are four main nodes which are dominated by the influence of nearby Buffalo City. Komga is the main service center, with Kei Mouth, Haga Haga, Cintsa and the Glens forming the other nodes.

There are three significant development areas in the area; the two settlement areas of Kwelera and Mooiplaas and the coastal belt. The settlements of Kwelera and Mooiplaas can be classed as model 2 type settlements. Formal planning has been carried out in Kwelera and currently being carried out in certain villages in Mooiplaas. Small scale subsistence farming is practiced in both settlement areas. Densification of these settlements is proposed, with the provision of basic services.

The areas of Kei Mouth and Cintsa East are regarded as major coastal resorts and settlement model type 1. With the upgrading of the main road MR 695/687 to Kei Mouth, tourism will increase significantly. These

areas have large amounts of tourism potential but an upgrade in infrastructure is required to support development.

Within the municipality itself there are agricultural areas and game/ tourism reserves which offer a wide variety of land uses and opportunity. Plan 9 depicts the spatial development framework resulting from the features described above.

It is significant to note that the entire municipal area is dissected by roads but the majority of the population is living in areas which are relatively remote from the service centers, the municipal offices and the coastal employment opportunities.

Upgrading of the road network, especially the links between Kwetyana (Newlands on the N6) and the junction with the N2 at the Mooiplaas Hotel area and onwards to Kei Mouth, has a significant impact on development and transportation in the area. In addition, it is envisaged that focused development in the vicinity of Mooiplaas junction could see the longer term establishment of a service center which would bring services, commerce and local economic development closer to the communities of Kwelera and Mooiplaas. This is enhanced by the location of the Multi-Purpose Centre and the Sports Complex in closer proximity to rural communities.

Finally, it is noted that from a transportation point of view, this junction is at the central pivotal point in the area where all transport has to pass. This creates an opportunity for travelers fueling centre, tourism information center, taxi and bus facility shops, workshops, education, skills training.

It is anticipated that private sector investment will occur in all areas of the Municipal area provided an enabling environment of infrastructure and Land Use Management is created. Prime areas for investment are in coastal resorts, eco-tourism, game farming and commercial development.

The Spatial development framework will be used by the Great Kei Municipality to guide its land use management procedures in future. With the Spatial Development Framework, the Municipality is able to proceed in carrying out a detailed land use survey of its area and through a consultative process establish a land use management system. This is expected to happen fairly soon after to IDP Review process so as to control development in the area.

Chapter 4. ORGANISATIONAL STRUCTURE, FUNCTIONS PERFORMED & STAFF ESTABLISHMENT

Great Kei adopted an Organisational Structure as a review process. The Organisational Structure is not a Static document, it is reviewed when you review your IDP and the Organisational Structure must be aligned with powers and functions, IDP of the Municipality. It has always been a challenge because of the excessive use consultants and limited involvement or inputs by the Departments and Unions, for example if the Water Services and Environmental Services are no longer function of the Municipality that must be reflected in the Organizational Structure.

There has been and continues to be a challenge of funding of the posts. The main departments of the Municipalities are as follows:

1. Technical Service Department
2. Community Services Department
3. Corporate Services
4. Budget and Treasury
5. The Mayor Office and the Municipal Managers Office are combined departments in terms of legislation

THE MANDATE OF LOCAL GOVERNMENT

1. Provide democratic and accountable governments to community
2. Ensure provision of services to communities in a sustainable manner
3. Promote Social and Economical development
4. Promote a safe and healthy environment
5. Encourage the involvement of community and community Organizations in matters of local government

THE MUNICIPALITY VISION

Great Kei Municipality has a long term vision of achieving a peaceful and sustainable environment, when all communities enjoyed an improved quality of life, affordable services, democratic governance and employment through infrastructural development, thriving agriculture, commerce, smme's and tourism activities.

Three actions from the pillars of our strategy-they are

- Meeting basic needs
- Strengthening the institution and the economy
- Capacity building, skills development and Technology

CORE FUNCTIONS AND FOCUS AREAS OF EACH DEPARTMENT

1. TECHICAL DEPARTMENT

- Council housing stock
- Housing as a mechanism for service delivery
- Service backlogs
- Infrastructure maintenance
- Meeting and maintaining community service needs
- Supply of community facilities and services
- Operation and maintenance

- Cleaning and greening (to be relocated to community Services)

OBJECTIVES OF THE DEPARTMENT

Key strategic programmes:

- Project Manager
- Planning and Construction
- Operations and Maintenance
- Building Manager and Services Planning
- Infrastructure delivery programmes aligned with IDP

COMMUNITY SERVICES

- Citizen safety
- Road and Pedestrian safety
- Crime Prevention and implementation of BY-Laws

Information on safety and security (currently performed by the district)

- Protocol of Municipal information dissemination
- Complaints, compliance issues, preparation of implementation of clean administration
- Implementation of Municipal By-Laws

Special programmes

Health and empowered citizens

Strategic direction

Key strategic programmes

- Facilitation of primary health care services with ADM
- Ensure that programmes dealing with communicable diseases including TB, HIV/AIDS are in fact reaching the end beneficiaries
- Facilitate programmes relating to environmental Health with ADM
- Protection of rights vulnerable groups
- Engage to ensure a concrete Youth Development Programme
- Disseminate indigent Programme throughout the Municipal Areas
Embracing Great Kei cultural diversity
- Spot
- Arts and Culture

Preserving our culture

CORPORATE SEERVICES

This is a proposed new department that will encompass Human Resources, Asset and Administration

Human Resource

STRATEGIC DIRECTION

Key Strategic Programme

- Occupational Health Programmes
- Human Resources Department
- Bridging the skills gaps
- Employee skills development Programme
- Employment Equity
- Workflow engineering
- Cascading of Performance Management System at a departmental level

Industrial Relations

- Administration of Conditions of Service
- Handling Labour Dispute
- Staff disciplinary / Grievance Procedures
- Bargaining Council, CCMA and Labour Court Cases
- To manage compliance with applicable and relevant labour related and local government legislation

Human Resource Development

- Payroll Administration and Benefit Funding Administration
- Job Evaluation
- Recruitment and Selection
- Implementation of Employment Equity

Training and Development

- Development of Human capital
- In service Training and Learnerships
- Manpower Planning and Career Pathing
- Compilation and presentation of courses
- Providing Mentoring Training
- Undertaking skills audits and training needs analysis

Asset and Administration

Strategic Direction

Key Strategic Programmes

- Continuous update OF THE Asset register
- Land disposal of Municipal Land
- Land settlement, Land use practices, and surveying
- Council Agenda and Minutes compilation and distribution
- Manage Councillors Office and accommodation needs
- Information and Record Management
- Information Technology

Budget and Treasury

Strategic Direction

Key Strategic Programmes

- Strategic budgeting
- Sustaining the MTEF
- Seek alternative sources of funding

- Tightening credit control
- Cost saving measures
- Value for money
- IDP linkage with budget/ Budget Process
- Development of Nation KPA;s
- Supply chain Management
- Development of Budget of Budget SDBIP
- Annual Report

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

REPORT ON THE FINANCIAL STATEMENTS

Introduction

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

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with entity specific basis of accounting and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126 (3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit in accordance with the International Standards on Auditing. Because of the matters discussed in the Basis for disclaimer of opinion paragraphs, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis of accounting

4. The municipality's policy is to prepare financial statements on entity-specific basis of accounting, as set out in accounting policy note 1.

Basis for disclaimer of opinion

Opening balances and prior year comparatives

5. The audit report on the annual financial statements for the year ended 30 June 2006 contained a disclaimer of opinion on the financial statements taken as a whole. This was a result of significant uncertainties and a limitation of the scope of that audit.

The effect of the prior year uncertainties and the scope restriction on the accumulated deficit, revenue, expenditure and the comparative figures for the year under review could not be determined.

Funds and reserves

6. It was reported in the audit report for the year ended 30 June 2006 that the revolving fund was understated by approximately R1.05 million. This understatement consisted of transfers to and from the operating account and an error in the opening balance of the revolving fund. No adjustments were affected to the accounting records or the financial statements to correct this understatement. As a

result the revolving fund and creditors disclosed in the financial statements are still understated by this amount.

Long term liabilities

7. The calculation of the current portion of the long term liabilities does not include the scheduled capital repayments for the period ended 30 June 2008. Consequently the long term liabilities are overstated whilst current liabilities are understated by R336 337.

Consumer deposits

8. A register of consumer deposits was not maintained. Furthermore, as the consumer deposits represent less than one percent of the amount due to the municipality for services rendered, the municipal officials did not ensure that adequate consumer deposits were obtained before services were supplied to consumers. In these circumstances it was not possible to obtain sufficient acceptable evidence relating to the completeness, existence and accuracy of consumer deposits.

