

MNQUMA LOCAL MUNICIPALITY



**ANNUAL REPORT FOR THE YEAR
ENDED 30 JUNE 2008**

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GLOSSARY OF WORDS

ADM	-	Amathole District Municipality
TRC	-	Transkei Regional Councils
MEC	-	Member of Executive Committee
IDP	-	Integrated Development Plan
DBSA	-	Development Bank of South Africa
DWAF	-	Department of Water Affairs and Forestry
IDF	-	Inter Governmental Forum
MSIG	-	Municipal System Improvement Grant
BOTT	-	Build Operate Train and Transfer
ISD	-	Institutional Social Development

CHAPTER 1 INTRODUCTION AND OVERVIEW

1.1 Executive Mayor's Foreword

The passing year has been the most exciting one as the institution was dearly healing from the wrongs of the past. Marketing and branding the institution through service delivery initiatives, building strategic partnerships and mobilizing resources into our institution has been our character and that has yielded into stakeholder and community confidence into the institution. Many strategic vacancies have been filled and there has been a lot of investment in terms of training and development, which still continues to date. The political leadership had to vigorously engage communities and stakeholders in various aspects and ensuring that there is hegemony and information is shared appropriately. Our council structures performed their work with great zeal and we are convinced that a lot still needs to be done.

The adoption in time of the Integrated Development Plan, Budget, Service Delivery and Budget Implementation Plan and the Performance Management System framework have been major breakthroughs and that means there is governance. For the first time our Integrated Development Plan has been declared credible through the comments of the MEC for Local Government and Traditional Affairs and the majority of government departments did integrate their plans in our Integrated Development Plan. The submission of reports to council and other outside stakeholders has encouraged us to even do more as part of ensuring that we fully comply as the municipality. All the dues of the councilors and employees have been paid and our creditors have been lessened. The municipality continued to face serious financial challenges as it is entirely dependent on grants and that makes us not financial viable but income generating strategies are being explored to change the status quo.

The service delivery backlogs have been attended to but the pace has not been so convincing though at least considerable work has been done to change the service delivery status. One is determined that something has happened and our communications arm has done its part of populating all the information for the consumption of our communities.

One is certain that our yesterday is not like our today and our tomorrow will surely present and better picture.

Cllr WM Duna

Executive Mayor

1.2 Municipal Manager's Foreword

MUNICIPAL MANAGER'S FOREWORD



The year under review was a turning point in a meaningful and substantial way in many fronts of the municipality especially service delivery. This was brought about by the inputs made in the previous financial year on a number of areas inter alia including the review and population of the organogram, the recruitment of a new team at top management level, establishment of the PMU office, partnership with DBSA, support from the department of housing and local government and traditional affairs etc.

Through all these interventions the municipality was able to produce a credible IDP on its own and received commendation in that regard from the department of local government, we managed to improve on revenue collection and ensured greater focus on addressing systematic issues broadly within the budget and treasury office.

We believe with the investment the municipality has made on personnel and the control environment in as far as improving the systems are concerned, puts us on course for a greatly improved audit reports in the current financial year and unqualified report in the next.

The leadership and support we received from the political office bearers was indeed good and cannot forget to mention and appreciate it. I also take this opportunity to thank the management team for their diligence and commitment to build a winning team and successful municipality.

N PAKADE
MUNICIPAL MANAGER

1.3 Overview of the Municipality

Mnquma Local Municipality is located in the South Eastern part of the Eastern Cape Province. This category B municipality falls under the jurisdiction of the Amathole District Municipality (ADM) and comprises of an amalgamation of the former Butterworth, Ngqamakhwe and Centane TRC's, Mnquma Municipality shares borders with three other local municipalities i.e. Mbhashe, Intsika Yethu and Great Kei Municipalities. This also includes a number of previously administered rural areas. It is approximately 32 995 240 square kilometres and consists of 31 wards.

Mnquma Local Municipality has a total population of approximately 297 663 people, 99% of which are Xhosa speaking African. The remaining 1% of the population includes English, Afrikaans, Zulu, Sesotho speaking people. The municipality comprises of 54% female and 46% male of the total population and consists of approximately 75 410 households.

A study of the age distribution revealed that the bulk of the population, approximately 53%, is children (0-19 years). About 6.3% falls within the pension group (over 56years), whilst 38.5% is economically active (20-64 year). This indicates that there is a high dependency ratio, as 59% of the population depends only on 41% workforce in the municipality. There is therefore a desperate need for the municipality to develop youth development programmes.

A monthly household income demonstrates destitute households with high levels of unemployment and a community in dire need of various source of income. About 40% of the households in the municipality have no income and approximately 27% with incomes less than R9600 per month. This means that approximately 40% of households in the local community need subsidy arrangements for survival and thus are unable to pay for services. This therefore has huge implications on the municipality's financial status in that they cannot rely on residential cross subsidisation for revenue.

According to census 2001 in the Eastern Cape, Mnquma is one of the municipalities with the highest levels of poverty, illiteracy and unemployment. An estimated 21% is unemployed, only 13% is employed while 66% of the municipal population is considered economically inactive.

The municipality has limited employment opportunities and this has huge implications on the increased need for welfare and indigent support in the municipality. The municipality therefore needs to put priority into service provision, skills and social development.

1.4 Features of Local Economy

Mnquma Local Municipality consist of 3 main urban centres that contribute largely towards its total GDP of 1 457 948. Butterworth is the economic hub of this municipality and contributes 1 125.855 (77%) towards the municipality's total GDP. On the other hand Centane and Ngqamakhwe contribute 171 718 (12%) and 160 375 (11%) respectively.

Industry-Mnquma area in particular Butterworth relied on a number of industries with relevant infrastructure though most of them are no longer functional. Below are factories that are operational:

NAME OF FACTORY	TYPE OF THE FACTORY	WARD
TALLY	CLOTHING FACTORY	6
METAL INDUSTRY	STEEL	2
GOLDEN COMPANY	SPOONS FACTORY	6
LEAPORD BREWERIES	CHIBUKU FACTORY	1

Mining-Titanium, granite, potters clay, and sand are mineral resources that are found in Mnquma. Crushed stone is processed in Butterworth and at Kei Bridge.

Forestry-Municipality has about 3500 hectares of forestry under the management of DWAF.

1.5 Executive Summary

The municipality adopted its five year IDP with goals and priorities that were set to be achieved during the existing council term.

- (a) Political and administration stability- there is a need for a focused, mature, committed and developmental oriented leadership politically and administratively.
- (b) Capacity- the Institution will develop internal resource capacity (finances, human resources, physical) through leveraging of funding from internal and external sources.
- (c) Creation of linkages with existing Institutions for the development and retention of appropriate skills base for sustainable development of the area.
- (d) Transformation Process- to work towards the transformation of the institution through the implementation of Batho Pele principles.
- (e) Financial Turnaround- to improve the Institutional Performance in the revenue base and financial management systems
- (f) Business Process Overview- to review, introduce and implement seamless policies, procedures, processes and systems to enable accelerated service delivery.
- (g) Rejuvenating of Mquma Economy- to work towards the development, implementation, monitoring and evaluation of a coherent local growth and development strategy.
- (h) Stakeholder's participation management- To mainstream stakeholder participation in the development process of Mquma Local area.
- (i) Legislative framework and imperatives- Facilitate the creation of a functioning IGF to co-ordinate integrated development.

Vision

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

Mission

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

Values

<i>Accountability-</i>	We will account to the community, stakeholders, provincial and national government for the performance of the municipality to ensure sustainable quality service delivery and financial management
<i>Transparency-</i>	The municipality will strive to be open and honest to the community and stakeholders about every aspect of its work
<i>Participatory Governance-</i>	We will encourage and create conditions for local community and stakeholders to participate and be involved in the affairs of the municipality.
<i>Governance Education-</i>	We will strive to educate and empower our communities about the issues of governance to enable them to contribute positively to its development
<i>Social responsibility-</i>	We will encourage the local community and all stakeholders within the local municipality to act responsible with regard to control of the HIV and AIDS pandemic

1.6 Financial Health

According to analysis that was conducted from the previous year's annual financial statements and the current year financials the municipality's financial position is not good, as it largely depends on external support (grants). The little collection made only afford to cover expenses on creditors and salaries and major infrastructure expenditure is funded from conditional grants.

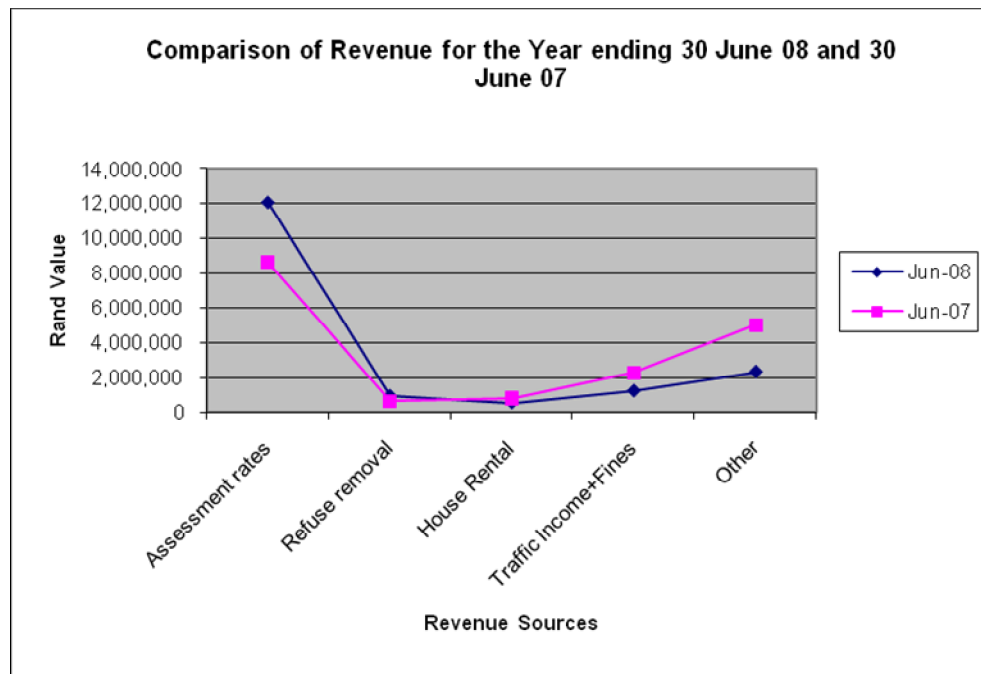
In the year under review council adopted number of policies that regulate the municipal consumer debts e.g. credit control policy, write off policy, calculation of bad debt policy

and indigent policy. The municipality also managed to have financial system that responds to billing of statements of consumers and procured a printer that can be able to print fold and seal at the same time for monthly statements to be sent to consumers regularly.

In the implementation of these policies, the council placed the municipal debt in a suspense account (capitalisation) for investigation through data cleansing exercise and implementation of the policies mentioned above.

Collections on rates and services vs. budgeted

Comparison of revenue	YTD Jun-08	YTD Jun-07
Assessment rates	12,051,930	8,624,932
Refuse removal	923,885	636,419
House Rental	526,564	794,931
Traffic Income+Fines	1,215,214	2,275,457
Other	2,320,588	4,998,550



DEBTORS AGE ANALYSIS AS AT 30 JUNE 2008

SERVICES	0- 30 DAYS	31 - 60 DAYS	61-90 DAYS	91 -120 Days	>120 days	TOTAL
Assessment rates	1 457 364	1 383 703	1 846 448	1 113 151	14 975 545	20 776 212
Refuse Removal	430 665	395 953	390 075	423 400	6 602 812	8 242 904
Rental					3 735 404	3 735 404
Fire Levy	158 995	157 130	156 780	160 160	721 081	1 354 146
Other	41	41	41	41	5 600	5 762
TOTAL	2 326 529	2 211 437	2 664 893	1 969 497	26 040 442	35 212 798

CHAPTER 2 PERFORMANCE HIGHLIGHTS

2.1 Backlog reporting on service delivery

In this chapter, the municipality will dwell much on services that are performed by other organs of state in terms of the backlog. As it is known fact that the municipality does not provide electricity Eskom does, Housing function, the Provincial department of housing does and water and sanitation Amathole District's competence.

	30 JUNE 2008		
	REQUIRED	BUDGETED	ACTUAL
Water Backlog	43786	43786	43786
Backlog to be eliminated(no of h/h not receiving minimum standards of service)	58	58	58
Backlog to be eliminated (% H/H identified as backlogs/total H/H in municipality)	86,602,195	86,602,195	86,602,195
Spending on new infrastructure to eliminate backlog(Rand)	8,660,220	8,660,220	8,660,220
Total Spending to eliminate backlog(Rand) Spending on Maintenance to ensure no new backlog created(Rand)			
Spending on renewal of existing infrastructure to eliminate backlog	24 400 000.00		
Sanitation Backlog			
Backlog to be eliminated(no of h/h not receiving minimum standards of service)	55465	55465	55465
Backlog to be eliminated (% H/H identified as backlogs/total H/H in municipality)	74	74	74

	30 JUNE 2008		
	REQUIRED	BUDGETED	ACTUAL
Spending on new infrastructure to eliminate backlog(Rand)	R450,495,403.00	R450,495,403.00	R450,495,403.00
Total Spending to eliminate backlog(Rand)	R45,049,540.30	R45,049,540.30	R45,049,540.30
Spending on Maintenance to ensure no new backlog created(Rand)			
Spending on renewal of existing infrastructure to eliminate backlog	16 600 000.00		
Refuse Removal			
Backlog to be eliminated(no of h/h not receiving minimum standards of service)	100%	67566	25%
Backlog to be eliminated (% H/H identified as backlogs/total H/H in municipality)	40%	75410	55%
Spending on new infrastructure to eliminate backlog(Rand)	R6.9m	R800 000	R800 000
Total Spending to eliminate backlog(Rand)	R500 000	R 0.00	R 0. 00
Spending on Maintenance to ensure no new backlog created(Rand)			
Spending on renewal of existing infrastructure to eliminate backlog	R1.9m	-	-
Electricity Backlog(30kwlpm)			
Backlog to be eliminated(no of h/h not receiving minimum standards of service)	55465	55465	55465
Backlog to be eliminated (% H/H identified as backlogs/total H/H in municipality)	74	74	74
Spending on new infrastructure to eliminate backlog(Rand)	R450,495,403.00	R450,495,403.00	R450,495,403.00

	30 JUNE 2008		
	REQUIRED	BUDGETED	ACTUAL
Total Spending to eliminate backlog(Rand) Spending on Maintenance to ensure no new backlog created(Rand)	R45,049,540.30	R45,049,540.30	R45,049,540.30
Spending on renewal of existing infrastructure to eliminate backlog			
Roads Backlogs			
Backlog to be eliminated(no of h/h not receiving minimum standards of service)	3,131km (Households figures not available)	3,131km (Households figures not available)	3,131km (Households figures not available)
Backlog to be eliminated (% H/H identified as backlogs/total H/H in municipality)	89	89	89
Spending on new infrastructure to eliminate backlog(Rand)	R1,095,868,801	R1,095,868,801	R1,095,868,801
Total Spending to eliminate backlog(Rand) Spending on Maintenance to ensure no new backlog created(Rand)	R109,586,880	R109,586,880	R109,586,880
Spending on renewal of existing infrastructure to eliminate backlog	R2,101,243		

2.2 BASIC SERVICES PROJECTS FUNDED BY ADM

PROJECT	WARD	BUDGET	EXPENDITURE	CHALLENGES	PROGRESS TO DATE / COMMENTS
Ngqusi water	28	R 38 748 504.53	1 160 430.78		Provisional appointment converted to formal appointment, Service Provider busy with tender documentation.
Tyinira water supply	14	R 1 599 895.00	1 553 537.19		
Njakazi and Nqokweni water supply	24	R 2 870 000.00	1 403201.88		This project was completed in 2005 and the 2 nd phase also completed in June 2008.
Toleni water supply phase 2	12	R 142 565.00		No Challenges	The project is complete and the communities are already using the prepaid standpipes.
Water provisioning Kei Farm	29	R 201 647.00		No Challenges	The project is complete and the communities are already using the prepaid standpipes. The defects liability period has since elapsed.
Mazeppa water supply projects	27	R 94 325.00		No Challenges	Project complete, final approval inspection was on the 28 August 2008.

Sanitation

PROJECT	WARD	BUDGET	EXPENDITURE	CHALLENGES	PROGRESS TO DATE / COMMENTS
Centane BEP	30	R 2 212 531.00	1 198 817.20	Buckets were eradicated using VIP toilets which are basic minimum RDP standard, since there was an ongoing problem with regard to Bulk services and Macibe ponds. The used VIP toilets are covetable into water born toilets and once bulk services are completed water can be easily connected to the existing VIP toilets.	Contractor started on the 31 July 2008 with January 2009 anticipated date.

PROJECT	WARD	BUDGET	EXPENDITURE	CHALLENGES	PROGRESS TO DATE / COMMENTS
Gcuwa West		R 543 512.00			
Msobomvu collectors sewer	02	R 1 294 744.00			
Mazeppa sanitation projects	28	R 111 945.00		The sanitation option technologies implemented through BOTT program was urine-diversion systems. There was a problem of water getting inside the pits, so communities were instructed not to use the toilets until the problem was sorted out.	The project is complete. The funds will be spent on ISD portion of works.
Kotane sanitation	21	R 56 464.00		No Challenges	The project is complete. The funds will be spent on ISD portion of works.

2.3 OTHER PROJECTS FUNDED BY AMATHOLE DISTRICT MUNICIPALITY

PROJECT	WARD	BUDGET	EXPENDITURE	COMMENT
Town square development	01	R 164 951.00		Institution had to reconsider the development concept
Butterworth urban renewal strategy	01	R 250 000.00		Aspire did not provide information
Within Butterworth urban renewal	01	R 133 605.00		Information not provided by ADM ASPIRE
Gcuwa Dam recreational facilities	01	R 866 395.00		
Bawa falls development	09	R 840 000.00		Community disputes frustrating progress

Upgrading of central business district		R 714 883.00		
IDP Mquma	01 – 31	R 219 979.34		
Establish satellite of fire station in centane		R 1 237 032.00	Validity of bids and escalations	Consultant currently revising Bid report to submit to Bid Evaluation and Bid Specification.

CHAPTER 3
HUMAN RESOURCES DEVELOPMENT AND
ORGANISATIONAL MANAGEMENT

3.1 General Overview

Mnquma Local Municipality's human resource establishment is divided into two parts: The Political arm and the Administration arm.

3.2 The Political Arm

The political arm has two legs: the Executive and the Legislature. The Legislative aspect of the political arm is led by the Council Speaker. The Executive is headed by the Executive Mayor who appointed ten members as his Mayoral Committee to assist him in taking decisions. Six of the ten members are full time Executive Committee Members (MMCs) and four are part time. The following portfolios had been created and each portfolio is headed by a Member of the Mayoral Committee:

No	Mayoral Committee Members	Portfolio
1.	Cllr W M Duna	Executive Mayor (Chairperson of the Mayoral Committee)
2.	Cllr N Makabane	Budget and Treasury Office
3.	Cllr N Mashiyi	Corporate Services
4.	Cllr G M Faniso	Community Services
5.	Cllr M Maphazi	Strategic Management
6.	Cllr M W Ntongana	Infrastructural Development and Planning
7.	Cllr K Mpeluza	Communications & Community Participation
8.	Cllr N Dube	Housing
9.	Cllr Z Mlokoti	Sector Departments
10.	Cllr N Sibini	Water and Sanitation
11.	Cllr M Zimba	Special Programs Unit

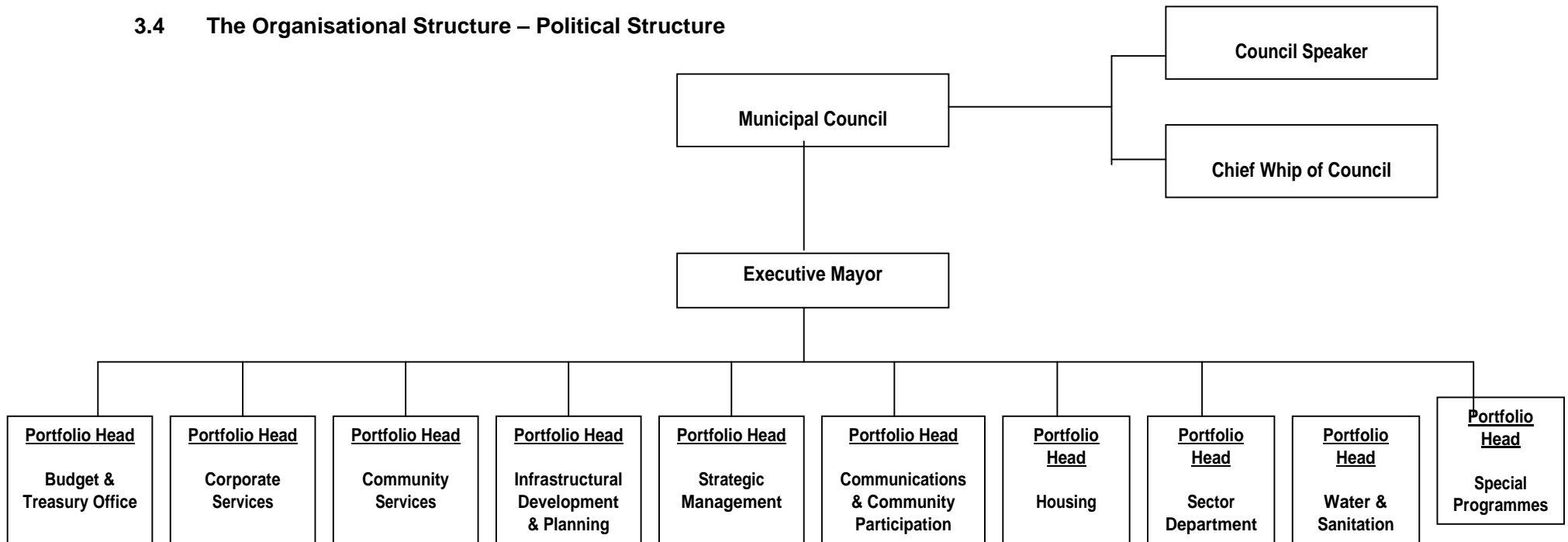
3.3 The Administration

The administration arm is led by the Municipal Manager. The following are the various directorates and the heads of those directorates.

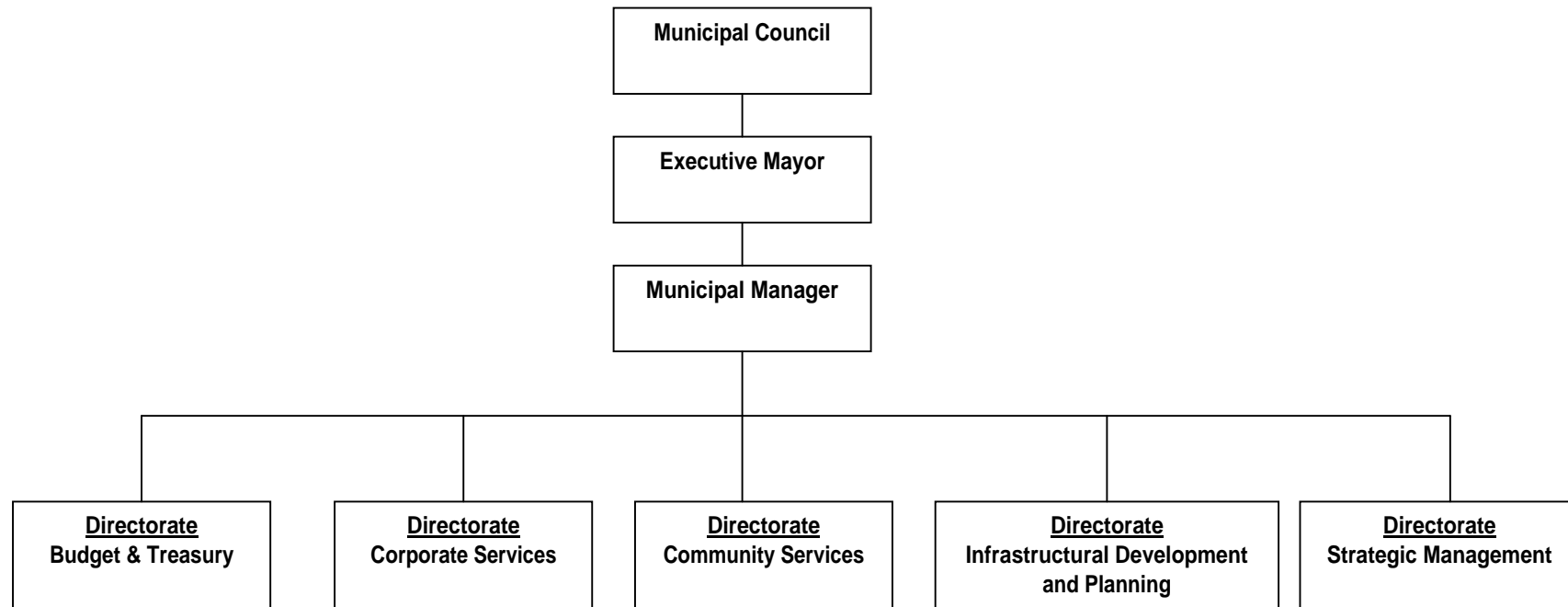
No	Management Member	Directorate / Office	Designation
1.	Mr N Pakade	Municipal Manager's Office	Municipal Manager
2.	Mrs N Ntshanga	Budget and Treasury	Chief Financial Officer

No	Management Member	Directorate / Office	Designation
3.	Mrs N Boya	Corporate Services	Director
4.	Mr M Mtalo	Community Services	Director
5.	Mr S Tantsi	Strategic Management	Director
6.	Mr Z H Ngovela	Infrastructural Development and Planning	Acting Director

3.4 The Organisational Structure – Political Structure



3.5 The Organisational Structure – Administration



3.6 Breakdown of Posts per Directorate / Office

Directorate / Office	Position Title	Number of Posts	Number Filled	Number Vacant
Office of the Speaker	Office Manager	1	0	1
	Secretary	1	1	0
	Senior Community Participation Officer	1	0	1
	Senior Administration Officer	1	0	1
	Community Participation Officers	6	3	3
	Messenger / Driver	1	1	0
Total – Office of the Speaker		11	5	6
Office of the Executive Mayor	Office Manager	1	1	0
	Secretary	1	1	0
	Administrative Assistants	2	1	1
	Messenger / Driver	2	1	1
	Events Management Officer	1	1	0
	Special Programs Unit Officer	1	1	0
	Media Liaison Officer	1	0	1
Total – Office of the Executive Mayor		9	6	3
Office of the Municipal Manager	Municipal Manager	1	1	0
	Office Manager	1	0	1
	Personal Assistant	1	1	0
	Administrative Assistant	1	1	0
	Legal Advisor	1	1	0
	Internal Audit Manager	1	1	0
	Internal Audit Assistants	2	0	2

