



GREAT KEI LOCAL MUNICIPALITY  
ANNUAL REPORT FOR THE YEAR  
ENDED

30 JUNE 2008

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## ANNUAL REPORT 2006/07 OF THE GREAT KEI LOCAL MUNICIPAL

### CHAPTER ONE

#### 1. SPEAKER/MAYOR'S FOREWORD

It is again a pleasure and a privilege for me as a Speaker/Mayor to present this Annual Report of Great Kei Municipality for 2007/2008 Financial year to the Council, the broader community as well as our may stakeholders and partners.

The format and content of the Annual Report is largely prescribed by Local government legislation, including a generic core of demographic and geographic information that is relatively consistent from year to year. However, intention remains to provide easily readable and summarized statements of Great Kei's progress towards the targets set in its over-arching Integrated Development Plan (IDP).

This is therefore intended to attest to the collective efforts of the Municipal executive and the administration to progressively address the expectative of our people. The achievement of service delivery targets is obviously required to be reviewed with the Municipality's financial performance and our compliance with a plethora of Municipal legislation.

We have endeavored in our operations to address the expectations of communities expressed in the Integrated Development Plan (IDP) wherein our communities in various consultative force indicated a very strong emphasis on infrastructure – roads, housing, water, sanitation and electricity. Despite our financial position which is well known we have tried our level best to positively respond to these expectations.

Of course these expectation also need to be balanced with the obligation bestowed on responsible governance that leave us with little discretion if any in making necessary provision for facilities like cemeteries, or addressing the cross – cutting challenge of HIV and AIDS as well.

We believe that this Annual Report highlights a large number of the positives that exist in Great Kei that viewed collectively, should give our people a sense of hope, belonging and optimum that we are serious about achieving our vision, sooner rather than later. I trust that every reader who studies this information from a balanced and fair perspective will concur with this impression.

Notwithstanding the fact that our successes are real and measurable and that our achievements are a source of pride to us, it will of course remain true for sometime to come that the challenges of poverty, underdevelopment and the historical legacy of neglect will remain with us beyond the term of office of any elected office bearer or management official in the current conjuncture.

I look forward together with the whole Council and Municipal administration, to continuing to work for the building of a really transformed Great Kei in which our vision will be practical reality. We are positive that the Great Kei future holds the promise of a better life for all who may wish to live and work.

Yours truly

**COUNCILLOR N.W. TEKILE**  
**SPEAKER/MAYOR OF GREAT KEI MUNICIPALITY**

## **1.1 EXECUTIVE SUMMARY**

The Annual Report for the 2007/08 financial year provides a detailed overview of the achievements, challenges, processes and systems implemented by the Great Kei Municipality in achieving its constitutional and electoral mandate.

As per the requirements of the Municipal Finance Management Act 56 of 2003, the Annual Report 2007/08 consists of five components.

The first component is the introduction and overview which contains the foreword by the Speaker/Mayor, Councillor N.Tekile as well as a demographic overview and profile of the Municipality. The demographic overview indicates that Great Kei Municipality is an area that is characterised by areas of rural diversity, potential tourism and agricultural economic growth, which overlap with areas of acute poverty and need, requiring a comprehensive and complex integrated response to ensure rapid economic growth and development.

The second component reports on the substantial progress Great Kei Municipality has made regarding Human Resource and organisational management. It provides a detailed analysis of the status of human resource capacity of the Municipality as well as an overview of the systems and processes being implemented to ensure that human and organisational resources are managed in an effective and efficient manner.

The third component of the Annual Report provides a detailed analysis and overview of the consolidated Annual Financial Statements, which has shown a substantial improvement in governance and financial report compared to the previous financial years. The final component of the Annual Report details the audit of the finances of the Great Kei Municipality.

## **2. GREAT KEI GEOGRAPHICAL LOCATION AND SET UP**

### **2.1 POPULATION DYNAMICS**

#### **GREAT KEI MUNICIPALITY (GKM) INFORMATION - AREA MAJOR CHARACTERISTICS**

##### **LOCATIONAL INFORMATION**

The Great Kei Municipality (GKM) is located within the Eastern Cape Province and covers an area of 1 421 square kilometers (km<sup>2</sup>). The GKM is bounded in the East by the Great Kei River and Mnquma Municipality, in the South East by the coastline between Kwelera and Kei Mouth, in the West by the Buffalo City Municipality and the Amahlathi Municipality, which is situated to the North. The Municipality is divided into six wards, which are the amalgamation of previously different communities and municipal entities, including Komga, Kei Mouth, Cintsa East, Haga Haga, Mooiplaas and Kwelera.

The district is divided into six wards which were previously different municipal entities; Komga, Kei Mouth, Cintsa and Haga Haga together with the Komga TRC and portion of the East London TRC. Regional access is obtained through

the district via the N2 National Route from East London to Butterworth with a provincial main road connection between Komga and Stutterheim. (Plan 1 shows the locality of Great Kei municipality with ward boundaries).

### 1.1 PHYSICAL AREA: TYPIFIED BY DEVERSE LAND USE

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

Table 2: Land Use

Land Use		Urban	Great Kei Municipality
	in km <sup>2</sup>	Areas	Agglomeration
1	Residential	57.00	1,421.00
1a	Formal residential	20.00	20.00
1b	Informal residential	10.00	10.00
2	Business	1.00	0.50
3	Agriculture	1.00	1,364.00
4	Services	3.00	20.00
5	Transport	1.00	1.00
6	Other	21.00	4.50
7	Total	57.00	1,421.00
8	Conservation area (%)	5.0%	0.4%

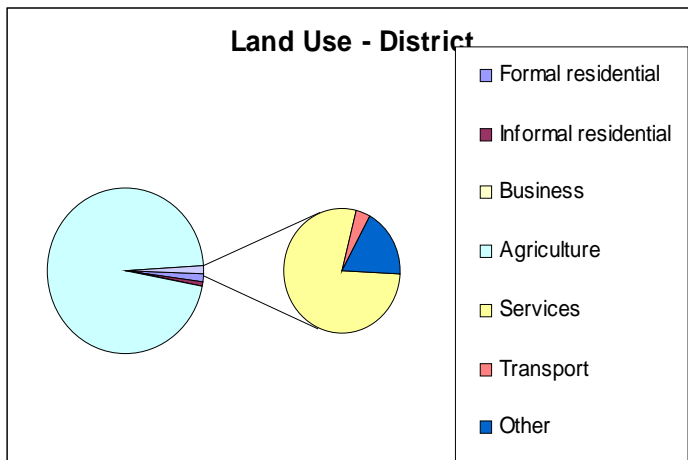
Source: D Data (1995) - Existing Land Use / Magisterial district

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

Figure 2: Land Use - District

1.1.1

1.1.2



1.1.3 Population

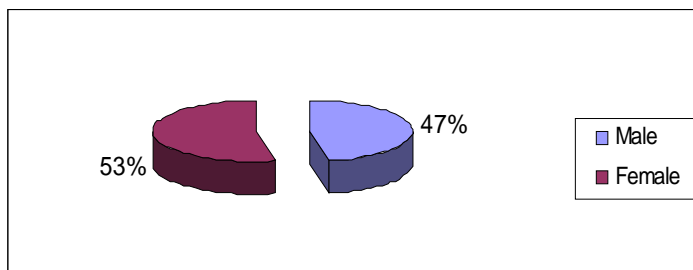
Table 3: Population by Sex

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

Source: Statistics SA (2001)

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

Figure 3: Male/Female Ratio



Source: Statistic SA, 2001

Figure 4: Age According to Gender

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

**Table 4: Population by Age**

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

Source: Statistics SA, 2001

**Table 5: Population by Age**

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

Source: Statistic SA, 2001

It can be observed in the Table 4 (Data World Statistics, 2001) that half the population (46 percent) of Great Kei are children between the ages of 0 to 19 years. Some 21 percent of the population are youths (between 20 - 34 years), 25 percent middle aged (35 to 65 years) with 8 percent over 65 years of age (elderly). However, information supplied by *Local Municipalities MDB Information, 2001*, demonstrate a disproportionate (low) number of children under the age of 4 years old (refer to Table 5). Given that 74,81% of the population is under the age of 15 years (*MDB Information, 2001*) this data requires further investigation, concerning the possible high incidences of child mortality;

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



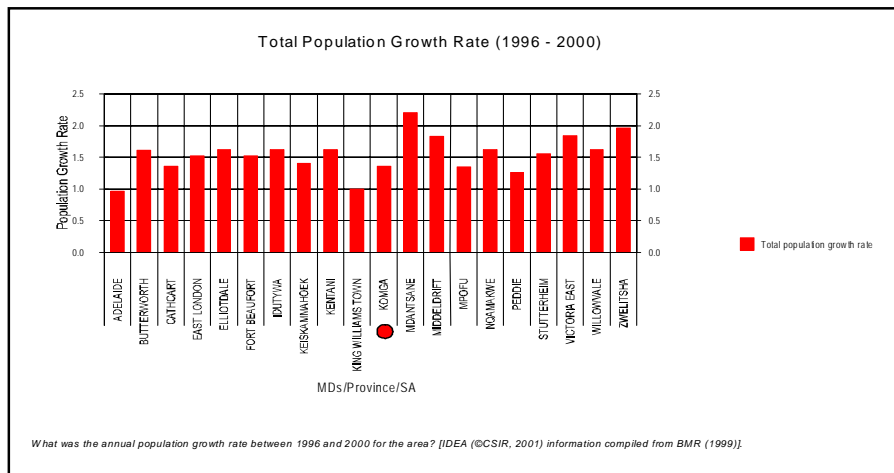
In addition to the above, the high number of economically active (43% of the total population) has implications for the kinds of job opportunities and facilities that will be required in future.

Table 6: Population Density

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

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

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



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

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

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

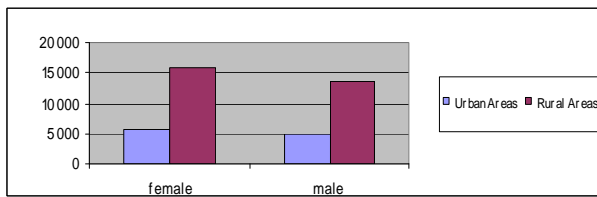


Table 7: Average Household Size

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

Source: Statistics SA, 2001

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

## 2.2 HEALTH

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

**Table 9: Hospital Beds**

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

Source Dept of Housing & Local Government, 1997

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

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

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

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

## EDUCATION

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

**Table 10: Number of Primary and Secondary Schools**

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

Source: Dept of Housing & Local Government (2001)

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

Table 11: Adult Literacy Rate

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

Source MDB, 2001

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

## SAFETY AND SECURITY

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

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

## HIV/AIDS

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

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

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

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

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

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

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

The epidemic will:

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

(Source: HIV/Aids Toolkit for Local Government)

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

### Poverty Indicators

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

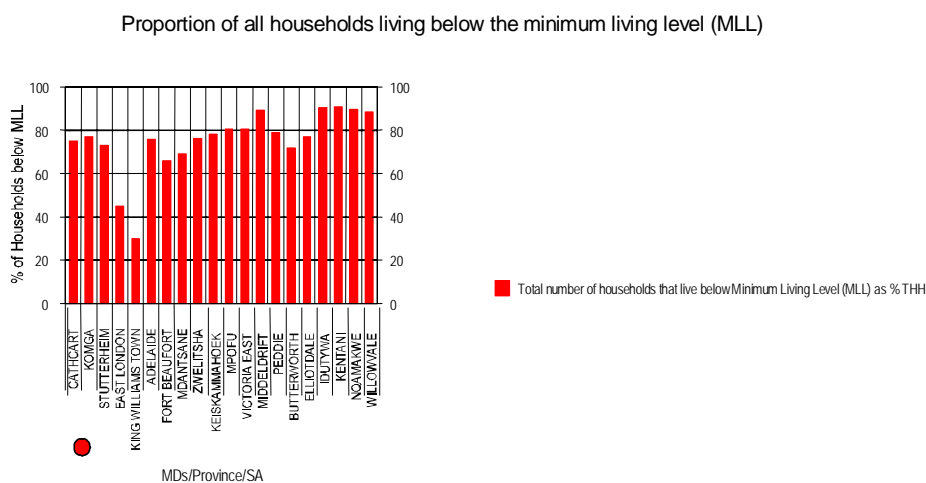
Table 8: Households below Poverty Line

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

	h/holds	3,257	
	Poverty line in R per month:		
4	One person	R 740.00	R/month
5	Two persons	R 800.00	R/month
6	Average households	R 770.00	R/month

Source: MDs/Provinces SA

Figure 8: Households Living Below the Minimum Living Level



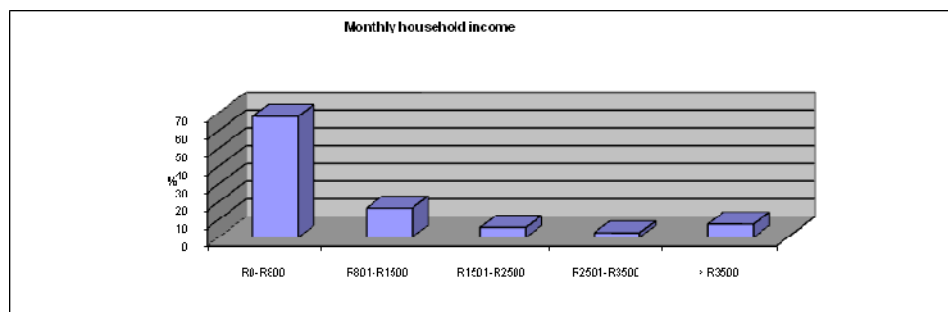
What proportion of all households lives below the minimum living level (MLL)? [IDEA (©CSIR, 2001) information compiled from StatsSA (Census 1996)].

### Monthly Household Income

Most households are very poor. Some 68 percent of households earn less than R800 per month (refer to Figure 9).

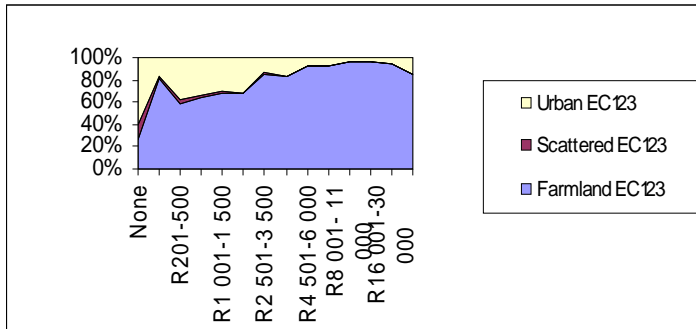
Given the fact that Great Kei Municipality does not have lots of money, decisions around service levels will have to take these constraints into account when planning new services.