Long term debtors

9. A register of long term debtors detailing the balance receivable, interest received, payments received, and the capital amount repaid was not maintained. As a result payroll deductions were not allocated to the motor vehicle loans of the erstwhile municipal manager and the erstwhile chief financial officer. It also appears that a motor vehicle loan of R80 000 awarded to the abovementioned chief financial officer during September 2004 was not recorded in the municipality's accounting records.

The outstanding balances on these motor vehicle loans were not recovered from the final salaries awarded to these officials. Furthermore these officials have not been permanently employed since their departure and it is unlikely that the outstanding balance on these loan accounts will be recovered.

It is thus estimated that long term debtors are overstated by R73 270, the accumulated loss is overstated by R91 733, expenditure is understated by R91 223 and interest revenue is understated by R27 422.

Fixed assets

10. It was reported in the audit report for the year ended 30 June 2006 that motor vehicles with a cost of R114 000 that had been scraped were recorded in the asset register. Since the date of that report no action was taken by management to remove these assets from the asset register. As a result the cost of assets disclosed in the financial statements and the contributions from income as disclosed on annexure D are overstated by R114 000.
11. Assets are not properly marked with unique identification numbers that are appropriately cross referenced to the asset register. As a result assets with an approximate cost of R535 829 could not be physically verified and assets selected for testing from the various offices could not be traced to the asset register.

Consequently, sufficient appropriate evidence relating to the existence and completeness of fixed assets disclosed in Annexure C was not obtained.

12. Logbooks, trip authorisations and records of maintenance for the municipal vehicles could not be produced for the year under review. The only log books that were available related to the 2007-08 financial year. In these circumstances it was not possible to verify that the expenditure of R509 835 incurred on fuel and maintenance of the municipal vehicles was incurred for business purposes only.
13. The accounting policies do not include a policy for the recognition and treatment of finance and operating leases. As a result finance leases that meet the criteria for capitalisation have been expensed. Consequently it is estimated that fixed assets and long term liabilities are understated by R109 378. Furthermore no disclosures relating to the future lease commitments are included in the financial statements.

Inventory

14. The inventory on hand of 223 165 disclosed in the financial statements is not supported by stock count working papers or any other records. As a result it was not possible to obtain sufficient appropriate

evidence relating to the existence, completeness or accuracy of the inventory balance at 30 June 2007.

15. No record of stores (including fuel) was maintained during the year under review. In these circumstances it was not possible to obtain sufficient appropriate evidence to verify that the expenditure of R415 634 incurred on spares, stores and materials was complete, accurate, and used for municipal business purposes only.

Debtors

16. Water and sanitation debt of R8.84 million together with a related provision of R8.27 million were transferred to the the Amathole District Municipality (ADM). Detailed calculations of the amount transferred could not be provided for audit purposes. It was also not possible to recalculate the amount that should have been transferred as the billing system could not allocate the balances owing by consumers at 30 June 2006 to the various service types (rates, water, sanitation, and etc.).

Furthermore, the effect of the unallocated receipts referred to in paragraph 17 on the calculation of the amount transferred was not considered. It was also noted that once the transfer was effected on the billing system certain consumer accounts which had previously reflected amounts due to the municipality now reflected that they had over paid their accounts by R274 293.

As a result, sufficient appropriate evidence relating to the completeness, accuracy and valuation of the amounts transferred was not obtained.

17. The general ledger contains unallocated receipt accounts totaling R4.9 million. These unallocated receipts have been deducted from the balances reflected in the age analysis to arrive at the amount disclosed as debtors in the financial statements. Whilst these accounts appear to represent payments that have been received from consumers and that have not been allocated to the consumer accounts they may also represent revenue that was not recorded in the revenue accounts. As a result sufficient acceptable evidence relating to the classification of the unallocated receipts between debtors and revenue could not be obtained.

18. Indigent debtors were not properly identified. A list of only 1026 indigent residents was supplied for audit purposes. This in an area where the unemployment rate is high and a large number of residents subsist on a welfare grant of R820 per month.

Furthermore, where the indigent consumers were identified their accounts were not allocated against the equitable share. It was noted that all consumers were billed and the full equitable share was allocated to revenue resulting in revenue being double counted.

This has resulted in an overstatement of debtors and revenue by a material amount that could not be quantified.

19. Credit notes totalling R33 289 relating to the receivables balance at 30 June 2007 were processed to the consumer accounts after year end. As a result debtors and revenue are overstated by this amount.

Creditors

20. VAT input of R536 201 relating to two housing projects was not separately accounted for in the annual financial statements and was also not claimed on the VAT returns submitted to the South African Revenue Services. As a result the project creditor and the value added tax asset (debtors) are understated by this amount.

Provisions

21. Although attendance registers were used to ensure that all leave taken was recorded, the leave records of employees are generally inaccurate. It was noted that the leave balances brought forward from previous years were not mathematically correct, leave taken and leave encashed in prior years was not reflected on the leave record cards, employees were credited with their full leave at the

commencement of the leave cycle, and non accumulative leave was not forfeited at the end of the relevant leave cycle.

These inaccurate records were used as the basis for the calculation of the provision for leave pay and the payment of leave gratuities. As a result the leave pay provision of R330 779 and the movement therein of R158 802 that is recorded in the income statement are not complete and accurate. The full extent of this finding could not be quantified.

22. The municipality does not possess permits for its landfill sites and as such is in breach of section 20 of the Environmental Conservation Act 1989 (Act No.73 of 1989). This may result in the penalties contained in section 29 of this act being imposed by the regulatory authorities. No adjustments have been effected to the financial statements or disclosures made in respect of these potential penalties.

23. The municipality does not have a restoration plan for its landfill sites and as such in breach of section 28 of the National Environmental Management Act 1998 (Act no. 107 of 1998).

Furthermore, no provision is included or contingent liability disclosed in the financial statements for the future restoration costs of these landfill sites. Due to the limited information available the financial effect of this non compliance could not be quantified.

Revenue

24. Significant deficiencies in the revenue collection system for rates were identified during the audit. Details are:

- A single valuation roll for the entire Great Kei Municipal area does not exist.
- No interim or final property valuations, as required by sections 8(1) and (2) of the Property Valuation Ordinance 148 of 1993 and section 88 of the Property Rates Act of 2004, have been conducted since 1996.
- The assesment of rates in Haga Haga, Chintsa, Morgans Bay and Kei Mouth was based on property values contained in computerised spreadsheet registers that were not supported by valuation rolls. As a result it was not possible to verify the completeness and accuracy of the valuations contained in the valuation registers.
- The assesment rates in the financial statements does not reconcile to the spreadsheet valuation registers and is understated by R50 637.
- A large number of properties have not been valued and a large number of valuations recorded in the valuation registers consist of land only valuations for properties that have dwellings and businesses erected on them.

In these circumstances it was not possible to obtain sufficient acceptable evidence relating to the completeness, accuracy and occurrence of rates income.

25. The average number of households billed for refuse removal services declined from 4653 to 3996 per month during the year under review. Adequate explanations for this decrease could not be provided. As a result revenue and debtors are understated by approximately R260 918 in respect of those households that were not billed.

26. The municipal officials have not applied to the National Electricity Regulator for approval of the municipality's electricity tariff since 1998. As a result the electricity tariffs applied to Khomga residents and businesses for the period 1 April 2001 until 30 June 2007 were not approved. Consequently revenue, debtors and the accumulated deficit are overstated by an amount that can not be determined.

27. Abnormal electricity distribution losses amounting to 37 percent of the 8.6 million units of electricity purchased during the year under review were incurred. This has resulted in an understatement of revenue and debtors by approximately R1.6 million.

28. No revenue was raised for the period between the last meter reading and the year end. The municipality's records did not allow for the quantification of this amount. As a result revenue and debtors is understated by a material amount that could not be quantified.
29. No interest was raised on outstanding accounts as required by section 64(2)(g) of the MFMA. Due to the inaccurate consumer accounts reported in paragraphs 16 to 19 the amount of interest that should have been raised could not be calculated. As a result interest revenue and debtors are understated by a material amount that could not be quantified.
30. Grant revenue of R290 398 from the Amathole District Municipality (ADM) is included in the grant revenue disclosed in the annual financial statements. This revenue consists of all deposits into the bank account that were received from the ADM during the year under review. It was noted that the payments received from the ADM were re-imburements of actual expenditure incurred on various projects on behalf of ADM and that such re-imburements were claimed on manual invoices.