Directorate / Office	Position Title	Number of Posts	Number Filled	Number Vacant
Total – Office of the Municipal Manager		8	5	3
Directorate Strategic Management	Director	1	1	0
	Secretary	1	1	0
	PMS Manager	1	0	0
	IDP Manager	1	1	0
	LED Manager	1	1	0
	Research Manager	1	1	0
	Municipal Relations Manager	1	1	0
	SMME Officer	1	0	1
	Tourism Officer	1	0	1
	Agricultural Officer	1	1	0
	Administrative Assistants	3	0	3
	Research Officer	2	0	2
	Research Assistant	1	0	1
	Inter-municipal & Inter-governmental Relations Officer	1	0	1
	International Relations Officer	1	0	1
	Communications & Marketing Officer	1	0	1
Total – Strategic Management		19	07	11
Budget & Treasury Office	Director (Chief Financial Officer)	1	1	0
	Secretary	1	1	0
	Chief Accountants	2	1	1
	Manager: Supply Chain Management	1	1	0

Directorate / Office	Position Title	Number of Posts	Number Filled	Number Vacant
	Accountants	3	3	0
	Demand & Acquisition Officer	1	0	1
	Logistics & Contract Management Officer	1	0	1
	Asset Management Officer	1	0	1
	Fleet Control Officer	1	0	1
	Administrative Assistants	6	3	3
	Stores Controller	1	1	0
	Accounting Clerks	2	0	2
	Salaries Administrators	2	2	0
	Expenditure Clerks	3	3	0
	Controller	1	0	1
	Junior Accountants	4	0	4
	Debtors Clerks	10	3	7
	Cashiers	11	8	3
	General Assistants	2	1	1
Total: Budget and Treasury Office		54	28	26
Directorate Corporate Services	Director	1	1	0
	Secretary	1	1	0
Division – Administration	Administration Manager	1	1	0
	Administration Officer – Office Services	1	1	0
	Customer Care Officer	1	1	0
	Senior Committee Secretary	1	1	0
	Registry Officer	1	1	0
	Administrator: Centane	1	1	0
	Administrator: Ngqamakhwe	1	1	0

Directorate / Office	Position Title	Number of Posts	Number Filled	Number Vacant
	Thusong Centre Manager	1	1	0
	Receptionists	4	2	2
	Switchboard Operators	3	2	1
	Administrative Assistants	4	1	3
	Customer Care Operators	6	0	6
	Committee Secretaries	5	2	3
	Registry Assistants	3	1	2
	Office Cleaners	30	23	7
	Messenger/Drivers	4	4	0
	Reprographic Assistants	2	2	0
	Hall Caretakers	12	2	10
Division: Human Resources	Human Resources Manager	1	0	1
	Administrative Assistants	2	0	2
	Personnel Administration & Organizational Design Practitioner	1	1	0
	Skills Development Facilitator	1	1	0
	Employee Relations Practitioner	1	1	0
	Employee Wellness Officer	1	0	1
	Safety, Health and Environmental Health Practitioner	1	1	0
	Human Resources Systems Administrator	2	1	1
	Administrative Assistants	4	0	4
Division: Information & Communication Technology	Information and Communication Technology Manager	1	1	0
	Systems Administrators	2	0	2
	Network Administrators	2	0	2
Total: Corporate Services		102	55	47

Directorate / Office	Position Title	Number of Posts	Number Filled	Number Vacant
Directorate				
Directorate Community Services	Director	1	1	0
	Secretary	1	1	0
Division: Cleansing and Environmental Services	Manager: Environmental & Cleansing Services	1	0	1
	Chief Cleansing Officer	1	1	0
	Chief Environmental Officer	1	1	0
	Cleansing Superintendent	1	1	0
	Supervisors	6	2	4
	Senior Nature Conservation Officer	1	0	1
	Nature Conservation Officers	2	0	2
	Drivers	9	5	4
	General Workers	100	54	46
	Trimmers / Mower Operators	10	7	3
Division: Safety and Security	Manager: Safety & Security	1	1	0
	Chief Emergency Officer	1	0	1
	Administrative Assistant	1	0	1
	Disaster Management Officer	1	0	1
	Station Commanders	3	0	3
	Assessment Officers	3	0	3
	Commanders	9	0	9
	Fire and Rescue Officers	20	0	20
	Traffic Controller	1	1	0
	Principal Traffic Officers	3	0	3
	Senior Traffic Officers	6	2	4
	Traffic Officers	20	13	7
	Senior Traffic Warder	1	1	0

Directorate / Office	Position Title	Number of Posts	Number Filled	Number Vacant
	Traffic Warders	4	3	1
	Pound Master	1	0	1
	Rangers	4	0	4
	Pounding Aids	6	0	6
	Chief Security Officer	1	0	1
	Principal Security Officers	4	4	0
	Security Guards	40	39	1
	Peace Officers	12	0	12
Division: Library Services	Chief Librarian	1	1	0
	Librarians	7	1	6
	Library Assistants	2	1	1
Total: Community Services		286	140	146
Directorate: Infrastructural Development and Planning				
Directorate: Infrastructural Development and Planning	Director	1	0	1
	Secretary	1	0	1
Division: Roads and Public Works	Engineering Manager: Roads & Public Works	1	0	1
	Electrical Engineer	1	0	1
	Electrical Technicians	3	0	3
	Manager: Project Management Unit	1	1	0
	Project Engineer	1	0	1
	Engineering Assistant	1	1	0
	Administrative Assistant	1	1	0
	Engineering Superintendent	1	0	1
	Public Works & Roads Technician	8	0	8
	General Foreman	3	1	2

Directorate / Office	Position Title	Number of Posts	Number Filled	Number Vacant
	Master Operator	1	0	1
	Machine / Plant Operators	8	3	5
	Team Leaders	8	0	8
	Drivers	7	4	3
	Cab Layers	4	1	3
	General Assistants	48	35	13
Division: Building, Planning & Housing	Manager: Building, Planning & Housing	1	0	1
	Administrative Assistants	2	1	1
	Building Superintendent	1	1	0
	Building Inspectors	6	2	4
	Drivers	2	1	1
	Artisans	6	1	5
	General Assistants	10	6	4
	Planner	1	1	0
	Land Surveyor	1	0	1
	Valuer	1	0	1
	Technicians	3	0	3
	Quantity Surveyor	1	0	1
	Housing Administration Officer	1	1	0
	Land Administration Officer	1	1	0
	Social Facilitators	2	0	2
Division: Mechanical Workshop	Senior Superintendent: Mechanical Workshop	1	1	0
	Administrative Assistant	1	1	0
	Senior Mechanics	2	0	2
	Mechanics	2	0	2
	Auto-Electrician	1	0	1

Directorate / Office	Position Title	Number of Posts	Number Filled	Number Vacant
	Handyman	2	1	1
	General Assistants	8	1	7
Total: Infrastructural Development & Planning		155	66	89

3.7 Summary of Posts per Directorate and/or Office and Breakdown according to Equity

Directorate / Office: Office of the Speaker										
Employee Category			No of Employees	Gender		Age				Disabled
				Males	Females	18 – 35	36 – 45	46 – 55	56 – 65	
Total Number of Employees	Filled	Vacant								
11	5	6								
Strategic (MSA Section 57)			00	00	00	00	00	00	00	00
Tactical (Post Grade 14 to 15)			00	00	00	00	00	00	00	00
Specialised (Post Grade 9 to 13)			00	00	00	00	00	00	00	00
Discretionary (Post Grade 4 to 8)			05	03	02	02	02	00	01	00
Basic (Post Grade 1 to 3)			00	00	00	00	00	00	00	00

Directorate / Office: Office of the Speaker										
Employee Category			No of Employees	Gender		Age				Disabled
				Males	Females	18 – 35	36 – 45	46 – 55	56 – 65	
Total Number of Employees	Filled	Vacant								
11	5	6								
TOTAL			05	03	02	02	02	00	01	00

Directorate / Office: Office of the Executive Mayor										
Employee Category			No of Employees	Gender		Age				Disabled
				Males	Females	18 – 35	36 – 45	46 – 55	56 – 65	
Total Number of Employees	Filled	Vacant								
09	04	05								
Strategic (MSA Section 57)			00	00	00	00	00	00	00	
Tactical (Post Grade 14 to 15)			01	01	00	01	00	00	00	
Specialised (Post Grade 9 to 13)			02	01	01	01	00	01	00	
Discretionary (Post Grade 4 to 8)			01	00	01	01	00	00	00	
Basic (Post Grade 1 to 3)			00	00	00	00	00	00	00	
TOTAL			04	02	02	03	00	01	00	

Directorate / Office: Office of the Municipal Manager										
Employee Category			No of Employees	Gender		Age				Disabled
				Males	Females	18 – 35	36 – 45	46 – 55	56 – 65	
Total Number of Employees	Filled	Vacant								
08	04	04								
Strategic (MSA Section 57)			02	02	00	00	01	00	01	00
Tactical (Post Grade 14 to 15)			00	00	00	00	00	00	00	00
Specialised (Post Grade 9 to 13)			02	00	02	01	01	00	00	00
Discretionary (Post Grade 4 to 8)			00	00	00	00	01	00	00	00
Basic (Post Grade 1 to 3)			00	00	00	00	00	00	00	00
TOTAL			04	02	02	01	02	00	01	00

Directorate and/or Office: Strategic Management Directorate										
Employee Category			No of Employees	Gender		Age				Disabled
				Males	Females	18 – 35	36 – 45	46 – 55	56 – 65	
Total Number of Employees	Filled	Vacant								
19	05	14								
Strategic (MSA Section 57)			01	01	00	00	01	00	00	00
Tactical (Post Grade 14 to 15)			01	01	00	00	01	00	00	00
Specialised (Post Grade 9 to 13)			02	01	01	01	00	01	00	00
Discretionary (Post Grade 4 to 8)			01	00	01	01	00	00	00	00
Basic (Post Grade 1 to 3)			00	00	00	00	00	00	00	00
TOTAL			05	03	02	02	02	01	00	00

Directorate / Office: Budget & Treasury Office									
Employee Category			No of Employees	Gender		Age			Disabled
				Males	Females	18 – 35	36 – 45	46 – 55	
Total Number of Employees	Filled	Vacant							
54	30	24							
Strategic (MSA Section 57)			01	00	01	01	00	00	00
Tactical (Post Grade 14 to 15)			01	00	01	01	00	00	00
Specialised (Post Grade 9 to 13)			07	02	05	02	02	02	01
Discretionary (Post Grade 4 to 8)			21	06	15	09	09	03	00
Basic (Post Grade 1 to 3)			00	00	00	00	00	00	01
TOTAL			30	08	22	13	11	05	02

Directorate and/or Office: Corporate Services Directorate									
Employee Category			No of Employees	Gender		Age			Disabled
				Males	Females	18 – 35	36 – 45	46 – 55	
Total Number of Employees	Filled	Vacant							
101	54	47							
Strategic (MSA Section 57)			01	00	01	00	01	00	00
Tactical (Post Grade 14 to 15)			02	01	01	01	00	00	01
Specialised (Post Grade 9 to 13)			14	08	06	07	02	05	00
Discretionary (Post Grade 4 to 8)			16	04	12	06	04	06	00
Basic (Post Grade 1 to 3)			21	05	16	02	09	06	04
TOTAL			54	18	36	16	16	17	05

Directorate and/or Office: Community Services Directorate									
Employee Category			No of Employees	Gender		Age			Disabled
				Males	Females	18 – 35	36 – 45	46 – 55	
Total Number of Employees	Filled	Vacant							
286	133	153							
Strategic (MSA Section 57)			01	01	00	00	01	00	00
Tactical (Post Grade 14 to 15)			01	01	00	00	00	01	00
Specialised (Post Grade 9 to 13)			25	21	04	01	11	08	05
Discretionary (Post Grade 4 to 8)			40	38	02	07	19	10	04
Basic (Post Grade 1 to 3)			66	44	22	08	13	26	19
TOTAL			133	105	28	16	44	45	28

Directorate and/or Office: Infrastructural Development & Planning Directorate									
Employee Category			No of Employees	Gender		Age			Disabled
				Males	Females	18 – 35	36 – 45	46 – 55	
Total Number of Employees	Filled	Vacant							
155	77	78							
Strategic (MSA Section 57)			01	01	00	00	01	00	00
Tactical (Post Grade 14 to 15)			00	00	00	00	00	00	00
Specialised (Post Grade 9 to 13)			07	07	00	00	01	05	01
Discretionary (Post Grade 4 to 8)			14	11	03	01	02	05	06
Basic (Post Grade 1 to 3)			56	55	01	07	08	20	21
TOTAL			77	73	04	08	11	30	28

3.8 Payments made in relation to Medical Aid (2007/2008 Financial Year)

MONTH	BONITAS	MUNIMED	LA HEALTH	SAMWUMED
	R	R	R	R
Jul-07	89,204.00	54,309.40	18,207.00	35,340.00
Aug-07	96,566.00	31,434.50	19,697.80	35,590.00
Sep-07	103,007.00	44,711.00	19,697.80	35,404.40
Oct-07	101,653.00	46,194.00	19,697.80	48,675.41
Nov-07	93,512.00	45,885.00	18,360.00	43,082.20
Dec-07	91,442.00	45,885.00	18,361.04	43,082.20
Jan-08	130,039.00	40,167.60	17,923.20	47,098.20
Feb-08	126,327.00	38,621.60	17,876.20	47,098.20
Mar-08	125,403.00	38,621.00	17,876.20	47,098.20
Apr-08	120,019.00	39,697.40	20,341.20	47,098.20
May-08	128,897.00	39,697.40	17,876.20	46,946.80
Jun-08	140,852.00	35,968.40	18,779.00	46,676.80

3.9 Payments made to the Pension Funds for the Financial Year Ending 30 June 2008

MONTH	CAPE JOINT PENSION FUND	CAPE JOINT RETIREMENT FUND	NATIONAL FUND FOR MUNICIPAL WORKERS	SAMWU NATIONAL PROVIDENT FUND	MUNICIPAL COUNCILLORS' PENSION FUND
	R	R	R	R	R
Jul-07	103,534.94	16,392.25	272,738.69	210,614.11	165,081.57
Aug-07	103,534.94	16,392.25	271,872.01	210,614.11	174,564.98
Sep-07	103,534.94	16,392.25	268,132.31	210,614.11	174,564.98
Oct-07	96,665.43	16,392.25	257,959.29	203,456.57	172,101.00
Nov-07	96,665.43	16,392.25	259,164.39	201,086.22	172,221.70
Dec-07	95,165.78	16,392.25	251,043.34	201,086.22	172,221.70
Jan-08	96,267.73	16,647.07	250,408.42	195,350.46	187,665.89
Feb-08	96,267.73	16,872.29	250,408.42	194,448.84	187,665.89
Mar-08	96,383.45	16,647.07	251,055.76	192,485.16	185,146.89
Apr-08	91,502.82	16,872.29	262,345.29	179,156.58	185,146.89
May-08	87,802.21	16,647.07	267,417.72	180,273.25	185,146.89
Jun-08	79,937.63	16,647.07	263,463.61	179,350.84	185,146.89

3.10 Training Conducted as at 30 June 2008

Training Intervention	Date	Internal / External	No of Beneficiaries		
			No of Councillors	No of Officials	Total No Trained
Supply Chain Management Workshop	5 October 2007	Internal	00	20	20
Performance Management System Workshop	16 November 2007	Internal	00	50	50

CHAPTER 4 ANNUAL FINANCIAL STATEMENTS

4.1 MNQUMA ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2008



**ANNUAL FINANCIAL STATEMENTS
FOR
THE YEAR ENDED 30 JUNE 2008
(MEDIUM MUNICIPALITY)**

Contact information:

Name of Municipality Manager:

N. Pakade

Contact telephone number:

+2747 491 4121

Contact e-mail address:

npakade@mnquma.gov.za

Name of Chief Financial Officer:

N. Ntshanga

Contact telephone number:

+2747 491 4121

Contact e-mail address:

nntshanga@mnquma.gov.za

Name of relevant Auditor:

The Office of the Auditor General – East London

Contact telephone number:

+2743 709 7200

Contact e-mail address:

ngqwalas@agsa.co.za

Mnquma Local Municipality's Annual Report

30 June 2008
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MNQUMA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended
30 June 2008

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

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

N. PAKADE
Municipal Manager

Date

**MNQUMA LOCAL MUNICIPALITY
GENERAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2008**

MEMBERS OF THE MAYORAL COMMITTEE

EXECUTIVE MAYOR :	WM DUNA	
Speaker :	MW NTENJWA	<i>Speaker of Council</i>
Councillor :	N MAKHABANE	<i>Portfolio Head Budget & Treasury</i>
Councillor :	M MAPHAZI	<i>Portfolio Head Strategic Management</i>
Councillor :	N ZIMBA	<i>Portfolio Head Special Programmes</i>
Councillor :	MW NTONGANA	<i>Portfolio Head Infrastructure Development & Planning</i>
Councillor :	N DUBE	<i>Portfolio Head Land & Housing</i>
Councillor :	N SIBINI	<i>Portfolio Head Water & Sanitation</i>
Councillor :	N MASHIYI	<i>Portfolio Head Corporate Services</i>
Councillor :	Z MLOKOTI	<i>Portfolio Head Sector Department</i>
Councillor :	GM FANISO	Portfolio Head Community Services
Councillor :	CK MPELUZA	Portfolio Head Communications

**GRADING OF THE LOCAL AUTHORITY
Grade 3**

**AUDITORS
*Auditor General - Eastern Cape***

BANKERS

Meeg Bank (Butterworth)

REGISTERED OFFICE

*61 BLYTH STREET
BUTTERWORTH
4960*

*Telephone : +2747 491 2400
Fascimile : +2747 491 0195*

MUNICIPAL MANAGER

Mr. N PAKADE

CHIEF FINANCIAL OFFICER

Mrs. N NTSHANGA

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008

	Note	2008 R	2007 R
NET ASSETS AND LIABILITIES			
Net assets		134 620 495	112 522 731
Government grant reserve		22 433 238	6 565 669
Accumulated Surplus/(Deficit)		112 187 257	105 957 062
Non-current liabilities		517 699	-
Long-term liabilities	1	517 699	-
Non-current provisions		-	-
Current liabilities		38 687 009	31 160 333
Consumer deposits	2	317,227	317 227
Provisions	3	8 183 180	7 681 019
Creditors	4	9 033 628	7 421 338
Unspent conditional grants and receipts	5	14 512 887	12 140 728
Bank overdraft	12	6 525 846	3 600 021
Current portion of long-term liability	1	114 242	-
Total Net Assets and Liabilities		173 825 203	143 683 064
ASSETS			
Non-current assets		56 842 100	48 526 200
Property, plant and equipment	6	56 569 176	48 526 200
Investments	7	272,923	-
Current assets		116 983 722	95 156 864
Inventory	8	2,119,159	630 946
Consumer debtors	9	96 668 216	80 941 280
Other debtors	10	1,889,114	-
Call investment deposits	11	15,409,440	12,890 260
Bank balances and cash	12	897,173	694 378
Total Assets		173 825 203	143 683 064

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30th JUNE 2008**

	Note	2008 R	2007 R
REVENUE			
Property rates	13	18,252,435	38,870,049
Service charges	14	4,543,196	3,572,221
Rental of facilities and equipment	15	3,064,669	-
Interest earned - external investments	16	1,088,335	-
Interest earned - outstanding debtors	16	2,898,570	3,500,627
Fines		356,318	293,767
Licenses and permits	17	1 711 095	1,014,526
Government grants and subsidies	18	70 886 446	68,301,216
Other income	19	561 073	2,144,426
Gains on disposal of property, plant and equipment		28 251	-
Total Revenue		103 420 382	117,696,831
EXPENDITURE			
Employee related costs	20	41 531 205	46,359,406
Remuneration of Councilors	21	14,072,840	12,875,155
Depreciation	6	5 050 774	5,663,978
Repairs and maintenance	22	1 741 065	4,981,689
Interest paid	23	350,612	75,070
Bulk purchases	24	87,961	-

Grants and subsidies paid	25	-	13,634,404
General expenses	26	18 204 178	2,651,597
Loss on disposal of property, plant and equipment		283 983	-
Total Expenditure		81 322 618	86,241,298
SURPLUS/(DEFICIT) FOR THE YEAR		22 097 764	31,455,533

Refer to Appendix E(1) for the comparison with the approved budget

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

	Pre-GAMAP Old Reserves and Funds	Government Grant Reserve	Capitalization Reserve	Donations and Public Contribution Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R
2007						
Balance at 1 July 2006	-	36 989	-	-	(10,906,645)	(10,869,656)
Surplus/(deficit) for the year	-	-	-	-	31,455,533	31,455,533
Capital grants used to purchase PPE	-	10 814 540	-	-	(10,814,540)	-
Donated/contributed PPE	-	-	-	-		-
Offsetting of depreciation	-	(4 285 860)	-	-	4,285,860	-
Balance at 30 June 2007	-	6 565 669	-	-	14,020,208	20,585,877
2008						
Correction of error (Note 26)			-	-	91 936 854	91 936 854
Restated balance	-	6 565 669	-	-	105 957 062	112 522 731
Surplus/(deficit) for the year	-	-	-	-	22 097 764	22 097 764
Capital grants used to purchase PPE	-	22 867 861	-	-	(22 867 861)	-

Donated/contributed PPE	-	-	-	-	-	-
Asset disposals	-	-	-	-	-	-
Offsetting of depreciation	-	(7 000 292)	-	-	7 000 292	-
Balance at 30 June 2008	-	22 433 238	-	-	112 187 257	134 620 495

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 R	2007 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		85 774 339	90 365 019
Cash paid to suppliers and employees		(73 755 438)	(87 119 537)
Cash generated from/(utilized in) operations	28	12 018 901	3 245 482
Investment income		1 118 328	-
Interest paid		(350 612)	(75 070)
NET CASH FROM OPERATING ACTIVITIES		12 786 617	3 170 412
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(13 527 867)	(17 258 511)
Proceeds on disposal of property, plant and equipment		178 382	-
Increase in non-current investments		(272 923)	-
NET CASH FROM INVESTING ACTIVITIES		(13 622 407)	(17 258 511)
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised/(repaid)		631 941	-
NET CASH FROM FINANCING ACTIVITIES		631 941	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		(203 230)	(14 088 099)

Cash and cash equivalents at the beginning of the year			
Cash and cash equivalents at the end of the year	29	9 984 617	24 072 716
		9 780 768	9 984 617

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1. BASIS OF PRESENTATION

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

These annual financial statements have been prepared in accordance with Generally Accepted Municipal Accounting Practices (GAMAP) and Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with section 122(3) of the Municipal Finance Management Act, (Act No. 56 of 2003). Comparative amounts have been restated retrospectively to the extent possible. The effect of the change in accounting policy arising from the implementation of GAMAP and GRAP is set out in Note 26.

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

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

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

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

4. RESERVES

4.1 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance. This transfer is in terms of a directive issued by the National Treasury (MFMA circular No. 18 dated 23 June 2005). When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated

surplus. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives

of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/ (deficit)

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

4.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury(MFMA circular No.18 dated 23 June 2005). The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

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

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

4.3 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury (MFMA circular No.18 dated 23 June 2005). When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated

**MNQUMA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008 (continued)**

surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

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

5. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008 (continued)**

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

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

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

6. INVENTORIES

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

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

7. ACCOUNTS RECEIVABLE

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

**MNQUMA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008 (continued)**

8. TRADE CREDITORS

Trade creditors are stated at their nominal value.

9. REVENUE RECOGNITION

Revenue is derived from a variety of sources which include Rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the Economic entity and these benefits can be measured reliably.

10.1 Revenue from Rates

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

A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers.

10.2 Service Charges

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property. The domestic charge is a fixed service charge and the business charge is based on the type of refuse bin and frequency of removal.

Service charges relating to sewerage and sanitation are recognised on a monthly basis by applying the approved tariff to each property.

10.3 Fines

Income in respect of spot fines and summonses is recognised when received.

10.4 Rentals

Rentals are recognised on a time proportion basis.

**MNQUMA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008 (continued)**

10.5 Approved Tariff of Charges

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

10.6 Interest on Investments

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

Interest earned on unutilized conditional grants is allocated directly to the Creditor: Unutilised Conditional Grants if the grant conditions indicate that interest is payable to the funder.

10.7 Sale of Goods

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

10.8 Interest on Outstanding Debtors

Interest on outstanding debtors is recognised on a time proportionate basis and is charged on all outstanding debtors older than 30 days.

10.9 Donations and Contributions

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

10.10 Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

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

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (continued)

11. CONDITIONAL GRANTS AND RECEIPTS

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

12. PROVISIONS

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

13. CASH AND CASH EQUIVALENTS

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

POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008 (continued)

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

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

14. RETIREMENT BENEFITS

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

15. UNAUTHORISED EXPENDITURE

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

16. IRREGULAR EXPENDITURE

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

17. FRUITLESS AND WASTEFUL EXPENDITURE

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

18. COMPARATIVE INFORMATION

18.1 Current year comparatives:

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

18.2 Prior year comparatives:

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
1. LONG TERM LIABILITY		
Meeg Bank - Tractors & Trailers	631 941	-
Sub-Total	<u>631 941</u>	<u>-</u>
Less : Current portion transferred to current liabilities	(114 242)	-
Total External Loans	<u>517 699</u>	<u>-</u>
Refer to Appendix A for more detail on long-term liabilities.		
2. CONSUMER DEPOSITS		
Water	317 227	317 227
Interest paid	-	-
Total Consumer Deposits	<u>317 227</u>	<u>317 227</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

These deposits do not attract an accrual of interest and would be paid back to consumers on presentation of full proof.

3. PROVISIONS

Staff leave provisions	6 993 264	6 993 264
Senior Managers' Performance Bonuses	1 189 916	687 755
Total Provisions	8 183 180	7 681 019

Performance bonuses are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date and no present obligation exists. The balance of the performance bonus provisions relate to amounts not yet paid to Senior Managers.

The movement in current provisions are reconciled as follows: -

	<u>Performance Bonus</u>	<u>Staff Leave Provisions</u>
30 June 2008		
Balance at beginning of year	687 755	10 029 119
Transfer from prior year adjustment	-	(3 035 855)
Contributions to provision	502 160	-
Expenditure incurred	-	-
Balance at end of year	1 189 916	6 993 264
30 June 2007		
Balance at beginning of year	-	3 976 173
Transfer from non-current	-	-
Contributions to provision	687 756	6 052 946
Expenditure incurred	-	-
Balance at end of year	687 756	10 029 119
	2008	2007
	R	R

4. CREDITORS

Trade creditors	237 524	2 833 022
Accruals	3 187 277	-
Staff loans – 3 rd Party Payments	2 301 449	2 301 449

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Workmen's Compensation	3 118 111	2 286 867
PAYE	160 897	38 514
UIF	-	311 881
Skill Development Levy	33 370	312 011
Transfer from prior year adjustments	-	(662 406)
	<u>9 033 628</u>	<u>7 421 338</u>

The amount of Staff loans relates to old loan deductions done on behalf of 3rd Parties which were never paid over.

5. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

4.1 Conditional Grants from other spheres of Government

MIG Grants	10 343 923	7 714 678
	10 343 923	7 714 678

4.2 Other Conditional Grants

FMG,MSIG,DGHLTA and Others	4 168 964	4 426 050
	4 168 964	4 426 050

Total Conditional Grants and Receipts	<u>14 512 887</u>	<u>12 140 728</u>
--	-------------------	-------------------

These amounts are invested in a ring-fenced investment until utilized.

6. PROPERTY, PLANT AND EQUIPMENT
30 June 2008

Reconciliation of Carrying Value	<u>Land and Buildings</u>	<u>Infra-structure</u>	<u>Community</u>	<u>Heritage</u>	<u>Other</u>	<u>Total</u>
	R	R	R	R	R	R
Carrying values At 1 July 2007	8 197 193	34 005 983	155 885	-	6 167 139	48 526 200
<i>Cost</i>	11 496 098	48 575 435	462 662	-	12 646 995	73 181 191
<i>Correction of error (note 27)</i>	6 443 969	422 570	-	-	-	6 866 539
<i>Accumulated depreciation</i>	(9 742 874)	(14 992 022)	(306 777)	-	(6 479 856)	(31 521 531)
Acquisitions	-	12 202 958	37 677	-	1 287 233	13 527 867
Capital under Construction	-	-	-	-	-	-
Depreciation	(167 681)	(2 874 552)	(25 017)	-	(1 983 525)	(5 050 774)
Carrying value of disposals	-	-	-	-	(434 093)	(434 093)
<i>Cost</i>	-	-	-	-	(1 760 548)	(1 760 548)
<i>Accumulated depreciation</i>	-	-	-	-	1 326 455	1 326 455
Impairment losses	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
Carrying values At 30 June 2008	8 029 511	43 334 389	168 524	-	5 036 754	56 569 178
<i>Cost</i>	11 496 098	60 778 394	500 317	-	12 173 380	84 948 510

Reconciliation of Carrying Value	<u>Land and Buildings</u>	<u>Infra-structure</u>	<u>Community</u>	<u>Heritage</u>	<u>Other</u>	<u>Total</u>
	R	R	R	R	R	R
<i>Accumulated depreciation</i>	(3 466 587)	(17 444 005)	(331 793)	-	(7 136 926)	(28 379 312)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of Carrying Value	<u>Land and Buildings</u>	<u>Infra-structure</u>	<u>Community</u>	<u>Heritage</u>	<u>Other</u>	<u>Total</u>
	R	R	R	R	R	R
Carrying values At 1 July 2006	1 921 632	26 922 526	72 648	0	8 014 966	36 931 768
<i>Cost</i>	11 496 098	36 108 971	365 498	0	14 818 659	62 789 221
<i>Correction of error (note 27)</i>	0	0	0	0	0	0
<i>Accumulated depreciation</i>	(9 574 466)	(9 186 444)	(292 850)	0	(6 803 693)	(25 857 453)
Acquisitions	0	8 850 245	97 170	0	1 776 129	10 723 544
Capital under Construction	0	0	0	0	0	0
Depreciation	(168 308)	(4 045 019)	(13 927)	0	1 436 724)	(5 663 978)
Carrying value of disposals	0	0	0	0	0	0
<i>Cost</i>	0	0	0	0	0	0
<i>Accumulated depreciation</i>	(9 742 774)	(13 231 463)	(306 777)	0	(8 240 417)	(31 521 531)
Impairment losses	0	0	0	0	0	0
Other movements	0	0	0	0	0	0
Carrying values	1 753 324	31 727 753	155 891	0		

At 30 June 2007					8 354 371	41 659 659
<i>Cost</i>	11 496 098	44 959 216	462 668		16 594 788	41 659 659
<i>Accumulated depreciation</i>	0	0	0	0	0	0

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

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2008. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records. Furthermore, the Municipality has not assessed whether items of property, plant and equipment are impaired. It is expected that an assessment of impairments will be done by 30 June 2008.

**MNQUMA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

2008 **2007**
R **R**

7. INVESTMENTS

Fixed Deposit	272 923	-
	272 923	-

A fixed deposit has been invested with Meeg Bank and is maturing in 2011.

8. INVENTORY

Consumable stores – at cost	2 201 577	745 853
Less: Obsolete stock	(82 418)	(114 907)
Total Inventory	2 119 159	630 946

Included in the Consumable stores are Stationeries, Maintenance materials and Cleaning materials

9. CONSUMER DEBTORS

	Gross Balances R	Provision for Bad Debts R	Net Balance R
As at 30 June 2008			
Service debtors			
Rates	20 776 212	(16 088 696)	4 687 516
Refuse	8 242 904	(7 031 853)	1 211 051
Fire Levy	1 354 146	(881 241)	472 905
Rental	3 735 404	(2 909 779)	825 625
			89 471
Capitalised Debtors	89 471 119	-	119
Less: Provision for bad debts	-	-	-
	123 579		96 668
Total	785	(26 911 569)	216

Old Balances of pre-June 2006 were ring-fenced

Out of Age Analysis but not written off and are now
 Transferred back from provision for Bad Debts.
 These balances are termed Capitalised debtors.

	Gross Balances	Provision for Bad Debts	Net Balance
As at 30 June 2007	R	R	R
Service debtors	137 590 912	(132 405 025)	5 185 887
Rates	-	-	-
Refuse	-	-	-
Rental	-	-	-
Less: Provision for bad debts	-	-	-
Total	<u>137 590 912</u>	<u>(132 405 025)</u>	<u>5 185 887</u>

**MNQUMA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008	2007
	R	R
<u>Rates: Ageing</u>		
Current (0 – 30 days)	1 457 364	-
31 - 60 Days	1 383 703	-
61 - 90 Days	1 846 448	-
91 - 120 Days	1 113 151	-
121 - 365 Days	915 058	-
+ 365 Days	14 060 488	-
Total	20 776 212	-

(Refuse Removal, Fire Levy and Rentals:

Ageing)

Current (0 – 30 days)	1 110 620	-
31 - 60 Days	1 071 053	-
61 - 90 Days	1 062 114	-
91 - 120 Days	696 227	-
121 - 365 Days	974 230	-
+ 365 Days	8 271 174	-
Total	13 185 418	-

Summary of Debtors by Customer Classification

30 June 2008

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

Municipality Debtors' System does not provide the Age Analysis by Institutional classification instead it provides Age Analysis by Service classification.

**MNQUMA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
10. OTHER DEBTORS		
Sundry debtors	-	2 940 931
VAT refundable	1 889 114	-
Transfer from prior year adjustment		(2 940 931)
	1 889 114	-
	1 889 114	-
11. CALL INVESTMENT DEPOSITS		
Other deposits	15 409 440	12 882 663
First National Bank	-	7 976
	15 409 440	12 890 260
	15 409 440	12 890 260

No Fixed deposits have been ring-fenced for the purposes of repaying long-term liabilities as set out in Note 31.

**12. BANK, CASH AND OVERDRAFT
BALANCES**

The Municipality has the following bank accounts: -

**Current Account (Primary Bank
Account)**

Meeg Bank -Butterworth Branch:

Account Number 40 – 52 732 025

Cash book balance at beginning of year –
overdrawn

(3 600 021) 18 890 009

Cash book balance at end of year –
overdrawn

(6 525 846) **(3 600 021)**

Bank statement balance at beginning of
year

(3 608 788) 2 183 772

Bank statement balance at end of year -
(overdrawn)

(2 714 031) **(3 608 788)**

Current Account / Traffic Account

(61 185 023 789)

Cash book balance at beginning of year

694 378 -

Cash book balance at end of year

897 173 -

Bank statement balance at beginning of
year

694 378 543 290

Bank statement balance at end of year

838 082 694 778

TOTAL OVERDRAFT BALANCE

(6 525 846) **(3 600 021)**

2008
R

2007
R

13. PROPERTY RATES

Actual

Residential, Commercial and State	18 252 435	38 870 049
Total Assessment Rates	18 252 435	38 870 049

Valuations

	<u>July 2008</u>	<u>July 2007</u>
	<u>R</u>	<u>R</u>
Residential	1 592 359 612	-
Commercial	114 699 012	-
Total Property Valuations	1 707 058 624	-

Valuations on land and buildings are performed every five years. The last valuation came into effect on 1 July 2006. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. A general rate of R0.02 (2006: R0.02) is applied to property valuations to determine assessment rates. Rebates of 20% are granted to residential and state property owners. Rates are levied on an annual basis on property owners. There is no interest charged on rates.

	2008	2007
	R	R
14. SERVICE CHARGES		
Refuse removal	3 318 717	0
Fire Levy	1 224 479	3 572 221
Total Service Charges	4 543 196	3 572 221

15. RENTAL OF FACILITIES AND EQUIPMENT

Flats rentals	2 984 419	-
Hall rental	77 100	-
Caravan Storage	3 150	-
	3 064 669	-

16. INTEREST EARNED

External Investments	1 118 328	-
Outstanding debtors	2 898 570	3 500 627
	4 016 898	3 500 627

17. LICENCES AND PERMITS

Licences	1 385 819	1 014 526
Licences – Prodiba	8 863	-
Parking Meter fees	5 809	-
Permits and other charges	141 728	-
Registrations	102 877	-
Transaction fees	66 000	-
	1 711 096	1 014 526

18. GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	53 918 761	50 985 989
MIG Grant	11 861 428	10 183 500
MSIP Grant	1 153 391	999 851
FMG Grant	842 392	631 528
Other Grants and Subsidies	3 110 474	613 187
Total Government Grant and Subsidies	70 886 446	68 301 216

18.1 Equitable Share

In terms of the Constitution, this grant is used to subsidize the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R 7 326 (2007: R7 213) which is funded from this grant.

2008
R

2007
R

GOVERNMENT GRANTS AND SUBSIDIES**18. (Cont.)****18.2 MIG Grant**

Balance unspent at beginning of year	7 549 874	56 609
Current year receipts	14 655 477	16 620 885
Conditions met - transferred to revenue	(11 861 428)	(9 127 620)
Conditions still to be met - transferred to	10 343 923	7 549 874

liabilities		
(see note 5)		

The Grant is intended to:

- Provide capital finance for basic Municipal infrastructure, rehabilitation and upgrading of Municipal infrastructure.

18.3 Other Grants

Balance unspent at beginning of year	3 955 922	39 034
Current year receipts	3 164 000	-
Conditions met - transferred to revenue	(2 950 958)	-
Conditions still to be met - transferred to liabilities		
(see note 5)	4 168 964	39 034

18.4 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act No. 1 of 2007 & Gazette No 29763), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

19. OTHER INCOME

Building Plans	51 840	-
Cemetery fees	21 890	-
Commissions	105 970	-
Eskom Levy	296 418	-
Library fees	15 662	-
Plant Hire & Photocopies	1 896	-
Tendering fees	67 400	-
Sundry receipts	-	2 144 426
Total Other Income	561 073	2 144 426

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
20. EMPLOYEE RELATED COSTS		

Employee related costs – Salaries and Wages	32 858 643	36 999 638
Employee related costs - Contributions for UIF, pensions and medical aids	6 142 356	5 703 879
Travel, motor car, accommodation, subsistence and other allowances	2 102 110	3 479 743
Housing benefits and allowances	143 978	93 484
Overtime payments	284 118	82 662
Less: Employee costs included in other expenses	-	-
Total Employee Related Costs	41 531 205	46 359 406

Remuneration of the Municipal Manager

Annual Remuneration	585 070	472 059
Performance Bonuses	117 014	-
Car Allowance	91 648	89 199
Cell phone Allowance	22 218	-
Contributions to UIF, Medical and Pension Funds	1 399	1 446
Total	817 349	562 704

Remuneration of the Chief Finance Officer

Annual Remuneration	344 790	136 714
Performance Bonuses	68 958	-
Acting allowance	11 831	-
Car Allowance	77 413	34 375
Cell phone Allowance	9 383	-
Contributions to UIF, Medical and Pension Funds	69 435	28 238
Total	581 810	199 327

Remuneration of the Corporate Services

Annual Remuneration	417 999	406 976
Performance Bonuses	83 600	81 395
Back Pay	18 972	-
Car Allowance	89 066	86 718
Cell phone Allowance	6 846	6 665
Contributions to UIF, Medical and Pension Funds	1 399	28 238
Total	617 882	583 153

Remuneration of Individual Executive Directors

<u>Technical Services</u>	<u>Strategic Management</u>	<u>Community Services</u>
R	R	R

30 June 2008

Annual Remuneration	313 843	476 950	372 144
Performance Bonuses	62 769	95 390	74 429
Back Pay	18 983	-	17 826
Car Allowances	58 614	-	86 492
Cell phone Allowances	8 452	-	12 956
Medical and pension funds	1 050	-	1 283
Total	463 711	572 340	565 129

Remuneration of Individual Executive Directors(Continued)

	<u>Technical Services</u> R	<u>Strategic Management</u> R	<u>Community Services</u> R
30 June 2007			
Annual Remuneration	412 488	401 190	387 712
Performance Bonuses	82 498	80 238	77 542
Car Allowance	77 040	86 649	91 648
Cell phone Allowances	11 109	12 220	19 996
Medical and pension funds	1 399	1 399	1 399
Total	584 533	581 695	578 296

21. REMUNERATION OF COUNCILLORS

Executive Mayor	356 160	4 242 759
Speaker	284 615	8 632 396
Councillors	7 626 494	-
Administration: Mayor's & Speaker offices	558 752	-
Councillors' pension contribution	1 456 595	-
Other Allowances	3 790 224	-
	14 072	
Total Councillors' Remuneration	840	12 875 155

In-kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

22. REPAIRS AND MAINTENANCE

Building & Installations	383 998	-
Computers & Main cables	148 821	-
Equipment & Vehicles	601 145	-
Furniture, Equipment & Machines	12 740	-
Infrastructure	575 900	-
Tools & Equipment	18 461	-
	1 741 065	4 981 689

23. INTEREST PAID

Long overdue accounts	285 849	-
Consumer deposits	-	4 572
Bank overdrafts	64 762	70 498
Total Interest on External Borrowings	350 612	75 070

24. BULK PURCHASES

Electricity – for indigents	87 961	-
Total Bulk Purchases	87 961	-

MNQUMA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
25. GRANTS AND SUBSIDIES PAID		
General expenses – (2007: subsidies receipts)	-	13 634 404
	<u>-</u>	<u>13 634 404</u>

26. GENERAL EXPENSES

Included in general expenses are the following:-

	18 204	
25.1 Other operational expenses	178	2 651 597
	<u>18 204</u>	
	<u>178</u>	<u>2 651 597</u>

27. PRIOR YEAR ADJUSTMENT – Correction of Errors

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

The comparative amount has been restated as follows: -

Mnquma Urban renewal Strategy credited to Assets in 2007	(422 570)
Reversal of Accumulated depreciation on Land	(6 443 969)
Reduction of Staff Leave provision	(3 035 856)
Reversal of Creditors	(662 406)
Restoration of Capitalised debtors from provision for bad debts	(105 493 456)
Adjustment of debtors opening balances	25 580 034
Adjustment of Old Balances receipts	4 158 028
Adjustment to Consumer Deposits	(1 808 685)
Adjustment of Main account opening balance	(6 749 305)
Clearing of unknown bank balance	400
Reversal of Transport dept debtor	2 940 931
Total	<u>(91 936 854)</u>

	2008 R	2007 R
28. CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	22 067 771	31 455 533
Adjustment for:-		
Depreciation	5 050 774	5 663 978 (20 762)
Effects of prior year adjustment	-	576)
Gains on disposal of PPE	(28 251)	-
Loss on disposal of PPE	283 983	
Interest paid	350 612	75 070
Investment income	(1 118 328)	-
Operating surplus before working capital changes:	26 636 554	16 432 005
Decrease in inventories	(1 488 214)	2 787
(Increase)/decrease in debtors	(17 616 050)	(27 331 812)
Increase/(decrease) in conditional grants and receipts	2 372 159	7 880 686
Increase in creditors	2 114 451	6 261 816
Cash generated by/(utilized in) operations	<u>12 049 514</u>	<u>3 245 482</u>

29. CASH AND CASH EQUIVALENTS

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

Bank balances and cash	897 173	694 378
Bank overdrafts	(6 525 846)	(3 600 021)
Call investment deposits	15 409 440	12 890 260
Total cash and cash equivalents	9 780 767	9 984 617

UTILISATION OF LONG-TERM LIABILITIES

30. RECONCILIATION

Long-term liabilities (see Note 1)	631 941	-
Used to finance property, plant and equipment – at cost	(714 363)	-
Sub- total	(82 422)	-
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities (see note 14)	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. No cash has been set aside to ensure that long-term liabilities can be repaid on redemption date as the liability being paid on a monthly basis.

31. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

31.1 Contributions to organized local government

Opening balance	-	-
Council subscriptions	-	-
Amount paid - current year	28 128	26 538
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

31.2 Audit fees

Opening balance	928 017	-
-----------------	---------	---

Current year audit fee	773 591	759 527
Amount paid - current year	(928 017)	(759 527)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	773 591	-

31.3 VAT

31.4 PAYE, SDL and UIF

Opening balance	-	-
Current year payroll deductions	6 787 523	7 248 453
Amount paid - current year	(6 593 256)	(7 248 453)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	194 266	-

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

31.5 Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions and Council Contributions	11 374 491	10 047 734
Amount paid - current year	(11 374 491)	(10 047 734)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

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

MNQUMA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
<u>31.6 COUNCILLORS' Arrear consumer accounts</u>		
During the year, the following Councilors' had arrear accounts outstanding for more than 90 days:-	Total	Outstanding less than 90 days
		Outstanding more than 90 days
Councillor N.N Makhabane	10 416	207
Councillor Tyala .N	17 477	197
Councillor A.T Sweleni	31 085	1 182
Councillor M .Dayimani Mzimatisi	79	69
Councillor P. Jabe	40	30
Councillor M. Maphazi	40	30
Councillor N. Miti-Dube	35 729	1 157
Councillor P.N Mbusi	655	160
Councillor Nyokana A	81	81
Councillor M.W. Ntenjwa	1 161	295
	96 763	3 408
		93 345

32. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved and contracted for	12 924 974	-
<i>Infrastructure</i>	12 444 239	-
<i>Community</i>	200 000	-
<i>Other</i>	280 735	-
- Approved but not yet contracted for	1 310 477	-
<i>Infrastructure</i>	1 310 477	-
Total	14 235 451	-

This expenditure will be financed from:

- Government Grants	11 653 595	-
- Own resources	2 352 907	-
- District Council Grants	228 949	-
	14 235 451	-

33. RETIREMENT BENEFIT INFORMATION

All Employees belong to 4 defined benefit retirement funds administered by the Cape Joint Pension Fund, Cape Joint Retirement Fund, and National Fund for Municipal Workers and Samwu National Provided Fund.

All Councilors belong to 1 defined benefit retirement fund administered by the Municipal Councilors' Pension Fund.

All current contributions have been expensed.

34. EVENTS AFTER THE REPORTING DATE

The Municipality is not aware of any matter or circumstance arising since the end of the financial year.

35. COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexure E.

APPENDIX A
MNQUMA LOCAL MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008

EXTERNAL LOANS	Loan Number	Redeemable	Balance 30/06/07	Received during period	Redeemed Written off during the Period	Balance 30/06/08	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
			R	R	R	R	R	R
LONG-TERM LOANS								
Meeg Bank @ Prime less	1	2012/12/31	-	714 383	(82 442)	631 941	592 850	-
Total long-term loans			-	714 383	(82 442)	631 941	592 850	-
TOTAL EXTERNAL LOANS			-	714 383	(82 442)	631 941	592 850	-

APPENDIX B

	Cost/Revaluation					Accumulated Depreciation				Carrying
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Current	Disposals	Closing Balance	Carrying Value
Land and Buildings										
Land	6,446,793	-	-	-	6,446,793	-	-	-	-	6,446,793
Buildings	5,049,305	-	-	-	5,049,305	3,298,906	167,681	-	3,466,587	1,582,718
	11,496,098	-	-	-	11,496,098	3,298,906	167,681	-	3,466,587	8,029,511
Infrastructure					-					-
Streets Lighting	-	502,355	-	-	502,355	-	22,736	-	22,736	479,619
Roads Infrastructure	44,627,643	11,471,889	-	-	56,099,532	13,231,463	2,421,627	-	15,653,090	40,446,442
Electric Reticulation	3,947,792	-	-	-	3,947,792	1,337,989	422,572	-	1,760,561	2,187,231
Taffic Equipment	-	-	-	-	-	-	-	-	-	-
Traffic Lights	-	-	-	-	-	-	-	-	-	-
Trucks	-	-	-	-	-	-	-	-	-	-
Fire Equipment	-	-	-	-	-	-	-	-	-	-
Fire Engines	-	-	-	-	-	-	-	-	-	-
Farm Infrastructure	-	-	-	-	-	-	-	-	-	-
Furniture and fittings	637,757	258,205	-	-	895,962	559,921	127,868	-	687,789	208,173
Graders	-	-	-	-	-	-	-	-	-	-
Lawnmowers	-	-	-	-	-	-	-	-	-	-
Motor Vehicle	3,847,281	741,333	-	1,513,236	3,075,378	2,778,716	638,179	1,188,131	2,228,764	846,614
Plant Equipment	6,447,717	78,110	-	-	6,525,827	2,290,110	652,583	-	2,942,693	3,583,134
Work shop Depots	-	-	-	-	-	-	-	-	-	-

APPENDIX B

	Cost/Revaluation					Accumulated Depreciation				Carrying
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Current	Disposals	Closing Balance	Carrying Value
Water Reticulations			-	-	-		-	-	-	-
	59,508,190	13,051,892	-	1,513,236	71,046,846	20,198,199	4,285,565	1,188,131	23,295,633	47,751,213
Community Assets					-				-	-
Carparks					-				-	-
Parks & Gardens			-	-	-		-	-	-	-
Clinic			-	-	-		-	-	-	-
Clinic Equipment			-	-	-		-	-	-	-
Libraries			-	-	-		-	-	-	-
Pound	-	37,677			37,677		1,884		1,884	35,793
Fencing	-	228,713.00			228,713		7,616		7,616	221,097
Civic Buildings	-				-		-		-	-
Recreation facility	462,663	-			462,663	306,777	23,133		329,910	132,753
	462,663	266,390	-	-	729,053	306,777	32,633	-	339,410	389,643
Computers					-				-	-
Computer Hardware	1,382,578	52,008		247,312	1,187,274	724,079	286,917	138,324	872,672	314,602
Computer Software Office Machine/equipment	331,662	157,577		-	489,239	127,030	277,978		405,008	84,231
	1,714,240	209,585	-	247,312	1,676,513	851,109	564,895	138,324	1,277,680	398,833
Heritage Assets					-				-	-

APPENDIX B

	Cost/Revaluation					Accumulated Depreciation				Carrying
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Current	Disposals	Closing Balance	Carrying Value
Historical Buildings	-		-	-	-	-	-	-	-	-
Painting & Art Galleries	-		-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-

Check Total 73,181,191 13,527,867 - 1,760,548 84,948,510 24,654,991 5,050,774 1,326,455 28,379,310 56,569,200

Legends: 73,181,191.00

- 1) - For Capital Projects, the amounts included in additions is the expenditure for the year on completed projects marked as taken out. The source is the Capital Projects Roll Over Schedule.
- 2) - For Capital Projects, the assets under construction are equal to the expenditure for the year less assets taken out or included in additions.