Figure 9: Monthly Household Income



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

Figure 10: Rural Household Economy



Source: Local Municipalities MDB Information, 2001

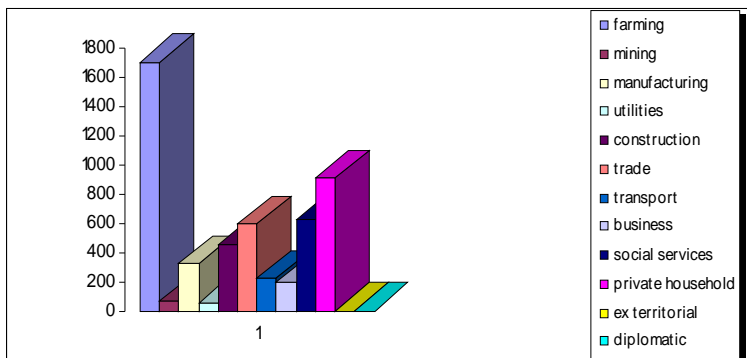
### Income and Poverty

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

### Economic Characteristics

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

Figure 11: Employment Activities

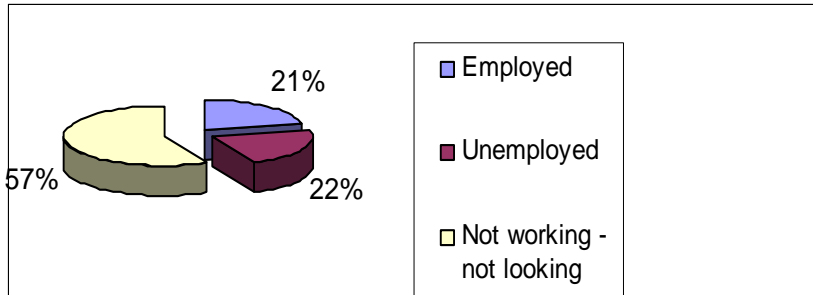


The unemployment percentage within the Great Kei Municipal area is not as high as other areas of Amathole District Municipality but significant nonetheless. The employment status of the Municipality shown in Figure 12 can be divided into the following categories:



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

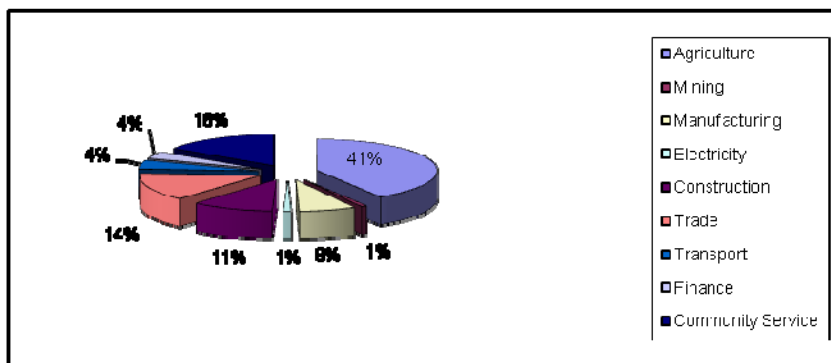
Figure 12: Unemployment



Source: Institute for Socio-Economic Research, 2003

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

Figure 13 shows the employment per sector and employment percentage.



Source: Institute for Socio-Economic Research, 2003

### Agriculture

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

“Apart from some relatively small areas, the potential for crop production in the municipal area is limited because the soil base is a poor one. In contrast the veld is comparatively sweet due to a significant component of winter rain. The agricultural potential of the municipality lies therefore in livestock production. In the past higher production has come from dairy farming. Dairying had been made more difficult by increased crime and by the changing attitudes of labour while

the profitability of dairy farming has been eroded over a period of years but it was significantly damaged when multinational dairying came to South Africa and demanded farmers produce at lower prices.

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

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

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

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

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

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

### **Small, Medium and Micro Enterprises**

A report commissioned by the ADM on SMME's indicates that Great Kei Municipality has one of the most sophisticated but not necessarily the ideal support system for small enterprises in all of the Great Kei, however Strategic Planning and

Local Economic Development Unit has established partnership with Afesis Corplan, SEDA and the Youth Commission in order ensure formation of business networks, registration of Cooperatives, product improvements, business skills, career guidance etc.. The Great Kei Municipality has to improve its links with bodies that are membership-driven and provide a series of services to their own members. These including membership magazines, information and advice, trade facilitation, black economic empowerment, bulk discounts, lobbying and capacity building programmes.

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

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

Sector	Activity
Agriculture	Chicken farming Vegetables Stock farming Crop farming Milk production
Services sector	Phone shops Shoe repairs Hair salons Car washes Tyre repairs Panel beaters Cleaning services Crèches HIV/AIDS Home based care
Retail	Street vendors Catering Spaza shops
Manufacturing	Brick and blocks Wood related manufacturing e.g. Furniture Clothing and dress making Bead making

	Bread making and bakery Builders and construction Recycling
Forestry	Bee keeping Mushroom growing Forest related adventure tourism Firewood

### Hydroponic tunnels

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

### Emerging farmers

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

- Land and Tenure Security
- Ownership and responsibility of administration of land
- Project formulation, planning and implementation
- The conflicts between the different role-players, associations in terms of roles and responsibilities
- Limited access to markets and insufficient transportation to markets.

### Subsistence farming

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

## Tourism

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

These products include:-

- Hotels at Kei Mouth, Morgans Bay, Bulugha and Haga Haga
- Backpacker accommodation at Cintsa, Kei Mouth and Arena (*Buccaneer's Retreat* is one of the Provinces' premier backpacker resort)
- Holiday homes
- Restaurants (*Michaela's* at Cintsa East is exceptional)
- Hiking trails (*The Strandloper Trail* is managed as a coastal eco-tourism trail from Kei Mouth to Gonubie with overnight huts at reasonable distances for moderate hikers. The *Wild Coast Meander* involves a coastal trail from Kei Mouth in an easterly direction utilizing existing hotels on the Wild Coast for accommodation)
- Private guest farms
- Nature Reserves (*Inkwenkwezi* is a recently established game reserve which provides a cluster of tourism facilities including game viewing, conferencing and entertainment/function venues).
- Safari/Game farms
- Heritage and Cultural Centers (There is one registered heritage site; the *Ocean View Farm* and a cultural village – *Kaya La Bantu*).
- Two conference centers at Cintsa East and at Bulugha Inn.
- The local tourism product owners are establishing a tourism route known as the Jikileza meander.

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

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

- The spatial distribution of Tourism (with a coastal focus) and the need to open up job opportunities through tourism;
- The need for improved access and other infrastructure to support tourism development;
- The need for community awareness in tourism;
- The need for training and skills development; and

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

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

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

**Guiding principles.**

- creating favourable location factors i.e qualities which make your place a good place to do business. This includes obvious elements such as improving the infrastructure and training workers, but also less obvious elements such as business mindedness and efficiency of local administration.
- promoting business - this can be existing business, start-ups or external companies coming into your location. It is also important to link things, promote and support spin-offs and subcontracting, attracting investors which fit nicely into the local economic structure, and consider franchises as a source of new local business.
- making local markets work better. - aims at creating places and opportunities to match supply and demand as well as discover, propagate and promote new business opportunities.

-making better use of locally available resources, instead of complaining about the difficulties of finding adequate advisors for local business service centre. It advocates for involvement of experienced business people and managers in coaching both entrepreneurs and advisors

-involving different target groups - local stakeholders should be encouraged and persuaded to look for specific project ideas which are quickly implementable and make a difference for local businesses.

#### **- Governance structure important**

A step-by-step philosophy is proposed:-

- Exploring the local context and its interrelations is an incremental process, with surprises waiting around each corner.

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

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

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

#### **Plotting of options for management structure**

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

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

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

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

## **2.8 ENVIRONMENTAL OVERVIEW**

The IDP process highlights environmental issues as a priority/key issue in the formulation of strategies and projects. However, it is recognised that effective Environmental Management is critical to the survival of Tourism and Agriculture which are the backbone of the municipal economy. The Great Kei Municipality lacks adequate capacity to manage and monitor the various activities and development projects from an environmental point of view. It is anticipated that the

District municipality will assist in monitoring new projects and existing operations where detrimental environmental impacts can result. Examples include the establishment of cemeteries in flood plains, dumping of hazardous waste and effluent, burning of waste material and exploitation of natural resources.

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

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

#### **Quality in environmental decision-making**

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

#### **Co-operative governance in the environmental sector**

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

#### **Role of civil society in environmental governance**

- The National Environmental Advisory Forum, which advises the Minister, among others, on appropriate methods of monitoring compliance with the principles in section 2 of the Act;
- The Environmental Management Co-operation Agreements, that provide a mechanism for the Minister, every MEC and municipality to enter into an agreement with any person or community for the purpose of promoting compliance with the principles in section 2 of the act;



- The provisions on protection of whistle-blowers that protect the public from prejudice or harassment for disclosing information of environmental risk, in good faith, and using the required procedures;
- The provision that relax legal standing and enable any person or group of persons, in the public interest or in the interest of protecting the environment to seek appropriate relief for a breach or threatened breach of a provision of NEMA; and
- The provision that facilitate private prosecutions of environmental offenders.

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

- The duty of care that requires anyone that causes, has caused or may cause significant pollution or degradation of the environment, to take reasonable measures to prevent such pollution or degradation from occurring, continuing or recurring;
- Provisions that protect workers from prejudice or harassment, for refusing to do environmentally hazardous work; and
- Procedures for the control of emergency incidents, including a major emission fire or explosion that may endanger the public, or lead to potentially serious pollution of, or detriment to the environment.

## 2.9 CLIMATE CHANGE

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

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

- Greenhouse gases are thought to contribute to global climate change, and these gases include carbon dioxide, carbon monoxide and methane. Carbon dioxide and carbon monoxide are released from inter alia vehicle tailpipes and during the burning of fuel-wood. Methane is released by domestic livestock and waste disposal sites. However, it is important to note that the subtropical thicket found within the GKM is very efficient at capturing carbon and hence at offsetting the effects of the greenhouse gas emissions.

- Therefore the SDF further proposes that the protection of biodiversity is the primary motivation for the protection of the subtropical thicket, it nevertheless has additional value as inter alia a potential means to slow down, or buffer the rate of climate change.
- The Spatial perspective advances that the areas covered by the thicket vegetation should therefore be targeted for conservation. This may take the form of spatially gazetted conservation areas or the promulgation of By Laws to protect pristine, highly sensitive or endangered categories of subtropical thicket vegetation.
- Similarly, areas covered by indigenous forest should be excluded from destructive developments that would involve inter alia the clearing of vegetation. The clearing of vegetation would entail a loss of biomass and hence store carbon. Limited action would be required from GKM in this regard as indigenous forests are protected under the National Forests Act, 1998. Clearly indigenous forests, indigenous dune forests, are unsuitable for residential development of any sort.

#### **Air quality**

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

#### **Water quality**

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

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

### **3. INFRASTRUCTURE OVERVIEW**

#### **Roads Infrastructure**

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

Great Kei Municipality should engage in a process of promoting and enhancing node development areas with a focus in provisioning of relevant infrastructure. All of these growing centers will contribute to the growth in the economy, creation

of jobs and increase the rates revenue to Great Kei Municipality. Growth and development however needs to be matched by improved infrastructure and institutional arrangement.

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

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

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

Table 12: Categories of Road

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

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

Available records indicate that, of the unpaved minor and access roads approximately 258 kilometers have gravel surfacing i.e. some betterment, drainage work and regraveling has taken place previously while approximately 228 kilometers can be classified as ungravelled roads or tracks i.e. no improvement has taken place and roads have only been identified but are in use. It is also important to note that located on the unpaved minor and access roads a total of

approximately 41 structures i.e. stream crossings with minor structures and causeways (not pipes) have been identified and a total of approximately 56 stream crossings requiring minor structures have been identified. The status of unpaved minor and access roads in terms of upgrading and structures is given below (Table 13).

Table 13: Road Status

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

Note: differentiation between gravel and ungravelled track in text.

Structures exclude all pipe culverts.

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

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

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

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

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

**A holistic approach must include for:-**

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

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

**Water and Sanitation**

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

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

Regional schemes in the area include the:

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

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

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

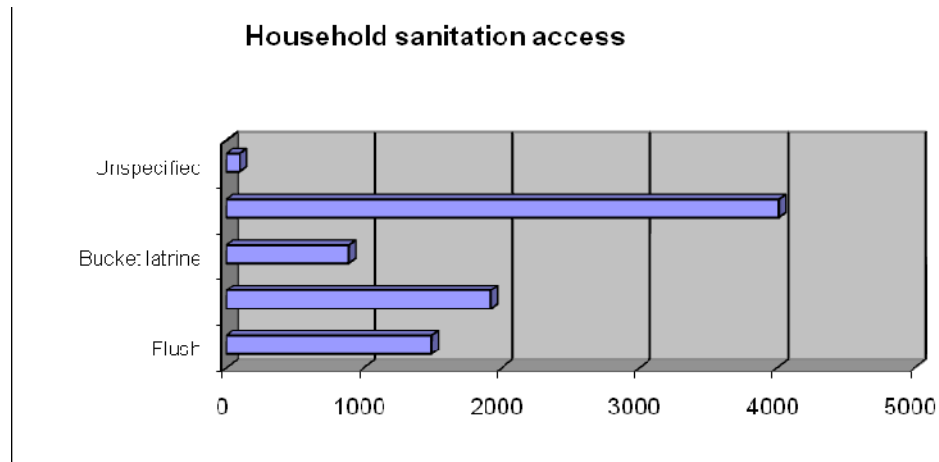
Table 14: Water

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

Source: PIMSS, 2001

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

Figure 14: Household Sanitation Access



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

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

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

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

### Storm water

The storm water drainage for the town of Komga is reported as being adequate. The low cost housing settlements in Komga however do not have infrastructure to drain storm water runoff. The water therefore drains along gravel township

roads, rapidly deteriorating the condition of these access roads. A project has been identified to upgrade the storm water drainage within the low cost township in Komga.