The manual invoice book was not adequately reconciled and it was noted that:

- R208 967 of the amount recorded in grant revenue related to invoices issued in the previous year;
- R15 000 received from the ADM was allocated to the unallocated receipts account that was netted off debtors;
- Outstanding debtors of R65 525 were not raised at year end.

Consequently grant revenue is overstated by R128 442, receivables are understated by R80 525 and the accumulated deficit is overstated by R208 967.

31. An inspection of the Kei Mouth municipal office on 15 August 2007 revealed that non-official receipt books were used to issue receipts to the holiday makers that made use of the caravan park facilities. The use of these books creates the opportunity for officials to commit fraud in the receipting of revenue.

The general ledger reflects that only R139 584 in revenue was generated by the caravan park during the year under review. Although it is not possible to predict the revenue that should have been generated by the caravan park, it is possible that this revenue is understated by a material amount that can not be quantified.

These circumstances may be the result of fraud, corruption and collusion in the receipting of caravan park revenue and require further investigation.

Employee costs

32. The personnel files of all employees, other than the ernstwhile municipal manager and ernstwhile chief financial officer, do not contain updated contracts of employment or employment letters that specify the post grade/level and the related salary and benefits of each employee. Furthermore, the salary grading system developed by the South African Local Government Association was not properly implemented as a number of officials tested during the audit received remuneration packages that were in excess of the packages attributable to their grades/ levels.

In these circumstances it was not possible to obtain sufficient acceptable evidence relating to the accuracy and occurrence of salaries and benefits of R6.6 million paid to permanent staff members during the year under review.

33. Casual wage payments of R1.1 million were paid to employees who were not on the municipal payroll during the year under review. Supporting documentation such as payment listings reflecting the signatures of the employees who had collected their wages could not always be produced for the casual wage payments tested during the audit. Furthermore, in those cases where the required listings were available adequate records of the existence of the employees such as copies of identity documents could not be made available for audit purposes.

In addition unclaimed wages were not recorded in a register and banked if not collected. In these circumstances it was not possible to obtain sufficient acceptable evidence to verify the occurrence and accuracy of the casual wage payments made during the year under review.

34. Documentation evidencing that overtime was approved prior to being worked could not be provided for overtime payments totalling R35 919 made during the year under review. As a result sufficient acceptable evidence relating to the occurrence and accuracy of these overtime payments was not obtained.
35. Although attendance registers were used to ensure that all leave taken was recorded, the leave records of employees are generally inaccurate. It was noted that the leave balances brought forward from previous years were not mathematically correct, leave taken and leave encashed in prior years was not reflected on the leave record cards, employees were credited with their full leave at the commencement of the leave cycle and non-accumulative leave was not forfeited at the end of the relevant leave cycle.

These inaccurate records were used as the basis for the calculation of the provision for leave pay and the payment of leave gratuities. As a result the leave pay provision of R330 779 and the movement therein of R158 802 that is recorded in the income statement are not complete and accurate. The full extent of this finding could not be quantified.

Expenditure

36. The general ledger contains an unallocated expenditure account with a balance of R422 402 that is included in the general expenses disclosed in the financial statements. This account is made up of electronic transfers reflected on the bank statement but for which there are no details. This is the result of the electronic payment system only reflecting the total amount of transfers on the bank statement for a particular day. The detail of particular day's electronic transactions is reflected on the audit trail that is required to be printed after transfers have been effected.

The erstwhile chief financial officer who personally captured and authorised all electronic payments failed to ensure that the audit trails of the transactions reflected in the unallocated expenditure account were retained. The possibility that these audit trails were deliberately destroyed and that these payments are fraudulent cannot be excluded.

As a result of the non availability of any supporting records it was not possible to obtain sufficient acceptable evidence relating to the validity, accuracy, and classification of the transactions recorded in this account.

37. Supporting documentation for payments totalling R1.3 million that were made to suppliers either did not exist or were not sufficient to establish the reasons for and the nature of the payments made. As a result sufficient appropriate evidence that these payments were made only after the required services had been rendered to the municipality was not obtained.
38. The municipality does not have a system in place to ensure that private phone calls are recovered from its officials. As a result sufficient acceptable evidence that the telephone expenses of R502 394 was spent entirely for business purposes could not be obtained. The effect of this finding on the possible overstatement of expenses could not be determined.

Irregular expenditure

39. Management did not monitor the implementation of the requirements of the Municipal Supply Chain Management Regulations issued in terms of the MFMA. As a result audit tests, conducted on a sample, revealed that expenditure transactions with a value of R2.1 million were not procured in accordance with these regulations. Accordingly irregular expenditure, the full extent of which could not be determined, was incurred and is not disclosed in the financial statements.
40. Audit tests conducted on a sample of payments revealed that transactions with a value of R3 million were not reviewed or approved by an appropriately delegated senior official as required by section 11

of the MFMA. This expenditure is thus considered to be irregular. No irregular expenditure is disclosed in the financial statements.

41. It was reported in the previous audit report that expenditure incurred on two housing projects was irregular as proper procurement processes were not followed in appointing the contractor and consultants. During the year under review a further R70 410 was incurred on these projects and is also irregular. No irregular expenditure is disclosed in the financial statements

42. It was reported in the audit reports for the years ended 30 June 2005 and 30 June 2006 that councillors were paid R454 421 in excess of the allowances and benefits contained in the government notices, issued in terms of the Remuneration of Office Bearers Act of 1998, applicable to those years.

These overpayments have not been recovered as required by section 167(2)(a) of the MFMA.

During the year under review the allowances and benefits paid to all councillors exceeded the maximum amounts contained in the applicable government notice (R1224) by R405 210. These overpayments are also irregular.

No adjustments or disclosures relating to this irregular expenditure have been effected in the financial statements. As a result debtors are understated by R859 631, the accumulated loss is overstated by R454 421, and personnel expenditure is overstated by R405 210.

43. Municipal infrastructure grant funding of R76 443 was used to fund operating expenses during the year under review. This is contrary to the requirements of the Division of Revenue Act of 2006 (DORA) and is thus irregular. No adjustments or disclosures relating to this irregular expenditure have been effected to the financial statements.

44. Section 11(4) of DORA required a municipality receiving the municipal infrastructure grant (MIG) to table a three year capital budget as part of its budget for the 2006-07 financial year. The municipality did not comply with this prescript and as a result the total MIG expenditure for the year of R727 399 is considered to be irregular. No adjustments or disclosures relating to this irregular expenditure have been effected to the financial statements.

45. It was reported in the audit report for the year ended 30 June 2006 that conditional grants of R8.28 million was used to finance operating expenditure and was considered to be irregular. The grant investment accounts were not reimbursed, however a further irregular conditional grant transfer of R1 million was used to finance operating expenditure. No adjustments or disclosure relating to the total irregular expenditure of R9.28 million have been effected to the financial statements.

46. During the year under review the Speaker (Mrs. M. Kema) occupied a council owned house in Kei Mouth. No monthly rentals and refuse charges were raised or deductions affected against her salary for the use of this house. Furthermore, no council resolutions authorising the occupation of this house by the Speaker exist.

This benefit, which is estimated at R19 000 for the year under review, is not in accordance with the notices issued in terms of the Remuneration of Office Bearer's Act of 1998 and is considered to be irregular. This irregular transaction is not disclosed in the annual financial statements.

47. During the year under review a council owned house in Khomga was occupied by the local economic development officer. No rentals or service charges were raised or deducted from her salary for the use of this house. Furthermore no lease agreement or other contract that established her right to occupy this property could be provided for audit purposes. As a result the use of this house, the value of which is estimated at R10 000 for the year, is considered to be irregular. This irregular transaction is also not disclosed in the financial statements.

Fruitless and wasteful expenditure

48. The municipality did not ensure that its long term loan commitments were settled in accordance with the relevant loan agreements and as a result thereof the DBSA loans were in arrears by R1.25 million at 30 June 2007.

Fruitless and wasteful interest of R223 123 was incurred on the arrear balance during the year under review. No disclosures or adjustments relating to this fruitless and wasteful expenditure have been made in the financial statements.

49. It was reported in the audit report for the year ended 30 June 2006 that R1.5 million was received from an irregular sale of land. During the year under review this sale was rescinded and a court order was granted requiring the municipality to repay the capital amount received plus interest of 15.5% per annum. Although the capital amount and interest payable of R330 851 is correctly included in creditors at the year, the interest payable is fruitless and wasteful and is not disclosed as such in the financial statements.
50. The inaccurate leave records reported in paragraph 21 above resulted in fruitless and wasteful leave encashment and gratuity overpayments of R57 108 during the year under review. No disclosures or adjustments in respect of this fruitless and wasteful expenditure were made to the financial statements.