APPENDIX E(2)

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

	<u>2008</u> <u>Actual</u>	<u>2008</u> <u>Under</u> <u>Construction</u>	<u>2008</u> <u>Total</u> <u>Additions</u>	<u>2008</u> <u>Budget</u>	<u>2008</u> <u>Variance</u>	<u>2008</u> <u>Variance</u>	<u>Explanation of Significant Variances</u> <u>greater than 5% versus Budget</u>
	R	R	R	R	R	%	<i>(Explanations to be recorded)</i>
Executive & Council	778,782		64,574	180,700	245,274	0.357	
Finance & Admin	1,524,961		387,247	825,000	1,212,247	0.469	
Planning & Development			6,579		6,579		
Health			-		-		
Community & Social Services	3,910,013		-	793,942	793,942		
Public Safety			-		-		
Sport & Recreation					-		
Environmental Protection			-		-		
Waste Management			27,790		27,790		
Road Transport		-	11,540,550		11,540,550		
Water			-		-		
Electricity			150,099		150,099		
Budget and treasury	1,370,287			380,000	380,000	-	
Technical	65,597,148			398,500	398,500	-	
TOTAL	73,181,191	-	12,176,838	2,578,142	14,754,980		

APPENDIX D

MNQUMA LOCAL MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED

30-Jun-08

2007	2007	2007		2008	2008	2008
Actual	Actual	Surplus/		Actual	Actual	Surplus/
Income	Expenditure	(Deficit)		Income	Expenditure	(Deficit)
R	R	R		R	R	R
-	780,917.00	(780,917.00)	Technical Services	771.26	1,124,086.98	(1,123,315.72)
94,337.00	1,676,406.00	(1,582,069.00)	Building	56,793.04	1,875,579.20	(1,818,786.16)
-	1,028,436.00	(1,028,436.00)	Workshop		1,482,714.46	(1,482,714.46)
31,760.69	3,586,498.00	(3,554,737.31)	Public works	539,237.23	4,194,007.81	(3,654,770.58)
-	1,436,291.00	(1,436,291.00)	Health Management	-	-	-
-	2,721,992.00	(2,721,992.00)	Nursing dept	-	2,712,774.07	(2,712,774.07)
-	788,210.00	(788,210.00)	Community Service Management	-	919,277.99	(919,277.99)
-	7,129,755.00	(7,129,755.00)	Security	11,846.42	5,800,697.03	(5,788,850.61)
2,275,757.00	3,472,873.00	(1,197,116.00)	Traffic department	1,230,717.70	2,818,081.46	(1,587,363.76)
-	1,520,294.00	(1,520,294.00)	Disaster Management	7,092.00	682,123.66	(675,031.66)
455,393.04	9,385,149.00	(8,929,755.96)	Admin Support Services	167,400.00	9,099,780.91	(8,932,380.91)
140,087.19	2,426,356.00	(2,286,268.81)	Human Resources	128.80	2,221,462.23	(2,221,333.43)
-	581,301.00	(581,301.00)	Library	35,847.15	534,835.83	(498,988.68)
-	11,336.00	(11,336.00)	Estates	-	34,677.87	(34,677.87)
-	409,345.00	(409,345.00)	Information Technology	40,000.00	576,565.61	(536,565.61)
91,820,332.23	23,092,179.00	68,728,153.23	Finance Department	80,005,330.00	11,299,533.79	68,705,796.21
7,147,589.53	7,502,483.00	(354,893.47)	Sanitation / Sewerage	2,994,413.67	7,921,042.86	(4,926,629.19)
-	4,425.00	(4,425.00)	Cleaning	-	-	-
-	484,841.38	(484,841.38)	Stores & Purchases	3,546.38	462,200.43	(458,654.05)
-	2,761,191.91	(2,761,191.91)	Municipal Manager	230,000.00	4,178,111.19	(3,948,111.19)
-	4,770,871.33	(4,770,871.33)	Mayoral Office	-	4,559,718.38	(4,559,718.38)

APPENDIX D
MNQUMA LOCAL MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED

30-Jun-08

2007				2008		
Actual	Actual	Surplus/		Actual	Actual	Surplus/
Income	Expenditure	(Deficit)		Income	Expenditure	(Deficit)
R	R	R		R	R	R
-	8,890,906.75	(8,890,906.75)	Speakers Office	-	9,975,059.70	(9,975,059.70)
-	2,499,545.95	(2,499,545.95)	Strategic & Development Plan	202,292.50	2,215,966.61	(2,013,674.11)
169,468.32	995,895.34	(826,427.02)	Water works	-	-	-
			Electricity	-	600,188.98	(600,188.98)
117,537,590.00	81,795,096.00	35,742,494.00	Sub Total	85,525,416.15	75,288,487.05	10,236,929.10
-	-	-	Less Inter-Department Charges			
117,537,590.00	85,868,938.00	35,742,494.00	Total	85,525,416.15	75,288,487.05	10,236,929.10

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APPENDIX E(1)

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

	<u>2008</u>	<u>2008</u>	<u>2008</u>	<u>2008</u>	<u>Explanation of Significant Variances</u>
REVENUE	<u>Actual (R)</u>	<u>Budget (R)</u>	<u>Variance (R)</u>	<u>Variance (%)</u>	<u>greater than 10% versus Budget</u>
Property rates	(14,197,918)	(19,820,469)	5,622,551	-28.37%	<i>(Explanations to be recorded)</i>
Property rates - penalties imposed and collection charges	-	-	-		
Fire Levy	-	(1,224,912)	-	0.00%	
Rental of facilities and equipment	(2,915,015)	(3,395,638)	480,623	-14.15%	
Refuse removals –	(3,284,610)	(3,571,251)	286,641	-8.03%	
Interest earned - external investments	(1,088,335)	-	-		
Interest earned - outstanding debtors	(2,898,570)				
Fines –	(356,318)	(1,000,000)	643,682	-64.37%	
Licenses and permits	(1,645,096)	(876,001)	(769,095)	87.80%	
Government grants and subsidies	(55,491,579)	(65,205,099)	9,713,520	-14.90%	
Other income	(784,404)	(4,877,828)	4,093,424	-83.92%	
Public contributions, donated/contributed PPE	-	-	-		
Gains on disposal of property, plant and equipment	(82,690)	-	(82,690)	0.00%	
Total Revenue	(82,744,535)	(99,971,198)	19,988,656	(20)	
EXPENDITURE					
Technical Services Management	1,124,087	1,676,737	552,650	32.96%	Technical Services
Building Control	1,875,579	2,001,716	126,137	6.30%	Building
Workshops	1,482,714	1,686,384	203,670	12.08%	Workshop
Public Works	4,194,008	5,119,511	925,503	18.08%	Public works
Health: Management					Health Management

Nursing and Community Services	2,712,774	3,059,931	347,157	11.35%	Nursing dept
Community Service Management	919,278	987,387	68,109	6.90%	Community Service Management
Security	5,800,697	6,475,658	674,961	10.42%	Security
Traffic	2,818,081	3,065,233	247,152	8.06%	Traffic department
Disaster Management	682,124	1,574,476	892,352	56.68%	Disaster Management
Admin Support Services: General	9,099,781	10,261,908	1,162,127	11.32%	Admin Support Services
Human Resources	2,221,462	7,876,285	5,654,823	71.80%	Human Resources
Library	534,836	920,982	386,146	41.93%	Library
Estates	34,678	802,640	767,962	95.68%	Estates
Information Technology	576,566	1,045,341	468,775	44.84%	Information Technology
Finance Department: Management	11,299,534	18,392,553	7,093,019	38.56%	Finance Department
Sewerage / Sanitation	7,921,043	8,874,060	953,017	10.74%	Sanitation / Sewerage
Cleaning	-	-	-		Cleaning
Stores & purchases	462,200	637,405	175,205	27.49%	Stores & Purchases
Municipal Manager	4,178,111	4,664,149	486,038	10.42%	Municipal Manager
Mayoral Office	4,559,718	559,217	(4,000,501)	-715.38%	Mayoral Office
Speakers Office	9,975,060	9,260,736	(714,324)	-7.71%	Speakers Office
Strategic & Developmental plan	2,215,967	3,071,640	855,673	27.86%	Strategic & Development Plan
Water Works	-	-	-		Water works
Electricity	600,189	1,666,190	1,066,001	63.98%	Electricity
Less Inter-Departmental Charges	-	-	-		
Total Expenditure	75,288,487	93,680,139	18,391,652	20	

NET SURPLUS/(DEFICIT) FOR THE YEAR

(158,033,022)

(193,651,337)

1,597,004

Name of grant	Name of organ of state or municipality entry	Quarterly receipts				Quarterly Expenditure				Grants and subsidies delayed /withheld	Did your Municipality comply with grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non compliance
		March	June	Sept	Dec	March	June	Sept	Dec			
MIG	Mnquma	6,678,223	-	2,527,579	5,449,675	2,447,425	4,655,592	2,592,961	3,325,218			
MSIG	Mnquma	-	-	367,000	367,000	-	-	367,000	367,000			
FMG	Mnquma	-	-	500,000		-	-	500,000				
Equitable Share	Mnquma	22,466,151	-	17,972,920	13,479,690	22,466,151	-	17,972,920	13,479,690			
Primary Health Care	Mnquma	706,464		467,705	703,381	706,464		467,705	703,381			

ADM Cleanest Municipality	Mnquma	121,149			156,600	121,904	68,877		191,107			
DGHLTA Projects	Mnquma	-	-	1,930,000	-	70,815	191,641	217,020	32,247			
GRAND TOTAL		29,971,987	-	23,765,204	20,156,346	25,812,759	4,916,110	22,117,606	18,098,643	-	-	-

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

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Mquma Local Municipality which comprise the statement of financial position as at 30 June 2008 statement of financial performance, statement of changes in net assets/equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages [xx] to [xx].
 - Responsibility of the accounting officer for the financial statements
2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2007 (Act No. 1 of 2007 (DoRA). 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), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
7. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Mquma Local Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.
 - Basis of accounting
9. The municipality's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.
 - Basis for adverse opinion

Basis of presentation

10. In terms of section 3(1) of Government Notice No. 522 issued in Government Gazette No. 30013 of 29 June 2007, medium capacity municipalities are exempt from complying with section 122(3) of the MFMA to the extent that they are required in the preparation of their financial statements to comply with the standards referred to in that section.

Section 3(2) further states that:

- (a) Medium capacity municipalities must prepare and submit their financial statements for the 2006-07 and 2007-08 financial years on the same basis that they prepared their 2005-06 annual financial statements.
 - (b) No medium capacity municipality may deviate from section 3 (2) (a) above or from the exemption in terms of sub clause (1) (b) above unless the municipality has consulted the relevant treasury before 31 July of the year concerned and has agreed with treasury on the basis of presentation of the annual financial statements.
 - (c) Any agreement referred to in paragraph b must be in writing and submitted to National Treasury before 15 August of the relevant year.
11. The municipality prepared their 2005-06 financial statements on the entity specific basis of accounting determined by the Institute of Municipal Finance Officers (IMFO). The current and prior period financial statements have been prepared using standards of GRAP and GAMAP. Therefore the municipality has early adopted the standards of GRAP and GAMAP without complying with the above paragraphs of the Government Notice in that the approval to early adopt obtained by the municipality was obtained after the legislated dates.
 12. Furthermore the municipality's basis of presentation as per the financial statements is GRAP and GAMAP and there is no mention of SA GAAP. The basis of

presentation also does not mention which exemptions were utilized for me to establish on which alternative basis of presentation the financial statements were prepared.

13. Consequently, I was unable to determine the municipality's basis of presentation.
14. In light of the above, modified GRAP, GAMAP and GAAP was assumed to be the applicable accounting framework.

Receivables

15. A prior period adjustment of R25.6 million to the opening balance of receivables has been recorded directly against accumulated surplus. A further adjustment of R2.9 million was also recorded to remove an amount disclosed as Other receivable from the statement of financial position. The municipality was not able to provide supporting documentation for these adjustments.
16. Adequate explanations could not be provided for the existence of credit balances in receivables of R4.1 million as reflected on the receivables age analysis.
17. Journals passed against receivables amounting to R774 000 were not supported by adequate documentation.
18. The municipality's records and systems did not permit the application of alternative audit procedures. Consequently, I was unable to satisfy myself as to the existence, completeness, valuation and disclosure of receivables in note 9 to the annual financial statements.
19. The policy of the municipality is to provide for doubtful debts. An assessment of the provision for doubtful debts of R26.9 million as disclosed in note 9 to the annual financial statements showed that capitalised receivables, which have been in arrears in excess of 2 years, have not been provided for.

In addition, the provision for doubtful debts of R105.5 million which was raised in the previous year relating to the capitalised receivables was reversed directly to the accumulated surplus, instead of being recognised in the statement of financial performance as required by IAS39.65. The accumulated surplus is overstated by R105.5 million, the provision for doubtful debts is understated by R89.5 million and the reversal of impairment losses is understated by R16 million.

20. The municipality has not presented a summary of receivables by customer classification as required by GRAP. This fact has been noted in the annual financial statements. In addition, the ageing is incomplete as it does not include the receivables for rentals and the so-called capitalised debtors.
21. Changes in property ownership are not effected on the receivables age analysis and previous owners of property are still charged for assessments rates and service charges after the property has been sold.

Property, plant and equipment

22. The fixed asset register did not contain sufficient information describing the assets as well as the location of the assets to enable verification of the existence thereof. The

asset register is maintained on a spreadsheet which does not record an adequate audit trail of changes that have been made. Disposals are not recorded on the asset register when they occur. Furthermore, the asset register did not reconcile to the trial balance. The cost and accumulated depreciation recorded in the annual financial statements did not reconcile to the trial balance.

23. The municipality was unable to provide copies of title deeds for all fixed property recorded on the fixed asset register, and it was not possible to trace all fixed property to the original title deeds. Such property has also been recorded in the fixed asset register at R1 instead of the fair value as required by GAMAP17.
24. A prior period adjustment of R6.9 million for the incorrect depreciation of land was recorded against accumulated surplus. The municipality was unable to provide adequate supporting documentation for the adjustment.
25. The municipality's records and systems did not permit the application of alternative audit procedures. Consequently, I was unable to satisfy myself as to the valuation, accuracy, existence, completeness and rights pertaining to ownership of assets of the municipality to the value of R56.7 million as disclosed in the statement of financial position.

Inventory

26. The municipality was unable to provide adequate supporting documentation for a journal of R4.2 million which was passed during the preparation of the annual financial statements. Adequate explanations could not be provided for the movement in inventory between the current and the prior financial periods. Obsolete inventory of R82 000 was written off to current liabilities.
27. The municipality's records and systems did not allow the application of alternative audit procedures. As a result, I was unable to determine the existence and valuation of inventory of R2.1 million disclosed in note 8 to the annual financial statements.

Finance leases

28. The municipality did not provide a copy of the lease statement reflecting the outstanding balance on the finance lease which commenced during the current year. As an alternative, the lease agreements were obtained and an amortisation table was compiled. The output VAT of R100 011, which has been claimed from SARS, has not been recorded in the general ledger. The long-term portion of the lease liability of R517 699 disclosed in note 1 to the annual financial statements is understated by R6 658, while the short-term portion of the long-term loan is understated by R130 531. The interest expense disclosed in the statement of financial performance is understated by R23 863.
29. IAS17.20 requires the municipality to disclose the future minimum lease payments to be incurred. This disclosure has not been made in the annual financial statements.

Payables

30. The municipality was unable to provide supporting documentation for the amount disclosed as staff loans – third party payments of R2.3 million in note 4 to the annual financial statements.
31. The accruals listing provided did not reconcile to the trial balance and was found to differ by R12 685.
32. The unspent conditional grant liability of R14.5 million disclosed in note 5 to the annual financial statements could not be reconciled to supporting documentation. Recalculation of the amount showed a difference of R7.8 million which could not be adequately explained. Furthermore, the difference of R2.2 million between the amounts released to revenue disclosed in notes 18 and 18.2 could not be adequately explained.
33. IAS19.10 (Employee benefits) requires the disclosure of other short-term employee benefits when an employee has rendered a service to the municipality as the undiscounted amount expected to be paid for that service. The municipality has not recognised a payable for the accrued bonus payable.
34. I was unable to perform any satisfactory alternative audit procedures, and as a result, I was unable to determine the completeness and valuation of creditors and unspent conditional grants disclosed in notes 4 and 5 to the annual financial statements.

Revenue

35. The municipality has not performed a reconciliation between the valuation roll and assessment rates revenue recognised in the statement of financial performance. The municipality was unable to provide adequate explanations for the variances between current year amounts, prior year amounts and budgeted amounts. A recalculation of the billings for the year showed that amounts billed have not been accurately recorded in the statement of financial performance. A recalculation of estimated billings for the year showed that not all amounts have been billed. It was not possible to determine the completeness of revenue as the sequence order of receipts could not be established.
36. A prior period adjustment of R4.2 million to revenue was recorded directly against accumulated surplus. The municipality was unable to provide supporting documentation for this adjustment, and as a result, I was unable to determine the occurrence and accuracy of revenue.
37. Interest receivable of R19 650 has not been recorded in the statement of financial performance. As a result, revenue and accrued income is understated by this amount. Furthermore, revenue from interest, other income and gains from disposal of property, plant and equipment disclosed in the statement of financial performance did not reconcile to the trial balance.
38. Adequate supporting documentation was not provided for debit transactions posted to revenue amounting to R828 000.

39. The municipality's records and systems did not allow the application of alternative audit procedures, and as a result, I was unable to determine the completeness, accuracy and occurrence of revenue of R104.2 million disclosed on the face of the statement of financial performance.

Employee related costs

40. The municipality was unable to provide adequate explanations for the movements in compensation of employees when comparing the current year to the prior year and to the budgeted amounts. Furthermore, the annual financial statements did not agree to the trial balance and was found to differ by R99 195.

Operating leases

41. The municipality currently leases a building for office accommodation under an operating lease. The value of the lease payments have not been smoothed over the period of the lease as required by IAS17.33. In addition, the disclosure of the value of the minimum lease payments as required by IAS17 has not been made. It was not possible to perform alternative procedures to determine the correct disclosures as the municipality was unable to provide a copy of the lease agreement.

42. As a result of the above, it was not possible, even through the application of alternative audit procedures, to determine the accuracy and completeness of amounts and disclosure of operating leases.

Funds and reserves

43. Transfers between the accumulated surplus and the government grant reserve to reflect the additions and depreciation of assets purchased with grants have not been effected on the trial balance. Nevertheless, the transfers are reflected on the statement of changes in net assets. As a result, there is a difference between the annual financial statements and the trial balance of R22.9 million. In addition, a difference of R267 000 was noted between the accumulated surplus disclosed on the statement of changes in equity and the trial balance.

44. I was unable to perform any satisfactory alternative audit procedures. Consequently, I was unable to determine the accuracy of the funds and reserves disclosed in the statement of changes in equity.

Provisions

45. The Municipality, which operates landfill sites, has an obligation in terms of section 28 of the National Environment Management Act, 1998 (Act No. 107 of 1998) to restore such sites. The municipality does not assess the remaining useful life of landfill sites. Detailed records of the capacity of landfill sites are not maintained by the municipality's engineers. Consequently, a provision for the rehabilitation of landfill sites has not been raised in the financial statements. Due to the specialist

nature of such a provision and lack of appropriate records, I was unable to determine the extent of the misstatement.

46. The provision for leave of R7 million disclosed in note 3 to the annual financial statements is based on the leave records of the municipality, which were found to be inadequate. Instances were found where leave recorded as taken was not supported by leave applications and documentation authorising the absence from work. Attendance registers for some employees were not submitted.

Employee's who were no longer employed by the municipality and had already received their leave payouts were included in the calculation of the provision. Some employees have accrued leave balances in excess of 48 days, which is not allowed in terms of the collective agreement with the South African Local Government Bargaining Council. The municipality's records and systems did not permit the application of alternative audit procedures. Consequently, I was unable to satisfy myself as to the accuracy and valuation of the provision for leave of R7 million as disclosed in note 3 to the annual financial statements.

In addition, a prior period adjustment to the provision for leave was recorded directly against accumulated surplus, with the result that the amount for the current and prior periods is the same. It was not possible to determine the accuracy of the prior period amount.

47. GAMAP19.14 defines a provision as a liability of uncertain timing or amount. The municipality has recognised a provision for performance bonus of R1.2 million in note 3 to the annual financial statements. The municipality has not fully implemented the performance management system, and as disclosed in note 3 to the annual financial statements, there is no present obligation to pay a performance bonus. The amount should not be disclosed as a provision, but rather as a contingent liability. As a result, provisions disclosed in the statement of financial position are overstated by R1.2 million, employee costs disclosed in the statement of financial performance are overstated by R502 161 and the accumulated surplus is overstated by R687 755.

Cash and cash equivalents

48. A prior period adjustment of R6.8 million to correct the opening balances of the bank account was recognised directly against the accumulated surplus. The municipality was unable to provide adequate supporting documentation, and as a result, it was not possible to determine the valuation of cash and cash equivalents.

Contingent liabilities

49. The municipality has been named as a respondent in a defamation case which was lodged subsequent to year end. The details have not been disclosed in a note to the annual financial statements as required by GAMAP19.

Consumer deposits

50. In terms of Government Notice 591 published in Government Gazette 28931 of 15 June 2008, all the assets, rights, liabilities and obligations relating to the provision

of water and sanitation services were to have been returned to Amathole District Municipality.

Consumer deposits of R317 227 are disclosed in note 2 to the annual financial statements. This is in contravention of the above regulation, and the amounts should be transferred to Amathole District Municipality. Due to the above, consumer deposits is overstated by R317 227 and the accumulated surplus is understated by the same amount.

51. A prior period adjustment of R1.8 million to correct the opening balance of consumer deposits was recorded directly against accumulated surplus. The municipality was unable to provide adequate supporting document for the transaction, and as a result, I was unable to determine the accuracy of the prior period amount disclosed as consumer deposits.

Value Added Tax

52. Section 7(1) of the Value Added Tax Act, 1991 (Act No. 89 of 1991) states that VAT must be declared on the supply by any vendor of goods or services in the course or furtherance of any enterprise. The municipality was unable to confirm whether output VAT has been declared on commission earned for processing eNatis transactions on behalf of the Department of Transport.
53. According to the South African Revenue Services, the municipality is registered for VAT. VAT reconciliations have not been performed by the municipality for the year under review. In addition, due to the inability to satisfactorily audit VAT I am unable to determine the value of any adjustments required to affect transactions including expenses, revenue, purchases and disposals of property, plant and equipment.
54. As a result, the valuation and completeness of the receivable for VAT could not be determined.

Unauthorised expenditure

55. Section 1 of the MFMA defines unauthorised expenditure as overspending of the total amount appropriated for a vote in the approved budget. Appendix E to the annual financial statements discloses the budget of the Speaker's office as R9.3 million while the amount expended during the current year is R10 million. The difference of R714 324 has not been disclosed as unauthorised expenditure.

Irregular expenditure

56. Section 20 of the municipality's supply chain management policy requires that for purchases in excess of R2 000, at least three quotes should be obtained. If three quotes are not obtained, the reason for this should be recorded. Expenditure amounting to R208 540 did not have the required number of quotes and is considered to be irregular.
57. A payment voucher for R430 619 was not approved by the municipal manager or an appropriately delegated official. This amount is considered to be irregular.

Fruitless and wasteful expenditure

58. Fruitless and wasteful expenditure is defined in section 1 of the MFMA as expenditure which was made in vain and could have been avoided had reasonable care been exercised. The municipality incurred interest expenditure which it did not budget for amounting to R238 000.

- Opinion
- Adverse opinion

59. In my opinion, because of the significance of the matter(s) described in the Basis for adverse opinion paragraph(s), the financial statements do not present fairly, in all material respects, the financial position of the Mngquma Local Municipality as at 30 June 2008 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting and in the manner required by the MFMA and DoRA.

- Emphasis of matter

I draw attention to the following matter:

a. Going concern

60. The statement of financial position reflects a surplus for the year and the statement of financial position reflects a net asset position. If the financial statements were adjusted to reflect the fair value of receivables, a deficit would have been recorded and the municipality would be in a net liability position. These matters are highlighted as going concern risks, and were it not for the continued support of central government, it is uncertain whether the municipality would be able to continue operating as a going concern in the foreseeable future.

1.2

1.3 OTHER MATTER(S)

I draw attention to the following matter(s) that relate to my responsibilities in the audit of the financial statements:

a. Internal controls

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

Reporting item	Control environment	Risk assessment	Control activities	Information and communication	Monitoring
Basis of preparation	X				
Receivables			X		
Property, plant and equipment			X		
Inventory			X		
Finance leases					X
Payables			X		
Revenue			X		
Employee related costs					X
Operating leases			X		
Funds and reserves			X		
Provisions			X		
Cash and cash equivalents			X		
Contingent liabilities			X		
Consumer deposits			X		
Value added tax			X		
Unauthorised expenditure					X
Irregular expenditure			X		
Fruitless and wasteful expenditure			X		

Control environment: establishes the foundation for the internal control system by providing fundamental discipline and structure for financial reporting.

Risk assessment: involves the identification and analysis by management of relevant financial reporting risks to achieve predetermined financial reporting objectives.

Control activities: policies, procedures and practices that ensure that management's financial reporting objectives are achieved and financial reporting risk mitigation strategies are carried out.

Information and communication: supports all other control components by communicating control responsibilities for financial reporting to employees and by providing financial reporting information in a form and time frame that allows people to carry out their financial reporting duties.

Monitoring: covers external oversight of internal controls over financial reporting by management or other parties outside the process; or the application of independent

Reporting item	Control environment	Risk assessment	Control activities	Information and communication	Monitoring
methodologies, like customised procedures or standard checklists, by employees within a process.					

- b.
- c. Non-compliance with applicable legislation

Municipal Systems Act, 2000 (Act No. 32 of 2000)

62. A performance agreement was not concluded between the council and the municipal manager as required by section 57 of the act.

Municipal Finance Management Act

63. Regulation 4 and 5 issued in terms of the act requires that delegations are determined for supply chain management purposes. This has not been done by the municipality and it continues to use delegations which were approved prior to the introduction of supply chain management.

64. Creditors were not settled within 30 days as required by section 65(2)(e) of the act.

Remuneration of Political Office Bearers Act, 1998 (Act No. 20 of 1998)

65. A salary increment implemented in January 2008 and backdated to July 2007 resulted in two full time executive members of the mayoral committee being paid the same salary as the speaker of the council. This is in contravention of paragraph 5 of Notice No. R. 1227 of the Government Gazette 30600 issued on 18 December 2007

66. The council approved an increase of 5.4% by means of a council resolution as required by section 7(3) of the act. The actual increase granted was 7.5%, but a council resolution was not passed for the additional amount.

- d. Matters of governance

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

Matter of governance	Yes	No
Audit committee		
<ul style="list-style-type: none"> The municipality had an audit committee in operation throughout the financial year. 		X
<ul style="list-style-type: none"> The audit committee operates in accordance with approved, written terms of reference. 		X
<ul style="list-style-type: none"> The audit committee substantially fulfilled its responsibilities for the year, as set out in Section 166(2) of the MFMA. 		X
Internal audit		
<ul style="list-style-type: none"> The municipality had an internal audit function in operation throughout the financial year. 		X
<ul style="list-style-type: none"> The internal audit function operates in terms of an approved internal audit plan. 		X
<ul style="list-style-type: none"> The internal audit function substantially fulfilled its responsibilities for the year, as set out in Section 165(2) of the MFMA. 		X
Other matters of governance		
<ul style="list-style-type: none"> The annual financial statements were submitted for audit as per the legislated deadlines in section 126 of the MFMA. 	X	
<ul style="list-style-type: none"> The annual report was submitted to the auditor for consideration prior to the date of the auditor's report. 		X
<ul style="list-style-type: none"> The financial statements submitted for audit were not subject to any material amendments resulting from the audit. 		X
<ul style="list-style-type: none"> No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management. 		X
<ul style="list-style-type: none"> The prior year's external audit recommendations have been substantially implemented. 	X	
Implementation of Standards of Generally Recognised Accounting Practice (GRAP)		
<ul style="list-style-type: none"> The municipality submitted an implementation plan, detailing progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 30 October 2007. 		X
<ul style="list-style-type: none"> The municipality substantially complied with the implementation plan it submitted to the National Treasury and the relevant provincial treasury before 30 October 2007, detailing its progress towards full compliance with GRAP. 		X
<ul style="list-style-type: none"> The municipality submitted an implementation plan, detailing further progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 31 March 2008. 		X

Unaudited supplementary schedules

68. The supplementary information set out on pages X to X does not form part of the financial statements and is presented as additional information. I have not audited this/these schedule(s) and accordingly I do not express an opinion thereon.

1.4 OTHER REPORTING RESPONSIBILITIES

▪ REPORT ON PERFORMANCE INFORMATION

69. I have reviewed the performance information as set out on pages xx to xx.

a. Responsibility of the accounting officer for the performance information

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

b. Responsibility of the Auditor-General

71. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.

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

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

c. Audit findings (performance information)

Non-compliance with regulatory requirements

74. In terms of regulation 10 of the Municipal Planning and Performance Management Regulations, the following general key performance indicators are prescribed in terms of section 43 of the Municipal Systems Act no 32 of 2000:

- The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal;
- The percentage of households earning less than R1100 per month with access to free basic services;
- The percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan;
- The number of jobs created through municipality's local economic development initiatives including capital projects;

- The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan;
- The percentage of a municipality's budget actually spent on implementing its workplace skills plan.

Audit work performed revealed that none of the Key Performance Indicators (KPIs) per the IDP and the annual performance reports are in line with the general KPIs prescribed by section 43 of the municipal systems act and listed in regulation 10 of the municipal planning and performance management regulations.

75. In terms regulation 14(2)(a) of the Municipal Planning and Performance Management Regulations, 2001, a municipality must annually appoint and budget for a performance audit committee consisting of at least three members, the majority of which may not be involved in the municipality as a councillor or an employee.

It was found that the municipality has not appointed a performance audit committee and has not elected to utilise the audit committee to fulfil the functions of the performance audit committee

Objectives/indicators/targets reported in annual report, but not predetermined as per strategic/corporate/annual performance/integrated development plan and/or budget

76. The budget is not aligned to the Integrated Development Plan of the municipality. This is due to the fact none of the development objectives or priorities per the IDP and Performance report could be traced to the municipality's budget.

Lack of sufficient appropriate audit evidence

77. I was unable to obtain sufficient appropriate audit evidence in relation to the performance information of the Mquma Local Municipality, as I was unable to obtain access to the following records pertaining to the programmes/objectives/key performance indicators:

Infrastructure Directorate

- The council approval of the extension of the validation process.
- Training report.
- Feasibility study report.
- Applications submitted to TET for consideration.
- Attendance registers signed by Centane community members and councillors who attended the workshop.
- Signed appointment letter of the service provider appointed to provide these workshops to the community and councillors and contract between this service provider and Mquma.
- Document containing the content of the workshop.