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

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

Table 15: Toilet Type

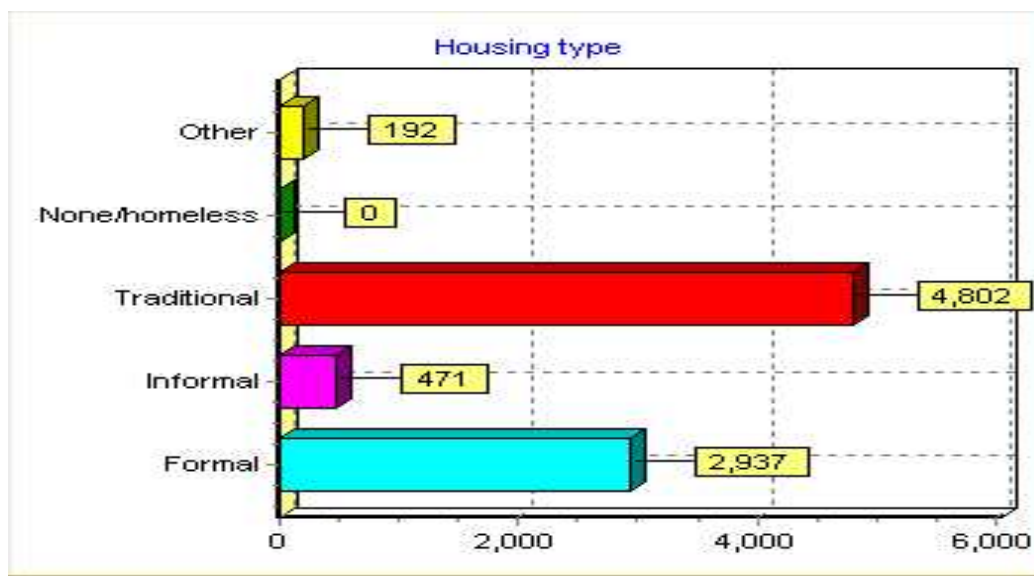
Flush	Pit latrine	Bucket latrine	None	Unspecified
18%	23%	11%	48%	1%

Source: PIMSS, 2001

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

## HOUSING

The Great Kei Municipality has a diverse housing need relating to the fact that many families live in traditional dwellings in Mooiplaas and Kwelera (see bar chart below). The coastal towns of Kei Mouth, Morgans Bay, Haga Haga, Crossways, Bulugha, Glen Muir and Cintsa East have a need to provide serviced sites and low cost housing for the



workers who would like to live in these centers. There is also potential for development of holiday homes and tourism related accommodation.

Figure 19: Housing Type

Table 20: Housing Type

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

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

### Formal Housing

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

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

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

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

### Current Housing Access



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

### Challenges Relating To Housing Provision

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

### Informal Housing

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

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

### Formal planning of the villages

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

### Electricity

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

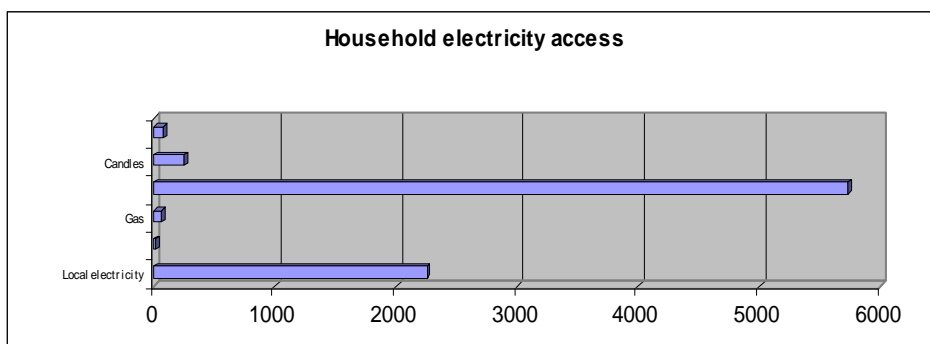


Figure 15: Household Electricity Access

Table 16: Lighting Type

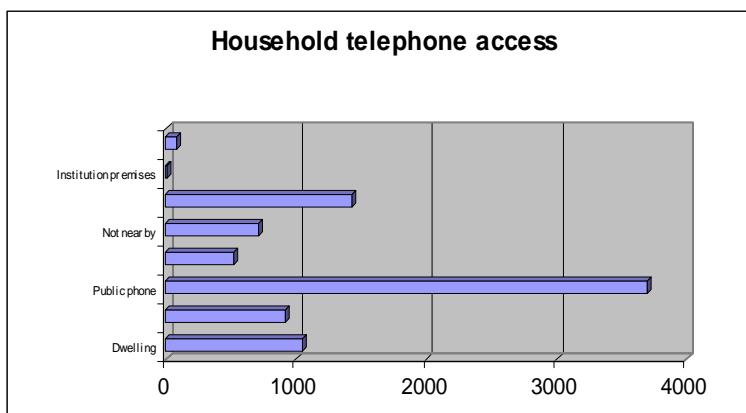
Local electricity	Electricity other	Other	Gas	Paraffin	Candles
27%	1%	0%	1%	68%	3%

Source: PIMSS, 2001

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

### Telephones

Figure 16: Household Telephone Access



Source: PIMSS, 2001

Table 17: Household Telephone Access

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

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

Table 18: Infrastructure Expenditure

Infrastructure expenditure			
The ratio of total expenditures in Rand on infrastructure			

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

Source Great Kei Municipality, 2001

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

### Solid Waste

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

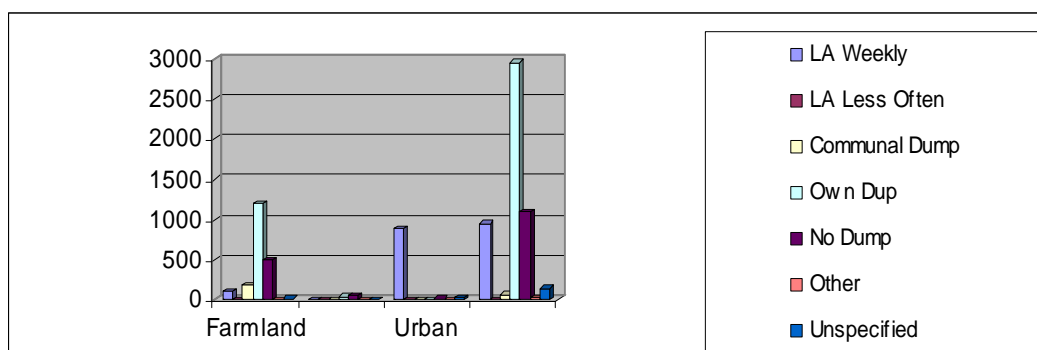


Figure 17: Solid Waste Collection Services

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

Table 19: Waste Collection Services

	LA Weekly	LA Less Often	Communal Dump	Own Dump	No Dump	Other	Unspecified
Farmland	119	2	181	1198	495	4	21
Scattered	0	1	0	47	58	1	0
Urban	895	4	0	9	16	0	31

<b>Villages</b>	955	10	77	2957	1096	41	147
<b>TOTAL</b>	<b>1969</b>	<b>17</b>	<b>258</b>	<b>4211</b>	<b>1665</b>	<b>46</b>	<b>199</b>

Source Local Municipalities MDB Information, 2001

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

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

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

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

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

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

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

### **Public Transport**

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

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

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

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

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

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

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

### **Integrated Spatial Development Framework in terms of transportation**

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

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

The areas of Kei Mouth and Cintsa East are regarded as major coastal resorts and settlement model type 1. With the upgrading of the main road MR 695/687 to Kei Mouth, tourism will increase significantly. These areas have large amounts of tourism potential but an upgrade in infrastructure is required to support development.

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

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

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

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

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

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

#### **Chapter 4. ORGANISATIONAL STRUCTURE, FUNCTIONS PERFORMED & STAFF ESTABLISHMENT**

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

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

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

## **THE MANDATE OF LOCAL GOVERNMENT**

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

## **THE MUNICIPALITY VISION**

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

Three actions from the pillars of our strategy-they are

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

## **CORE FUNCTIONS AND FOCUS AREAS OF EACH DEPARTMENT**

### **1. TECHICAL DEPARTMENT**

- Council housing stock
- Housing as a mechanism for service delivery
- Service backlogs
- Infrastructure maintenance
- Meeting and maintaining community service needs
- Supply of community facilities and services
- Operation and maintenance
- Cleaning and greening (to be relocated to community Services)

## **OBJECTIVES OF THE DEPARTMENT**

Key strategic programmes:

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

## COMMUNITY SERVICES

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

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

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

Special programmes

Health and empowered citizens

Strategic direction

Key strategic programmes

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

Preserving our culture

## CORPORATE SEERVICES

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

Human Resource

### STRATEGIC DIRECTION

Key Strategic Programme

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

Industrial Relations

- Administration of Conditions of Service
- Handling Labour Dispute
- Staff disciplinary / Grievance Procedures



- Bargaining Council, CCMA and Labour Court Cases
- To manage compliance with applicable and relevant labour related and local government legislation

#### Human Resource Development

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

#### Training and Development

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

#### Asset and Administration

##### Strategic Direction

##### Key Strategic Programmes

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

#### Budget and Treasury

##### Strategic Direction

##### Key Strategic Programmes

- Strategic budgeting
- Sustaining the MTEF
- Seek alternative sources of funding
- Tightening credit control
- Cost saving measures
- Value for money
- IDP linkage with budget/ Budget Process
- Development of Nation KPA;s
- Supply chain Management
- Development of Budget of Budget SDBIP
- Annual Report

## HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT

The purpose of this function is to render professional support service that is well adjoined to Municipality's Integrated Development Plan (IDP) as well as to the needs of the communities as well as consumers.

The main objectives include but not limited to:

- Development and implementation of an Integrated Human Resources Strategy.
- Design and Implementation of an organisational structure aligned to the Great Kei Municipality's IDP.
- Formulation and implementation of human resources programmes that are consistent with the IDP.
- Development and implementation of the HIV/AIDS strategy and employee wellness programmes.
- Motivational of employees and implementation of change Management Programmes.
- Development and implementation of retention and talent Management Programmes.
- Maintenance of a sound labour relations environment that is conducive to and that promotes organisational stability and harmony.
- Facilitation of employer- employee relationships to resolve disputes and to create a culture of healthy interactions and tolerance.
- Provision of Management support and leadership on pertinent organisational issues and
- Implementation of the task job evaluation system

## EMPLOYMENT EQUITY

The employment Equity Plan developed in September 2007, intends to achieve equity at the workplace, making the municipal workforce more representative and ensuring fair and equitable employment practices for all employees. It is further intended to create an organisational culture that is non-discriminatory, and values diversity and legitimises the input of employees. The plan was developed in a participatory manner, with representatives drawn from the recognised trade unions. The need for an organisational audit has to be undertaken to assess the municipality's employment policies, practises, procedures and the working environment.

The success and competitive advantage of the Great Kei Municipality's core activities and service delivery hinge critically upon the quality of its human capital and conscious continual development of a competent and motivated workplace. A range of human resources policies and strategies has to be formulated to advance initiative aimed to address historical, employment, inequalities as well as wider organisational transformation goals.

### **GREAT KEI MUNICIPALITY ORGANOGRAM 01 JULY 2007 TO 30 JUNE 2008**

OFFICE	NO. OF	VACAN	FILLED	RACE		GENDE	
	POSTS	T POSTS	POSTS	BLACK	WHITE	R FEMAL E	MALE
<b>MAYOR/SPEARKERS OFFICE</b>							
Office Manager	1	1	-	-	-	-	-
Admin Secretary	2	1	1		W	F	-
Driver	1		1	B	-	-	M
Messenger/Tea Maker	1	0	1	B	-	F	-
Special Programmes Officer	1	0	1	B	-	-	M
Communications Officer	1	1	0		-	-	-
<b>MUNICIPAL MANAGERS OFFICE</b>							
Municipal Manager	1	-	1	B	-	-	M
Admin Secretary	1	-	1	B	-	F	-
Legal Officer	1	1	-	-	-	-	-
Messenger/Tea Maker	1	-	1	B	-	F	
Internal Auditor	1	1	0	-	-	-	-
Strategic, IDPO, LED Manager	1	-	1	B	-	F	-

Typist/Clerk	1	-	1	B	-	F	-
LED Officer	1	-	1	B	-	F	-
Agricultural Officer	1	1	0	-	-	-	-
<b>BUDGET AND TREASURY SECTION</b>							
Chief Financial Officer	1	0	1	B	-	F	-
Secretary	1	0	1	B	-	F	-
Messenger/Tea Maker	1	0	1	B	-	F	-
Supply Chain Management	1	1	0	-	-	-	-
Supply Chain Management Officer	1	1	0	-	-	-	-
Expenditure Accountant	1	-	1	-	W		M
Assets/Liability Officer	1	1	0	-	-	-	-
Budget and Projects Officer	1	1	0	-	-	-	-
Income Accountant	1	-	1		W	F	-
Stores Controller	1	0	1	-	-	-	-
Senior Creditors	1	0	1	-	W	F	-
Chief Clerk Debtors	1	0	1	B	-	-	M
Senior Clerk Debtors: (Valuations, Rates Clearance)	1	0	1	B	-	-	M
Senior Clerk Debtors:(Accounts)	1	0	1	B	W	F	-
Cashier	1	0	1	B	-	F	-
<b>CORPORATE SERVICES DEPARTMENT</b>							
Corporate Services Manager	1	1	0	-	-	-	-
Secretary	1	1	0	-	-	-	-
IT Officer	1	1	0	-	-	-	-
Senior Admin Officer	1	1	0	-	-	-	-
Committee Clerk (Council Support)	1	0	1	B	-	-	M
Committee Clerk (Ward Committee Clerk)	1	0	1	B	-	F	-
Administrator/Cashier (Kei Mouth)	1	0	1	-	W	F	-
Typist/Clerk Komga	1	1	0	-		-	-
Archives Officer	1	0	1	-	-	F	-
Telephonist/Receptionist	1	1	0	-	-	-	-
Human Resources Manager	1	0	1	B	-	-	M
Senior HR Officer/SDF	1	0	1	B	-	F	-
Payroll/Personnel Officer	1	0	1	B	-	F	M
Typist/Clerk	1	0	1	B	-	F	-
Tea/Maker/Messenger	1	0	1	B	-	F	-
<b>COMMUNITY/SOCIAL SERVICES</b>							
Manager: Community/Social Services	1	1	0	-	-	-	-
Secretary	1	1	0	-	-	-	-
Chief Traffic Officer	1	0	1	-	W	-	M
Senior Traffic Officer	1	0	1	-	W	-	M
Traffic Officer	1	1	0	-	-	-	-
Vehicle Licencing Clerk	1	0	1	B	-	F	-
Librarian	1	0	1	B	-	-	M
Library Assistant	1	0	1	B	-	F	-
Assistant Librarian Mooiplaas	1	0	1	-	W	F	-
Assistant Librarian Kei Mouth	1	0	1	B	-	-	M
Assistant Librarian Haga-Haga	1	0	1	-	W	F	-
Komga Supervisor: Refuse, Amenities & Veg Control	1	0	1	B	-	F	-
Komga: Foreman/Driver Refuse, Amenities & Veg Control	1	0	1	B	-	-	M
Cintsa: Foreman/Driver Refuse, Amenities & Veg Control	1	0	1	B	-	-	M
Kei Mouth: Foreman/Driver Refuse, Amenities & Veg Control	1	1	0	-	-	-	-