Disclosure

51. The financial statements do not include the mandatory disclosures required by sections 125(2)(e) of the MFMA that relate to non-compliance with the MFMA. Numerous instances of non-compliance were detected during the audit and are reported in paragraphs 54 to 58 of this report.

Going concern

52. The financial statements are prepared on the assumption that the municipality will continue as a going concern into the foreseeable future. This assumption presumes that sufficient cash will be generated during the ordinary course of the municipality's activities to enable it to settle its obligations to its suppliers and employees and fulfil any other financial commitment as they fall due.

The financial statements for the year under review do not disclose any factors that indicate that the municipality may not be a going concern. However, during the audit a number of factors were identified that suggest that the municipality may not be a going concern. The most significant being:

- The municipality has net liabilities of more than R11.5 million and net current liabilities of more than R10.5 million;
- Significant operating losses were incurred during the past five years and are continuing to be incurred;
- The municipality has experienced and still is experiencing negative cash flows from operating activities;
- The municipality is facing pending litigation and associated costs of more than R1.7 million;
- Supplier accounts were/are not settled within the prescribed periods;
- The monthly operating costs exceed own revenue collections and the current level of grant funding by R500 000 per month.

Although the municipality has reported its financial problems to the relevant authorities in terms of chapter 13 of the MFMA and has prepared a financial recovery plan, it was noted that this plan was not adequately costed and financed by means of an approved budget.

Accordingly, the municipality's ability to continue as a going concern is dependant on the intervention and support of the government. In the absence of such support it is unlikely that the municipality will be able to continue to provide uninterrupted services to its stakeholders.

Disclaimer of opinion

53. Because of the significance of the matters described in the preceding paragraphs, I have been unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial

statements of the Great Kei Municipality. Accordingly, I do not express an opinion on the financial statements.

Emphasis of matter

I draw attention to the following matters:

Highlighting matters affecting the financial statements

Unauthorised expenditure

54. The accounting officer did not ensure that the spending of funds was in accordance with the approved budget or that revenue and expenditure was monitored as required by section 69(1) of the MFMA. As a result, the budgets of five votes were exceeded resulting in unauthorised expenditure of R5.9 million, which is disclosed in note 30 to the financial statements.

OTHER MATTERS

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

Non-compliance with applicable legislation

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

55. A lack of monitoring resulted in the municipal budget for the 2006-07 financial year not complying with the requirements of the MFMA. Details are:
- The budget was not in the format and did not contain all of the information as prescribed by section 17(1) and 17(3) of the MFMA.
 - The budget was not funded by realistically anticipated revenues as prescribed by section 18 of the MFMA. The most significant deficiencies were:
 - (i.) Grant income of R18 million was included in the budget without confirmation from the relevant financiers that it would be received;
 - (ii.) DBSA loans of R2.4 million were included in revenue;
 - (iii.) Equitable share was reflected as revenue whilst the service and other charges of indigent residents were also included in revenue resulting in the double counting of revenue.
 - (iv.) The amounts budgeted for rates, electricity, and refuse revenue were not based on the billings of the previous year and resulted in an overstatement of budgeted own revenue of approximately R3 million.
 - (v.) The rates and service charges collection rate of only 30% was not taken into account in the calculation of the anticipated expenditure for the year under review.
 - No evidence could be obtained that National Treasury was consulted on the approved budget as prescribed by sections 22, 23 and 24(2) of the MFMA.
56. The municipality did not comply with any of the reporting requirements contained in sections 52(d), 54(1), 66, 70(1), 71(1-5) and section 74 of the MFMA that deal with the submission of quarterly reports by the mayor to council, budgetary control exercised by the mayor, expenditure on staff benefits, budgeted revenue shortfalls and expenditure overspending, and the submission of monthly budget statements to the provincial treasury.
57. The municipality has not addressed the issues raised in the audit reports for the year ended 30 June 2001 to 2006 that were tabled before council on 15 December 2006 and 31 May 2007. This is a material breach of the MFMA and is considered to be financial misconduct.

58. According to section 126(1)(a) of the MFMA read with section 93(4)(a) of the Municipal Structures Act, 1998 (Act No. 117 of 1998), the municipal manager must submit annual financial statements for auditing within two months after the end of the financial year. The annual financial statements for the year under review were only submitted on 31 October 2007. This late submission together with the non availability of key officials during the audit delayed the finalisation of the audit report.

Municipal Systems Act, 2000 (Act no. 32 of 2000) (MSA)

59. No performance contracts for the municipal manager and those managers reporting directly to him were in place during the year under review. This is a material contravention of section 57 of the MSA and is likely to impact negatively on the municipality's performance.
60. Section 130 of the MFMA requires council meetings where audit reports are discussed to be open to the public. Section 21 of the MSA requires the notification of public meetings to be advertised in a local newspaper. The notice for the meeting of 31 May 2007 where the prior year audit reports were discussed was not advertised in the local newspaper. Consequently the prior year audit reports have not been adequately dealt with in terms of section 127 of the MFMA.

Income Tax Act, 1962 (Act no. 58 of 1962)

61. The deductions from employee's salaries in respect of pay –as- you- earn for the periods June 2005, October 2005 to November 2006 and April 2007 and unemployment insurance and skills development levy for the periods December 2005 to February 2006, August 2006 to November 2006 and April 2007 were only submitted to the South African Revenue Services during July 2007.

The late submission and non -payment of an amount due to the South African Revenue Services may result in fruitless and wasteful penalty and interest charges.

Matters of governance

62. The consumer accounts of the ernstwhile municipal manager and ernstwhile chief financial officer contained credits totalling R23 459 that did not reconcile to the amounts deducted from their salaries and could also not be adequately explained.

These ernstwhile officials owed the municipality R10 445 for municipal service charges at 30 June 2007, which had not been recovered at the date of this report.

63. The final salary payment made to the erstwhile chief financial officer included a payment of R23 239 in respect of 17 leave days due to him. In the management letter for the year ended 30 June 2007, dated 31 March 2007, management were made aware that at 30 November 2006, this official owed the municipality a considerable amount of leave. This final payment together with the leave encashment in November 2006 resulted in a net overpayment of 26 days leave with a value of R34 972 (included in paragraph 50 above).

Furthermore no deductions were effected against the final salary for amounts due to the municipality in respect of rent, service charges and the outstanding balance on his motor vehicle loan.

Value for money

64. The contract awarded for the construction of the drivers' testing station required the testing station to be completed within three months of commencing construction. At the date of this report, more than 19 months after the contract was awarded, this contract is still in progress. Furthermore, the municipality has not enforced the penalty and termination clauses contained in the contract.

Internal Control

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

GREAT KEI MUNICIPALITY GENERAL
INFORMATION YEAR ENDED 30 JUNE
2007

MEMBERS OF THE COUNCIL

Councillors

M Kema (Mayor)

M Mali (Chairperson: - Finance)

W Hollington

N George

N Moli

N Dyani (Chairperson: - LED and Environmental)

N Pan (Chairperson: - Special Needs and Health) N

Tekile

W Ndora

T Ndolose

Z Blom

Z Mpondo (Chairperson: - Infrastructure)

GRADING OF LOCAL AUTHORITY

Great Kei Municipality is a Grade 2 Local Authority

AUDITORS

Office of the Auditor General - East London

BANKERS

The Standard Bank of South Africa
ABSA Bank

GREAT KEI MUNICIPALITY
GENERAL INFORMATION YEAR
ENDED 30 JUNE 2007

REGISTERED OFFICE

P O Box 21
Komga
Station Street, Komga

Telephone : 043 831 1028
Facsimile : 043 831 1306

MUNICIPAL MANAGER & ACCOUNTING OFFICER

Adv Andile Arnold Sihlahla

Telephone : 043 831 1028

CHIEF FINANCIAL OFFICER

Zolile Gwavu

Telephone : 043 831 1028

APPROVAL OF FINANCIAL STATEMENTS

The Annual Financial Statements as set out on pages 4 to 22 were approved by the Municipal Manager and Chief Financial Officer on the and presented to and approved by Council on the

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MUNICIPAL MANAGER: GREAT KEI MUNICIPALITY
Adv Andile Arnold Sihlahla

.....
CHIEF FINANCIAL OFFICER: GREAT KEI
MUNICIPALITY Zolile Gwavu

GREAT KEI MUNICIPALITY
ACCOUNTING OFFICER'S REPORT
YEAR ENDED 30 JUNE 2007

1. OPERATING RESULTS

Details of the operating results per department, classification and object of expenditure are included in appendices D and E. The overall operating results for the year ended 30 June 2007 are as follows:

	Actual 2006 R	Actual 2007 R	Variance 2006/2007 %	Budget 2007 R	Variance Actual - Budget %
Income:					
Opening Surplus	(3,344,325)	(10,321,002)			
Sundry Transfers	-	707,517			
Operating income for the year	23,130,243	19,122,720	(17.3)	55,936,585	65.8
	19,785,918	9,509,236		55,936,585	
Expenditure					
Operating expenditure for the year	30,106,920	23,286,049	(22.7)	55,936,585	58.4
Contributions to approved funds					
Closing deficit	(10,321,002)	(13,776,814)		-	
	19,785,918	9,509,236		55,936,585	
<u>Significant variances:</u>					
The municipality did not meet their budgeted income target for the year. This has had a negative affect their spending ability during the year.					