Corporate services: Directorate

- Accountability agreements.

- Correspondence generated to the responsible directorate to attend to the physical resources, such as offices to ensure that there is compliance with the Employment Equity Act.
- Personnel files with appointment letters for all the interns appointed to boost HR capacity

OTHER REPORTS

78. A forensic investigation is currently underway to probe the receivables and billing of customers, as the municipality is suspicious of fraudulent activity taking place. A second investigation is being conducted into the expenditure from the Municipal Infrastructure Grant for the years 2004 to 2006, including amounts that were expensed for the construction of roads. These investigations are both ongoing as at the reporting date.

APPRECIATION

79. The assistance rendered by the staff of the Mquma Local Municipality during the audit is sincerely appreciated.

East London

18 December 2008



A U D I T O R - G E N E R A L

4.3 COMMENTS BY THE ACCOUNTING OFFICER ON THE REPORT OF THE AUDITOR GENERAL TO THE COUNCIL on the Financial Statements 30 June 2008

Receivables

15. Prior year period adjustment

Audit Finding:

A prior year adjustment of R25.6 million to the opening balance of receivables has been recorded directly against accumulated surplus. A further adjustment of R2.9 million was also recorded to remove an amount disclosed as Other Receivables from the statement of financial position. The municipality was not able to provide supporting documentation for these adjustments

Background:

Prior year adjustments had no supporting documentation, although the adjustments are as a result of identified prior errors (the errors were identified by PWC). The supporting documentation has not necessarily been produced by PWC.

Corrective Measure:

Material disagreement with the auditors iro 2006/07 financial year as per the audit report for that period. Subject to confirmation with the auditors, request retrospective approval from the Council (after investigating fully, thorough submission to be made) rather than write back the amount.

Responsible Person and Due Date:

CFO-30 April 2009

16. Credit balances of R4.1 million

Audit Finding:

Adequate explanations could not be provided for the existence of credit balances in receivables of R4.1 million as reflected on the receivables age analysis.

Background:

Most of these credit balances relate to the Capitalised amounts. An exercise is being conducted whereby these credit balances are being investigated together with other identified problems with the data.

Corrective Measure:

Part of the reason for the credit balances is the misallocation of payments when debtors pay their clearance amounts. The reasons behind these types of balances can be explained by a number of factors but here the explanation relates to credit balances that are caused by non-billing of accounts for the current year. We found that while this issue was identified in the previous year the information was not filtered through to the system. In the future, will avoid too many credit balances in the age analysis and maybe identify those that need to be reclassified as creditors.

Responsible Person and Due Date:

Chief Account Revenue and Budget-30 April 2009

17. Journals passed

Audit Finding:

Journals passed against receivables amounting to R774, 000 were not supported by adequate documentation.

Background:

This refers to the way we used to do journals and the typical supporting documentation that was included in prior years. No adjustment is required as the auditors were mainly referring to the quality of journals. The Municipality has improved its journal processing procedures hence this query is unlikely to recur in future years.

Corrective Measure:

To attach the supporting documentation used for a typical journal to confirm with AG that it would qualify as supporting documentation under ordinary circumstances. AG has confirmed that the journals that require Council decisions would be those that typically relate to write-down of inventory, bad debts write-off i.e. reducing the value of an asset with the Threshold at the discretion of the Municipality. To amend write-off policy whereby suggested threshold for Council approval will be at 10% of the value of the balance of the account affected.

Responsible Person and Due Date:

Chief Accountant Budget and Revenue-30 April 2009

18. Inadequate disclosure for debtors.

Audit Finding:

The municipality's records and systems did not permit the application of alternative audit procedures. Consequently the auditor was unable to satisfy himself as to the existence, completeness, valuation and disclosure of receivables in note 9 to the financial statements.

Background:

When preparing the financial statements, the Service Provider did not have enough information to disclose the age analysis by customer classification, which has been corrected in the current financial year.

Corrective Measure:

The Revenue section has started the exercises of categorising the debtors as required for disclosure. The 3rd quarter financial statements will categorise the age analysis by customer classification.

Responsible Person and Due Date:

Chief Accountant Revenue-30 April 2009

19. Doubtful debts

Audit Finding:

The provision for doubtful debts shows that capitalized receivables, which have been in arrears for over two years, have not been provided for. In addition, the provision for doubtful debts of R105.5 million which was raised in the previous relating to the capitalized receivables was reversed directly to the accumulated surplus, resulting in the

accumulated surplus being overstated by R105.5 million, provisions understated by R89.5 million and impairment loss being understated by R16 million.

Background:

In its endeavours to recover long outstanding debts, the Municipality decided to freeze debt older than two years and separate it from recent debt to ensure that the methods used to recover old debt would not impact on the payment of current debt by customers. This old debt was referred to as Capitalised debt mainly referring to the freezing process but was also erroneously moved from the provision thereby re-instating the debt. The auditors correctly questioned this treatment. The Municipality is in a process of writing off some of this debt in any event.

Corrective Measure:

This amount will be correctly taken back to provisions thereby processing the adjustments as required by the auditors. The treatment will be discussed in advance with the auditors when presenting this action plan. Most of this debt will however be written off in the current financial year following proper procedures including obtaining Council approval.

Responsible Person and Due Date:

Chief Accountant Revenue-30 April 2009

20. Summary of receivables

Audit Finding:

The Municipality has not presented a summary of receivables by customer classification as required by GRAP. In addition, the ageing is incomplete as it does not include the receivables for rentals and the so-called capitalized debtors.

Background:

The Municipality used to have a problem accurately categorizing its debtors into Customers, Industrial/Commercial and National and Provincial Government.

Corrective Measure:

The revenue team is working towards that and the disclosure will be correct for the 3rd quarter financial statements i.e. end March. With regards to the ageing, rentals were lumped together refuse and fire levy and it would have been possible to make this adjustment if the AG had allowed the Municipality to adjust as is standard practice.

Responsible Person and Due Date:

Chief Accountant Revenue-30 April 2009

21. Change in ownership

Audit Finding:

Changes in ownership are not effected on the receivables age analysis and previous owners of property are still charged for assessments rates and service charges after the property has been sold.

Background:

Monthly clearance certificates were not reconciled with the deeds information before as the Municipality had to wait for confirmation from the deeds office that properties had been transferred. Now that Windeed is being used, can download all the properties sold monthly to reconcile the clearance certificates to the properties transferred.

Corrective Measure:

The monthly reconciliation referred to above will ensure that no service charges are processed in respect of transferred properties.

Responsible Person and Due Date:

Chief Accountant Revenue-Monthly

Property, plant and equipment

22. Insufficient information in the fixed asset register

Audit Finding:

The fixed asset register did not contain sufficient information describing the assets as well as the location of the assets to enable verification of the existence thereof. The asset register is maintained on a spreadsheet which does not record an adequate audit trail of changes that have been made. Disposals are not recorded on the asset register when they occur. Furthermore, the asset register did not reconcile to the trial balance. The cost and accumulated depreciation recorded in the AFS did not reconcile to the trial balance.

Background:

The fixed asset register updating and reconciliation has been problematic for a while since there was no dedicated person to look after the portfolio.

Corrective Measure:

The fixed asset register has been updated with all the requisite information. The additions per the fixed asset register for the current year will be up to date as at end March 2009 including the locations. The completed fixed asset register including opening balances should be updated by end April 2009. The locations will be updated over time with GPS co-ordinates as the auditors could not identify improvements to Roads.

Responsible Person and Due Date:

Chief Accountant Expenditure-30 April 2009

23. Copies of title deeds

Audit Finding:

The Municipality was unable to provide copies of title deeds for all fixed property recorded on the fixed asset register, and it was not possible to trace all fixed property to the original title deeds. Such property has also been recorded in the fixed asset register at R1 instead of the fair value as required by GAMAP17.

Background:

Without Windeed, the Municipality could not accurately reconcile all its fixed property to title deeds as heavy reliance had to be placed on the deeds office.

Corrective Measure:

The title deeds will be matched to the fixed asset register by end April 2009. The properties recorded at R1 value will be revalued when the valuation roll is updated by end June 2009.

Responsible Person and Due Date:

Chief Accountant Expenditure-30 April 2009

24 & 25. Prior year adjustment of R6.9 million

Audit Finding:

A prior period adjustment of R6.9 million for the incorrect depreciation of land was recorded against accumulated surplus. The Municipality was unable to provide adequate supporting documentation for the adjustment. Unable to satisfy myself on the fair presentation of the value of R56.7 million disclosed for fixed assets.

Background:

With hindsight, it is clear that there is room for improvement in respect of the supporting documentation for the prior year adjustments, which is one of the areas targeted for improvement in the current financial year.

Corrective Measure:

The full cause of the prior year adjustment will be investigated and then processed with reasonable and clear explanations for Council approval.

Responsible Person and Due Date:

Chief Accountant Expenditure-30 April 2009

Inventory

26. & 27 Adequate Supporting Documentation

Audit Finding:

The Municipality was unable to provide adequate supporting documentation for a journal of R4.2 million which was passed during the preparation of the AFS. Adequate explanations could not be provided for the movement in inventory between the current and the prior financial periods. Obsolete inventory of R82, 000 was written off to current liabilities.

Background:

The inventory stock had an incorrect credit balance of approximately R2.1 million. When correcting this entry on the system, the inventory clerk erroneously issued stationery using the same account although the same amount had been issued using that specific department's cost centre. This problem resulted from a misunderstanding of the accounting package used. The inventory receiving and issuing system was split into two whereby one leg was in Stores and the other leg was in the expenditure department.

Corrective Measure:

The system has been modified or integrated whereby both legs are now processed in the Stores department.

Responsible Person and Due Date:

Chief Accountant Expenditure-Already in process, so no extended time frame.

28 & 29. Finance Leases

Audit Finding:

The Municipality did not provide a copy of the lease statement reflecting the outstanding balance on the finance lease which commenced during the current year. As an alternative, the lease agreements were obtained and an amortization table was compiled. The output Vat of R100, 011 which has been claimed from SARS, has not been recorded in the general ledger. The long-term portion of the lease liability of R517,699 disclosed in note 1 to the AFS is understated by R6,658, while the short-term portion of the long term loan is understated by R130,531. The interest expense disclosed in the statement of financial performance is understated by R23,863.

Background:

Generally, there is room for improvement on our disclosures for leases, which has been prioritized in the current financial year especially with more vehicles being leased.

Corrective Measure:

Our Grap compliance process plan outlines the steps that will be taken even as we produce the March quarterly financials. Additionally will liase with finance house or bank concerned to confirm the balance at year-end, thereafter prepare an amortization table and pass a journal on the system to reflect correct balance.

Responsible Person and Due Date:

Chief Accountant Expenditure-30 April 2009 and 30 June 2009

30. Staff Loans

Audit Finding:

The Municipality was unable to provide supporting documentation for the amount disclosed as staff loans – third party payments of R2.3 million in note 4 to the AFS.

Background:

The Municipality used to deduct employee contributions to Pensions and loans and pay to third parties on behalf of the Municipalities. Between June 1998 and February 2002, the Municipality did not pay the deductions over to the third parties. The Municipality however re-imbursed the employees iro the Pensions only and hired PWC to calculate the amounts owing to the employees iro the loans. Apparently the list obtained from PWC has been mis-placed.

Corrective Measure:

The expenditure Chief Accountant will follow up with PWC and discuss the way forward with the CFO.

Responsible Person and Due Date:

Chief Accountant Expenditure-30 April 2009

31. Accruals listing

Audit Finding:

The accruals listing provided did not reconcile to the trial balance and was found to differ by R12, 685.

Background:

At year end, the accruals list is normally passed via a journal at year-end to the GL. It is likely that there was a finger error when passing the journal.

Corrective Measure:

There is a segregation of duties between the person that initiates the journal and the person that approves the journal. An independent review of the listing to be performed and reconciled to Trial Balance.

Responsible Person and Due Date:

Chief Accountant Expenditure-30 April 2009

32. Inadequate explanations for grant funding

Audit Finding:

The unspent conditional grant of R14.5 million disclosed in note 5 to the AFS could not be reconciled to supporting documentation. Recalculation of the amount showed a difference of R7.8 million which could not be adequately explained. Furthermore, the difference of R2.2 million between the amounts released to revenue disclosed in notes 18 and 18.2 could not be adequately explained.

Background:

This is due to the different year-ends for Municipality and Government i.e. June and March. This explanation was provided to the auditors when responding to the draft report but the AG omitted to take out the finding.

Corrective Measure:

IRO the 2008/09 audit, the expenditure accountant will ensure that in the audit file there is a reconciliation between the Government and the Municipality grants in line with the different year ends. Any reconciling items to be supported audit evidence.

Responsible Person and Due Date:

Chief Accountant Revenue & Budget-30 April 2009 & 30 June 2009.

33. Employee benefits

Audit Finding:

IAS19.10 (employee benefits) requires the disclosure of short-term employee benefits when an employee has rendered a service to the Municipality as the undiscounted amount expected to be paid for that service. The Municipality has not recognized a payable for the accrued bonus payable.

Background:

The Municipality only used to provide for section 57 bonuses and not for the other staff members. The Municipality agrees with the auditors on the treatment.

Corrective Measure:

Going forward the Municipality, will disclose the provision iro of the 13th cheques accrued/owed. This provision will be apportioned pro-rata on a monthly basis. The bonuses are paid at the end of September.

Responsible Person and Due Date:

Chief Accountant Expenditure to monitor this process, which is already in place.

34. General comment, hence no specific response

Revenue

35. Reconciliation between valuation roll and assessment rates

Audit Finding:

The Municipality has not performed reconciliation between the valuation roll and assessment rates revenue recognized in the statement of financial performance. A recalculation of estimated billings for the year showed that not all amounts have been billed.

Background:

The valuation roll currently does not agree to the data used for rates billing. A projected has however been initiated whereby consultants will do a thorough valuation of the properties within the jurisdiction of the Municipality. This will be the basis of the new valuation roll to be implemented from July 2009.

Corrective Measure:

A reconciliation between property valuation and assessments rates revenue is being prepared in the current financial year. Still does not reconcile but differences to be explained. Only likely to reconcile or balance when the new valuation roll is implemented.

Responsible Person and Due Date:

Chief Accountant Revenue & CFO-Problem not likely to be resolved at the end of the current financial year.

36. Prior period adjustment of R4.2 million

Audit Finding:

A prior year adjustment of R4.2 million to revenue was recorded directly against accumulated surplus and the municipality was unable to provide supporting documentation for this adjustment.

Background:**Old Receipts:**

7100/5030/0000 ASSESMENT RATES;	These are old receipts relates to old debtors balances.	4,054,516.78
7100/7050/0000 RENTALS FLATS;		69,404.63
7150/5300/0000 REFUSE REMOVALS;		34,107.03
		4,158,028.44

Corrective Measure:

These old debtors balances could not be verified hence a decision was taken to write-off against the accumulated surplus, this was also identified by the prior year auditors. However, a Council resolution was never taken to support the decision. Have agreed n-principle with the auditors that this amount cannot be traced hence written-off to avoid recurring query. However, need to write sufficient motivation to justify why the amount is being written-off through the Accumulated Surplus.

Responsible Person and Due Date:

CFO-30 May 2009

37. Interest receivable of R19, 650

Audit Finding:

Interest receivable of R19, 650 has not been recorded in the statement of financial performance.

Background:

The Municipality has only one investment account which is a fixed deposit with Meeg Bank. The bank statements only reflected the opening balance without accruing for the interest hence the interest income was not accrued.

Corrective Measure:

Have started to account for this interest separately as per the requirement and the GL is now up to date.

Responsible Person and Due Date:

Chief Accountant Revenue & Budget-Already being implemented.

38. Adequate supporting documentation for debit transactions of R828, 000

Audit Finding:

Adequate supporting documentation was not provided for debit transactions posted to revenue amounting to R828, 000.

Background:

This is general problem that existed in the prior financial year as there was a challenge as to the quality of the supporting documentation. A lot of work has gone toward fixing this, which should bear fruit in respect of 2008/09 financial year.

Corrective Measure:

We have started to produce adequate documentation. This will be put to the test with the auditors when producing the supporting documentation.

Responsible Person and Due Date:

CFO-Already being implemented.

39. General Comment, no specific response required

40. Employee Compensation

Audit Finding:

The Municipality was unable to provide adequate explanations for the movements in compensation of employees when comparing the current year to the prior year and to the budgeted amounts. Furthermore, the AFS did not agree to the trial balance and differed by R99, 195.

Background:

Adjustment budgets in iro expenditure continue to be a priority area whereby queries of this nature would be avoided.

Corrective Measure:

An adjustment should have been done before the end of the year when more information was available. This would have ensured that there was not much difference between the budget and the actual amount spent. Any journals that arise when finalizing the financial statements should be processed through the system after proper approval by the CFO.

Responsible Person and Due Date:

Chief Accountants & CFO-30 April 2009 and 30 June 2009

Operating Lease

41 and 42.

Audit Finding:

The Municipality currently leases a building for office accommodation under an operating lease. The value of the lease payments has not been smoothed over the period of the lease as required by IAS17.33. In addition, the disclosure of the value of the minimum lease payments as required by IAS17 has not been made. It was not possible to perform alternative procedures to determine the correct disclosures as the Municipality was unable to provide a copy of the lease agreement.

Background:

Generally, there is room for improvement on our disclosure of leases.

Corrective Measure:

Our Grap compliance process plan outlines the steps that will be taken even as we produce the March quarterly financials.

Responsible Person and Due Date:

Chief Accountant Expenditure-30 April 2009 and 30 June 2009.

Funds and Reserves

43 & 44. Transfers between the accumulated surplus and the government grant reserve

Audit Finding:

Transfers between the accumulated surplus and the government grant reserve to reflect the additions and depreciation of assets purchased with grants have not been effected on the trial balance. Nevertheless, the transfers are reflected on the statement of changes in net assets. As a result, there is a difference between the AFS and the trial balance of R22.9 million. In addition, a difference of R267,000 was noted between the accumulated surplus disclosed on the statement of changes in equity and the trial balance.

Background:

Some last minute AFS adjustments were not processed as journals in the GL hence this difference.

Corrective Measure:

The team responsible for preparing the AFS will ensure that all adjustments are approved by the CFO after which the journals will be processed on the GL.

Responsible Person and Due Date:

Chief Accountants and CFO-30 April 2009 and 30 June 2009

Provisions

45. Provision for Landfill Sites Rehabilitation

Audit Finding:

The Municipality, which operates landfill sites, has an obligation to section 28 of the National Environment Management Act, 1998 (Act No. 107 of 1998) to restore such sites. The Municipality does not assess the remaining useful life of landfill sites. Detailed records of the capacity of landfill sites are not maintained by the Municipality's engineers. Consequently, a provision for the rehabilitation of landfill sites has not been raised in the AFS. Due to the specialist nature of such a provision and lack of appropriate records, I was unable to determine the extent of the misstatement.

Background:

At the time the Municipality did not have a resident environmental officer hence it was difficult to communicate the provisions and environmental plans.

Corrective Measure:

There is a waste intervention program, which will be confirmed by the service provider to be appointed by DEAT. The Magqudwana site will be rehabilitated by end December 2009, subject to tariff agreements between Mquma and Amathole for use of the regional site in Bika, which is ready for use. The rehabilitation costs will be borne by Amathole and they have already formulated a rehabilitation plan, therefore there might be no need to provide at Local Municipality level. The site will be converted into a pounding area, which will be a separate capital project, however there might be minor monitoring and facilitation costs. The other two illegal sites in Centane and Ngqamakhwe will be converted into Refuse Transit Station. The waste stored in these stations is minimal, hence there could a minimum provision required, which will be quantified at a

later stage by end May 2009. The Municipal environmental specialist is awaiting the designs from the service provider in respect of the conversion into a Transit Station. From discussions with auditors, a copy of the SLA with Amathole will be critical iro audit evidence.

Responsible Person and Due Date:

Mr Kibi-31 May 2009

46. Provision for leave pay

Audit Finding:

The provision for leave of R7 million disclosed in note 3 to the AFS is based on the leave records of the Municipality, which were found to be inadequate. Instances were found where leave recorded as taken was not supported by leave applications and documentation authorizing the absence from work. Attendance registers for some employees were not submitted.

Employee's who were no longer employed by the Municipality and had already received their leave payouts were included in the calculation of the provision. Some employees have accrued leave balances in excess of 48 days, which is not allowed iro the collective agreement with the South African Local Government Bargaining Council. The Municipality's records and systems did not permit the application of alternative audit procedures. Consequently, I was unable to satisfy myself as to the accuracy and valuation of the provision for leave of R7 million as disclosed in note 3 to the AFS. In addition, a prior period adjustment to the provision for leave was recorded directly against, accumulated surplus, with the result that the amount for the current and prior periods is the same. It was not possible to determine the accuracy of the prior period amount.

Background:

It is recommended that secretaries of all Directors maintain a leave register for the departments, which should be sent monthly to payroll to ensure that the leave records for the institution are up to date.

Corrective Measure:

The leave forms are now filed in salaries where the leave provision is also updated, the challenge was iro of employees outside BTO as they do not timeously submit the approved leave forms to payroll. The system has been amended to only recognize leave records up to a maximum of 48 days. Employees that leave the employment will therefore only be paid up to a maximum of 48 days and any other excess leave days would be removed from the system.

Responsible Person and Due Date:

Chief Accountant Expenditure-Already being implemented.

47. Bonus provision for section 57 managers

Audit Finding:

GAMAP 19.14 defines a provision as liability of uncertain timing or amount. The Municipality has recognized a provision for performance bonus of R1.2 million in note 3 to the AFS. The Municipality has not fully implemented the performance management

system, and as disclosed in note 3 to the AFS, there is no present obligation to pay a performance bonus. The amount should not be disclosed as a provision, but rather as a contingent liability. As a result, provisions disclosed in the statement of financial performance are overstated R1.2 million, employee costs disclosed in the statement of financial performance are overstated by R502,161 and the accumulated surplus is overstated by R687,755.

Background:

Historically, for the past two years although a provision was created for bonuses, there were no payments. The section 57 managers are entitled to those bonuses after the evaluation of their performances has been conducted.

Corrective Measure:

It is recommended that evaluation of section 57 managers be done in July yearly so as to provide and pay out the exact amounts. If payments not made at time of preparing the financial statements, it will be prudent to recognize a contingent liability.

Responsible Person and Due Date:

CFO-31 July 2009

Cash and Cash Equivalents

48. Prior period adjustment iro cash

Audit Finding:

A prior period adjustment of R6.8 million to correct the opening balances of the bank account was recognized directly against the accumulated surplus. The Municipality was unable to provide adequate supporting documentation, and as a result, it was not possible to determine the valuation of cash and cash equivalents.

Background:

In the 2006/07 financial year there was an overdraft of R10 million as per the bank reconciliation prepared outside the system. The difference between the system and the balance per the external reconciliation was then taken to the retained income. A perfect financial system would normally be able to pick a contra account when capturing the cash book. However, the Sebata system defaulted to a suspense account hence this problem has persisted.

Corrective Measure:

A Sebata support person is due to fix this problem before end March 2009 so that the problem does not recur in the current financial year.

Responsible Person and Due Date:

Chief Accountant Revenue & Budget-30 April 2009

49. Contingent Liabilities not disclosed

Audit Finding:

The Municipality has been named as a respondent in a defamation case which was lodged subsequent to year-end. The details have not been disclosed in a note to the AFS as required by GAMAP 19.

Background:

There was no search for contingent liabilities.

Corrective Measure:

When preparing the annual and quarterly financial statements, the finance department will enquire from the legal advisor and Human Resources whether there are any contingent liability iro of outstanding litigation etc.

Responsible Person and Due Date:

Chief Accountants and CFO-30 July 2009

Consumer deposits

50. Consumer Deposits not returned to Amathole District

Audit Finding:

In terms of Government Notice 591 published in Government Gazette 28931 of 15 June 2008, all assets, rights, liabilities and obligations relating to the provision of water and sanitation services were to have been returned to Amathole District Municipality. Consumer deposits of R317, 227 are disclosed in note 2 to the AFS. This is in contravention of the above regulation, and the amounts should be transferred to the Amathole District Municipality. Due to the above, consumer deposits are overstated by R317, 227 and the accumulated surplus is understated by the same amount.

Background:

When the water services were transferred to Amathole, the deposits held by the Municipality for water services and the list of customers that had paid deposits was not forwarded to Amathole District.

Corrective Measure:

CFO and the Chief Accountant Revenue will have a meeting with the Amathole District and recommend a way forward. CFO and the Chief Accountant to report progress to the Municipal Manager by end April 2009.

Responsible Person and Due Date:

CFO & Chief Accountant Revenue & Budget-30 April 2009

51. Prior period adjustment for consumer deposits

Audit Finding:

A prior period adjustment R1.8 million to correct the opening balance of consumer deposits was recorded directly against accumulated surplus. The Municipality was unable to provide adequate supporting document for the transaction, and as a result, I was unable to determine the accuracy of the prior period amount disclosed as consumer deposits.

Background:

The balance for Consumer Deposits was initially calculated as R2.1 million by the service provider that was hired to verify these amounts. However according to our records and the list of consumers per the Municipality's records, this amount should be R317, 227 hence this reversal.

Corrective Measure:

A submission will be made to the Council (seeking retrospective approval) on 30 April 2009, CFO and Chief Accountants to ensure all other matters requiring retrospective approval (especially the prior period adjustment) are submitted on that day.

Responsible Person and Due Date:

CFO & Chief Accountant Revenue & Budget-30 April 2009

Value added tax

52. eNatis related VAT

Audit Finding:

Section 7(1) of the Value Added Tax Act, 1991 (Act No.89 of 1991) states that VAT must be declared on the supply by any vendor of goods or services in the course or furtherance of any enterprise. The Municipality was unable to confirm whether output VAT has been declared on commission earned for processing eNatis transactions on behalf of the Department of Transport.

Background:

In the previous financial year, returns were not prepared iro the commission earned for collections on behalf of the Department of Transport.

Corrective Measure:

Monthly returns iro the vat on the commission for the amounts collected on behalf of the Department of Transport are now being prepared.

Responsible Person and Due Date:

Chief Accountant Revenue & Budget-30 April 2009
53 & 54.

Audit Finding:

According to the South African Revenue Services, the Municipality is registered for VAT. VAT reconciliations have not been performed by the Municipality for the year under review. In addition, due to the inability to satisfactorily audit VAT, I am unable to determine the value value of any adjustments required to affect transactions including expenses, revenue, purchases and disposals of property, plant and equipment.

Background:

VAT reconciliations were not prioritized due to staff shortages and could therefore not dedicate a person for the function. Auditors are of the view that there are too many vat accounts rather than simple Input and Output vat accounts.

Corrective Measure:

One of the DBSA interns will focus on the vat reconciliation for the whole year from 1 July 2008 to June 2009 and to be reviewed by an Accountant.

Responsible Person and Due Date:

Chief Accountant Revenue & Budget-30 April 2009

Unauthorised expenditure

55. Expenditure in Speaker's Office

Audit Finding:

Section 1 of the MFMA defines unauthorized expenditure as overspending of the total amount appropriated for a vote in the approved budget. Appendix E to the AFS discloses the budget for the Speaker's office as R9.3 million while the amount expended during the current year is R10 million. The difference of R714, 324 has not been disclosed as unauthorized expenditure.