Haga-Haga: Foreman/Driver Refuse, Amenities & Veg Control	1	1	0	-	-	-	-
Morgan Bay: Foreman/Driver Refuse, Amenities & Veg Control	1	1	0	-	-	-	-
<b>TECHNICAL SERVICES DEPARTMENT</b>							
Technical Services Manager	1	0	1	B	-	-	M
Office Admin Assistant	1	0	1	-	W	F	-
Operations Control Officer	1	1	0	-	-	-	-
Project Management Officer	1	1	0	-	-	-	-
Building Control Officer	1	1	0	-	-	-	-
Town Planning Officer	1	1	0	-	-	-	-
Inspector: Building	1	1	0	-	-	-	-
Assistant Electrician	1	1	0	-	-	-	-
Forman Roads	1	0	1	B	-	-	M
Handy Man	1	0	1	B	-	-	M
Grader/Operator Koma	1	0	1	B	-	-	M
Driver/Operator Chintsa	1	0	1	B	-	-	M
Driver/Operator Kei Mouth	1	1	0		-	-	-
General Workers-Komga	22	0	22	B	-	14 F	8 M
General Workers-Chintsa	7	0	7	B	-	3 F	4 M
General Workers-Kei Mouth,	12	0	12	B	-	3 F	9 M
General Workers-Morgans Bay	6	0	6	B	-	1 F	5 M
General Workers-Haga Haga							
<b>TOTALS</b>	<b>123</b>	<b>29</b>	<b>94</b>	<b>78</b>	<b>11</b>	<b>48</b>	<b>46</b>

## **Executive summary of the financial statements**

It is a privilege for the accounting officer to present the report on the financial results of the Great Kei Local Municipality for the financial year ended 30 June 2008.

The report firstly deals with key financial ratios, capital expenditure, operating results and the balance sheet. It concludes with a brief summary of the overall results.

### ***Key Financial Results***

This section provides an overview to income, expenditure and the balance sheet.

#### **INCOME**

The municipality has been able to increase its income from operations by 5.2% during the current financial year. The main contributors to the increase were Electricity, Refuse and traffic.

	<b><u>2007/2008</u></b>	<b><u>2006/2007</u></b>	<b><u>Variance</u></b>	<b><u>Growth %</u></b>
<b><u>OPERATIONS</u></b>				
Assessment Rates	3,596,556	3,485,682	110,874	<b>3.2%</b>
Electricity	2,399,680	2,106,017	293,663	<b>13.9%</b>
Refuse	1,876,901	1,587,851	289,050	<b>18.2%</b>
Traffic	438,810	310,730	128,080	<b>41.2%</b>
Sundry	537,026	922,392	(385,366)	<b>-41.8%</b>
	<b><u>8,848,973</u></b>	<b><u>8,412,672</u></b>	<b><u>436,301</u></b>	<b><u>5.2%</u></b>
<b><u>INVESTMENT</u></b>				
Interest Received	278,378	37,242	241,136	<b>647.5%</b>
	<b><u>278,378</u></b>	<b><u>37,242</u></b>	<b><u>241,136</u></b>	<b><u>647.5%</u></b>
<b><u>GRANT</u></b>				
Grant Income	15,335,803	10,672,806	4,662,997	<b>43.7%</b>
	<b><u>15,335,803</u></b>	<b><u>10,672,806</u></b>	<b><u>4,662,997</u></b>	<b><u>43.7%</u></b>
<b>TOTAL INCOME</b>	<b><u>24,463,154</u></b>	<b><u>19,122,720</u></b>	<b><u>5,340,434</u></b>	<b><u>27.9%</u></b>

#### **EXPENDITURE**

The municipality has been able to decrease its Operational, Capital and Financing over the current financial year. The reduction in Operational expenditure is main contributed to the major reduction in general expenditure and the bad debts provision. The reduction in general expenditure is due to the increased budget awareness of municipal officials.

	<u>2007/2008</u>	<u>2006/2007</u>	<u>Variance</u>	<u>Growth %</u>
<b><u>OPERATIONS</u></b>				
Salaries, Wages and Allowances	9,890,174	10,154,276	(264,102)	-2.6%
General Expenditure	5,509,006	6,605,382	(1,096,377)	-16.6%
Bulk Purchases	1,969,611	2,133,045	(163,433)	-7.7%
Repairs and Maintenance	313,744	571,860	(258,116)	-45.1%
Contribution to Bad Debts	566,409	1,458,566	(892,157)	-61.2%
	<b><u>18,248,944</u></b>	<b><u>20,923,129</u></b>	<b><u>-2,674,185</u></b>	<b><u>-12.8%</u></b>
<b><u>CAPITAL AND FINANCING</u></b>				
Capital Charges	1,164,556	883,089	281,467	31.9%
Contribution to Fixed Assets	271,327	1,241,163	(969,836)	-78.1%
	<b><u>1,435,883</u></b>	<b><u>2,124,252</u></b>	<b><u>-688,369</u></b>	<b><u>-32.4%</u></b>
<b><u>CONTRIBUTION</u></b>				
Revolving Fund	261,426	238,668	22,758	9.5%
	<b><u>261,426</u></b>	<b><u>238,668</u></b>	<b><u>22,758</u></b>	<b><u>9.5%</u></b>
<b>TOTAL EXPENDITURE</b>	<b><u>19,946,253</u></b>	<b><u>23,286,049</u></b>	<b><u>(3,339,796)</u></b>	<b><u>-14.3%</u></b>

Salaries, wages and Allowances as percentage of total expenditure has increased substantially from 43.6% (2007) to 49.6% (2008). This represents almost half of the municipalities spend for the year.

The other more concerning statistic is that Salaries, wages and Allowances is greater than the operational income for the year. The gap has reduced over the past year but is still of great concern.

	<u>2007/2008</u>	<u>2006/2007</u>
Salaries, Wages and Allowances	<u>9,890,174</u>	<u>10,154,276</u>
TOTAL EXPENDITURE	<u>19,946,253</u>	<u>23,286,049</u>
OPERATIONAL INCOME	<u>8,848,973</u>	<u>8,412,672</u>
Personnel Costs as a % of Total Expenditure	<u>49.6%</u>	<u>43.6%</u>
Personnel Costs as a % of Operational Income	<u>111.8%</u>	<u>120.7%</u>

### CAPITAL

The municipality spent R6,316,505 (2007: R5,642,989) on capital projects this financial year. The projects were funded via a mixture of municipality generated funds, grants and financing.

	<u>2007/2008</u>	<u>2006/2007</u>
Community Services	5,902,394	4,457,989
Subsidies Services	4,423	1,185,150
Economic Services	409,688	-
Trading Services	-	-
	<b><u>6,316,505</u></b>	<b><u>5,643,139</u></b>
<u>Funded By: -</u>		
Internal Income	271,327	1,241,164
Grant Funding	5,905,499	4,401,827
External Funding	139,679	-
	<b><u>6,316,505</u></b>	<b><u>5,642,991</u></b>
Assets Funded by Internal Income	4.3%	22.0%
Assets Funded by Grant Funding	93.5%	78.0%
Assets Funded by External Funding	2.2%	0.0%

As can be seen above, the municipality is reliant on grant income to fund its infrastructure expansions. The Internal income is utilized for smaller day to day assets.

### OPERATING RESULTS

Total expenditure amounted to R19,946,253, whilst the total income for the year amounted to R24,463,154. This resulted in a surplus of R4,516,901 for the year. The prior years results showed a deficit of R4,163,330. This is a vast improvement and can be attributed to stronger financial control.

The above can be further broken down into operating income and expenditure. This shows a different picture altogether. It shows that the municipality's current operational income is not sufficient to cover its day to day operating expenditure. On the positive side the operating loss has decreased by R3,110,486. What can be deducted from the results is that the municipality is currently utilising grant funding to sustain its day to day operations. This is a point that the municipal officials are working hard at correcting.

	<u>2007/2008</u>	<u>2006/2007</u>
Operating Income	8,848,973	8,412,672
Operating Expenditure	(18,248,944)	(20,923,129)
<b>OPERATING LOSS</b>	<b><u>(9,399,971)</u></b>	<b><u>(12,510,457)</u></b>

### BALANCE SHEET

The balance sheet reflects the financial results and policies of the council at a particular point of time. It is a snapshot at the year-end to determine the assets worth of the municipality.

The main areas of focus in the balance sheet are long-term liabilities, Cash reserves and the current assets position.

Long-term liabilities amounted to R3,696,268 compared to R3,923,662 in the previous financial year. This is made up of the following: -

	<u>2007/2008</u>	<u>2006/2007</u>
DBSA Loans	3,584,821	3,923,662
Finance Leases	111,447	-
	<u><b>3,696,268</b></u>	<u><b>3,923,662</b></u>

Included in creditors in addition to the above is an amount of R2,336,237 (2007: R1,250,640). This relates to DBSA arrears.

The municipality currently has total cash reserves of R11,125,620 compared to R3,917,221 in the previous financial year. This is made up of the following: -

	<u>2007/2008</u>	<u>2006/2007</u>
Operating Cash Reserves	5,583,223	2,138,430
Statutory Cash Reserves	1,477,165	11,978
Project Cash Reserves	4,065,232	1,766,813
	<u><b>11,125,620</b></u>	<u><b>3,917,221</b></u>

The municipality is currently in a current liability position of R10,381,679 compared to R12,566,769 in the previous financial year. This is made up of the following: -

	<u>2007/2008</u>	<u>2006/2007</u>
Cash Reserves	1,566,650	298,506
Inventory	223,165	223,165
Debtors	5,815,266	4,209,796
Creditors	(17,986,760)	(17,298,236)
	<u><b>(10,381,679)</b></u>	<u><b>(12,566,769)</b></u>
Operation Investments	4,016,573	1,839,924
	<u><b>(6,365,106)</b></u>	<u><b>(10,726,845)</b></u>

The above current liability position would be greatly improved should the municipality utilize its investments to offset some of its creditors.

### OVERALL RESULTS AND COMMENTS

The overall financial results are generally considered to be positive in comparison with past financial years. In order to maintain this situation the maintenance of sound financial management practices is required as well as mitigating the risks that impact on financial sustainability by instituting appropriate measures to address such risks.

The present risks are essentially the following:-

- Continued non-payment of accounts by debtors
- The requirement to contain personnel costs
- Non-compliance with sound financial management practices
- Limited spending on maintenance and renewal of infrastructure assets



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**GREAT KEI MUNICIPALITY**  
**GENERAL INFORMATION**  
**YEAR ENDED 30 JUNE 2008**

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## MEMBERS OF THE COUNCIL

### Councillors

N Tekile (Mayor / Speaker)	African National Congress
M Mali (Chairperson: - Finance)	African National Congress
W Hollington	Democratic Alliance
N George	African National Congress
N Moli	African National Congress
N Dyani (Chairperson: - LED and Environmental)	African National Congress
N Pan (Chairperson: - Special Needs and Health)	African National Congress
M Kema	African National Congress
W Ndoro	African National Congress
Z Blom	African National Congress
Z Mpondo (Chairperson: - Infrastructure)	African National Congress

The council is a plenary council comprising 12 members, including Mr Tekile, who fulfills the role of both speaker and mayor. The chairpersons of all standing committees serve on the council as indicated above.

The political affiliation of all councillors is reflected above. At present, the Independent Democrats are not represented on the council, however, their seat has been declared vacant to the Independent Electoral Commission.

## GRADING OF LOCAL AUTHORITY

Great Kei Municipality is a Grade 2 Local Authority

## AUDITORS

Office of the Auditor General - East London  
69 Frere Road  
Trust Building  
Vincent  
East London

**GREAT KEI MUNICIPALITY**  
**GENERAL INFORMATION**  
**YEAR ENDED 30 JUNE 2008**

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**LEGAL ADVISORS**

Gravett Schoeman Van Rensburg & Moodley Inc  
4 Derby Road  
Berea  
East London

**BANKERS**

The Standard Bank of South Africa  
CNR Main and Station Streets  
Komga

ABSA Bank  
85 Oxford Street  
East Lonfon  
(Notification has been sent to ABSA to close this account)

**REGISTERED OFFICE**

P O Box 21  
Komga  
Station Street, Komga

Telephone : 043 831 1028  
Facsimile : 043 831 1306

**MUNICIPAL MANAGER & ACCOUNTING OFFICER**

Andile Arnold Sihlahla

Telephone : 043 831 1028

**CHIEF FINANCIAL OFFICER**

Puleng Gwana

Telephone : 043 831 1028

**APPROVAL OF FINANCIAL STATEMENTS**

The Annual Financial Statements as set out on pages 4 to 25 were approved by the Municipal Manager and

Chief Financial Officer on the ..... and presented to and approved by Council

on the .....