1.1 Rates and General Services

	Actual 2006 R	Actual 2007 R	Variance 2006/2007 %	Budget 2007 R	Variance Actual - Budget %
Income	16,338,207	16,999,944	4.1	53,783,585	68.4
Expenditure	25,382,231	20,723,455	(18.4)	53,107,535	61.0
Deficit	(9,044,024)	(3,723,511)	(58.8)	676,050	650.8
Deficit as % of total income	(55)	(22)			
<u>Significant variances:</u>					
The municipality did not meet their budgeted income target for the year. Both rates income and electricity income increased during the year. The actual grants received were much lower that the budgeted amount.					

1.2 Summary of the operating results of the local authority's Trading Service:

Water Service

	Actual 2006 R	Actual 2007 R	Variance 2006/2007 %	Budget 2007 R	Variance Actual - Budget %
Income	5,254,822	16,759	(99.7)	-	0.0
Expenditure	2,509,644	0	(100.0)	-	0.0
(Deficit)/Surplus	2,745,177	16,759		-	
Surplus/(deficit) as % total income	52	100			
<u>Significant variances:</u>					
As of 1 July 2006 all water services were taken over by the Amathole District Municipality. Therefore no amount was Budgeted					

GREAT KEI MUNICIPALITY
ACCOUNTING OFFICER'S REPORT
YEAR ENDED 30 JUNE 2007

Electricity Service

	Actual 2006 R	Actual 2007 R	Variance 2006/2007 %	Budget 2007 R	Variance Actual - Budget %
Income	1,537,214	2,106,017	37.0	2,153,000	2.2
Expenditure	2,215,045	2,562,594	15.7	2,829,050	9.4
(Deficit)/Surplus	(677,830)	(456,577)		(676,050)	
Surplus/(deficit) as % total income	(44)	(22)			
<u>Significant variances:</u>					
Electricity income increased during the year.					

2. CAPITAL EXPENDITURE AND FINANCING

The expenditure on fixed assets during the year amounted to R 5,642,989 (2006 - R 4,401,572).

A complete analysis of capital expenditure (budgeted and actual) per department, classification or service is included in appendix C. More details regarding external loans and internal advances used to finance fixed assets are shown in appendix B.

3. EXTERNAL LOANS, INVESTMENTS AND CASH

External loans outstanding as at 30 June 2007 amounted to R 5,174,301 including current portion and all arrears (2005 - R 7,054,571). Various loans were taken over by the Amathole District Municipality.

Cash resources and short-term deposits less bank overdraft at 30 June 2007 amounted to a surplus of R 2,138,431 (2006 - R 209,580) This amount excludes project, statutory and reserve funds.

External Investments relating to projects, statutory and reserve funds as at 30 June 2007 amounted to R 1,778,790 (2006 - R 33,178)

Trust funds as at 30 June 2007 amount to R 1,766,813 (2006: R 23,120)

More information regarding loans and investments are disclosed in the notes (4 and 7) and appendix B to the financial statements.

4. POST BALANCE SHEET EVENTS

No post balance sheet events have been identified that would materially affect the municipalities balance sheet.

5. EXPRESSION OF APPRECIATION

I am grateful to the Mayor, Councillors and to the municipal staff for their assistance and support during the year.

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MUNICIPAL MANAGER: GREAT KEI MUNICIPALITY
Adv Andile Arnold Sihlahla

GREAT KEI MUNICIPALITY
ACCOUNTING POLICIES
YEAR ENDED 30 JUNE 2007

1. Basis of preparation

- 1.1 These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants and its Code of Practice for Local Government Accounting (1997) and the Published Annual Financial Statements for Local Authorities (2nd edition - January 1996).
- 1.2 The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in Accounting Policy note 3. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.
- 1.3 The financial statements are prepared on the accrual basis as stated:
- * Income is accrued when measurable and available to finance operations. Certain direct income is accrued when received, such as traffic fines and certain licences.
 - * Expenditure is accrued in the year it is incurred.

2. Consolidation

The balance sheet includes Rates and General Services, Trading Services and the different funds and reserves. All inter-departmental charges are set off against each other with the exception of assessment rates, refuse removal, sewerage, electricity and water which are treated as income and expenditure in the respective departments.

3. Fixed assets

- 3.1 Fixed assets are stated at historical cost or at valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated useful life as determined by the Treasurer.
- 3.2 Depreciation
- The balance shown against the heading "Loans Redeemed and other Capital Receipts" in the notes to the financial statements is tantamount to a provision for depreciation, however certain structural differences do exist. By way of this "provision" assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through:
- * Appropriations from operating income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make any further provision for depreciation.
 - * Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and other Capital Receipts" account.
- 3.3 All net proceeds from the sale of fixed property are credited to the Revolving Fund.

GREAT KEI MUNICIPALITY
ACCOUNTING POLICIES
YEAR ENDED 30 JUNE 2007

3.4 Fixed assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.

4. Funds and reserves

4.1 Revolving fund

The fund requires a minimum contribution of 7.5 % of the product of the assessment rates that were levied for the immediately preceding financial year. It is not required from Council to contribute an amount that is 20% more than the amount required to be contributed in the immediately preceding financial year.

Net proceeds from the sale of fixed property are invested in the Revolving Fund. Funds accumulated in the Revolving Fund are utilised for the purpose of providing advances to borrowing services and to finance the acquisition or upgrading of land or fixed property.

4.2 Other funds and reserves

Other funds and reserves, which are disclosed in the notes (1 - 3) and appendix A to the financial statements, are built up either by appropriations made on an annual basis from the operating account to the relevant funds and reserves or from contributions received from the public and the State with the objective of providing community facilities and funds to finance bad debts.

5. Provisions

Provisions are created for liabilities or contingencies that are known at the date of the balance sheet but for which the amounts involved cannot be determined with substantial accuracy.

6. Stock

Stock is reflected in the Balance Sheet at the weighted average cost.

7. Retirement benefits

The Council and its employees contribute to various pension, provident and retirement funds. The larger funds include the SAMWU National Provident Fund, the Cape Joint Retirement Fund and the SALA Pension Fund.

The retirement benefits are calculated in accordance with the rules of the respective funds. Current contributions by the Council are charged against operating income at the rate of a fixed percentage of the basic salary paid to employees.

Full actuarial valuations are performed at least every three years.

GREAT KEI MUNICIPALITY
ACCOUNTING POLICIES
YEAR ENDED 30 JUNE 2007

8. Surpluses and deficits

Any surpluses and deficits arising from the operation of the Electricity and Water Services are transferred to Rates and General Services.

9. Treatment of administration and other overhead expenses

The costs of internal support services are transferred to the different services in accordance with the IMTA's Report on Accounting for Support Services (June 1990).

10. Investments

Investments are disclosed at the lower of cost or market value if a permanent decline in value has occurred and are invested on such conditions as the Minister may approve.

11. Income recognition

11.1 Water billings

All meters are read and billed monthly. Income is recognised when meters are read and the monthly levies debited to the respective consumer account. Where meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments made in the month they are indeed read.

11.2 Assessment rates

The local authority applies a uniform system of rating. In terms of this system the assessment rates are levied on the land value of property and improvements, at the same rate. Rebates of 20% are granted on state-owned properties. Income is recognised when such levies are raised and debited to the respective ratepayer account.

11.3 Other income

Income from services such as refuse removal and sewerage, recovered by way of debtors, is recognised when such levies are raised and debited against the respective consumer account. Income from other sources is recognised when paid.