Background:

Extra funding was received as pension payout from Old Mutual for the previous councilors that were serving in the council and the budget for the office was not adjusted hence the difference.

Corrective Measure:

In the event that funding is obtained then the relevant expenditure budget will be appropriately adjusted.

Responsible Person and Due Date:

Chief Accountant Revenue & Budget-30 April 2009

Unauthorised expenditure

56. Three quotes

Audit Finding:

Section 20 of the Municipality's supply chain management policy requires that for purchases in excess of R2, 000, at least three quotes should be obtained. If three quotes are not obtained, the reason for this should be recorded. Expenditure amounting to R208, 540 did not have the required number of quotes and is considered to be irregular.

Background:

In this instance three quotes were requested for the conference venue, however it was not deemed necessary to source three quotes iro accommodation as the same venue was going to be used.

Corrective Measure:

In cases where there are deviations, a memo (adequately motivated e.g. only one supplier etc.) signed by the Director or the MM should be attached to the order and invoice.

Responsible Person and Due Date:

Chief Accountant Expenditure & Budget-Ongoing

57. Unapproved payment voucher

Audit Finding:

A payment voucher for R430, 619 was not approved by the Municipal Manager or an appropriately delegated official. This amount is considered to be irregular.

Background:

This was an oversight as the MM still signed the cheque.

Corrective Measure:

In future, the Expenditure section will ensure that only cheques with vouchers signed by the MM are processed for payment. This control then vests in the expenditure department.

Responsible Person and Due Date:

Chief Accountant Expenditure & Budget-Ongoing

Fruitless and wasteful expenditure

58. Interest expenditure incurred

Audit Finding:

Fruitless and wasteful expenditure is defined in section 1 of the MFMA as expenditure which was made in vain and could have been avoided had reasonable care been exercised. The Municipality incurred interest expenditure which it did not budget for amounting to R238, 000.

Background:

At times due to financial constraints, the Municipality is unable to pay its debts as they become due, which late payment sometimes attracts interest. But these are matters beyond the Municipality's control.

Corrective Measure:

In instances where financial constraints affect or delay payments then expenditure must submit a memo for the CFO's signature, which will confirm the reason why the payment was delayed.

Responsible Person and Due Date:

Chief Accountant Expenditure & Budget-Ongoing

Over and above the issues referred to above, the auditors have advised that we request a special exemption from the AG iro the statements relating to revaluation of fixed assets and impairment of assets. The letter will be submitted to the MM for signature by 30 April 2009.

CHAPTER 5
FUNCTIONAL AREA SERVICE DELIVERY

5.1 OFFICE OF THE MUNICIPAL MANAGER

The office consists of Strategic Management, Internal Audit unit and Office of the Legal Advisor.

STRATEGIC MANAGEMENT

The Directorate of Strategic Management was reconfigured from the erstwhile Directorate of Strategic Planning and Development in December 2008 through relocation of:-

- Land Administration to Infrastructure Planning and Development
- Spatial Planning to Infrastructure Planning and Development
- Housing Development to Infrastructure Planning and Development
- Special Programmes to the Office of the Executive Mayor

This left the Directorate with the task of promoting economic development activities such as tourism, agriculture, mining, fishing, forestry, manufacturing and retail.

In April 2008 the IDP, development, communication, and marketing which were to be performed in the Office of the Municipal Manager reverted back and the Research Unit was established within the Directorate. This heralded a recruitment process that has seen to the appointment of the Director, IDP manager and Research manager and initiation of processes towards appointment of communications Officer, LED manager, Tourism Development Officer and SMME Development Officer.

Within the Municipal context, the directorate plays a leading role in facilitating the attraction of investment into the area.

For optimum realization of its responsibilities, it is divided into two broad activities viz:-

1. Strategic Planning which is further divided into
 - Co ordination & Monitoring (IDP & PMS)
 - Communication and Marketing
 - Facilitating the development of macro-strategies (SEA and SDF) and
 - Research capable of informing planning
2. Development Planning with its main focus being economic development of the area

Core Functions:

- To co ordinate and manage the formulation and implementation of the Municipal Integrated Development Plan and its related sector plans & strategies
- To co ordinate and manage the formulation and implementation of municipal wide PMS (Performance Management System) and

- To advise and support municipal management on matters related to the macro strategy of the municipality

Other Functions

Local Economic Development

- To stimulate local economic development through tourism & heritage, manufacturing, agriculture ,marine industry, mining and mineral exploration, forestry and woodlots.
- To ensure job creation by facilitating local economic development activities and capital programmes
- This entails putting together such systems as LED Strategy, Tourism Strategy etc and facilitate establishment of such structure as LED Forum, LTO, Farmer Associations etc

Communication and Marketing

This function ensures internal and external interfaces whereby the public is informed in a positive manner about the municipality, its activities and potential. Communications and Marketing function will ensure the establishment of a Communications Forum and Communication & Marketing Strategy that is transparent.

It has, also, the responsibility of establishing the IGR –Forum wherein the sector departments, parastatals, institutions of higher learning, private sector business, NGO's and CBO's and the municipality share ideas for forward planning.

Staff component in the Directorate

Director	1
Secretary	1
IDP Manager	1
Research Manager	1
Agricultural Officer	1
Vacant	15

5.1.1 PERFORMANCE REPORT FOR THE YEAR 30 JUNE 2008-STRATEGIC MANAGEMENT

KPA	IDP STRATEGY	DEPARTMENTAL ACTIVITY	BASELINE	KEY PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL	REASONS FOR NON-ACHIEVEMENT	CORRECTIVE MEASURES	COMMENTS
IDP AND PMS	Facilitate the 1 st Review of the IDP	Develop an IDP process plan and IDP	5-year Integrated Development Plan in place	Process Plan and IDP adopted by Council	Approved process plan and IDP.	100%	N/A	N/A	The Directorate has a dedicated manager for IDP development
	Facilitate and develop an IDP implementation Plan and monitoring tool	Review and institutionalize the functioning of IDP Clusters. Develop a reporting system and monitoring tool	5-year Integrated Development Plan in place	Programme for Clusters	Quarterly reports developed by clusters and submitted to committees of council.	100%	N/A	N/A	The 1 st review of the 2 nd term of the Council has been successfully completed
	Review PMS policy	Process plan for policy review conduct PM training workshops	PMS Framework	Process plan Training Programme	Approved PMS Framework and training.	95%	N/A	N/A	The only outstanding workshop is for Councilors
	Develop PMS implementation program/ tool	Conduct quarterly reviews and service delivery audits	PMS Framework	Audit Forms or Questionnaire	Development and distributions of questionnaires to the wards.	50%	Research Unit started operating in April 2008	The audit is ongoing	The Research Unit in conjunction with WSU is expediting the audit
COMMUNICATION AND MARKETING	Develop internal and external communication strategy	Concretize stakeholders involvement and interact with ADM's communication unit	Draft strategy	Communication Strategy in place	Development and implementation of Communication Strategy	30%	There was no dedicated incumbent for the Unit	Appointment of a dedicated person	Person responsible for communications has since been appointed
	Establish Intergovernmental Relations Forum	Facilitate IGF meetings, launch and workshops	Occasional Meetings (Poorly attended)	IGR-forum launched and working	Fully functioning IGR	30%	Response by sector Depts. and parastatals was poor	Matter reported to the OTP for its intervention	It has always been a challenge to coordinate meetings of IGR
	Newsletter Development	Facilitate consolidation and dissemination of	Monthly Newsletter	No of articles per month and collected	Newsletter to be reproduced and distributed by	100%	N/A	N/A	The newsletter has been accused of being too much inward looking and the

KPA	IDP STRATEGY	DEPARTMENTAL ACTIVITY	BASELINE	KEY PERFORMAN CE INDICATOR	ANNUAL TARGET	ACTUAL	REASONS FOR NON-ACHIEVEMENT	CORRECTIVE MEASURES	COMMENTS
		information.		newsletter information	monthly				measures to repackage same are afoot
ECONOMIC GROWTH	Tourism to contribute 6% to GGP	Development of Tourism and Heritage Strategy	Nil	Tourism Strategy in place	Development of Tourism and Heritage Strategy	0%	Lack of funds and capacity	Appointment of a dedicated person	Development of the strategy is mainly dependent on the completion of the LED strategy that will inform all the other strategies
	Nitching into 2010	Facilitate participation of Mquma in world cup activities	Nil	2010 World cup local committee	2010 World cup local committee established and facilitate the granting of public viewing fan park license.	15%	The programme was started late in the year	Intensification of the programme	The directorate is involved with IPMP in preparation for 2010 World Soccer Cup by looking at transportation system and infrastructure
		Facilitate Implementation of Tourism and Heritage Initiatives	King Phalo Route and Wild Coast	Mquma as one of the preferred area	To have an annual arts and culture festival.	30%	Lack of capacity	Capacitation of the LED unit regarding skills and human resources	LED interns were appointed in June 2008, processes towards appointing an LED manager are completed and processes towards appointment of Tourism Development Officer have been initiated
	Provide satisfactory support to SMMEs	Development of Policy	MBIC in place	No of SMME in the system	Establishment of the SMME database	10%	Lack of capacity	Intensification of mobilization of SMMEs to participate	Data is being developed and training needs being assessed
	LED Summit	Facilitate the LED Summit	Pre Summit	Reviewed LED Strategy and establishment of the LED Forum	Development of LED Strategy	20%	Lack of coordination due to lack of capacity	Outsourcing the coordination	Aspire has since taken charge of the coordination and preparations are on track
	Urban Renewal	Facilitate the PSC meetings of BURP	The PSC has been revived	BURP strategy completed	Development of BURP Strategy	100%	Resignation in December 2007 of the Manager	Intensification of the implementation of the projects	Aspire has since been appointed as the implementing agent of the programme
		Facilitate the inclusion of units in the Urban	-	Towns economy regenerated	Source funding from National Treasury.	40%	Lobbying took longer than expected due	Intensification of the implementation	The Mquma LM has been granted a sum of R140 000 000 by National Treasury

KPA	IDP STRATEGY	DEPARTMENTAL ACTIVITY	BASELINE	KEY PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL	REASONS FOR NON-ACHIEVEMENT	CORRECTIVE MEASURES	COMMENTS
		Renewal					to other programmes		under the auspices of NDPG for Gcuwa regeneration
	Capacitation of the LED Unit	Facilitation of strategic partnerships (PPPs)	Increase in the capacity of the LED Unit to discharge its mandate	Informal partnership with Wiphold	Facilitation of strategic partnerships (PPPs)	50%	Regulatory framework is not always clear on the formation of PPPs	Clarification of the Regulatory Framework	Partnerships with Wiphold, seda, IPMP, Hluma NHFC, WSU, ECTB, ECPB etc. on the verge of being formalized
		Facilitate assistance with development of relevant policies and strategies	Availability of regulatory frameworks	Nil	Development of internal controls	40%	This process is taking longer than expected because the Dept. was still positioning itself	Intensification of the process	<ul style="list-style-type: none"> ➤ DBSA-sponsored process and implemented under Siyenza manje Programme and UNDP-sponsored programme and implemented through DHLGTA
		Coordinate training and reskilling of personnel	Efficient personnel	Nil	Training of LED personnel	20%	Still engaged in the processes of recruitment	Expediting recruitment in relevant positions	<ul style="list-style-type: none"> ➤ UNDP sponsored programme ➤ DTI-sponsored programme implemented by Thina Sinako
ENVIRONMENT	To develop capacity of the Municipality to regulate activities that may be harmful to the environment	Facilitate the capacitation of the municipality to regulate environment	Increase in municipal capacity to monitor and regulate environment	Nil	Appointment of a Chief Environmental Officer	20%	Lack of capacity	Lobbying for the appointment of a dedicated person	<ul style="list-style-type: none"> ➤ Workshops targeting the officials have been held with the assistance of ADM Environmental Unit ➤ SEA is approx. 60% completed by the service provider

KPA	IDP STRATEGY	DEPARTMENTAL ACTIVITY	BASELINE	KEY PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL	REASONS FOR NON-ACHIEVEMENT	CORRECTIVE MEASURES	COMMENTS
FORESTRY	Promote optimum use of forestry resources to benefit MLM communities	Facilitate the participation of communities in the Forestry industry	Increased participation	Nil	Facilitate the audit of the forestry.	30%	Interaction with DWAF was poor	Intensification of interactions	PFMCs have been established at kwa-Feni (Ward 29) in Centane and Sokapase in Ngqamakhwe
FISHING	To promote participation of previously disadvantage communities in the local fishing activities	Facilitate to capacitation of the participants		Increase No of participants	Facilitate the issuing of fishing permits	60%	Awaiting regulatory framework from DEAT	Facilitate completion of regulatory framework by DEAT	<ul style="list-style-type: none"> ➤ Mmquma is participating in the national body responsible for the control of fishing activities ➤ 6 CMCs have been established in the catchment areas along the coast ➤ Approx. 600 fishing permits have been issued ➤ 6 fishing monitors have been appointed on an annual contract
MINING	Ensure economic beneficiation of Mmquma through mining	Facilitate the development and regulation of mining activities	% age increase in regulated mining activities	Nil	Facilitate the prospecting of minerals	15%	The process was started late due to lack of personnel	Intensification of coordination	<ul style="list-style-type: none"> ➤ 2 workshops held during the year ➤ Engagement of Nombanjana and Ngcizele communities on prospecting ➤ Participation of Wards 2 & 3 communities in the Sunshine quarry (kwa-Magqudwana)
AGRICULTURE	Ensure agricultural revitalization by 2012	Facilitate development of a	% age participation	Working document		60%	N/A	N/A	The draft strategy has been completed and all is

KPA	IDP STRATEGY	DEPARTMENTAL ACTIVITY	BASELINE	KEY PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL	REASONS FOR NON-ACHIEVEMENT	CORRECTIVE MEASURES	COMMENTS
		comprehensive agricultural strategy	increase in agriculture activities	taking into account ADM agricultural sector plan DOA policy					needed now is approval by Council and workshopping
POVERTY REDUCTION	To reduce poverty by 50% in 2012	Facilitate economic development initiative	Agriculture Programmes	extent of economic development initiative	Development of Agricultural Draft Strategy	10%	Lack of personnel for driving the programme	Intensification of facilitation	Coordination of initiatives by Ruliv., Aspire and Wiphold in pilot projects on high-value crops ongoing
HOUSING DEVELOPMENT	-Facilitate completion of blocked housing subsidy projects by March 2008	Co ordinate and facilitate the Provincial initiatives on blocked projects	All the 953 houses in blocked projects completed		Lobbying of sector departments in the poverty eradication				The function resides since Dec. 2007 with Infrastructure Planning and Development
	-Rectification of poorly built and unfinished houses in Butterworth 282 Housing Project - Facilitate the development of new settlements for low income groups by June 2010	Prepare and submit project applications for top up funding -Co ordinate and facilitate the Siyanda Pilot Project in line with "BNG" principle and "operation thunderstorm" - Facilitate appointment of NHFC as the implementation	Completion of Butterworth 282 Housing Projects - The project has been approved by TET process plan and adopted by Council section departments workshopped - Speeding up Mquma Housing Programmes	Houses completed -3000 families satisfactory housed - Recommendations of the Department for Council to appoint NHFC	Co ordinate and facilitate the Provincial initiatives on blocked projects Completion of Butterworth 282 Housing Projects Co ordinate and facilitate the Siyanda Pilot Project in line with "BNG" principle and "operation thunderstorm"	N/A	N/A	N/A	The Housing Development function was handed over to Infrastructure Planning and Development Directorate in Dec. 2007. At the time the following tasks had been completed:- <ul style="list-style-type: none"> ➤ Forensic investigation and data collection i.r.o project 282 ➤ Approval b Council of appointment of NHFC as an implementing agent both for lowcost and middle income house

KPA	IDP STRATEGY	DEPARTMENTAL ACTIVITY	BASELINE	KEY PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL	REASONS FOR NON-ACHIEVEMENT	CORRECTIVE MEASURES	COMMENTS
	Facilitate Housing development for individuals with income between R3000 and R7000	Facilitate appointment of NHFC as implemented	Housing subsidy programme for people in the stated salary category	158 sites in Butterworth 567 in Centane 97 in Nqamakwe and 75 in Old Pound ready for implementation	Facilitate the appointment of NHFC				
	Development of rural housing scheme	Facilitate rural housing programme	Satisfactory housing for rural communities	-Teko rural housing -Nqamakwe Pilot housing scheme approved	Facilitate rural housing programme				
	Participation in the social housing programme	Feasibility study of social housing in Mngquma	Decision by Council	Nil	Feasibility study of social housing in Mngquma				
LAND USE MANAGEMENT	To facilitate the development and use of land in a coordinated and sustainable manner	Facilitate completion of the SDF, surveys and planning	Comprehensive SDF and proper town and regional planning	-Old SDF exists -GIS exists - Application for funding lodged with DHLGTA	Facilitate completion of the SDF, surveys and planning	30%	Current GIS and SDF not responsive	Updating the GIS and review of ToRs for Service Provider	<ul style="list-style-type: none"> ➤ GIS being updated ➤ The ToRs being reviewed
		Facilitate establishment of LAC's at local level	Operational LAC's at local level	Over acting LAC chaired by Executive Mayor	Facilitate establishment of LAC's at local level	20%	The regulatory framework continues to be confusing	The Land Administration Function has since been placed in the Infrastructure	None

KPA	IDP STRATEGY	DEPARTMENTAL ACTIVITY	BASELINE	KEY PERFORMANCE INDICATOR	ANNUAL TARGET	ACTUAL	REASONS FOR NON-ACHIEVEMENT	CORRECTIVE MEASURES	COMMENTS
								Planning Development Directorate	
	Acquisition of land for development	Facilitate identification of land for development and create a databank negotiate with owners/custodians where necessary	Adequate land available for development	-GIS exists -Negotiations with ECDC -Negotiations with Fingo Regional Authority -MCSA offer to negotiate	Facilitate identification of land for development and create a databank negotiate with owners/custodians where necessary	20%	Negotiations are taking longer than expected	Intensification of negotiations	This function resides now with Infrastructure Planning and Development Directorate
SPU									
Children	Integration and mainstreaming	Develop database of orphans and vulnerable children	No of children integrated	Buddies & Local drug action committee		None	This Unit was more involved in coordination of interventions by other spheres of Govt.		The Unit was relocated to the Office of the Executive Mayor in Dec. 2007
Youth	Integration & mainstreaming	Review of Local youth develop plan	Reviewed youth dev plan	Youth Development Plan			same		same
Gender	Women empowerment	Development of gender policy	Gender policy	Provincial gender policy Framework			same		same
Moral Regeneration	Restoration of values	Development of Moral Regeneration Strategy	Moral Regeneration plan in place	Moral regeneration movement in place			same		same

5.1.2 INTERNAL AUDIT FUNCTION

The MFMA 56 of 2003 and Local Government Systems Act 2000 compel the Municipality to establish independent audit committees as well as an independent internal audit unit. The audit unit is responsible for the oversight of internal controls, financial reporting and compliance of legislation (MFMA), the committee meets quarterly.

The internal audit unit was headed by thee then Mrs MZ Xuma who resigned in >>>>.she reports administratively to the Municipal Manager and functionally to the Audit Committee. The internal Audit unit is understaffed given the work that needs to be performed and responsible to play a role of secretariat to the audit committee.

The audit committee comprises of four members, which are as follows:

Mr H Hoole	(Financial consultant and auditor)
Mr S Dzungwa	(Program Manager) (Business)
Ms Zilwa	(Professional Accountant) (SA)
Miss S Zilwa	(Accountant (Member)

REPORT OF THE CHAIRPERSON OF THE AUDIT COMMITTEE TO THE EXECUTIVE MAYOR FOR THE PERIOD JULY 2007 TO JUNE 2008.

I have pleasure in submitting the second report of the Audit Committee for your attention.

I would appreciate if you would formally table this report in the next council meeting.

Yours faithfully

REPORT OF THE AUDIT COMMITTEE FOR THE PERIOD JULY 2007 TO JUNE 2008

The Audit Committee was established in January 2005.
The members of the committee are:

Mr H Hoole	(Financial consultant and auditor)
Mr S Dzungwa	(Program Manager) (Business)
Ms Zilwa	(Professional Accountant) (SA)

ACTIVITIES AND PROGRESS OF THE AUDIT COMMITTEE TO DATE

The audit committee met on the following dates:

14 November 2007

25 February 2008

Due to the resignation of the Internal Auditor during the year reporting on internal audit findings by the Committee were limited. Instead the Committee was able to attend various meetings with management and councilors primarily to discuss the Council's 2007 Annual Report. This resulted in the Committee being better informed on financial and operational challenges facing Council. Insight was also gained from a review of comments made at meetings where the public was invited to express their concerns, specifically on matters raised in the Annual Report for 2007.

We are pleased to note that a senior appointment is being made to Internal Audit Department.

The following were the key activities performed by the Committee with regards to reports submitted by the Internal Audit Unit during the period under review:

Internal Audit Report: Investigation into financial and operating controls within the Traffic department of Community Services

The main objective of the audit was to determine whether financial and operational controls within the Traffic department were operating satisfactorily.

At a workshop, attended by Community Service staff and the Internal Auditor, action plans were developed to address audit findings. A target date for reviewing the implementation of these plans had been set for December 2007 and January 2008. Comments made by management after the workshop was that there were signs of improved staff moral and more effective communication amongst staff.

Internal Audit Report: Library Section

The objective of the audit was to establish whether the library was being managed efficiently and effectively.

The audit identified that due to a lack of training, internal controls in the library were weak. There was also a lack of supervisory controls.

The report contains specific findings that have been presented to management for their comments.

Internal Audit Report: Review of Telephone usage

The report indicated that there was a general non-compliance with set policies over telephone usage.

Specific weaknesses have been identified in the report and presented to management for their comments.

Report of the Audit Committee on the 2007 Annual Report

The Audit Committee attended meetings of the oversight committee on the following dates:

11 April 2008
11 June 2008

The Audit Committee submitted a detailed report on its findings from a review of the Annual Report. These findings are attached as an annexure to this report.

Comments from the public obtained by management

During the year, management actively engaged the public in meetings where the public were able to express their concerns. The Committee is pleased to note that management are addressing these concerns and in this regard, the Committee envisages that these matters will be incorporated in future audit plans.

Conclusion

The committee looks forward to the appointment of the new Internal Auditor. In this regard, the committee will actively engage in reviewing audit plans and procedures that address management responses to previous Internal Audit Reports, including the reports produced by Internal Audit during the current review period. The committee will also examine audit plans that incorporate procedures that measure the effectiveness of managements' responses to Auditor-General reports on control weaknesses and governance issues. The committee will also follow up with Internal Audit, managements' responses to issues raised at meetings held between the public and management.

On behalf of the Committee I would like to express my sincere appreciation for your support and take this opportunity to assure you of our continued support in adding value to the business of the Municipality and advising Council to the best of our ability.

Compiled By: _____
H.J.HOOLE (Audit Committee Chairperson)

5.1.3 OFFICE OF LEGAL ADVISOR

Council since Sept 2004 to 31-12-2008 recorded 93 cases of which cases :

- a) Council instituted in 2007/8 = 9 cases (excluding evictions)
- b) Total Cases instituted against Council for 2007/8 = 40
- c) Cases to date successfully defended in 2007/8 = 9
- d) Cases still pending in Court = 31
- e) Approximate value of claims instituted by Council = 13 Million rand
(Contracts concluded for roads and bridges not successfully constructed and/or completed)

Council concluded the following agreements (MOU'S) :

- a) Dept of Health
- b) Dept of Transport
- c) Dept of Recreation, Arts and Culture (Libraries)

Council is in the process of negotiations to sign MOU'S with the District Council for:

- a) District waste disposal site and
- b) Disaster management

Council obtained 42 eviction orders against Lessee's who refused to Sign lease agreements with Council whilst occupying Council property.

Council is awaiting the donation Council accepted for buildings from the Dept of Public Works which will be renovated and used as Municipal Offices which donation document was signed by Council.

The Legal Section also dealt with various Legal opinions, transfer of houses to beneficiaries, conclusion of various tender contracts with successful tenderer's and general correspondence including town planning matters of a legal nature. (Total number of files opened in legal section exceeds 300.)

Since 2004 to 31-12-2008 Council has not lost any civil case either instituted by Council or against Council.

Two Disciplinary appeals to the Labour Court is still in Court.

Council has been very successful during the past financial year in Relation to Civil Court cases and the remaining Civil cases will hopefully be finalized during the year.