.....  
MUNICIPAL MANAGER: GREAT KEI MUNICIPALITY  
Andile Arnold Sihlahla

.....  
CHIEF FINANCIAL OFFICER: GREAT KEI MUNICIPALITY  
Puleng Gwana

GREAT KEI MUNICIPALITY  
ACCOUNTING OFFICER'S REPORT  
YEAR ENDED 30 JUNE 2008

1. OPERATING RESULTS

Details of the operating results per department, classification and object of expenditure are included in appendices D and E. The overall operating results for the year ended 30 June 2008 are as follows:

	Actual 2007 R	Actual 2008 R	Variance 2007/2008 %	Budget 2008 R	Variance Actual - Budget %
<b>Income:</b>					
Opening Surplus	(10,321,002)	(13,776,814)			
Sundry Transfers	707,517	(629,766)			
Operating income for the year	19,122,720	24,463,154	27.9	16,556,397	(47.8)
	9,509,235	10,056,574		16,556,397	
<b>Expenditure</b>					
Operating expenditure for the year	23,286,049	19,946,253	(14.3)	18,160,978	(9.8)
Contributions to approved funds					
Closing deficit	(13,776,814)	(9,889,680)		(1,604,581)	
	9,509,235	10,056,574		16,556,397	
<u>Significant variances:</u>					
The municipality actual exceeded their budgeted expenditure. Actual Income exceeded their budgeted expenditure. This was due to additional grants being received during the financial year.					

1.1 Rates and General Services

	Actual 2007 R	Actual 2008 R	Variance 2007/2008 %	Budget 2008 R	Variance Actual - Budget %
Income	16,999,944	24,463,154	43.9	16,556,397	(47.8)
Expenditure	20,723,455	19,946,253	(3.8)	18,160,978	(9.8)
Deficit	(3,723,511)	4,516,901	(221.3)	(1,604,581)	381.5
Deficit as % of total income	(22)	18			
<u>Significant variances:</u>					
The municipality exceeded their budgeted income target for the year.					

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

Electricity Service

	Actual 2007 R	Actual 2008 R	Variance 2007/2008 %	Budget 2008 R	Variance Actual - Budget %
Income	2,106,017	2,399,680	13.9	-	0.0
Expenditure	2,562,594	1,969,611	(23.1)	-	0.0
(Deficit)/Surplus	(456,577)	430,069		-	
Surplus/(deficit) as % total income	(22)	18			
<u>Significant variances:</u>					
Electricity income decreased during the year.					

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GREAT KEI MUNICIPALITY  
ACCOUNTING OFFICER'S REPORT  
YEAR ENDED 30 JUNE 2008

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2. CAPITAL EXPENDITURE AND FINANCING

The expenditure on fixed assets during the year amounted to R 6,316,505 (2007 - R 5,642,989).

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

3. EXTERNAL LOANS, INVESTMENTS AND CASH

External loans outstanding as at 30 June 2008 amounted to R 5,670,232 including current portion and all arrears (2007 - R 5,174,301). Various loans were taken over by the Amathole District Municipality in the prior year.

Cash resources and short-term deposits less bank overdraft at 30 June 2008 amounted to a surplus of R 5,583,223 (2007 - R 2,138,430) This amount excludes project, statutory and reserve funds.

External Investments relating to projects, statutory and reserve funds as at 30 June 2008 amounted to R 5,542,396 (2007 - R 1,778,790)

Trust funds as at 30 June 2008 amount to R 4,228,344 (2007: R 1,766,813)

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

4. POST BALANCE SHEET EVENTS

No post balance sheet events have been identified that would materially affect the municipality's financial statements

5. EXPRESSION OF APPRECIATION

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

6. GRANTS RECEIVED NOT BUDGETED FOR

During the course of the year, the municipality received the following grant from the Department of Local Government and Traditiona Affairs:

Bail-out money for court settlement	R 1,500,000
Funds to pay the Auditor General	R 900,000
Funds to acquire trucks	R 2,000,000
	<hr/>
	R 4,400,000

7. DISCIPLINARY STEPS AS A RESULT OF LOSSES

Disciplinary action was instituted against two employees for theft during the financial year. One employee, Lusanda Mtetho, was dismissed after a disciplinary hearing, and another resigned prior to her hearing.

8. PAYMENT OF SERVICES - MUNICIPAL MANAGER AND CHIEF FINANCIAL OFFICER

An arrangement has been made for the MM and the CFO for municipal services to be deducted directly from salary as only rent money was deducted.

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GREAT KEI MUNICIPALITY  
ACCOUNTING OFFICER'S REPORT  
YEAR ENDED 30 JUNE 2008

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7. GENERAL

Positive occurrences in the prior year have been identified as follows:

- The budget has been balanced.
- A surplus has been earned
- A permit has been obtained for the mining of borrow pits

Room for improvement has been identified in the following area's:

- Performance of monthly reconciliations
- VAT calculations and payments
- Providing a subsidy for refuse to indigent debtors

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MUNICIPAL MANAGER: GREAT KEI MUNICIPALITY  
Andile Arnold Sihlahla

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GREAT KEI MUNICIPALITY  
ACCOUNTING POLICIES  
YEAR ENDED 30 JUNE 2008

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1. Basis of preparation

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

2. Consolidation

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

3. Fixed assets

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

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GREAT KEI MUNICIPALITY

ACCOUNTING POLICIES

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YEAR ENDED 30 JUNE 2008

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

4. Funds and reserves

4.1 Revolving fund

The fund requires a minimum contribution of 7.5 % of the product of the assessment rates that were levied for the immediately preceding financial year.

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

4.2 Other funds and reserves

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

5. Provisions

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

6. Stock

Stock is reflected in the Balance Sheet using the FIFO (First-in, first-out) method

7. Retirement benefits

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

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

Full actuarial valuations are performed at least every three years.

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GREAT KEI MUNICIPALITY  
ACCOUNTING POLICIES  
YEAR ENDED 30 JUNE 2008

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8. Surpluses and deficits

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

9. Investments

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

10. Income recognition

10.1 Assessment rates

The local authority applies a uniform system of rating. In terms of this system the assessment rates are levied on the land value of property and improvements, at the same rate. Rebates of 20% are granted on state-owned properties.

Income is recognised when such levies are raised and debited to the respective ratepayer account.

10.2 Other income

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

11. Leases

Leases are classified as finance leases where substantially all risks and rewards associated with ownership of an asset are transferred to the municipality. Assets subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the definition above. Operating leases rentals are expensed as they become due.



**GREAT KEI MUNICIPALITY**  
**BALANCE SHEET AT 30 JUNE 2008**

	Note	2008 R	2007 R
<b>CAPITAL EMPLOYED</b>			
<b>FUNDS AND RESERVES</b>		4,482,451	3,199,703
Statutory Funds	1	4,479,405	3,196,855
Reserves	2	3,047	2,848
<b>RETAINED INCOME / (ACCUMULATED DEFICIT)</b>		(9,889,680)	(13,776,814)
		(5,407,228)	(10,577,111)
<b>TRUST FUNDS</b>	3	4,228,344	1,766,813
<b>LONG TERM LIABILITIES</b>	4	3,334,095	3,923,662
<b>CONSUMER DEPOSITS: SERVICES</b>	5	100,239	98,455
		2,255,450	(4,788,181)
<b>EMPLOYMENT OF CAPITAL</b>			
<b>LONG TERM DEBTORS</b>	8	17,946	165,266
<b>FIXED ASSETS</b>	6	4,046,028	4,325,387
<b>INVESTMENTS</b>	7	9,558,969	3,618,714
		13,622,942	8,109,367
<b>NET CURRENT ASSETS</b>		(11,367,492)	(12,897,548)
<b>CURRENT ASSETS</b>		7,605,081	4,731,467
Stock	9	223,165	223,165
Debtors	10	5,815,266	4,209,796
Cash Resources	11	1,566,650	298,506
<b>CURRENT LIABILITIES</b>		18,972,573	17,629,015
Creditors	13	17,986,760	17,298,236
Current Portion of Long Term Liabilities	4	362,173	-
Provisions	12	623,640	330,779
		2,255,450	(4,788,181)

**GREAT KEI MUNICIPALITY**  
**INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

2007 Actual income	2007 Actual expenditure	2007 surplus/ (deficit)		2008 Actual income	2008 Actual expenditure	2008 surplus/ (deficit)	2008 Budgeted surplus/ (deficit)
R	R	R		R	R	R	R
16,999,944	20,723,455	(3,723,511)	RATES AND GENERAL SERVICES	24,463,154	19,946,253	4,516,901	(1,604,581)
15,110,469	18,063,743	(2,953,274)	Community services	-	-	-	-
156,526	1,810,683	(1,654,157)	Subsidised services	-	-	-	-
1,732,949	849,029	883,920	Economic services	-	-	-	-
-	-	-	Accounting Officer	2	3,386,001	(3,385,999)	(2,598,884)
-	-	-	Budget and Treasury	19,253,016	3,775,590	15,477,426	4,719,371
-	-	-	Community Services	660,383	1,507,595	(847,212)	886,369
-	-	-	Corporate Services	182,449	3,651,297	(3,468,848)	-
-	-	-	Council	-	2,293,100	(2,293,100)	(3,133,494)
-	-	-	Technical Services	4,367,304	5,332,671	(965,367)	(1,477,943)
2,122,776	2,562,594	(439,818)	TRADING SERVICES	-	-	-	-
<u>19,122,720</u>	<u>23,286,049</u>	<u>(4,163,330)</u>	TOTAL	<u>24,463,154</u>	<u>19,946,253</u>	<u>4,516,901</u>	<u>(1,604,581)</u>
		707,517	Appropriations for the year (refer note 19)			(629,766)	
		(3,455,812)	NET SURPLUS (DEFICIT) FOR THE YEAR			3,887,134	
		(10,321,002)	Accumulated deficit beginning of the year			(13,776,814)	
		<u>(13,776,814)</u>	ACCUMULATED DEFICIT END OF THE YEAR			<u>(9,889,680)</u>	

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

	NOTES	2008 R	2007 R
CASH RETAINED FROM OPERATING ACTIVITIES		13,752,296	11,251,698
Cash utilised in operations	18	(15,648,034)	(12,251,783)
Investment income		541,089	116,277
Decrease in working capital	19	(767,842)	4,312,570
		<u>(15,874,788)</u>	<u>(7,822,937)</u>
Less: External interest paid		(746,756)	(470,962)
Cash utilised in operations		<u>(16,621,544)</u>	<u>(8,293,899)</u>
Net Proceeds on disposal of fixed assets		-	1,960,915
Cash contributions from the public and the State		30,373,840	17,584,681
CASH UTILISED IN INVESTING ACTIVITIES		(6,316,505)	(5,642,989)
Investment in fixed assets		<u>(6,316,505)</u>	<u>(5,642,989)</u>
NET CASH FLOW		<u><u>7,435,791</u></u>	<u><u>5,608,708</u></u>
CASH EFFECTS OF FINANCING ACTIVITIES			
(Decrease) in Long Term Liabilities	20	(227,393)	(1,901,057)
(Increase) in Cash	22	(1,268,143)	(175,820)
(Increase) in External Cash Investments	21	(5,940,254)	(3,531,831)
NET CASH UTILISED		<u><u>(7,435,791)</u></u>	<u><u>(5,608,708)</u></u>

GREAT KEI MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

	2008 R	2007 R
<b>1. STATUTORY FUNDS</b>		
Revolving Fund	4,476,891	3,194,510
Dog Tax Fund (Invested as per note 7)	2,514	2,346
	<u>4,479,405</u>	<u>3,196,855</u>
<u>The revolving fund is represented by:</u>		
Investments (Note 7)	1,471,604	6,784
Advances to borrowing services	349,760	401,725
Long Term Loans	17,946	165,266
	<u>1,839,309</u>	<u>573,775</u>
(Refer to Appendix A for more details, note that the fund is not fully cash-backed)		
The revolving fund investment was used to finance operating costs in the prior financial years and as a result the revolving fund of R4.5 million is only supported by investments of R1.84 million		
<b>2. RESERVES (Invested as per note 7)</b>	<u>3,047</u>	<u>2,848</u>
(Refer to Note 7 and Appendix A for more details)		
<b>3. TRUST FUNDS</b>		
As detailed in Appendix A	<u>4,228,344</u>	<u>1,766,813</u>
(Refer to Note 7 and Appendix A for more details)		
<b>4. LONG-TERM LIABILITIES</b>		
Development Bank of South Africa	3,584,821	3,923,662
Nashua	111,447	-
Less: Current portion of Long Term Liabilities	(362,173)	-
	<u>3,334,095</u>	<u>3,923,662</u>
(Refer to Appendix B for more detail)		
DBSA has been approached to waive the interest and re-schedule the payments of the loan		
A loan relating to Water, Sanitation and Sewerage has been taken over by the Amathole District Municipality, however, the DBSA still reflects this loan as being in the name of the Great Kei Municipality. This loan has not been included as a liability in the financial statements, with the exception of a portion of the loan which is under dispute, as the funds were used for buildings rather than sewerage. The Auditor General has quantified this amount as R996,324.		
<b>5. CONSUMER DEPOSITS: SERVICES</b>		
Service Deposits	<u>100,239</u>	<u>98,455</u>
<b>6. FIXED ASSETS</b>		
Fixed assets at the beginning of the year	26,547,460	20,904,471
Capital expenditure during the year	6,316,505	5,642,989
Less: Assets written off, transferred or disposed of during year	<u>114,000</u>	<u>-</u>
Total fixed assets	32,749,965	26,547,460
<u>Less: Loans redeemed and other capital receipts</u>	<u>28,703,937</u>	<u>22,222,073</u>
<b>NET ASSETS</b>	<u>4,046,028</u>	<u>4,325,387</u>
(Refer to Appendix C for more details)		

GREAT KEI MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

	2008 R	2007 R
<b>7. INVESTMENTS</b>		
Project Investments	4,065,232	1,766,813
Reserve Investments	3,047	2,848
Dog Tax Investment	2,514	2,346
Revolving Fund Investments	1,471,604	6,784
Operating Account Investments	4,016,573	1,839,924
	<u>9,558,969</u>	<u>3,618,714</u>
<p>Circular no 19 of 1984 issued by the Provincial Administration Community Development Branch, requires local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a plenary rate to meet commitments.</p>		
<b>8. LONG TERM DEBTORS</b>		
Squash Club Loan	5,454	10,496
Bowling Green Club Loan	12,492	18,206
Car Loan Mr Gwavu	-	37,944
Car Loan Mr Ngqele	-	39,328
Car Loan Mr Dicks	-	59,293
	<u>17,946</u>	<u>165,266</u>
<b>9. STOCK</b>		
Stock represents consumable stores, raw materials, work in progress and finished goods. Where necessary specific provision is made for obsolete stock. Stock is divided into different services:		
Rate and general	<u>223,165</u>	<u>223,165</u>
<b>10. DEBTORS</b>		
Current Debtors (Consumers and others)	4,339,488	3,512,649
VAT Control	3,862,034	1,773,907
Sundry Debtors	260,771	1,882,488
Irregular Expenditure - Councillors allowances and Mayors Housing benefits	878,631	-
<u>Less:</u> Provision for Doubtful Debts	(3,525,658)	(2,959,249)
	<u>5,815,266</u>	<u>4,209,796</u>
<p>VAT returns for the 2006/07 financial year have been submitted. As the municipality both owes money to and is entitled to a refund from SARS, the municipality is attempting to have these two amounts netted-off.</p> <p>A service provider has been engaged to update VAT.</p>		
<b>11. CASH AND CASH EQUIVALENT</b>		
Operating Account Standard Bank 28 072 096 3	83,339	101,724
Operating Account ABSA 7 0014 6707	532,783	21,711
Traffic Services Account Standard Bank 28 597 345 2 & 28 5946 11 0	949,527	175,072
Cash Floats	1,000	-
	<u>1,566,650</u>	<u>298,506</u>
<b>12. PROVISIONS</b>		
Leave Pay Provision	361,136	330,779
Bonuses	262,504	-
	<u>623,640</u>	<u>330,779</u>