GREAT KEI MUNICIPALITY
BALANCE SHEET AT 30 JUNE 2007

	Note	2007 R	2006 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES		3,199,703	1,154,348
Statutory Funds	1	3,196,855	1,151,627
Reserves	2	2,848	2,722
RETAINED INCOME / (ACCUMULATED DEFICIT)		(13,776,814)	(10,321,002)
		(10,577,111)	(9,166,654)
TRUST FUNDS	3	1,766,813	23,120
LONG TERM LIABILITIES	4	3,923,662	5,824,719
CONSUMER DEPOSITS: SERVICES	5	98,455	95,411
		(4,788,181)	(3,223,404)
EMPLOYMENT OF CAPITAL			
LONG TERM DEBTORS	8	165,266	202,974
FIXED ASSETS	6	4,325,387	6,677,462
INVESTMENTS	7	3,618,714	86,883
		8,109,367	6,967,319
NET CURRENT ASSETS		(12,897,548)	(10,190,723)
CURRENT ASSETS		4,731,467	4,936,226
Stock	9	223,165	223,165
Debtors	10	4,209,796	4,557,186
Cash Resources	11	298,506	155,875
CURRENT LIABILITIES		17,629,015	15,126,949
Creditors	13	17,298,236	14,062,179
Bank Overdraft	14	-	33,189
Provisions	12	330,779	1,031,581
		(4,788,181)	(3,223,404)

GREAT KEI MUNICIPALITY
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

2006 Actual income	2006 Actual expenditure	2006 surplus/ (deficit)		2007 Actual income	2007 Actual expenditure	2007 surplus/ (deficit)	2007 Budgeted surplus/ (deficit)
R	R	R		R	R	R	R
16,338,207	25,382,231	(9,044,024)	RATES AND GENERAL SERVICES	16,999,944	20,723,455	(3,722,511)	676,050
13,773,379	20,631,986	(6,858,607)	Community services	15,110,469	18,063,743	(2,953,274)	1,882,267
108,530	1,211,588	(1,103,058)	Subsidised services	156,526	1,810,683	(1,654,157)	(371,742)
2,456,298	3,538,657	(1,082,359)	Economic services	1,732,949	849,029	883,920	(834,475)
6,792,036	4,724,689	2,067,347	TRADING SERVICES	2,122,776	2,562,594	(439,818)	(676,050)
23,130,243	30,106,920	(6,976,677)	TOTAL	19,122,720	23,286,049	(4,163,330)	-
		-	Appropriations for the year (refer note 19)			707,517	
		(6,976,677)	NET SURPLUS (DEFICIT) FOR THE YEAR			(3,455,812)	
		(3,344,325)	Accumulated deficit beginning of the year			(10,321,002)	
		(10,321,002)	ACCUMULATED DEFICIT END OF THE YEAR			(13,776,814)	

GREAT KEI MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	NOTES	2007 R	2006 R
CASH RETAINED FROM OPERATING ACTIVITIES		11,251,698	3,159,152
Cash utilised in operations	19	(12,251,783)	(14,097,012)
Investment income		116,277	142,591
(Increase) / Decrease in working capital	20	4,312,570	3,357,929
		<u>(7,822,937)</u>	<u>(10,596,492)</u>
Less: External interest paid		(470,962)	(937,185)
		<u>(8,293,899)</u>	<u>(11,533,677)</u>
Net Proceeds on disposal of fixed assets		1,960,915	-
Cash contributions from the public and the State		17,584,681	14,692,829
CASH UTILISED IN INVESTING ACTIVITIES		(5,642,989)	(4,401,572)
Investment in fixed assets		(5,642,989)	(4,401,572)
NETT CASH FLOW		<u><u>5,608,708</u></u>	<u><u>(1,242,421)</u></u>
CASH EFFECTS OF FINANCING ACTIVITIES			
Increase / (Decrease) in Long Term Liabilities	21	(1,901,057)	(123,808)
Decrease / (Increase) in Cash	23	(175,820)	1,376,480
(Increase) / Decrease in External Cash Investments	22	(3,531,831)	(10,251)
NETT CASH UTILISED		<u><u>(5,608,708)</u></u>	<u><u>1,242,421</u></u>

GREAT KEI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

	2007 R	2006 R
1. STATUTORY FUNDS		
Revolving Fund	3,194,510	1,149,395
Dog Tax Fund (Invested as per note 7)	2,346	2,232
	<u>3,196,855</u>	<u>1,151,627</u>
<u>The revolving fund is represented by:</u>		
Investments (Note 7)	3,618,714	86,883
Advances to borrowing services	401,725	917,602
Long Term Loans	165,266	202,974
Advances to operating account		
	<u>4,185,706</u>	<u>1,207,460</u>
(Refer to Appendix A for more details, note that the fund is not fully cash-backed)		
2. RESERVES (Invested as per note 7)	<u>2,848</u>	<u>2,722</u>
(Refer to Note 7 and Appendix A for more details)		
3. TRUST FUNDS		
As detailed in Appendix A	<u>1,766,813</u>	<u>23,120</u>
(Refer to Note 7 and Appendix A for more details)		
4. LONG-TERM LIABILITIES		
Development Bank of South Africa	3,923,662	5,824,719
	<u>3,923,662</u>	<u>5,824,719</u>
(Refer to Appendix B for more detail)		
An amount of R 64,859 was included under the current portion of long term liabilities during the prior year. (See note 13)		
5. CONSUMER DEPOSITS: SERVICES		
Service Deposits	<u>98,455</u>	<u>95,411</u>
6. FIXED ASSETS		
Fixed assets at the beginning of the year	39,483,340	35,081,767
Capital expenditure during the year	5,642,989	4,401,572
Less: Assets written off, transferred or disposed of during year	<u>18,578,869</u>	<u>-</u>
Total fixed assets	26,547,460	39,483,340
<u>Less: Loans redeemed and other capital receipts</u>	<u>22,222,073</u>	<u>32,805,878</u>
NET ASSETS	<u>4,325,387</u>	<u>6,677,462</u>
(Refer to Appendix C for more details)		

GREAT KEI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

	2007 R	2006 R
7. INVESTMENTS		
Project Investments	1,766,813	23,119
Reserve Investments	2,848	2,722
Dog Tax Investment	2,346	2,231
Revolving Fund Investments	6,784	5,106
Operating Account Investments	1,839,924	53,705
	<u>3,618,714</u>	<u>86,883</u>
<p>Circular no 19 of 1984 issued by the Provincial Administration Community Development Branch, requires local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a plenary rate to meet commitments.</p>		
8. LONG TERM DEBTORS		
Squash Club Loan	10,496	15,158
Bowling Green Club Loan	18,206	23,592
Car Loan Mr Gwavu	37,944	37,944
Car Loan Mr Ngqele	39,328	39,328
Car Loan Mr Dicks	59,293	86,953
	<u>165,266</u>	<u>202,974</u>
9. STOCK		
Stock represents consumable stores, raw materials, work in progress and finished goods. Where necessary specific provision is made for obsolete stock. Stock are divided into different services: Rate and general	<u>223,165</u>	<u>223,165</u>
10. DEBTORS		
Current Debtors (Consumers and others)	3,512,649	10,583,031
VAT Control	1,773,907	2,064,492
Sundry Debtors	1,882,488	1,673,374
<u>Less:</u> Provision for Doubtful Debts	(2,959,249)	(9,763,712)
	<u>4,209,796</u>	<u>4,557,186</u>
11. CASH AND CASH EQUIVALENT		
Operating Account - Standard Bank	101,724	12,369
Operating Account - ABSA Bank	21,711	-
Operating Account - Traffic Services	175,072	143,507
Cash Floats	-	-
	<u>298,506</u>	<u>155,875</u>
12. PROVISIONS		
Audit Fee Provision	-	542,000
Leave Pay Provision	330,779	489,581
	<u>330,779</u>	<u>1,031,581</u>

GREAT KEI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

	2007 R	2006 R
13. CREDITORS		
Creditors	4,453,384	2,985,228
VAT Control	-	-
VAT Provision	55,171	-
Sundry Creditors	2,011,768	-
Project Creditors	9,527,274	9,847,099
DBSA Arrears Account	1,250,640	1,229,852
	<u>17,298,236</u>	<u>14,062,179</u>
14. BANK OVERDRAFT		
Operating Account - ABSA Bank	<u>-</u>	<u>33,189</u>
15. ASSESSMENT RATES		
Actual Rateable Income	<u>3,485,682</u>	3,182,247
<u>The basic rate on land and improvements was as follows (Cents per Rand): -</u>		
<u>Composite</u>		
- Komga	0.01540	0.01540
<u>Residential</u>		
- Kei Mouth	0.03940	0.03940
- Morgan Bay	0.03940	0.03940
- Cintsa East	0.04060	0.04060
- Haga Haga	0.03650	0.03650
<u>Buisiness</u>		
- Kei Mouth	0.04950	0.04950
- Morgan Bay	0.04950	0.04950
- Cintsa East	-	-
- Haga Haga	-	-
<u>State</u>		
- Kei Mouth	0.03940	0.03940
- Morgan Bay	0.35510	0.35510
- Cintsa East	-	-
- Haga Haga	0.02880	0.02880
<u>Township</u>		
- Kei Mouth	0.01830	0.01830
<u>Building Clauses</u>		
- Kei Mouth	0.00260	0.00260
- Morgan Bay	0.00260	0.00260
The last valuation came into effect on 1 Jult 1997. A rebate of 20% is granted to state owned land.		
General Valuation: - 1 July 1997		
- Land and Improvements	<u>R 50,082,160</u>	<u>R 50,082,160</u>
16. AUDITOR'S REMUNERATION		
Audit fees	<u>952,352</u>	<u>150,000</u>