5.1.4 ANNUAL PERFORMANCE REPORT FOR THE YEAR ENDED 30 JUNE 2008 - EXECUTIVE OFFICE

NAME OF DIRECTORATE/OFFICE: EXECUTIVE OFFICE								
PERIOD OF REVIEW: FOR THE YEAR ENDED 30 JUNE 2008								
KPA (From IDP)	IDP STRATEGY (From IDP)	DIRECTORATE / OFFICE ACTIVITY (from Scorecard)	MEASURE / STANDARD (What was the expected outcome during this quarter?)	ACHIEVEMENT (What have you actually achieved / done?)	Annual Target	SCORE (What is the %)	COMMENTS ON ACHIEVEMENT / SCORE (Provide reasoning for the score)	AGREED ACTION & TIME FRAME (What is your plan for the next quarter?)
Financial Viability	Review and implement financial policies and municipal bylaws.	Facilitate the outreach programs of the Executive Mayor and Speaker	To have at least three meetings with the communities sitting	Had many meetings with communities dealing with service delivery in general	Fully implem ent the credit control policy	100 %	Worked with all directorates in ensuring that the outreach program of the Executive Office is implemented	Report back meetings scheduled to take place before the end of July 2008
		Facilitate the gazetting of the bylaws	To facilitate the publication of the bylaws by the government printers	Corporate services reports to the Executive Mayor on developments constantly	Gazzetti ng of by-laws	100 %	The bylaws were submitted to the Government Printers in Pretoria and due to the amount of printing there the process of gazetting would be finalized at the end of July 2008	Follow ups are being done
	Leverage of local, provincial, national and international	Facilitate the establishment of partnerships for service delivery	Identify potential partners for service delivery and submit	Wrote letters to provincial government in a quest to get	Engage in partners hips	100 %	The municipality is in working with WSU as its partner to service delivery;	Ensure that the relations with the strategic

NAME OF DIRECTORATE/OFFICE: EXECUTIVE OFFICE								
PERIOD OF REVIEW: FOR THE YEAR ENDED 30 JUNE 2008								
KPA (From IDP)	IDP STRATEGY (From IDP)	DIRECTORATE / OFFICE ACTIVITY (from Scorecard)	MEASURE / STANDARD (What was the expected outcome during this quarter?)	ACHIEVEMENT (What have you actually achieved / done?)	Annual Target	SCORE (What is the %)	COMMENTS ON ACHIEVEMENT / SCORE (Provide reasoning for the score)	AGREED ACTION & TIME FRAME (What is your plan for the next quarter?)
	resources		requests for service delivery partnerships	resources Facilitated the implementation of the MOU with the WSU Facilitated the partnerships with DBSA and the implementation of approved projects for service delivery enhancement There is also an established partnership with ILIMA, which is part of the WHIPHOLD for assistance in issues of revenue enhancement			There are also projects by DBSA on revenue enhancement and municipal study that are aimed at soliciting more resources for the municipality The ILIMA team is also working with the municipality as its partner in service delivery	partners are maintained and continue establishing other partnerships for service delivery

NAME OF DIRECTORATE/OFFICE: EXECUTIVE OFFICE								
PERIOD OF REVIEW: FOR THE YEAR ENDED 30 JUNE 2008								
KPA (From IDP)	IDP STRATEGY (From IDP)	DIRECTORATE / OFFICE ACTIVITY (from Scorecard)	MEASURE / STANDARD (What was the expected outcome during this quarter?)	ACHIEVEMENT (What have you actually achieved / done?)	Annual Target	SCORE (What is the %)	COMMENTS ON ACHIEVEMENT / SCORE (Provide reasoning for the score)	AGREED ACTION & TIME FRAME (What is your plan for the next quarter?)
				and human resources				
Good Corporate governance	Compliance with legislation and financial reporting 100% Safeguarding of assets and risk management	Facilitate the management of risk for the municipality	Establish the risk management committee and develop terms of reference	The Risk Management Committee has been established and the terms of reference developed Risks have been identified by directorates and a draft risk register has been developed	Establis hment of the risk committ ee	100 %	Even though the Internal Auditor, whose responsibility is to coordinate the issues of risk management, has not been replaced, there has been quite a lot of improvement in the area and what was set to be achieved was actually achieved	A risk assessment workshop due to take place during the quarter ending September 2008
	Economic use of resources	Use the resources of the municipality effectively and economically	Maintain telephone registers to limit abuse of telephone resources	Not done	Manage ment of econom ic resourc es	0 %		Will monitor it monthly and report in the next cluster meeting
Performance Management	Continuous performance assessment	Manage performance of the office	Ensure that accountability agreements and	Not done	Implem entation of the	0 %	There was a challenge in terms of understanding	In a process of developing them for the

NAME OF DIRECTORATE/OFFICE: EXECUTIVE OFFICE								
PERIOD OF REVIEW: FOR THE YEAR ENDED 30 JUNE 2008								
KPA (From IDP)	IDP STRATEGY (From IDP)	DIRECTORATE / OFFICE ACTIVITY (from Scorecard)	MEASURE / STANDARD (What was the expected outcome during this quarter?)	ACHIEVEMENT (What have you actually achieved / done?)	Annual Target	SCORE (What is the %)	COMMENTS ON ACHIEVEMENT / SCORE (Provide reasoning for the score)	AGREED ACTION & TIME FRAME (What is your plan for the next quarter?)
	reviews (PMS)		performance promises		Perform ance Manage ment System Framew ork		the tools and the Corporate Services Directorate had since organised a workshop and implementation will be done and monitored in the next financial year	new financial year
			Workshop the Performance Management System Framework	Presented the PMS framework at Msobomvu to staff and councilors of the mayoral committee	Work- shoppin g of the framew ork	100 %	The PMS framework was work-shopped to all stakeholders and the process is still continuing	IDP office has scheduled a workshop for councilors
Good corporate governance	Establish strategic partnerships for service delivery	Establishment of partnerships		Facilitated the implementation of the MOU with the WSU Facilitated the partnerships with DBSA and the implementation of approved	Establis hment of partners hips	100 %	The municipality is in working with WSU as its partner to service delivery; There are also projects by DBSA on revenue enhancement and municipal study that are aimed at	Ensure that the relations with the strategic partners are maintained and continue establishing other partnerships for service

NAME OF DIRECTORATE/OFFICE: EXECUTIVE OFFICE								
PERIOD OF REVIEW: FOR THE YEAR ENDED 30 JUNE 2008								
KPA (From IDP)	IDP STRATEGY (From IDP)	DIRECTORATE / OFFICE ACTIVITY (from Scorecard)	MEASURE / STANDARD (What was the expected outcome during this quarter?)	ACHIEVEMENT (What have you actually achieved / done?)	Annual Target	SCORE (What is the %)	COMMENTS ON ACHIEVEMENT / SCORE (Provide reasoning for the score)	AGREED ACTION & TIME FRAME (What is your plan for the next quarter?)
				<p>projects for service delivery enhancement</p> <p>There is also an established partnership with ILIMA, which is part of the WHIPHOLD for assistance in issues of revenue enhancement and human resources</p>			<p>soliciting more resources for the municipality</p> <p>The ILIMA team is also working with the municipality as its partner in service delivery</p>	delivery
	Improve inter-governmental relations	Facilitate the establishment of the IGR and sittings thereof	Monitor the functioning of the IGR Forum	Organized the meetings of the and IGR meeting did seat at Msobomvu Hall	Establishment of Inter-governmental relations forum	100 %	All attempts are being made by the municipality to ensure that this structure functions but there are various challenges that not only affect the municipality but the entire country	Develop strategies for ensuring that the IGR Forum is functioning in line with the with the Act

NAME OF DIRECTORATE/OFFICE: EXECUTIVE OFFICE								
PERIOD OF REVIEW: FOR THE YEAR ENDED 30 JUNE 2008								
KPA (From IDP)	IDP STRATEGY (From IDP)	DIRECTORATE / OFFICE ACTIVITY (from Scorecard)	MEASURE / STANDARD (What was the expected outcome during this quarter?)	ACHIEVEMENT (What have you actually achieved / done?)	Annual Target	SCORE (What is the %)	COMMENTS ON ACHIEVEMENT / SCORE (Provide reasoning for the score)	AGREED ACTION & TIME FRAME (What is your plan for the next quarter?)
							Intervention has been sought from DPLG and waiting for response	
Integrated Development Planning	Review IDP in line with legislative requirements	Facilitate the reviewal of the IDP in line with applicable legislation	To ensure that the Integrated Development Planning Process is effective and that the IDP is reviewed in line with the applicable legislation	Done	Reviewal of the IDP	100 %	The IDP processes were carried out in line with the process plan and the compliance targets were met	To start the process of reviewal in line with the applicable legislation
Research capacity	Develop knowledge base and improve research capacity	Establish the research unit and ensure that it properly functions	Development of the Research Plan Contribution towards the implementation of the MOU with WSU Improve statistical data for IDP processes	<ul style="list-style-type: none"> The Research plan has been developed and circulated to all role players for comments and is being implemente d 	Establis hment of the researc h unit	100 %	The research unit is functioning well and all targets set are being met	To continue with implementatio n of the research plan and report on progress

NAME OF DIRECTORATE/OFFICE: EXECUTIVE OFFICE								
PERIOD OF REVIEW: FOR THE YEAR ENDED 30 JUNE 2008								
KPA (From IDP)	IDP STRATEGY (From IDP)	DIRECTORATE / OFFICE ACTIVITY (from Scorecard)	MEASURE / STANDARD (What was the expected outcome during this quarter?)	ACHIEVEMENT (What have you actually achieved / done?)	Annual Target	SCORE (What is the %)	COMMENTS ON ACHIEVEMENT / SCORE (Provide reasoning for the score)	AGREED ACTION & TIME FRAME (What is your plan for the next quarter?)
				<ul style="list-style-type: none"> Worked with the WSU in identifying the Research areas for assistance Situational analysis in relation to educational facilities has been done and forms part of the IDP 				
Special programs	Develop and implement a comprehensive SPU strategy	Develop Special Programs Unit Strategy	Develop a strategy to deal with special programs of the municipality	Special Program Unit strategy not done	Development of the strategy	0 %	A lot of activities have been done and are continuing to be done in respect of the Special Programs. The Sporting activities are	Will hire service provider to develop the strategy
Communication	Develop and	Develop and	Facilitate the	An business	Develop	50 %	Even though the	To begin the

NAME OF DIRECTORATE/OFFICE: EXECUTIVE OFFICE								
PERIOD OF REVIEW: FOR THE YEAR ENDED 30 JUNE 2008								
KPA (From IDP)	IDP STRATEGY (From IDP)	DIRECTORATE / OFFICE ACTIVITY (from Scorecard)	MEASURE / STANDARD (What was the expected outcome during this quarter?)	ACHIEVEMENT (What have you actually achieved / done?)	Annual Target	SCORE (What is the %)	COMMENTS ON ACHIEVEMENT / SCORE (Provide reasoning for the score)	AGREED ACTION & TIME FRAME (What is your plan for the next quarter?)
	implement marketing and communication strategy	implement marketing and communication strategy	development of a comprehensive strategy for marketing and communication	<p>plan developed and submitted to DBSA around the formulation of a strategy</p> <p>Established partnerships with Khanya Community Radio Station to market the municipality and communicate with the communities sharing information on issues of service delivery</p> <p>Use of the internal newsletter to share information with the communities</p>	ment of communication strategy		actually strategy document has not been produced, the municipality has done a lot in term of communication through the internal newsletter and the community radio station	process of producing the strategy with the assistance of the Amathole District Municipality

NAME OF DIRECTORATE/OFFICE: EXECUTIVE OFFICE								
PERIOD OF REVIEW: FOR THE YEAR ENDED 30 JUNE 2008								
KPA (From IDP)	IDP STRATEGY (From IDP)	DIRECTORATE / OFFICE ACTIVITY (from Scorecard)	MEASURE / STANDARD (What was the expected outcome during this quarter?)	ACHIEVEMENT (What have you actually achieved / done?)	Annual Target	SCORE (What is the %)	COMMENTS ON ACHIEVEMENT / SCORE (Provide reasoning for the score)	AGREED ACTION & TIME FRAME (What is your plan for the next quarter?)
				Facilitated the appointment of the Municipal Relations Manager to deal with issues of communication, international relations and inter-municipal, inter-governmental relations				

5.3 BUDGET AND TREASURY OFFICE

The Directorate consist of the following:

Budget and financial reporting
Expenditure and salaries
Supply chain management unit
Revenue and debt management

MFMA act 56 of 2003 compels the municipality to establish Budget and Treasury office in which the main role is to administer the financial affairs of the Municipalities.

Staff component is as follows:

Director	1
Secretary	1
Budget and Financial reporting	3
Expenditure and Salaries	9
Supply chain management	3
Revenue and debt management	7
Finance management grant interns	3
Vacant	

Budget and Financial Reporting

Core function of this section is the coordination and compilation of MTREF budget as prescribed in Chapter 4 of the MFMA. The budget has to comply with National Treasury guidelines (circular).

The section is also responsible for financial reporting, management of investments and loans, compilation of annual financial statements and cash flows and management of projects expenditure as prescribed in chapter 8.

Expenditure and Salaries

The section is responsible for the timeous payments of municipal creditors as prescribed in chapter 8 of the MFMA.

It is responsible for the administration of payroll for permanent staff, temporal staff, and councillors. Issuing of IRP5 certificates and reconciliation of expenditure votes.

The section is also responsible for stores, which is for acquisition, safekeeping and issuing of stores items, recording redundant and absolute stock and report to council. Stores section has since moved to supply chain management and the payroll section has also moved to the Expenditure section in January 2008.

Supply Chain Management

The section has since been transferred to Budget and Treasury in December 2008. The section is one of the sections regulated by MFMA 56 of 2003 chapter 11. The section is responsible for procurement of goods and services of the Municipality through Supply Chain Management policy adopted by council.

Revenue and Debt Management

The revenue and debt management is prescribed in chapter 8 of the MFMA 56 Of 2003. the revenue of the municipality is derived from rates and refuse removal, rental, traffic fines, income from drivers licenses and permits(traffic income) and other services like selling burial sites, parking meter commission.

There about 10 000 consumers that are receiving monthly municipal accounts.

Below is monthly billing vs income received on Rates

Months	Billing	Payments Received	%
Jul-07	3,794,595	364,633	9.6
Aug-07	1,432,503	536,752	37.5
Sep-07	1,419,865	4,602,788	324.2
Oct-07	1,395,494	1,108,092	79.4
Nov-07	1,404,282	201,625	14.4
Dec-07	1,404,741	1,789,432	127.4
Jan-08	1,407,372	225,749	16.0
Feb-08	1,431,111	260,960	18.2
Mar-08	1,433,779	2,202,895	153.6
Apr-08	1,458,876	200,663	13.8
May-08	1,458,988	177,681	12.2
Jun-08	1,462,805	380,661	26.0
TOTAL	19,504,410	12,051,931	7,452,479

Below is monthly billing vs income received on Refuse Removal

Months	Billing	Payment Received	Payments Rate
Jul-07	339,474	92,472	27.2

Months	Billing	Payment Received	Payments Rate
Aug-07	341,786	108,664	31.8
Sep-07	342,980	33,543	9.8
Oct-07	343,242	110,973	32.3
Nov-07	343,581	61,566	17.9
Dec-07	343,619	48,919	14.2
Jan-08	343,669	47,243	13.7
Feb-08	343,895	74,878	21.8
Mar-08	343,933	114,677	33.3
Apr-08	344,084	83,749	24.3
May-08	344,096	74,722	21.7
Jun-08	344,435	100,376	29.1
TOTAL	4,118,794	951,782	3,167,012

Below is monthly billing vs income received on Rental

Months	Billing	Payment Received	Payments Rate
Jul-07	298,054	81,128	27.2
Aug-07	296,473	6,493	2.2
Sep-07	293,934	39,489	13.4
Oct-07	292,752	39,783	13.6
Nov-07	291,588	36,482	12.5
Dec-07	291,426	42,505	14.6
Jan-08	288,196	21,716	7.5
Feb-08	293,310	4,494	1.5
Mar-08	291,575	92,678	31.8
Apr-08	287,376	51,729	18.0
May-08	287,215	23,856	8.3
Jun-08	287,053	49,688	17.3
TOTAL	3,498,951	490,041	3,008,910

Below is monthly billing vs income received on Traffic Income and Fines

Months	Billing	Payment Received	Payments Rate
Jul-07	156,333	126,099	0.81
Aug-07	156,333	128,896	0.82
Sep-07	156,333	52,678	0.34
Oct-07	156,333	55,823	0.36
Nov-07	156,333	71,685	0.46
Dec-07	156,333	44,541	0.28
Jan-08	156,333	68,715	0.44
Feb-08	156,333	100,209	0.64
Mar-08	156,333	96,123	0.61
Apr-08	156,333	152,519	0.98
May-08	156,333	153,886	0.98

Months	Billing	Payment	Payments
		Received	Rate
Jun-08	156,333	164,072	1.05
TOTAL	1,876,000	1,215,246	0.65

5.3.1 ANNUAL PERFORMANCE REPORT FOR THE YEAR 30 JUNE 2008-BUDGET AND TREASURY

		NAME OF DIRECTORATE/OFFICE: BUDGET AND TREASURY OFFICE						
		PERIOD OF REVIEW:FOR THE YEAR ENDED 30 JUNE 2008						
KPA (From IDP)	IDP STRATEGY (From IDP)	DIRECTORATE ACTIVITY (from Scorecard)	MEASUREMENT SOURCE	ANNUAL TARGETS	ACHIEVEMENT	SCORE (What is the %)	COMMENTS ON ACHIEVEMENT / SCORE (Provide reasoning for the score)	AGREED ACTION & TIME FRAME
Financial Viability	Review and implement financial policies and municipal bylaws	Review and implement financial policies	Implementation & monitoring	Developed ,workshoped,adopted and implemented BTO Policies	<p>Asset policy is being implemented-disposal of assets, transfer forms are being used and budget for depreciation for the coming year has been done.</p> <p>Credit control-final letters of demand have been issued for defaulters. Reports from consumers handed over and the undertakings made by them .Debt investigation is being done, about R 8m to be written off as irrecoverable. Second phase is to write off the debt that has been prescribed and the indigent .it is an ongoing process.</p> <p>Tariff –policy is used to determine tariffs during the budget process.</p> <p>Budget policy –implemented during preparation process and through out the year.</p> <p>Calculation for bad debt-will be used at the end of the financial year.</p> <p>Provision for write off-calculation and verification of the debt is being done to select the write off's.</p>	75%	Policies developed are being implemented and understanding of each policy has been discussed at the BTO strategic plan that gives a better understanding on planning for the next financial year.	Continuous implementation of policies by developing action plan for each po

		NAME OF DIRECTORATE/OFFICE: BUDGET AND TREASURY OFFICE						
		PERIOD OF REVIEW:FOR THE YEAR ENDED 30 JUNE 2008						
KPA (From IDP)	IDP STRATEGY (From IDP)	DIRECTORATE ACTIVITY (from Scorecard)	MEASUREMENT SOURCE	ANNUAL TARGETS	ACHIEVEMENT	SCORE (What is the %)	COMMENTS ON ACHIEVEMENT / SCORE (Provide reasoning for the score)	AGREED ACTION & TIME FRAME
					Indigent policy-beneficiaries have been registered and have started benefiting.			
	Broadening of revenue base	Monitor the implementation of the reviewed tariff structure	Increased Revenue by R487 590	Met Quarterly Targets of increasing revenue by R485 590 and final increase annually to be R 1 9503 60.Awareness campaigns conducted for revenue enhancement. Capitalisation of debt for the intention of investigating the authenticity. Data Cleansing exercise. Appointment of foot soldiers for implementation of credit control policy.	Total collection on rates and services is R 17 038 181.00 that gives the under collection of R 1000 000.00 which is expected in July 2008 which was caused by reconciliation between ECDC and the municipality not agreeing with the account .The total collection that was expected was R 18 203 360.00,once the accrued is income received it will be reported as such. On the year under review the municipality noted that collection on rates has increased by R 3.6 million excluding the invoice billed to ECDC, refuse removal increased by R 287 000.00, a decrease on house rental is as a result of files handed over to the attorneys where consumers are making undertakings to the attorneys. An increase in the last quarter on traffic fines has also been noted.	50%	The score looks at what was budgeted and confirm more than 50% has been collected	It is envisage that collection will be more than what is collected in the current year
Corporate governance	Compliance with legislation and financial reporting 100%	Adhere to the requirements of relevant legislation	Meet targets in the compliance checklist and report thereon	1. Submission of S71 report to Province by 10 th of every month. Submission of grant funding report to funders. Submission of monthly report to executive mayor. Submission of quarterly	S71 Monthly reports are submitted on the 10 th of every month. S72 report was submitted on time S121 Annual report was considered by council on time. S 127 Establishment of oversight committee to look at the annual report.	80%	It refers to what BTO relates in terms compliance other 20% that we couldn't achieve is because of the capacity and we are currently addressing that.	Full compliance is on planning on areas that we were not complying with. e.g. full grap

		NAME OF DIRECTORATE/OFFICE: BUDGET AND TREASURY OFFICE						
		PERIOD OF REVIEW:FOR THE YEAR ENDED 30 JUNE 2008						
KPA (From IDP)	IDP STRATEGY (From IDP)	DIRECTORATE ACTIVITY (from Scorecard)	MEASUREMENT SOURCE	ANNUAL TARGETS	ACHIEVEMENT	SCORE (What is the %)	COMMENTS ON ACHIEVEMENT / SCORE (Provide reasoning for the score)	AGREED ACTION & TIME FRAME
				reports as per s52 of the MFMA. Budget process by August 2007.draft budget March 2008.final MTREF budget in a required format to council in May 2008.Annual report for the Municipality 2006-2007 to be submitted to council seven months after the financial year end. Annual Financial Statements to be submitted AG by 31 August 2008.	DORA Grant funding reports are submitted monthly. S16 Draft budget has been developed and adopted on time. S72 Budget adjustment was tabled to council on time. Disposal of assets has been done according to the act. S52 reports are prepared and submitted on time			
	Safeguarding of assets and risk management	Monitor municipal assets and reduce risk in management thereof	Monitor the implementation of the system	Asset management system in place	Asset Policy is being implemented. Assets for the current year are being captured in the system. Second phase of disposal for assets that are no longer adding value will be disposed. Claims of insurance have been done with success.	75%	All asset that are on register are captured and with additions.	Plan is to maintain all assets within the municipality to ensure that they kept on good and Condition.
	Continuous performance assessment reviews (PMS)	Develop and implement the accountability agreements and performance promises	Accountability agreements & performance promises developed and implemented	Submission of AA's and PP's to Corporate Services	Implementation of accountability agreements is being done. Section heads are currently reviewing performance of each staff member on things that were supposed to be done is they are done according to AA's and PP's.	95%	All twelve AA's and PP's for BTO were done and submitted to HR.	Strategic planning for BTO came with new tasks to be done and they are incorporated to AA's and PP's.

		NAME OF DIRECTORATE/OFFICE: BUDGET AND TREASURY OFFICE						
		PERIOD OF REVIEW: FOR THE YEAR ENDED 30 JUNE 2008						
KPA (From IDP)	IDP STRATEGY (From IDP)	DIRECTORATE ACTIVITY (from Scorecard)	MEASUREMENT SOURCE	ANNUAL TARGETS	ACHIEVEMENT	SCORE (What is the %)	COMMENTS ON ACHIEVEMENT / SCORE (Provide reasoning for the score)	AGREED ACTION & TIME FRAME
Municipal administration	Resuscitate Batho Pele campaign vigorously (Customer Care / etiquettes)	Facilitate the capacitation of the BTO frontline personnel	At least one capacity building initiative conducted in the area of customer care.	Conduct Customer Care workshop for BTO frontline personnel	Customer care workshop was conducted to the Budget and Treasury staff in the second quarter. change management was also conducted on the 18-20 June 2008.	100%	Customer care workshop was conducted and change management was conducted and it was also dealing with customers and how to handle them in the workplace	Continues monitoring on the workshop results on how to handle customers.
	Ensure efficiency of council processes and systems	Submit reports on time in preparation for council and committee meetings	Meet set targets in submitting council and committee reports.	Participate in 4 cluster Meetings	Reports for council processes are submitted on time.	100%		Register to be developed to monitor the submission.
	Optimization and capacitating of resources i.e. systems and personnel	Facilitate capacity building initiatives in the area of financial system for all staff	At least one capacity building initiative undertaken.	Identify trainings needs for BTO Staff	Although it is a continuous process the issue of training, Sebata is conducting last broad training to personnel and exit strategy is to ensure every body is trained and by the 1 st September the whole components will be linked into a general ledger.	75%	Number of items that system could not do.	1 st September system must be linked and SLA must be signed between Mquma and Sebata.
Public Participation	Develop and implement community participation strategy	Contribute to the community outreach programmes as a contribution to financial turnaround	At least one meeting will be held in the relevant wards.	4 meetings held in wards to encourage consumers to pay rates and taxes	Ngqamakwe workshop took place on the 15 th of May 2008 and also road shows were conducted to all wards.	100%	All planned meetings took place	Continuous outreach programmes are planned to reach out to the community.
Integrated Development Planning	Review IDP in line with legislative	Contribute in the IDP review process	At least one cluster	Report in 4 cluster meetings per year	Meetings are held quarterly.	100%		

		NAME OF DIRECTORATE/OFFICE: BUDGET AND TREASURY OFFICE						
		PERIOD OF REVIEW:FOR THE YEAR ENDED 30 JUNE 2008						
KPA (From IDP)	IDP STRATEGY (From IDP)	DIRECTORATE ACTIVITY (from Scorecard)	MEASUREMENT SOURCE	ANNUAL TARGETS	ACHIEVEMENT	SCORE (What is the %)	COMMENTS ON ACHIEVEMENT / SCORE (Provide reasoning for the score)	AGREED ACTION & TIME FRAME
	requirements		meeting held per quarter					

5.4 INFRASTRUCTURAL DEVELOPMENT AND PLANNING

The Directorate is one of the biggest in the municipality. The core responsibility of the directorate is the provision of basic services and infrastructure to the community.

It consists of four units being Roads and Public works, Electricity, Workshop, and Building.

Roads and Public works

It mainly deals with access roads, storm water, open drainage system, pavement management and kerb laying and maintenance thereof in terms of its powers and functions.

Building

This Section deals with the scouting of building plans and regulations thereof. It also deals with the implementation of building legislation and regulations including preventing and controlling erection of illegal structures and billboards. It is also responsible for the repairs and maintenance of municipal properties.

47 building plans were approved and the value of the building plans amounted to R 8 965 961.00. illegal structures within Mngquma are 27 and the municipality has approved 01 bill board.

Mechanical Workshop

This Section deals with repairs and maintenance and licensing of the Municipal Fleet.

68 municipal vehicles have been licensed with a cost R 59 389.60 and 52 vehicles have been serviced with a cost of R 270 238.15

Electrical

This is a shared function between Eskom and Mngquma Local Municipality in that Mngquma deals with the construction and maintenance of street lights, high mast lights, robots and council properties whereas Eskom deals with the power distribution to all Mngquma areas.

Below is the table indicating maintenance in terms of electricity

Number of sets of robots maintained	04
Number of street lights maintained in Mngquma	04
Number of High mast lights maintained	20

Functionality of Street lights	40 %
Functionality of robots	90 %

5.4.1 INFRASTRUCTURAL DEVELOPMENT AND PLANNING ANNUAL PERFORMANCE REPORT 30 JUNE 2008

INFRASTRUCTURAL DEVELOPMENT AND PLANNING ANNUAL PERFORMANCE REPORT 30 JUNE 2008

KPA	Cluster objective	Cluster activity	Baseline	Annual Target	Actual Achieved	Reason for non achievement	Corrective measure	New target date	Custodian
Road & Transport	To ensure adequate transportation system for the efficient movement of goods and people by 2012	Identify areas that need construction, maintenance and upgrading of access roads. Development of Mquma Integrated Transport Plan.	Transport plan developed by ADM is Available.	Sort Council resolution approving the plan	Integrated Transport Plan has been localized from the draft ADM ITP and has been included in the IDP	ADM has not been finalized yet	Once ADM ITP has been finalized, it will be presented to the Mquma Council.	First quarter of 2008/09	Hod/Director
	Facilitate the development of a road maintenance plan.	Facilitate the development of a road maintenance plan.	0%	Facilitate the development of a road maintenance plan.	Available data have not yet been converted into plan. Data have been compiled by Consultant but has not yet been	It has since been realized by our cluster that, in order to develop road maintenance plan it is	<u>ROAD PATH IN MEETING DEVELOPMENT GOALS:</u> DPLG conducted	Shifted to 2011 IDP targets on the bases set by	Hod/Director

KPA	Cluster objective	Cluster activity	Baseline	Annual Target	Actual Achieved	Reason for non achievement	Corrective measure	New target date	Custodian
					developed into a local plan. (100%)	required that backlog studies be done first for both of our Rural & Urban roads.	<p>training to municipalities on the development of Comprehensive Infrastructure Plans (CIP). The CIP is a broader concept that integrates all infrastructure plans of the entire municipality and sphere of the government to meet the basic service delivery targets.</p> <p>The above CIP is being implemented in Municipal planning framework in over 3 annual cycles (2008-2011) and each cycle will consist of phases.</p>	national government discussed under column for corrective measure.	