GREAT KEI MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

	2008 R	2007 R
<b>13. CREDITORS</b>		
Creditors	3,127,466	4,453,384
VAT Provision	-	55,171
Department of Transport - MVR	24,716	191,208
Kei Mouth Housing Project Creditors	23,822	23,822
MIG Project	-	76,443
Salaries and Wages Control Account	1,795,192	1,678,656
SARS - PAYE/UIF/SDL	41,638	41,638
Project Creditors	10,637,688	9,527,274
DBSA Arrears Account	2,336,237	1,250,640
	17,986,760	17,298,236
<u>Project Creditors</u>		
These amounts have arisen as a result of previous years' mismanagement and relate to trust monies used for operating purposes		
<u>VAT</u>		
Arrangements have been made with SARS to off-set the monies owed in respect of the 2006/07 financial years. A VAT audit has been performed by SARS but not processed. Discussions are presently being held to resolve the matter.		
<b>14. ASSESSMENT RATES</b>		
Actual Rateable Income	3,596,556	3,485,682
<u>The basic rate on land and improvements was as follows (Cents per Rand): -</u>		
<u>Composite</u>		
- Komga	-	0.01540
<u>Residential</u>		
- Komga	0.02115	
- Kei Mouth	0.02115	0.03940
- Morgan Bay	0.02115	0.03940
- Cintsa East	0.02115	0.04060
- Haga Haga	0.02115	0.03650
<u>Business</u>		
- Komga	0.02472	
- Kei Mouth	0.02472	0.04950
- Morgan Bay	0.02472	0.04950
- Cintsa East	0.02472	-
- Haga Haga	0.02472	-
<u>State</u>		
- Kei Mouth	0.02472	0.03940
- Morgan Bay	0.02472	0.35510
- Cintsa East	0.02472	-
- Haga Haga	0.02472	0.02880
<u>Township</u>		
- Kei Mouth	0.02115	0.01830
<u>Building Clauses</u>		
- Kei Mouth	-	0.00260
- Morgan Bay	-	0.00260
The last valuation in Komga came into effect on 1 July 1997. A rebate of 20% is granted to state owned land.		
General Valuation: - 1 July 1997		
- Land and Improvements	R 50,082,160	R 50,082,160

GREAT KEI MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

	2008 R	2007 R
15. AUDITOR'S REMUNERATION		
Audit fees	445,303	952,352
Amount owing in respect of audit fee's at year end	1,239,014	1,631,368
16. FINANCE TRANSACTIONS		
Total external interest earned or paid:		
- Interest earned	278,378	37,242
- Interest paid	773,750	502,049
<u>Capital charges debited to operating account:</u>		
- Interest paid on external loans	746,756	460,841
- Interest paid on internal loans	26,993	31,088
- Redemption of external loans	338,841	329,544
- Redemption of internal loans	51,965	61,616
	1,164,556	883,089
17. APPROPRIATIONS		
Appropriation account		
Accumulated deficit at the beginning of the year	(13,776,814)	(10,321,002)
Operating (deficit)/surplus for the year	4,516,901	(4,163,330)
	(9,259,914)	(14,484,332)
<u>Less: Appropriations for the year:</u>		
- Prior year adjustments	(629,766)	707,517
Accumulated deficit at the end of year	(9,889,680)	(13,776,814)
Operating account		
Capital expenditure - Fixed assets	271,327	1,241,163
Contributions to:		
- Revolving Fund	261,426	238,669
	532,754	1,479,831
18. CASH UTILISED IN OPERATIONS		
Surplus / (Deficit) for the year	3,887,134	(3,455,812)
<u>Adjustments in respect of:</u>		
- Prior Year's Operating Transactions	(629,766)	707,517
<u>Appropriations charged against income:</u>	1,099,163	62,976
- Revolving Fund	261,426	238,669
- Provisions	566,409	(1,416,855)
- Fixed Assets	271,327	1,241,163
Investment income (operating account)	(569,457)	(116,277)
<u>Capital charges</u>	1,164,556	883,089
Interest Paid on External Loans	746,756	460,841
Interest Paid on Internal Loans	26,993	31,088
Redemption of External Loans	338,841	329,544
Redemption of Internal Loans	51,965	61,616
Grants and Subsidies Received from the State	(15,335,803)	(10,672,806)
<u>Non Operating Expenditure</u>	(6,026,473)	(1,505,100)
- Expenditure charged against funds	(6,424,795)	(804,298)
- Expenditure charged against provisions	398,322	(700,802)
<u>Non Operating Income</u>	762,611	1,844,629
- Transfers to funds and reserves	(456,253)	-
- Income Credited to funds and reserves	278,582	79,035
- Income Credited to assets	940,282	1,765,594
	(15,648,034)	(12,251,783)

GREAT KEI MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

	2008 R	2007 R
<b>19. DECREASE IN WORKING CAPITAL</b>		
(Increase) / Decrease in Debtors, Long Term Debtors	(1,458,150)	1,073,468
(Decrease) / Increase in Creditors, Consumer Deposits	690,308	3,239,101
	<u>(767,842)</u>	<u>4,312,570</u>
<b>20. (DECREASE) IN LONG-TERM LIABILITIES</b>		
Loans rasied	139,679	-
Loans repaid	(367,073)	(1,901,057)
	<u>(227,393)</u>	<u>(1,901,057)</u>
<b>21. (INCREASE) IN EXTERNAL CASH INVESTMENTS</b>		
Investments Realised	(5,940,254)	(3,531,831)
	<u>(5,940,254)</u>	<u>(3,531,831)</u>
<b>22. (INCREASE) IN CASH ON HAND</b>		
Cash Surplus / (Deficit) at the beginning of the year	298,506	122,686
Less: Cash Surplus / (Deficit) at end of year	1,566,650	298,506
	<u>(1,268,143)</u>	<u>(175,820)</u>
<b>23. CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS</b>		
The municipality was sued for farms destroyed in a veld fire. The municipality has agreed to settle the claim. The estimated cost is R1,7 million plus estimated cost of R200,000. Insurance will cover R 900,000 with the municipalities share being R1 million.		
<u>Other claims against the municipality:</u>		
Dingaan & Sambumba Architects	R 128,466	
Kennedy Patrick Randall	R 33,311	
The municipality has no other contingent liabilities nor any contractual obligations.		
<b>24. RETIREMENT BENEFITS</b>		
The employees of the municipality and the municipality contribute to various pensions, provident and retirement funds. The main funds being listed below: -		
	<u>Employee</u>	<u>Employer</u>
SALA Pension fund	9.00%	20.78%
Cape Joint Retirement Fund	9.00%	18.00%
SAMWU Provident Fund	5.00%	12.00%
Councilor's Pension Fund *	100.00%	0.00%
The total employee contribution to the funds is: -	<u>R 557,997</u>	<u>R 502,864</u>
Balance outstanding in respect of pension payments	122,913	
* The council no longer contributes towards the councilors pension fund		
<b>25. CAPITAL COMMITEMENTS</b>		
<u>Commitments in respect of capital expenditure</u>	15,318,387	12,186,000
Capital Expenditure Approved not contracted	11,990,312	8,164,000
Capital Expenditure Approved and contracted	3,328,075	4,022,000
This expenditure will be funded from: -		
- Internal Sources	-	-
- External Sources	15,318,387	12,186,000
Other Sources	-	-
National Government	15,318,387	12,186,000
	<u>15,318,387</u>	<u>12,186,000</u>



GREAT KEI MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

	2008 R	2007 R
<b>26. COUNCILLOR'S REMUNERATION</b>		
Mayor's allowance:	175,813	493,497
Allowance	112,853	301,561
Travelling allowance	40,161	96,243
Other allowances	16,667	9,528
Back Pay	5,266	62,573
Council Contributions	865	23,592
Councillors' allowances:	1,636,682	1,636,898
Allowance	1,013,080	984,575
Travelling allowance	369,070	313,289
Other allowances	178,385	81,632
Back Pay	64,393	166,805
Council Contributions	11,754	90,597
Total Allowances	<u>1,812,495</u>	<u>2,130,395</u>
<b>27. DIRECTORS AND OFFICIALS REMUNERATION</b>		
Municipal Manager	514,836	234,439
Salary	290,100	132,523
Travelling allowance	118,263	54,108
Other allowances	106,473	36,622
Leave paid out	-	11,187
Other Senior Manager	795,617	1,156,085
Salary	456,580	621,827
Travelling allowance	187,422	267,078
Other allowances	130,736	224,733
Leave paid out	20,879	42,448
Total Remuneration	<u>1,310,453</u>	<u>1,390,524</u>
The municipality's employees cost spend as a percentage of total spend is: -	49.6%	43.6%
South African Revenue Services - PAYE per payroll	R 931,268	R 894,561
South African Revenue Services - SDL per payroll	R 61,351	R 63,544
Medical Aid Contributions	R 710,946	R 656,786
Balances Outstanding in respect of the above		
South African Revenue Services - PAYE per payroll	R 1,383,410	R 1,368,911
South African Revenue Services - SDL per payroll	R 10,840	R 41,638
Medical Aid Contributions	R 78,298	R -
<b>28. POST BALANCE SHEET EVENTS</b>		
No material post balance sheet events have been identified.		
<b>29. UNAUTHORISED EXPENDITURE</b>		
The municipalities council authorised all expenditure in excess of the budgeted amount made during the current and previous financial years.		
<b>30. COMPARATIVE INFORMATION</b>		
During the current financial year the municipality realigned their departments and budget to comply with the National Treasury regulations. The municipality has not shown comparative information for the new departments.		

GREAT KEI MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2008

	2008 R	2007 R	2006 R	2005 and before R	2007 R
<b>31. IRREGULAR EXPENDITURE</b>					
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005 and before</u>	<u>Total</u>
Supply Chain Management not followed	-	2,170,410	3,312,452	21,862,498	27,345,360
Payments not correctly approved	-	3,000,000	1,470,000	4,700,000	9,170,000
Non Compliance with requirements of conditional grants	574,000	1,803,842	2,300,000	5,700,000	10,377,842
Irregular performance bonuses	-	-	-	200,143	200,143
Irregular staff appointments	-	-	549,688	703,599	1,253,287
	<u>574,000</u>	<u>6,974,252</u>	<u>7,632,140</u>	<u>33,166,240</u>	<u>48,346,632</u>

	2008 R	2007 R	2006 R	2005 and before R	2007 R
<b>32. FRUITLESS AND WASTFUL EXPENDITURE</b>					
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005 and before</u>	<u>Total</u>
Overseas trips	-	-	-	81,880	81,880
Salary overpayments	-	-	-	172,630	172,630
Expenditure on testing station	520,891	-	-	-	520,891
Excessive overtime	-	-	515,818	629,971	1,145,789
Incorrect leave payments	-	57,108	99,442	142,855	299,405
Interest and penalties paid to SARS	354,743	-	-	-	354,743
Printing and posting statements	-	-	-	113,861	113,861
Interest on arrear DBSA loans	-	223,123	-	-	223,123
Interest on repayments of proceeds of irregular land sale	148,069	330,851	-	-	478,920
	<u>1,023,703</u>	<u>611,082</u>	<u>615,260</u>	<u>1,141,197</u>	<u>3,391,242</u>

**33. GOING CONCERN**

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

The following going concern risks exist at the municipality:

- The municipality has net liabilities of R9.9 million and net current liabilities of R11.4 million;
- Significant operating losses were incurred during the past five years;
- The municipality has experienced and still is experiencing negative cash flows from operating activities;
- The municipality is facing pending litigation and associated costs of more than R 161 777;
- Suppliers accounts were/are not settled within the prescribed periods;
- The monthly operating costs exceed own revenue collections and the current level of grant funding by R420 000 per month.