GREAT KEI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

	2007 R	2006 R
17. FINANCE TRANSACTIONS		
Total external interest earned or paid:		
- Interest earned	37,242	48,845
- Interest paid	502,049	937,185
<u>Capital charges debited to operating account:</u>		
- Interest paid on external loans	460,841	865,066
- Interest paid on internal loans	31,088	72,119
- Redemption of external loans	329,544	380,537
- Redemption of internal loans	61,616	127,375
	883,089	1,445,098
18. APPROPRIATIONS		
Appropriation account		
Accumulated deficit at the beginning of the year	(10,321,002)	(3,344,325)
Operating (deficit)/surplus for the year	(4,163,330)	(6,976,677)
	(14,484,332)	(10,321,002)
<u>Less: Appropriations for the year:</u>		
- Prior year adjustments	707,517	-
Accumulated deficit at the end of year	(13,776,814)	(10,321,002)
Operating account		
Capital expenditure - Fixed assets	1,241,163	1,502,054
Contributions to:		
- Revolving Fund	238,669	217,024
	1,479,831	1,719,078
19. CASH UTILISED IN OPERATIONS		
(Deficit) surplus for the year	(3,455,812)	(6,976,677)
<u>Adjustments in respect of:</u>		
- Prior Year's Operating Transactions	707,517	-
<u>Appropriations charged against income:</u>	62,976	3,402,154
- Revolving Fund	238,669	217,024
- Provisions	(1,416,855)	1,683,076
- Fixed Assets	1,241,163	1,502,054
Investment income (operating account)	(116,277)	(142,591)
<u>Capital charges</u>	883,089	1,445,098
Interest Paid on External Loans	460,841	865,066
Interest Paid on Internal Loans	31,088	72,119
Redemption on External Loans	329,544	380,537
Redemption on Internal Loans	61,616	127,375
Grants and Subsidies Received from the State	(10,672,806)	(11,792,720)
<u>Non Operating Expenditure</u>	(1,505,100)	243,303
- Expenditure charged against funds	(804,298)	(799)
- Expenditure charged against provisions	(700,802)	244,102
<u>Non Operating Income</u>	1,844,629	(275,579)
- Transfers to funds and reserves	-	(369,324)
- Income Credited to funds and reserves	79,035	93,745
- Income Credited to assets	1,765,594	-
	(12,251,783)	(14,097,012)

GREAT KEI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

	2007 R	2006 R
20. (INCREASE) / DECREASE IN WORKING CAPITAL		
(Increase) / Decrease in Stores	-	-
(Increase) / Decrease in Debtors, Long Term Debtors	1,073,468	(2,218,511)
(Decrease) / Increase in Creditors, Consumer Deposits	3,239,101	5,576,441
	4,312,570	3,357,929
21. INCREASE / (DECREASE) IN LONG-TERM LIABILITIES		
Loans rased	-	256,729
Loans repaid	(1,901,057)	(380,537)
	(1,901,057)	(123,808)
22. (INCREASE) / DECREASE IN EXTERNAL CASH INVESTMENTS		
Investments Realised	(3,531,831)	(10,251)
Investments Made	-	-
	(3,531,831)	(10,251)
23. (INCREASE)/ DECREASE IN CASH ON HAND		
Cash Surplus / (Deficit) at the beginning of the year	122,686	1,499,166
Less: Cash Surplus / (Deficit) at end of year	298,506	122,686
	(175,820)	1,376,480
24. CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS		
<p>The local Komga farmers have submitted a claim for fire damages. It is estimated that the claim will be settled at a estimated amount of R1.7 million.</p> <p>The municipality has no other contingent liabilities nor any contractual obligations.</p>		
25. RETIREMENT BENEFITS		
<p>The employees of the municipality and the municipality contribute to various pensions, provident and retirement funds. The main funds being listed below: -</p>		
	<u>Employee</u>	<u>Employer</u>
SALA Pension fund	9.00%	18.00%
Cape Joint Retirement Fund	9.00%	18.00%
SAMWU Provident Fund	5.00%	12.00%
Councilor's Pension Fund *	0.00%	0.00%
The total employee contribution to the funds is: -	R 502,864	
* The council no longer contributes towards the councilors pension fund		
26. CAPITAL COMMITEMENTS		
<u>Commitments in respect of capital expenditure</u>	12,186,000	-
Capital Expenditure Approved not contracted	8,164,000	-
Capital Expenditure Approved and contracted	4,022,000	-
This expenditure will be funded financed from: -		
- Internal Sources	-	-
- External Sources	12,186,000	-
Other Sources	-	-
National Government	12,186,000	-
	12,186,000	-

GREAT KEI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

	2007 R	2006 R
27. COUNCILLOR'S REMUNERATION		
Mayor's allowance:	493,497	229,156
Allowance	301,561	125,600
Travelling allowance	96,243	31,400
Other allowances	9,528	33,910
Back Pay	62,573	38,246
Council Contributions	23,592	
Councillor's allowances:	1,636,898	658,375
Allowance	984,575	399,134
Travelling allowance	313,289	99,881
Other allowances	81,632	159,360
Back Pay	166,805	-
Council Contributions	90,597	
Total Allowances	2,130,395	887,531
28. DIRECTORS AND OFFICIALS REMUNERATION		
Municipal Manager	234,439	541,791
Salary	132,523	290,895
Travelling allowance	54,108	121,206
Other allowances	36,622	83,142
Bonuses	-	-
Leave paid out	11,187	46,547
Other Senior Manager	1,156,085	390,485
Salary	621,827	210,128
Travelling allowance	267,078	92,941
Other allowances	224,733	54,513
Bonuses	-	-
Leave paid out	42,448	32,903
Total Remuneration	1,390,524	932,276
The municipalities employees cost spend as a percentage of total spend is: -	43.6%	37.7%
South African Revenue Services - PAYE	<u>R 894,561</u>	
29. POST BALANCE SHEET EVENTS		
No material post balance sheet events have been identified.		
30. UNAUTHORISED EXPENDITURE		
During the current year the following departments actual expenditure exceeded the budgeted expenditure: -		
Administration	4,331,972	
Engineering Services	827,843	
Library	23,038	
Local Economic Development	99,888	
Social Amenities	701,290	
Total	5,984,031	

GREAT KEI MUNICIPALITY
STATUTORY FUNDS, RESERVES AND TRUST FUNDS
YEAR ENDED 30 JUNE 2007

	Balance at 30 June 2006 R	Contributions during year R	Interest on Investments R	Other Income R	Operating expenditure during year R	Capital expenditure during year R	Balance at 30 June 2007 R
STATUTORY FUNDS							
Revolving Fund	1,149,395	238,669	40,995	1,765,594	143		3,194,510
Dog Tax	2,232		114				2,346
	<u>1,151,627</u>	<u>238,669</u>	<u>41,109</u>	<u>1,765,594</u>	<u>143</u>	<u>-</u>	<u>3,196,855</u>
TRUST FUNDS							
<u>Cash Backed Funds</u>							
Pilot Housing	1,534		27		156		1,405
Township Register	1,318		14		156		1,175
Kei Mouth Peoples Housing Project	9,880		185				10,064
Electricity Project	3,695		40				3,734
CMIP / MIG	1,190	2,510,049	37,321			803,843	1,744,718
Town Planning	2,865		143				3,008
Stabilisation Fund	1,361		36				1,397
Siviwe Housing Project	1,278		34				1,312
	<u>23,120</u>	<u>2,510,049</u>	<u>37,799</u>	<u>-</u>	<u>312</u>	<u>803,843</u>	<u>1,766,813</u>
RESERVES							
Scheme Regulation Funds	2,722		126				2,848
	<u>2,722</u>	<u>-</u>	<u>126</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,848</u>