KPA	Cluster objective	Cluster activity	Baseline	Annual Target	Actual Achieved	Reason for non achievement	Corrective measure	New target date	Custodian
							<p><u>First Level :</u></p> <p>Phase1: (April-May 2008) creating a common reference framework among key stakeholders.</p> <p><u>Phase 2:</u></p> <p>(Completed by August 2008) focuses on Demographic information; Housing needs; Water and Sanitation Institutional arrangements(capacity needs)</p> <p><u>Second level:</u></p> <p>Phase 3: (Completed by May 2009) Institutionaliz</p>		

KPA	Cluster objective	Cluster activity	Baseline	Annual Target	Actual Achieved	Reason for non achievement	Corrective measure	New target date	Custodian
							<p>e infrastructure planning processes, best practices and shared service model for sustainable infrastructure delivery.</p> <p><u>Phase 4:</u></p> <p>(Completed by May 2009) Launch comprehensive support programs based on detailed investigations, considering the most optimal institutional arrangements for service delivery per municipality. Note that phase 1&2 collectively constitute</p>		

KPA	Cluster objective	Cluster activity	Baseline	Annual Target	Actual Achieved	Reason for non achievement	Corrective measure	New target date	Custodian
							the first high level of the CIP and phase 3&4 collectively constitute the second level of CIP implementation		
		Source funds for road infrastructure.	MIG R18m	100%	70% of the MIG money has been spent to date	Constrained by lack of registered projects	We are busy registering more projects so that the expenditure problem is resolved	September 2008	Hod/Director
Building control	Efficient implementation of building control function regulations.	Development of mechanism to publicize regulations and address backlog in building control Development of mechanism to publicize regulations and address backlog in building control.	Register approved building exist	5%	-80% - We are also in the process of developing manuals with ADM and we also have agreed in our departmental meeting that we must develop our own manuals.	N/A	Draft building control policy have been completed but need to be workshopped before being taken to council for its approval	08/09 financial year	Hod/Director
	Maintenance of Municipal Buildings.	Development of a building maintenance	0%	Development & Implementatio	-80% - Sectional plan by maintenance	N/A	N/A	N/A	Hod/Director

KPA	Cluster objective	Cluster activity	Baseline	Annual Target	Actual Achieved	Reason for non achievement	Corrective measure	New target date	Custodian
		plan		n of plan	section is available.				
Mechanical workshop	Improve maintenance of our mechanical workshop.	Improve maintenance of our mechanical workshop.	0%	Implementation of the plan.	30%	We have not yet been able to implement plan drawn by Mechanical Workshop due to uncertainty about its future.	It is not possible to re plan for maintenance workshop at the moment as there are studies to restructure or close it and consider other ways of managing our fleet.		Hod/Director

HOUSING DEVELOPMENT	Facilitate completion of blocked housing projects by March 2008	Co-ordinate & facilitate provincial initiatives	Process already initiated	Business plans implemented	Business plans developed and are being implemented	The blocked projects are being taken over by DHLGTA	N/A	2008/09	Hod/Director
	Rectification of poorly and unfinished house in Butterworth 282 housing project by March 2008	Prepare and submit applications for top up funding	NHBRC appointed for a rectification programme	Applications and motivation prepared	Applications submitted to TET for consideration	N/A	Target dates to be re-aligned	2008/09	Hod/Director
	Facilitate the development of new settlements for low income group by 2010	Coordinate and facilitate the Siyanda pilot project in line with "BNG" principle and "operation thunderstorm"	Project and business plan approved by TET. Process plan "adopted by council sector depts. Workshopped or "BNG" principle	Facilitate the completion of the current negotiations with ECDC and MCSA for more land	The negotiations with ECDC are ongoing. Negotiations with MCSA have been initiated. Negotiations with traditional leaders of the surrounding areas have been initiated	The process is taking longer because of bureaucracy	Intensification of negotiations	2008/09	Hod/Director
		Facilitate appointment of NHFC as the implementing agent	Nil	Recommendations made to council to approve NHFC	Council has approved the appointment of NHFC (100%)	N/A	N/A	N/A	Hod/Director
	Facilitate housing development for individual with income between R3000 and R7000per month	Facilitate appointment of NHFC as an implementing agent	Housing subsidy programs for people in the stated category	Recommendations made to council to appoint NHFC	Council has approved the appointment of NHFC (100%)	N/A	N/A	N/A	Hod/Director
	Development of rural housing	Facilitate rural housing	Teko rural housing	Audit of all rural housing	Council has approved the	It took longer to get council	Expect the approval of	2008/09	Hod/Director

	scheme	program	and Ngqamakwe pilot housing schemes approved	programme	extension of the validation process by Decon SA. The process has started	approval.	applications.		
	Participation in the social housing program	Feasibility study on social housing needs in Mngquma	Nil	Collection of data (BCM & ADM)	Feasibility study conducted	Mngquma has been selected by ADM as a pilot site. The whole program now resides at ADM and the directorate will play a facilitating role	Close cooperation with ADM in implementation of the social housing pilot project.	2008/09	Hod/Director
	Capacitation of local SMMEs	Develop a training program for contractor and material producers -Get SMME's organized -Develop SMME's friendly procurement procedures	Availability of small builders	Audit of SMMEs training needs	Training needs identified with the assistance of CIDB & NURCHA in first meeting held with local contractors but procurement procedures not yet developed	Time constraints and capacity to develop the procurement policy and procedures.	Speed up development of procurement procedure favouring local SMMEs	2008/09	Hod/Director
	Capacitation of local housing development unit	Facilitate review of the municipal organogram to accommodate more personnel	Relevant posts have been included in the organogram	Facilitate approval of organogram by council	Organogram approved by council	N/A	Re identification of critical posts to increase personnel	2008/09	Hod /Director
LAND ADMIN	To facilitate the development and use of land in a coordinated and sustainable manner	Facilitate SDF reviewal, survey and planning	-Old SDF exists -GIS exists - Butterworth Town	Appoint Service Providers	Nzelenzele Preston & Medcalf Inc has been appointed for the SDF Review	N/A	N/A	2 nd Quarter	Hod /Director

			Planning Scheme in draft form						
		Facilitate establishment of LACs at the local level	Over arching LAC chaired by Executive Mayor	Workshop the stakeholders on Communal Land Rights Act (CLaRA)	Workshops done only to councilors and Centane community	Implementation of CLaRA still put on hold by DLA	Approach DLA to advise when CLaRA is to be implemented	2008/09	Hod /Director
	Requisition of more land for development	Identification of land for development. -Negotiate with owners/custodians where necessary	Intensify processes of negotiations	-Completion of negotiations with ECDC, FRA and MCSA -Completion of the audit of available land for development	The audit of available land completed. Negotiations with ECDC and Amazizi T/A are ongoing - meeting with MCSA still needed	Negotiations with Mission and Zazulwana did not yield positive results – Ownership of MCSA land verified	To seek assistance from DLA for land release by the neighbouring communities	2008/09	Hod/Director

5.5 COMMUNITY SERVICES

This is another department that is responsible for service delivery within the municipality. The directorate has 6 Departments being Cleansing, Security, Emergency Services, Health Services, law enforcement and traffic and registration authority services.

Law Enforcement

The law enforcement unit is responsible for:

The law enforcement unit is responsible for:

- Manning of roadblocks to determine vehicle roadworthiness and alcohol abuse
- Issue Spot Fines for Traffic violations
- Execution of warrants of arrest
- Setting up of speed measuring
- General patrols
- Conducting of Point duties
- Attending court cases at the registered magistrate's offices
- Attending road accidents and direct traffic flow
- Attending seminars relating to traffic safety
- Demarcating of Loading Zones and installation of traffic signs
- Conducts learner driving tests and issue learner licenses

During 2007/2008 financial year the Law Enforcement Unit became visible by servicing the above functions and that has contributed immensely in revenue collection. This section has been beefed with ten traffic wardens, four traffic officers and two senior traffic officers.

The non-existence of municipal Vehicle Testing Centre (VTC) and suspension of DLTC (Driver's License Testing Centre) due to non-compliance with national standards impacted negatively to the municipal revenue.

The programs of road marking have been implemented in all CBD areas and certain areas in the townships due to lack of personnel.

Registration Authority-

- Assists members of the Public with Traffic related information
- Tests applicant's competency in learning licenses
- Renewing of driving licenses
- Conversion of driving licenses
- Issuing of temporal driving licenses
- Issuing of professional driving permit

- Issuing of duplicate learning licenses
- Capturing of summonses into NATIS

It is important to highlight that Traffic Municipal Revenue largely depended in the Traffic Fines, Renewals, Conversions of Drivers Licenses, Learners Licenses and PDPs (Public Driving Permits).

Little income is generated from the parking meter operating system which is conducted by service provider (DPS) Disified Parking Meter System despite larger proportions of parking bays created. This system has been identified to be having huge challenges that would continue to hinder any revenue collection and it would be imperative to consider an alternative.

The municipality joined traffic and justice forum to provide advises to the Traffic Section.

Security Services

This section comprises of two Units being Asset Protection Unit and Close Protection Unit

In Asset Protection, the unit is responsible for the following:

- Guard and patrol premises regularly
- Maintain and improve access control
- Recording entries of occurrences during shift
- Avoid any offences/ illegal practices within the premises
- Act as witness in court cases
- Protect all assets from damage and theft
- Record all incidents and observation on post
- Make note of any problems whilst on patrol

The Close Protection Unit provides security service to political office bearers and senior personnel.

Cleansing Services

This section is composed of three (3) sub sections being refuse removal, parks and gardens and cemeteries.

Refuse Removal this subsection performs various activities such as:

- **Street sweeping**
 - Undertaken by two teams of workers who only sweep CBD areas.
- **Anti Littering**
 - Done on daily basis
 - Anti-littering by-laws are in the process of implementation.
- **Dumping/Heap Removal Programme**

- Removal of dumping to all locations is in progress
- "No dumping" signs are installed
- **Rubbish bins**
- Most of them are painted white and located to few strategic positions and the directorate is in the process of increasing the number of those strategic areas
- **Tip Site**
- One tip site in Butterworth is operating illegally as there is no permit.
- Feasibility study has been submitted to the Department of Water Affairs and Forestry to issue permit.
- Amathole District Municipality shall in co-operation with the Department of Environmental Affairs and Tourism close illegal landfill site in Butterworth and the dumping sites in the two units.
- The Amathole District Municipality shall source funding for the construction of transfer stations in the two units.
- **Regional Waste Site**
- Fencing is finished
- Construction of this site is complete and is in a process of being opened for operations

Parks and Gardens -this involves the following sub-activities:

- Grass Cutting
- Bush Cutting
- Tree Trimming
- Flower Planting
- Maintenance of public open spaces

Areas of Operation

- Sports Ground
- CBD streets
- Gcuwa Dam
- Sisonke Park
- Entrances in Townships
- Traffic Offices
- Municipal Clinics

Cemeteries

Maintenance of cemeteries is not fully done to all units due to shortage of personnel. The Directorate ensures proper maintenance of register for graves. The directorate is in a process of fencing cemeteries for the two units.

Health Services

The Mquma Local Municipality runs two clinics, i.e., Nozuko and Ibika Clinics, which are providing primary health care services to its community. This is a constitutional mandate of the Provincial Department of Health; however, a Service Level Agreement was entered into between these spheres of government and the Department is providing full amount for the running of this service.

The following activities are performed:-

- Anti- Natal Care
- Child Health and Growth Monitoring
- Family Planning / Reproductive Health
- Sexually Transmitted Diseases
- Chronic Diseases
- Communicable Diseases
- Health Promotion
- HIV and AIDS and STI

Emergency Services

This section comprises two sub-sections namely Fire Fighting & Rescue services and Disaster Management

Fire Fighting

This performs the following functions:

- Attending to felt fires and forest fires
- Rescue and Recovery
- Attending Domestic and Industrial Fires

Disaster Management

This is a concurrent function of National and Provincial spheres in terms of Schedule four, Part A of the South African Constitution.

This performs the following functions:

- Damage assessment and assessing
- Disaster awareness campaigns
- Mitigation and responses to disasters
- Co-ordination of rebuilding of Disaster Damaged Homes
- Co-ordination of recruitment and training of volunteers and Communities.

5.5.1 ANNUAL PERFORMANCE REPORT 30 JUNE 2008-COMMUNITY SERVICES

**MNQUMA LOCAL MUNICIPALITY
COMMUNITY SERVICES
ANNUAL PERFORMANCE REPORT 30 JUNE 2008**

ANNUAL PERFORMANCE REPORT 30 JUNE 2008-COMMUNITY SERVICES

NAME OF DIRECTORATE/OFFICE: COMMUNITY SERVICES								
PERIOD OF REVIEW:FOR THE YEAR ENDED 30 JUNE 2008								
KPA (From IDP)	IDP STRATEGY (From IDP)	DIRECTORATE ACTIVITY (from Scorecard)	MEASURE / STANDARD (What was the expected outcome during this quarter?)	ACHIEVEMENT (What have you actually achieved / done?)	ANNUAL SCORE	SCORE (What is the %)	COMMENTS ON ACHIEVEMENT / SCORE (Provide reasoning for the score)	AGREED ACTION & TIME FRAME (What is your plan for the next quarter?)
Fire Fighting Services	Facilitate establishment of satellite stations at Centane and Nqamakwe	Engagement of ADM	Lobby the infrastructure for the identification of land for satellite station in Nqamakwe	Existence of fire services in Butterworth and land acquired in Centane	100%	40%	Delays in tendering process for Centane satellite station	Engage ADM and sensitize the urgency
Disaster Management	To effectively deal with disasters that occur within Mquma areas	Identification of affected wards	To co-ordinate and facilitate identification of wards vulnerable to disasters and engagement of communities on awareness programmes	Number of workshops held	100%	100%	Engagement of communities in awareness campaigns	Continue to involve communities

NAME OF DIRECTORATE/OFFICE: COMMUNITY SERVICES								
PERIOD OF REVIEW:FOR THE YEAR ENDED 30 JUNE 2008								
KPA (From IDP)	IDP STRATEGY (From IDP)	DIRECTORATE ACTIVITY (from Scorecard)	MEASURE / STANDARD (What was the expected outcome during this quarter?)	ACHIEVEMENT (What have you actually achieved / done?)	ANNUAL SCORE	SCORE (What is the %)	COMMENTS ON ACHIEVEMENT / SCORE (Provide reasoning for the score)	AGREED ACTION & TIME FRAME (What is your plan for the next quarter?)
Education	Facilitate availability of proper school structures and provision of services thereto by year 2012	Identified Schools to be built and services to be provided	No of schools with appropriate services built	Engage with the department of education	100%	90%	Delays caused by non-response from Dept. of Education	To engage Ward Concillors and Ward Committees
Health Facilities	Facilitate provision of Primary Health Care services Ensure reduction of HIV/AIDS	Provide health to the community of Mquma L M Ensure the availability of HIV/AIDS drugs in municipal health centres	Identification of clinics to be built Promote reduction of HIV infections and increase % of people accessing drugs	Number of health facilities constructed Conduct awareness campaigns in facilities of Mquma	100% 100%	60% Health 90%	Engage department of health for funding Non availability of Anti-retroviral drugs at some clinics	Follow up with the department of health on progress Engage relevant departments to ensure that it provide required drugs
Safety and Security	To encourage SAPS with regard to crime prevention	To engage police to improve services with regard to their emergency calls	Statistics of calls received and registered	Constantly call meetings with SAPS	100%	50%	Poor co-operation from the department	Attend to Cluster meetings to unpack roles of CPF & CSF
Refuse Removal	Optimal utilization of resources	Ensure effective collection of waste in all areas	To improve refuse collection	Collect refuse according to duty roster	100%	70%	Solicit Funding for the purchase of equipment	Engagement of relevant sources for funding

NAME OF DIRECTORATE/OFFICE: COMMUNITY SERVICES								
PERIOD OF REVIEW:FOR THE YEAR ENDED 30 JUNE 2008								
KPA (From IDP)	IDP STRATEGY (From IDP)	DIRECTORATE ACTIVITY (from Scorecard)	MEASURE / STANDARD (What was the expected outcome during this quarter?)	ACHIEVEMENT (What have you actually achieved / done?)	ANNUAL SCORE	SCORE (What is the %)	COMMENTS ON ACHIEVEMENT / SCORE (Provide reasoning for the score)	AGREED ACTION & TIME FRAME (What is your plan for the next quarter?)
		of the municipality						
Cemeteries	Develop proper record for cemeteries	Operationalisation of the acquired software	Improve standard of cemeteries in all wards to national accepted level	Engagement of communities and identification of cemeteries	100%	20%	Solicit funds for appointment of service provider to do feasibility study and environmental assessment	Follow up meetings with relevant departments for funds
Sports and Recreation	To facilitate the development of sports and recreation facilities in Mngquma	Number of sports and recreation facilities developed	Number of sport fields erected	% number of sport fields built	Number of fields built	nil	Solicit funding	Solicit funding for the construction of sport fields

5.6 Corporate Services

5.6.1 ANNUAL PERFORMANCE REPORT FOR THE YEAR 30 JUNE 2008-CORPORATE SERVICES

NAME OF DIRECTORATE/OFFICE: CORPORATE SERVICES								
PERIOD OF REVIEW: FOR THE YEAR ENDING 30 JUNE 2008								
KPA (From IDP)	IDP STRATEGY (From IDP)	DIRECTORATE ACTIVITY (from Scorecard)	MEASURE / STANDARD (What was the expected outcome during this quarter?)	ACHIEVEMENT (What have you actually achieved / done?)	Annual Target	SCORE (What is the %)	COMMENTS ON ACHIEVEMENT / SCORE (Provide reasoning for the score)	AGREED ACTION & TIME FRAME (What is your plan for the next quarter?)
Corporate Governance	Continuous performance reviews	Implement performance management system	Continuous implementation and monitoring of PMS and capacitation thereon	<ul style="list-style-type: none"> Compliance with PMS – AAs PMS Workshop (capacitation) for the Directorate and the Office of the MM 	100% 100%	50 % 100 %	The implementation of Performance Promises is not fully done by directorate We have organized a PMS workshop for the Directorate of Corporate Services and the Office of the Municipal Manager in an attempt to bridge the capacity gap on the AAs and PPs	Continuous implementation and monitoring of the implementation of performance management system in the next financial year
	Compliance with legislation and financial reporting	Develop and implement policies	Continuously monitor implementation of PMS by other directorates and reporting thereon	Received accountability agreements and performance promises and monitor compliance with the system	100%	50 %	We have reported on the compliance and non compliance with the system by other directorates at the Executive Management	To continuously monitor implementation of the PMS tool by other directorates

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							Meetings and have encouraged and assisted those directorates and offices that are not complying	
		Manage records of the municipality	Policy implementation and monitoring	<ul style="list-style-type: none"> • Circulated to all directorates the Registry instructions in implementing the Registry Manual and the Records Management Policy • Facilitated the approval of the file plan • Work-shopped directorates representatives on the file plan and correspondence system 	Records Management Policies and Procedures implemented	100 %	The records management functioning is shaping well for the municipality and continuous training sessions will help in ensuring that the municipality complies with the National Archives of South Africa Act	Continuous implementation of the policy and manual and training will be done in the next financial year
		Enforcement of discipline in the municipality	Continuous monitoring of the adherence by the municipality to the policy and manual	Finalised outstanding disciplinary hearings and	Disciplinary cases finalised	100 %	The relations with employees are improving significantly within	Continuously enforce discipline and educate

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				facilitated new ones; Appointment of a person to deal with issues of employee relations			the municipality and there is also marked improvement on handling of cases	stakeholders on issues of discipline
		Monitor compliance by the Directorate on relevant legislation	Facilitate capacity building for the middle management on the disciplinary processes	Training conducted for management on the disciplinary processes	100%	100 %	The issue of discipline is not static and there is a need for new approaches to ensure that relevant people take responsibility for discipline	
		Improve physical resources in line with the Equity Act	Monitor compliance and report thereon and Follow up on the implementation by Directorate of Infrastructural Planning and Development	Generated correspondence to, and interacted telephonically with, the responsible Directorate to attend to the physical resources, such as offices to ensure that there is compliance with the Equity Act	Offices not compliant with the EEA identified &corresponde nce to Infrastructural Development & Planning generated for attendance of those	100 %	Even though all attempts are made to interact with the relevant directorate compliance remains a challenge mostly due to the financial resources and non follow-up on orders made for the material	Continue engaging the directorate of infrastructure in relation to access to our offices by physically challenged members of our communities
Public Participation	Improve public participation and engagement	Develop a fully functional ward committee system	Election of ward committees finalised	Provided administrative support in electing	31 ward plans developed and implemented	100 %	All wards of Mngquma have elected ward	Continue to provide the administrative

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				ward committees			committees; however, there are some wards that have not completed the process.	support to ward committees
		Capacitate Ward Committee	Facilitate the implementation of at least 1 capacity building initiative for ward committees	Not done	4 capacity building initiatives for ward committee conducted	0 %	The delays in the election of ward committees affected the capacity building programme	Draw up the training programme for ward committees and start implementing in the financial year ending 30 June 2009
	Develop and implement community participation strategy	Facilitate the development and adoption of community participation strategy	Implementation of the strategy	Not done	Community Participation Strategy being implemented	0 %	The project was incorporated as one of the projects for DBSA approval, which is delayed by the municipal study that is currently being conducted by DBSA	To start the producing a draft
Municipal Administration	Optimisation of IT resources	Building of ICT resources in terms of personnel and effective use of IT resources	Improve the performance of the division by improving human resources capacity	<ul style="list-style-type: none"> Facilitated the appointment of a service provider for ICT Maintenance Facilitated the appointment of 	ICT Strategy in plan and implemented	100 %	Procurement processes were done and completed for the appointment of ICT service provider to start in the new financial year;	Monitoring the implementation of the Maintenance Contract for ICT; Monitor the impact of the

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				<ul style="list-style-type: none"> interns to boost HR capacity Conducted training on the EDMS – capturing of council resolutions and reports Facilitated training on Sebata Municipal Solutions Financial System for the Budget & Treasury Office 			<p>Two IT Interns were also appointed to start in the new financial year</p> <p>Training programs were implemented in the last quarter of the financial year under review on the information systems</p>	<p>Internship Programme</p> <p>Continue with the capacity building programme on the FMS, EDMS and HRMS</p> <p>Monitor the performance of the ICT Division</p>
	Resuscitate Batho Pele (Customer Care / etiquette) campaign	Work with all directorates to improve the customer service	Operationalise the customer care centre	<ul style="list-style-type: none"> Appointment of the Customer Care Officer and Operators to operate the Centre Work-shopping the Customer Care Strategy to all directorates 	Customer Care Strategy in place and being implemented	100 %	<p>The Customer Care Centre is up and running with personnel having been appointed</p> <p>The Customer Care Strategy of the Municipality has been work-shopped giving guidance on how to handle</p>	<p>Continuous capacity building initiatives for the officials in the Customer Care Centre as well as other front line officials in the Municipality to ensure that the Customer Care Strategy is</p>

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				and Councilors			customers	implemented;
	Improve council processes	Work with all directorates to run council and committee meetings in line with the Rules of Order	Monitor the functioning of committees and report thereon	<ul style="list-style-type: none"> Report on the adherence by relevant offices and directorates to the Municipal Calendar; Issuing notices and agendas and meetings of Council and Committees in line with the requirements of the Standing Rules of Order; 	Institutional calendar development and observed	100 %	<p>Reports are produced for standing committee, Mayoral Committee and Council on the adherence by the Municipality on the Institutional Calendar;</p> <p>There is adherence with the Standing Rules in terms of issuance of notices and agendas of Council meetings and committees</p>	Continuous monitoring of the compliance issues to improve council processes and reporting thereon

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				<ul style="list-style-type: none"> Record Keeping and ensuring that the minutes of Council and committees are confirmed and signed and safely kept 			All confirmed minutes for the Council and Committees have been signed by relevant chairpersons	
	Develop and Review Personnel budget	Collate data on personnel budget for employment needs	Personnel budget approved by council (part of municipal budget)	Worked with the Budget & Treasury Office to ensure that the personnel budget is completed on time and adopted in line with the budget process plan and the requirements of the MFMA	100%	100 %	The personnel budget has been adopted together with the institutional budget and on time	Ensure that the spending is according to the budget and contribute to the development of the budget for 2009/2010 in line with the process plan
		Encourage staff to take leave	Monitor the leave register and raise alarm where leave accumulates to unacceptable levels	<p>Compiled a report on the leave accumulated by all staff members and circulated the report to the relevant directorates and offices</p> <p>Advised the directorates to encourage</p>	100%	100 %	The leave report was generated and the correspondence was generated and circulated to directorates as per the expected outcome	Continuously monitor the leave accumulation and advise directorates

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				employees with excessive leave to take leave				
		Populate the organogram	Facilitate the recruitment, selection and Induction of personnel to fill in vacancies on the organogram	Conducted induction for newly employed personnel	Finalize placement of employees on new organogram	100 %	All new employees have been inducted	Continuous induction of new employees for purposes of integration
	Play a meaningful role in decreasing municipal debt	Facilitate Payment of creditors in respect of Payovers	Facilitate the payment process	Not done	Payment arrangements with the creditors entered into and payments made accordingly	0 %	The process has been overtaken by other events and data collection is in process	To start the process of verification and engagement with relevant bodies
Integrated Development Planning	Facilitate community outreach programmes	Develop mechanisms for planning at the community level	At least 1 planning meeting conducted	Facilitated the attendance in IDP meetings of members of the community as represented by communities and other stakeholders	4 planning meetings conducted	100 %	The members of the community and other stakeholders attended the IDP Rep forums organised by the municipality as facilitated by the office of the Speaker	Continue to involve the communities in the planning processes of the municipality
	Review IDP in line with legislative requirements	Collect information to contribute to the IDP review process in line with legislative targets	IDP adopted by Council	Contributed to the IDP review processes and submitted information to	4 cluster meetings conducted	100 %	The adopted IDP document contains contributions made by the directorate from the situational	Continue to contribute to the IDP process

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				enhance the IDP of the municipality			analysis up to the last stage of objectives, strategies and projects	
Communication	Updating and maintenance of the website	Collect information from various offices for publication in the website and facilitate updates thereof	Information collected and submitted for updates and monitoring thereof	Facilitated appointment of the service provider to redesign the Mquma Website and ensure that it is updated	Website updates and maintenance done	100 %	The proposals were submitted to the MM in May and the appointment has been finalized. The service provider is to start in July 2008	Monitor the progress on the project and report
Financial viability	Broadening of revenue base	Facilitate the improvement of the conditions of municipal halls and establish controls and monitoring mechanisms by 30 June 2008	Continuous monitoring and facilitation of maintenance of the halls	Written correspondence to the Infrastructure Directorate to maintain municipal halls; Developed procedures for the use of halls as a means of introducing internal controls	R 16 235	100 %	We have put pressure on the directorate of infrastructure for hall maintenance and they have been able to do some repairs and maintenance at Msobomvu Hall and have begun at the Butterworth Town Hall. Financial constraints within the municipality are hampering progress	To continue with the facilitation and ensure that there is human resources capacity especially for the Butterworth Town Hall, which is the only hall that is not receiving the attention in relation thereto
			Facilitate the renovation of office building acquired for office	Not done		0 %	The paperwork and the eviction of people who are	Work with the Infrastructural Directorate in

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			accommodation from the Department of Public Works				currently occupying the building is hampering progress	ensuring that the building is conducive for human habitation

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