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

GREAT KEI MUNICIPALITY  
 STATUTORY FUNDS, RESERVES AND TRUST FUNDS  
 YEAR ENDED 30 JUNE 2008

	Balance at 30 June 2007 R	Contributions during year R	Interest on Investments R	Other Income Transfers R	Operating expenditure during year R	Capital expenditure during year R	Balance at 30 June 2008 R
<b>STATUTORY FUNDS</b>							
Revolving Fund	3,194,510	261,426	80,676	940,282	3		4,476,891
Dog Tax	2,346		168				2,514
	<u>3,196,855</u>	<u>261,426</u>	<u>80,844</u>	<u>940,282</u>	<u>3</u>	<u>-</u>	<u>4,479,405</u>
<b>TRUST FUNDS</b>							
<u>Cash Backed Funds</u>							
Pilot Housing	1,405		35		108		1,333
Township Register	1,175		30		108		1,098
Kei Mouth Peoples Housing Project	10,064		321				10,385
Electricity Project	3,734		105				3,840
CMIP / MIG	1,744,718	4,898,539	47,235			4,280,097	2,410,394
Town Planning	3,008		212				3,220
MSP Fund / Stabilisation Fund	1,397	2,000,000	77,936	(456,253)	23,434	467,044	1,132,602
Siviwe Housing Project	1,312		63				1,375
FMG Fund	-	1,500,000	67,959		1,572,249		(4,290)
MSIG Fund	-	734,000	16,140		81,751		668,389
	<u>1,766,813</u>	<u>9,132,539</u>	<u>210,037</u>	<u>(456,253)</u>	<u>1,677,650</u>	<u>4,747,142</u>	<u>4,228,344</u>
<b>RESERVES</b>							
Scheme Regulation Funds	2,848		199				3,047
	<u>2,848</u>	<u>-</u>	<u>199</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,047</u>

APPENDIX A

GREAT KEI MUNICIPALITY  
EXTERNAL LOANS AND INTERNAL ADVANCES  
YEAR ENDED 30 JUNE 2008

	Rate	Repayment Terms	Termination	Balance at 30 June 2007 R	Received during the year R	Redeemed/ written off during year R	Transfer to ADM R	Balance at 30 June 2008 R
<b>EXTERNAL LOANS</b>								
Development Bank of South Africa (Roads & Drainage)	14.5%	Bi Annually	30-Jun-2014	445,270		40,454		404,815
Development Bank of South Africa (Municipal Building)	11.0%	Bi Annually	30-Jun-2014	2,482,068		298,387		2,183,682
Development Bank of South Africa (Municipal Building)	15.0%	Bi Annually	30-Jun-2019	996,324				996,324
				3,923,662	-	338,841	-	3,584,821
<b>INTERNAL LOANS</b>								
<u>Internal advances to borrowing services:</u>								
Internal Loans (Old Kei Mouth)		Various Loans (Schedules in working paper)		401,725		51,965		349,760
				401,725	-	51,965	-	349,760
<b>FINANCE LEASES</b>								
Nashua	13.56%	Monthly	Various		139,679	28,232		111,447
				-	139,679	28,232	-	111,447

APPENDIX B

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

GREAT KEI MUNICIPALITY  
ANALYSIS OF FIXED ASSETS  
YEAR ENDED 30 JUNE 2008

2007 Expenditure		Balance at 30 June 2007	Expenditure during year	Redeemed, trans- ferred or written off during year	Transfer to ADM	Balance at 30 June 2008
R		R	R	R	R	R
5,642,989	Rates & General Services	22,643,208	6,316,505	114,000	-	28,845,713
4,457,840	Community services	20,561,713	5,902,394	114,000	-	26,350,107
2,391,764	Land and Buildings	11,924,764	225,936			12,150,700
-	General Improvements	139,639	-			139,639
81,300	Streets & Stormwater	1,946,941	2,751,872			4,698,813
-	Plant, Vehicles and Equipment	2,653,226	43,350	114,000		2,582,576
436,247	Community Halls	842,439	-			842,439
-	Cintsa Assets	757,842	1,280,121			2,037,963
408,177	Town Treasury	719,620	1,601,115			2,320,736
-	Traffic Services	436,890	-			436,890
1,140,351	Rescue Equipment	1,140,351	-			1,140,351
1,185,150	Subsidised Services	1,880,874	4,423	-	-	1,885,297
-	Library	-	-			-
-	Plant, Vehicles and Equipment	332,870	-			332,870
1,185,150	Parks & Recreation	1,548,004	4,423			1,552,427
-	Economic Services	200,621	409,688	-	-	610,309
-	Sewerage & Sanitation	-	-			-
-	Plant, Vehicles and Equipment	170,621	-			170,621
-	Refuse Services	30,000	409,688			439,688
-	Trading Services	3,904,252	-	-	-	3,904,252
-	Electricity Services	3,904,252	-			3,904,252
-	Water Services	-	-			-
5,642,989	<b>TOTAL FIXED ASSETS</b>	26,547,460	6,316,505	114,000	-	32,749,965
(10,583,805)	<b>LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS</b>	(22,222,073)	6,176,826	305,038	-	28,703,937
(3,629,402)	Loans redeemed and advances paid	505,563		419,038		924,601
1,241,163	Contributions from operating income	9,143,738	271,327	(114,000)		9,301,066
(8,195,566)	Grants and subsidies	12,572,773	5,905,499			18,478,271
16,226,794	<b>NET FIXED ASSETS</b>	4,325,387	139,679	(191,038)	-	4,046,028

GREAT KEI MUNICIPALITY  
ANALYSIS OF OPERATING INCOME AND EXPENDITURE  
YEAR ENDED 30 JUNE 2008

2007 Actual R		2008 Actual R	2008 Budget R
	<b>INCOME</b>		
10,672,806	Grants and Subsidies	15,335,803	11,368,000
8,412,672	Operating income	8,848,973	5,188,397
3,485,682	Assessment Rates	3,596,556	3,441,471
2,106,017	Electricity Charges	2,399,680	615,557
16,606	Water Charges	-	-
2,804,367	Income from Other Service Charges, Traffic and Sundries	2,852,737	1,131,369
37,242	Interest Received	278,378	-
<u>19,122,720</u>	Total income	<u>24,463,154</u>	<u>16,556,397</u>
	<b>EXPENDITURE</b>		
10,154,276	Salaries, Wages and Allowances	9,890,174	9,441,702
8,738,427	General Expenditure	7,478,617	8,480,876
571,860	Repairs and Maintenance	313,744	238,400
883,089	Capital Charges	1,164,556	-
1,241,163	Contributions to Fixed Assets	271,327	-
1,697,235	Contributions to Approved Funds	827,836	-
<u>23,286,049</u>	Total Expenditure	<u>19,946,253</u>	<u>18,160,978</u>

APPENDIX D

GREAT KEI MUNICIPALITY  
 DETAILED INCOME STATEMENT  
 YEAR ENDED 30 JUNE 2008

2007 Actual income	2007 Actual expenditure	2007 Surplus/ (deficit)		2008 Actual income	2008 Actual expenditure	2008 Surplus/ (deficit)	2008 Budgeted surplus/ (deficit)
R	R	R		R	R	R	R
16,999,944	20,723,455	(3,723,511)	RATES AND GENERAL SERVICES	24,463,154	19,946,253	4,516,901	(1,604,581)
15,110,469	18,063,743	(2,953,274)	Community services	-	-	-	-
554,154	8,407,658	(7,853,504)	Administration	-	-	-	-
3,485,682	-	3,485,682	Assessment Rates	-	-	-	-
1,004	2,649,887	(2,648,883)	Council General	-	-	-	-
164,408	1,664,414	(1,500,006)	Engineering Services	-	-	-	-
895	627,152	(626,257)	Human Resources	-	-	-	-
-	875,459	(875,459)	Local Economic Development	-	-	-	-
-	522,217	(522,217)	Roads and Streets	-	-	-	-
310,730	580,112	(269,382)	Traffic Services	-	-	-	-
10,593,596	2,736,844	7,856,752	Treasury	-	-	-	-
-	-	-	Accounting Officer	2	3,386,001	(3,386,999)	(2,598,884)
-	-	-	Accounting Officer	-	2,905,500	(2,905,500)	(2,598,884)
-	-	-	Local Economic Development	2	480,501	(480,499)	-
-	-	-	Budget and Treasury	19,253,016	3,775,590	15,477,426	4,719,371
-	-	-	Budget and Treasury	19,253,016	3,775,590	15,477,426	4,719,371
-	-	-	Community Services	660,383	1,507,595	(847,212)	886,369
-	-	-	Community Services	16,903	739,652	(722,749)	886,369
-	-	-	Cemeteries	4,362	-	4,362	-
-	-	-	Carvan Park	76,019	3,102	72,917	-
-	-	-	Library	1,156	99,003	(98,148)	-
-	-	-	Tecoma Old Age Home	221	-	221	-
-	-	-	Traffic Services	463,703	626,136	(162,432)	-
-	-	-	Whispering Waves	98,018	39,002	58,617	-
-	-	-	Corporate Services	182,449	3,657,297	(3,468,848)	-
-	-	-	Corporate Services	-	512,394	(512,394)	-
-	-	-	Human Resources	-	676,119	(676,119)	-
-	-	-	Information Technology	-	469,738	(469,738)	-
-	-	-	Administrative and Assets	182,449	1,993,046	(1,810,597)	-
-	-	-	Council	-	2,293,100	(2,293,100)	(3,133,494)
-	-	-	Council	-	2,293,100	(2,293,100)	(3,133,494)

GREAT KEI MUNICIPALITY  
DETAILED INCOME STATEMENT  
YEAR ENDED 30 JUNE 2008

2007 Actual income	2007 Actual expenditure	2007 Surplus/ (deficit)		2008 Actual income	2008 Actual expenditure	2008 Sur plus/ (de icit)	2008 Budgeted surplus/ (deficit)
R	R	R		R	R	R	R
-	-	-	Technical Services	4,367,304	5,332,671	(965 367)	(1,477,943)
		-	Technical Services	90,723	3,180,404	(3,08 ,681)	(1,477,943)
		-	Electricity	2,399,680	1,969,611	430 069	-
		-	Refuse	1,876,901	(182)	1,87 ,082	-
		-	Streets and Roads	-	182,837	(182 837)	-
		-	Town Planning	-	-	-	-
156,526	1,810,683	(1,654,157)	Subsidise services	-	-	-	-
4,844	11,160	(6,316)	Cemeteries			-	
-	82,673	(82,673)	Fire Protection			-	
2,426	230,662	(228,236)	Library			-	
148,942	1,486,188	(1,337,246)	Social Amenities			-	
314		314	Tecoma Old Age Home			-	
1,732,949	849,029	883,920	Economi services	-	-	-	-
1,587,851	795,882	791,969	Refuse Services			-	
7,378	-	7,378	Sewerage and Sanitation			-	
137,719	53,147	84,573	Whispering Waves			-	
2,122,776	2,562,594	(439,818)	TRADING SERVICES	-	-	-	-
2,106,017	2,562,594	(456,577)	Electricity Services			-	
16,759	-	16,759	Water Services			-	
<u>19,122,720</u>	<u>23,286,049</u>	<u>(4,163,330)</u>	TOTAL	<u>24,463,154</u>	<u>19,946,253</u>	4,516,901	<u>(1,604,581)</u>
		707,517	Appropriations for the year (refer to note 19)			(629,766)	
		(3,455,812)	NET DEFICIT FOR THE YEAR			3,887,134	
		(10,321,002)	Accumulated deficit beginning of the year			(13,776,814)	
		<u>(13,776,814)</u>	ACCUMULATED DEFICIT END OF THE YEAR			<u>(9,889,680)</u>	

APPENDIX E



GREAT KEI MUNICIPALITY  
APPENDIX F  
STATISTICAL INFORMATION  
YEAR ENDED 30 JUNE 2008

GENERAL STATISTICS

Population 44,469

See note 14 for the value of the last general valuation done by the municipality.

Assessment rates:

- See Note 14 for the basic rate charged for buildings and improvements
- Pensioners can apply for a 40% rebate and Residents 20 % respectively
- Churches exempt
- Sports (non profit) exempt

Number of residential properties 11,363

Number of employees of local authority 106

Electricity Statistics

Units bought/generated 10,997,685

Units sold 1,791,666

**REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL OF THE GREAT KEI MUNICIPALITY ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF GREAT KEI LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008.**

**REPORT ON THE FINANCIAL STATEMENTS**

**1.1.4 Introduction**

1. I was engaged to audit the accompanying financial statements of the Great Kei Municipality which comprise the balance sheet as at 30 June 2008, income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages xx to xx.

**Responsibility of the accounting officer for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with entity specific basis of accounting as set out in accounting policy note 1 and in the manner required by the 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) and section 126 (3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit in accordance with the International Standards on Auditing *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Because of the matters discussed in the Basis for disclaimer of opinion paragraphs, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

**Basis of accounting**

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

**Basis for disclaimer of opinion**

**Consumer deposits**

5. A register/schedule of consumer deposits that reconciled to the amount of R100 239 disclosed as consumer deposits in the balance sheet was not maintained. As a result the planned audit procedures relating to this balance could not be carried out. A trend analysis performed on this balance revealed that consumer deposits and debtors were understated by R400 000, whilst the corresponding figures for these accounts were understated by R312 000.

### **Fixed assets**

6. The fixed assets of R4.04 million, disclosed in the balance sheet and in note 6 to the financial statements are stated at cost less loans redeemed and other capital receipts. The cost of fixed assets recorded in the fixed asset register that was provided for audit purposes exceeds the cost of assets reflected in note 6 to the financial statements by R21.2 million. This resulted in it not being possible to place reliance on the asset register for audit purposes. Furthermore assets with a cost of R9 million selected from the asset register could not be physically verified whilst numerous additions and other assets selected for testing were not recorded thereon.

Consequently, sufficient appropriate evidence relating to the existence, completeness, classification, and accuracy of fixed assets to the value of R4.04 million disclosed in the balance sheet and related expenditure disclosed in the income statement could not be obtained.

### **Inventory**

7. The inventory on hand of R223 165 disclosed in the financial statements is not supported by adequate working papers detailing the quantity, unit price and value of the inventory on hand. The municipality's records did not permit the application of alternative procedures on this inventory.

As a result it was not possible to obtain sufficient appropriate evidence relating to the existence, completeness accuracy, classification, cut off and rights relating to the inventory balance at 30 June 2008 and the completeness, accuracy, cut off and occurrence of the related expenditure disclosed in the income statement..

### **Debtors**

8. The records of consumer debtors supporting the amount of R4.3 million disclosed in note 10 are inaccurate. This amount is stated after deducting unallocated receipts of R5 million and accounts containing credit balances totalling R838 136. The unallocated receipts comprise revenue, consumer deposits and debtor receipts whilst the credit balances were created by journal entries that were not supported by calculations or workings. In addition not all residents who were registered in terms of the indigent policy received an allocation of equitable share against their accounts.

As a result the individual debtors contacted during the audit could not confirm the amount owing by them. Alternative procedures performed were also not successful. Consequently sufficient appropriate evidence relating to the rights, existence, accuracy, valuation, completeness and classification of the consumer debtors and the accumulated loss and the completeness, occurrence and accuracy of revenue was not obtained.

9. The value added tax asset (VAT) of R3.86 million included in the debtors amount of R5.8 million disclosed in note 10 to the financial statements does not reconcile to its supporting workings and documentation. As a result debtors are overstated by R363 000 whilst expenditure and the accumulated loss are understated by this amount.

### **Bank and cash**

10. Cash receipts of R117 575 relating to motor vehicle licences and other revenue were misappropriated. As a result bank and cash and revenue are understated by this amount. This matter has been reported to the police for further investigation.

### **Provisions**

11. The municipality does not have permits or a restoration plan for its landfill sites and as such is in breach of sections 20 and 28 of the National Environmental Management Act 1998 (Act. No 107 of 1998). No provision is included or contingent liability is disclosed the financial statements for the future restoration costs of these landfill sites or for the penalties that may be imposed by the regulatory authorities in terms of section 29 of this act.