APPENDIX A

GREAT KEI MUNICIPALITY
EXTERNAL LOANS AND INTERNAL ADVANCES
YEAR ENDED 30 JUNE 2007

	Rate	Repayment Terms	Termination	Balance at 30 June 2006 R	Received during the year R	Redeemed/ written off during year R	Transfer to ADM R	Balance at 30 June 2007 R
EXTERNAL LOANS								
Development Bank of South Africa	15.0%	Bi Annually	30-Jun-2019	2,567,836			2,567,836	-
Development Bank of South Africa (Roads & Drainage)	14.5%	Bi Annually	30-Jun-2014	479,862		34,593		445,270
Development Bank of South Africa (Municipal Building)	11.0%	Bi Annually	30-Jun-2014	2,777,020		294,952		2,482,068
Development Bank of South Africa (Municipal Building)	15.0%	Bi Annually	30-Jun-2019	-			(996,324)	996,324
				5,824,719	-	329,545	1,571,512	3,923,662
INTERNAL LOANS								
<u>Internal advances to borrowing services:</u>								
Internal Loans (Old Komga)		Various Loans (Schedules in working paper)		1,007			1,007	-
Internal Loans (Old Kei Mouth)		Various Loans (Schedules in working paper)		916,595		61,616	453,254	401,725
				917,602	-	61,616	454,261	401,725

APPENDIX B

Note that the above redemption represents amounts transferred to the DBSA arrears account. No physical repayment has been made.

**GREAT KEI MUNICIPALITY
ANALYSIS OF FIXED ASSETS
YEAR ENDED 30 JUNE 2007**

2006 Expenditure		Balance at 30 June 2006	Expenditure during year	Redeemed, trans- ferred or written off during year	Transfer to ADM	Balance at 30 June 2007
R		R	R	R	R	R
3,388,640	Rates & General Services	26,053,767	5,642,989	-	9,053,548	22,643,208
2,188,640	Community services	16,103,873	4,457,840	-	-	20,561,713
1,487,728	Land and Buildings	9,533,000	2,391,764			11,924,764
	General Improvements	139,639	-			139,639
	Streets & Stormwater	1,865,641	81,300			1,946,941
503,848	Plant, Vehicles and Equipment	2,653,226	-			2,653,226
109,560	Community Halls	406,192	436,247			842,439
	Cintsa Assets	757,842	-			757,842
	Town Treasury	311,443	408,177			719,620
87,504	Traffic Services	436,890	-			436,890
	Rescue Equipment	-	1,140,351			1,140,351
-	Subsidised Services	695,725	1,185,150	-	-	1,880,874
	Library	-	-			-
	Plant, Vehicles and Equipment	332,870	-			332,870
	Parks & Recreation	362,855	1,185,150			1,548,004
1,200,000	Economic Services	9,254,169	-	-	9,053,548	200,621
1,170,000	Sewerage & Sanitation	9,053,548			9,053,548	-
	Plant, Vehicles and Equipment	170,621			-	170,621
30,000	Refuse Services	30,000			-	30,000
1,012,932	Trading Services	13,429,573	-	-	9,525,321	3,904,252
1,012,932	Electricity Services	3,904,252			-	3,904,252
	Water Services	9,525,321			9,525,321	-
4,401,572	TOTAL FIXED ASSETS	39,483,340	5,642,989	-	18,578,869	26,547,460
4,552,756	LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS	(32,805,878)	5,642,989	(391,160)	16,617,954	22,222,073
507,913	Loans redeemed and advances paid	4,134,964		(391,160)	4,020,562	505,563
1,502,054	Contributions from operating income	7,902,575	1,241,163			9,143,738
2,542,790	Grants and subsidies	20,768,338	4,401,827		12,597,392	12,572,773
(151,184)	NET FIXED ASSETS	6,677,462	-	391,160	1,960,915	4,325,387

APPENDIX C

GREAT KEI MUNICIPALITY
ANALYSIS OF OPERATING INCOME AND EXPENDITURE
YEAR ENDED 30 JUNE 2007

2006 Actual R		2007 Actual R	2007 Budget R
	INCOME		
11,792,720	Grants and Subsidies	10,672,806	39,676,143
11,288,678	Operating income	5,608,305	16,170,442
3,182,247	Assessment Rates	3,485,682	9,332,116
1,537,214	Electricity Charges	2,106,017	2,153,000
5,254,822	Water Charges	16,606	-
1,314,395	Income from Other Service Charges etc	-	4,685,326
128,396	Interest Received	37,242	90,000
<u>23,081,398</u>	Total income	<u>16,318,353</u>	<u>55,936,585</u>
	EXPENDITURE		
11,338,980	Salaries, Wages and Allowances	10,154,276	11,020,291
11,213,387	General Expenditure	8,738,427	7,841,701
4,390,377	Repairs and Maintenance	571,860	3,878,000
1,445,098	Capital Charges	883,089	600,000
1,502,055	Contributions to Fixed Assets	1,241,163	31,427,843
217,024	Contributions to Approved Funds	1,697,235	1,168,750
<u>30,106,920</u>	Total Expenditure	<u>23,286,049</u>	<u>55,936,585</u>

APPENDIX D

GREAT KEI MUNICIPALITY							
DETAILED INCOME STATEMENT							
YEAR ENDED 30 JUNE 2007							
2006	2006	2006		2007	2007	2007	2007
Actual	Actual	Surplus/		Actual	Actual	Surplus/	Budgeted
income	expenditure	(deficit)		income	expenditure	(deficit)	surplus/
R	R	R		R	R	R	(deficit)
R	R	R		R	R	R	R
16,338,207	25,382,231	(9,044,024)	RATES AND GENERAL SERVICES	16,999,944	20,723,455	(3,723,511)	53,107,535
13,773,379	20,631,986	(6,858,607)	Community services	15,110,469	18,063,743	(2,953,274)	40,811,323
147,192	7,867,403	(7,720,212)	Administration	554,154	8,407,658	(7,853,504)	4,312,612
3,182,247	217,024	2,965,223	Assessment Rates	3,485,682	-	3,485,682	-
5,257	2,049,932	(2,044,675)	Council General	1,004	2,649,887	(2,648,883)	2,782,655
-	535,922	(535,922)	Engineering Services	164,408	1,664,414	(1,500,006)	2,751,766
-	598,914	(598,914)	Human Resources	895	627,152	(626,257)	2,400,141
-	545,990	(545,990)	Local Economic Development	-	875,459	(875,459)	13,355,571
-	3,153,348	(3,153,348)	Roads and Streets	-	522,217	(522,217)	4,854,130
361,919	723,540	(361,621)	Traffic Services	310,730	580,112	(269,382)	4,053,575
10,076,765	4,939,914	5,136,851	Treasury	10,593,596	2,736,844	7,856,752	6,300,873
108,530	1,211,588	(1,103,058)	Subsidised services	156,526	1,810,683	(1,654,157)	8,719,867
3,020	87,275	(84,255)	Cemeteries	4,844	11,160	(6,316)	31,000
-	25,757	(25,757)	Fire Protection		82,673	(82,673)	3,584,000
39,105	161,956	(122,851)	Library	2,426	230,662	(228,236)	207,624
54,441	936,081	(881,641)	Social Amenities	148,942	1,486,188	(1,337,246)	4,877,243
11,965	519	11,446	Tecoma Old Age Home	314		314	20,000
2,456,298	3,538,657	(1,082,359)	Economic services	1,732,949	849,029	883,920	3,576,345
1,287,752	851,924	435,828	Refuse Services	1,587,851	795,882	791,969	3,576,345
983,674	2,627,894	(1,644,221)	Sewerage and Sanitation	7,378		7,378	-
184,872	58,839	126,033	Whispering Waves	137,719	53,147	84,573	-

6,792,036	4,724,689	2,067,347	TRADING SERVICES	2,122,776	2,562,594	(439,818)	2,829,050	
1,537,214	2,215,045	(677,830)	Electricity Services	2,106,017	2,562,594	(456,577)	2,829,050	
5,254,822	2,509,644	2,745,177	Water Services	16,759	-	16,759	-	
23,130,243	30,106,920	(6,976,677)	TOTAL	19,122,720	23,286,049	(4,163,330)	55,936,585	
		-	Appropriations for the year (refer to note 19)			707,517		
		(6,976,677)	NET DEFICIT FOR THE YEAR			(3,455,812)		
		(3,344,325)	Accumulated deficit beginning of the year			(10,321,002)		
		(10321002)	ACCUMULATED DEFICIT END OF THE YEAR			(13,776,814)		
							APPENDIX E	