Due to the specialist nature of the calculations required and the lack of available specialists together with the limited nature of the available information it was not possible to determine the effect of this non- compliance on the provisions, expenditure and contingent liabilities disclosed in the financial statements.

### **Revenue**

12. The assessment rates of R3.6 million, which is included in the rates and general service revenue of R24.46 million disclosed in the income statement does not reconcile to the valuation registers. As a result rates and general service revenue is understated by R479 865 whilst debtors are also understated by this amount.
13. The electricity tariff applied to consumers in Khomga was not approved by the National Electricity Regulator of South Africa. As a result rates and general service revenue and debtors are overstated by R1.03 million.
14. The units of electricity sold to consumers did not reconcile to the units purchased and as a result revenue and debtors are understated by R1.3 million.
15. No electricity revenue was raised for the period between the last meter reading and the year end. As a result revenue and debtors is understated by R293 960.

### **Expenditure**

16. Supporting documentation for payments of R141 294, included in the rates and general service expenditure of R19.9 million in the income statement, were not supported by adequate documentation. It was not possible, even after the application of alternative procedures, to obtain sufficient appropriate evidence relating to the occurrence and accuracy of this expenditure and the completeness of the related bank balances disclosed in the financial statements.
17. Logbooks, trip authorisations and records of maintenance for all municipal vehicles could not be produced for the year under review. As a result I could not obtain sufficient appropriate evidence about the classification and occurrence of expenditure of R229 400 incurred on fuel and maintenance of the municipal vehicles and the classification and completeness of the related staff debt that should have been disclosed in the financial statements.

### **Irregular expenditure**

18. Management did not implement the requirements of the Municipal Supply Chain Management Regulations issued in terms of the MFMA. Expenditure transactions with a value of R1.37 million were not procured in accordance with these regulations. This irregular expenditure is not included in the amount of R48.34 million disclosed in note 31 to the financial statements.

### **Corresponding figures**

19. Numerous errors in the prior period financial statements that were reported in the audit report for the year ended 30 June 2007 were corrected by adjusting the accumulated surplus and the relevant account balance in the current period without restating the corresponding figures.

### **Disclaimer of opinion**

20. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I have been unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Great Kei Municipality. Accordingly, I do not express an opinion on the financial statements.

### **Emphasis of matter**

I draw attention to the following matters:

#### **Going Concern**

21. The municipality has disclosed in note 33 to its financial statements that it is facing a number of risks to its ability to continue as a going concern. The most significant being:

- The municipality has net current liabilities of R11.4 million;
- Significant operating losses were incurred during the past five years and are continuing to be incurred;
- The municipality has experienced and still is experiencing negative cash flows from operating activities;
- The municipality is facing pending litigation and associated costs of more than R161 777;
- Supplier accounts were/are not settled within the prescribed periods;
- The operating costs exceed own revenue collections and the current level of grant funding by R5.1 million per annum

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

### **Highlighting critically important matters presented or disclosed in the financial statements**

#### **Irregular expenditure**

22. Irregular expenditure of R48.35 million is disclosed in note 31 to the financial statements.
23. The prior year irregular expenditure, resulting from an R878 631 over-payment to members of council, has been raised as debts and included in the debtors amount of R5.8 million disclosed in note 10 to the financial statements, in accordance with section 167(2(b) of the MFMA. However, the debt has not yet been recovered from members of council.

#### **Fruitless and wasteful expenditure**

24. Fruitless and wasteful expenditure of R3.4 million is disclosed in note 32 to the financial statements.

**Doubtful Debts**

25. The municipality did not implement its credit control and debt collection policies during the year under review. As a result the calculation of the provision for doubtful debts of R3.5 million included in note 10 to the financial statements was not calculated based on these policies. Furthermore, the basis of calculating this impairment is not disclosed in the accounting policies.

**Revolving fund**

26. As disclosed, in note 1 to the financial statements, the revolving fund investments was used to finance operating costs in the prior financial years and as a result the revolving fund of R4.5 million is only supported by investments of R1.84 million.

**OTHER MATTERS**

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

**1.1.4.1 Internal controls**

27. 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 disclaimer of 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
Consumer deposits	X				
Fixed assets	X				
Inventory	X				
Debtors	X				
Provisions	X				
Revenue	X				
Expenditure	X				
Irregular expenditure	X				
<p><u>Control environment</u>: establishes the foundation for the internal control system by providing fundamental discipline and structure for financial reporting.</p>					

Reporting item	Control environment	Risk assessment	Control activities	Information and communication	Monitoring
<p><u>Risk assessment</u>: involves the identification and analysis by management of relevant financial reporting risks to achieve predetermined financial reporting objectives.</p> <p><u>Control activities</u>: policies, procedures and practices that ensure that management's financial reporting objectives are achieved and financial reporting risk mitigation strategies are carried out.</p> <p><u>Information and communication</u>: 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.</p> <p><u>Monitoring</u>: covers external oversight of internal controls over financial reporting by management or other parties outside the process; or the application of independent methodologies, like customised procedures or standard checklists, by employees within a process.</p>					

#### 1.1.4.2 Non-compliance with applicable legislation

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

28. The municipality did not comply with any of the reporting requirements contained in sections 54(1), 66, 70(1), 71(1-5) and section 74 of the MFMA that deal with the budgetary control exercised by the mayor, expenditure on staff benefits, budgeted revenue shortfalls and expenditure overspending, and the submission of monthly budget statements to the provincial treasury.
29. No interest was raised on outstanding accounts as required by section 64(2)(g) of the MFMA in the year under audit.

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

30. No performance contracts for the municipal manager and those managers reporting directly to him were in place during the year under review. This is a contravention of section 57 of the MSA and is likely to impact negatively on the municipality's performance.

#### 1.1.4.3 Matters of governance

31. 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
<b>Audit committee</b>		
• The municipality had an audit committee in operation throughout the financial year.		X
• The audit committee operates in accordance with approved, written terms of reference.		X

<b>Matter of governance</b>	<b>Yes</b>	<b>No</b>
<ul style="list-style-type: none"> <li>The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.</li> </ul>		X
<b>Internal audit</b>		
<ul style="list-style-type: none"> <li>The municipality had an internal audit function in operation throughout the financial year.</li> </ul>		X
<ul style="list-style-type: none"> <li>The internal audit function operates in terms of an approved internal audit plan.</li> </ul>		X
<ul style="list-style-type: none"> <li>The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.</li> </ul>		X
<b>Other matters of governance</b>		
<ul style="list-style-type: none"> <li>The annual financial statements were submitted for audit as per the legislated deadlines (section 126 of the MFMA).</li> </ul>	X	
<ul style="list-style-type: none"> <li>The annual report was submitted to the auditor for consideration prior to the date of the auditor's report.</li> </ul>		X
<ul style="list-style-type: none"> <li>The financial statements submitted for audit were not subject to any material amendments resulting from the audit.</li> </ul>		X
<ul style="list-style-type: none"> <li>No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.</li> </ul>	x	
<ul style="list-style-type: none"> <li>The prior year's external audit recommendations have been substantially implemented.</li> </ul>		x
<b>Implementation of Standards of Generally Recognised Accounting Practice (GRAP)</b>		
<ul style="list-style-type: none"> <li>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.</li> </ul>		X
<ul style="list-style-type: none"> <li>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.<sup>4</sup></li> </ul>		X
<ul style="list-style-type: none"> <li>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.</li> </ul>		X



## **Unaudited supplementary schedules**

The schedules set out on pages xxx to xxx have not been audited. Accordingly no opinion is expressed thereon.

## **OTHER REPORTING RESPONSIBILITIES**

### **1.1.5 REPORT ON PERFORMANCE INFORMATION**

32. I was engaged to review the performance information.

#### ***1.1.5.1 Responsibility of the accounting officer for the performance information***

33. 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).

#### ***1.1.5.2 Responsibility of the Auditor-General***

34. 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].

35. 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.

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

#### ***1.1.5.3 Audit findings (performance information)***

##### **Non compliance with regularity requirements**

37. The municipality did not implement a performance management system during the year under review as required by section 38 of the MFMA. As a result, no performance information was submitted for audit purposes and no reporting thereon will be included in annual report.

38. The organogram included in the 2007-08 Integrated Development Plan (IDP) was a final draft and not an approved copy. Furthermore the financial plan attached to the IDP does not include a financial strategy that defines sound financial management and expenditure control, as well as ways and means of increasing revenues and external funding for the municipality and its developmental priorities and objectives as required by paragraph 2(a) of the MSA.

39. The municipality did not always sign service delivery agreements with its service providers as required by section 76(b) of the MSA.

##### **Measurable objectives and/or indicators and/or targets not consistent**

40. The performance targets documented in the IDP are not measurable, vague, not practical, not realistic and not consistent with municipality's development priorities as required by regulation 12(2) to the MSA..

#### **1.1.6 OTHER REPORTS**

##### **Investigations**

41. The misappropriation of cash receipts by certain municipal officials reported in paragraph 10 is under investigation by the South African Police Services.

##### **APPRECIATION**

42. The assistance rendered by the staff of the Great Kei Municipality during the audit is sincerely appreciated.

*Auditor-General*

EAST LONDON

30 November 2008

# GREAT KEI MUNICIPALITY

## RESPONSES TO THE AUDITOR-GENERAL'S AUDIT REPORT FOR 2007/2008 FINANCIAL YEAR

<u>Issues raised by Auditor-General</u>	<u>Plan of Action</u>	<u>Time Frame</u>	<u>Responsible Officer</u>	<u>Comments</u>
<b><u>CONSUMER DEPOSITS</u></b>				
Register of Consumer Deposits not maintained	The finance department will undertake a full review of all erven in the municipality to establish what deposits are held and for which service they are held.		Budget & Treasury Office	A municipal valuer has been appointed in May 2008, information to update the billing information. The consumer deposits register is maintained and is available on request.
<b><u>LONG TERM DEBTORS</u></b>				
Inaccurate and misstatement of Debtors	The municipality will establish a register of Long Term Debtors. The information will be taken from the existing working papers. Establish policies and procedures to deal with long term loans.	Ongoing	CFO	The matter will be reviewed to ascertain the credibility of the R5m from the Service Provider Charteris and Barnes as well VAT comprising of R3,86m.
Unique identification of assets	The assets acquired since 30 June 2004 will be reviewed and bar coded labels put on those that don not have. The process was last updated in June 2004.		CFO	Process in underway to undertake a physical verification of all movable and immovable assets

**INVENTORY**

No Inventory records are maintained	Develop stores procedures. Once the procedures have been developed by must be implemented. The stores procedures must cover the following elements: - <ul style="list-style-type: none"><li>• Fuel storage</li><li>• Spares</li><li>• Other materials</li></ul>	July 2008	CFO	New finance system to include stores module Stock count will be done quarterly i.e. Sept 08, Dec 08, Mar 08 and June 2008 with the Auditors. During the 2008/09 Financial Year this will be appropriated to reflect the two balances on stock items. The Auditor General never asked for these documents from Management.
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**REVENUE AND ACCOUNTS RECEIVABLE**

Unallocated receipts	Procedures regarding unallocated receipts will be developed and adopted. No receipt should remain unallocated for a period greater than 3 months. Receipts are to be reconciled daily and a schedule maintained. The schedule is to be reconciled daily to the general ledger.	June 2008	CFO	The Chief Debtors Clerk has been allocated the function. The matter will be further reviewed to ascertain the credibility of the R5m from the Service Provider as well as Vat comprising of R3,86. The municipality has embarked on a project of these debtors with the assistance of
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				<p>bankers. A response obtained indicated that these debtors mainly relate to a number of years going back and it has proved to be an exceedingly difficult process.</p> <p>On discussion with the Auditors about the matter, the municipality is looking at either requesting a write off of these debtors to Council or alternatively bringing each debtor to reconcile their accounts. Part of resolving the problem would be to conduct a daily bank reconciliation to avoid the re-occurrence of the matter. To this end the income accountant has been tasked to resolve the matter.</p>
Indigent debtors	An internal audit of the indigent debtors will be undertaken. The updated list of indigent debtors will be used by the finance department as a basis for raising month indigent receipts against the equitable share received.		CFO	An indigent policy is being developed with the assistance of Provincial DHLGTA

<b><u>PROVISIONS</u></b>				
The municipality does not have a restoration plan for its landfill sites.	Restoration/rehabilitation plans must be sourced from DWAF/Service Provider		Technical Services/ Municipal Manager	Same as above.
<b><u>EXPENDITURE</u></b>				
Unallocated expenditure and supporting documentation	Procedures regarding the full expenditure cycle is to be reviewed. All vouchers presented for payment must comply with the adopted procurement procedures of the municipality.		CFO	No payments are processed without the necessary supporting documents
Municipal telephone system	The municipality will review various avenues to ensure that the misuse of the municipal telephone system is reduced.		CFO	New Telephone System installed, monitoring of usage to be done monthly
<b><u>IRREGULAR EXPENDITURE</u></b>				
Management did not monitor the implementation of the requirements of the Municipal Supply Chain Management Regulations issued in terms of the MFMA	The municipalities management will implement the regulations in terms of the MFMA. A timeline for the implementation and subsequent monitoring will be developed to ensure adherence to the regulations issued in terms of the MFMA.		Municipal Manager / CFO	Controls have been put in place. Final Journal had been processed.
<b><u>FRUITLESS AND WASTFUL EXPENDITURE</u></b>				

<p>The incurrence of fruitless and wasteful expenditure by the municipality.</p>	<p>The municipality will undertake to service all its commitment within the required time frames as set out in all its loan agreements.</p>		<p>Managers</p>	<p>Controls are in place to reduce cash outflows.</p> <p>A Working Group has been established and an agreement has been reached between DBSA and GKM. The Municipality had to pay the capital due with interest charges as per court order however this is also part of Special Investigations Unit's investigations.</p>
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## CONCLUSION

Local Government has an immense responsibility that services to members of the community are being provided in a manner that promotes democracy and enhance transparency. This Annual Report retrospectively accounts for the dealings of the municipality for the financial year 2007/2008. By reporting comprehensively the municipality seeks to deliver on its constitutional mandate by being an accountable local government.

Continuous alternatives are explored and implemented to deliver as required by the local government legislative framework which articulates that this sector must be developmental both in form and in content.

In highlighting the past year's performance of the municipality, the municipality also recognises and acknowledges that the aforesaid backlogs and challenges in this Annual Report must be faced with vigour together with renewed energy and passion in order to deliver on the expectations of our community.