

Annual Report 2007 / 2008



**Sustainable Development
Our Road to the Future**





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INTRODUCTION & OVERVIEW

Chapter

1



FOREWORD BY THE HONORABLE MAYOR



In presenting this annual report of Intsika Yethu Local Municipality, we will account for the work that was done from July 2007 until June 2008. This report will highlight our achievements and will reflect on the challenges facing our various and diverse communities.

In our quest to enhance the system of participatory democracy, we are proud to inform our communities that our foot soldiers, ward committees were firmly established in order to give communities a direct say in the governance of their towns, villages and their respective communities.

Intsika Yethu Local Municipality Council strongly believes that we are still on track in executing the mandate that was given to it by the respective communities to fight against poverty and make a better life for all. Public consultation of our Integrated Development Plan (IDP) and Budget review process were conducted where communities identified key priorities.

Together with our communities, we remain steadfast in our resolve to address challenges in our areas.

S. D. PLATA

New initiatives are in place to be used to improve and enhance these challenges and make sure that people are governing with us.

The Council would like to acknowledge the role of officials and respective Councillors for their diligence and hard work.

I would like to express a word of appreciation to our residents of Cofimvaba, Tsomo and villages of Intsika Yethu Municipality for the great participation that they have shown during the financial year.

As a political collective of the Intsika Yethu Local Municipality, we will continue to honour the pledge that we made and carry out the mandate given to us by the communities, namely to accelerate service delivery and development, fight poverty and unemployment as well as to create a safe and healthy environment for our community.

Intsika Yethu Municipality has initiated programmes to ensure that the following:

- Water and Sanitation
- Crime prevention

S. D. PLATA
Honorable Mayor

FOREWORD BY THE SPEAKER



Intsika Yethu Local Municipality continues to attain a common goal and realize the developmental objectives of our communities and effect change for the better to the lives of our communities. The various departments within the municipality, have been in constant contact with the communities in order to ascertain whether we are still on track with the delivery of services.

This has been received through unmediated communication, engaging with our stakeholders through izimbizo's as well as print and electronic media.

Our municipality continues to ensure that all citizens have adequate knowledge of all government programmes. To build a people-centred government, the municipality has maintained relationship through imbizo's, ward committees, CDWs and IDP Forums.

M. SOKUJIKA

A word of appreciation to Councilors, the Municipal Manager, Managers, and the staff of all departments for their efforts and commitment in uplifting the Intsika Yethu Local Municipality and for believing that we can be agents of change.

M SOKUJIKA

Speaker

FOREWORD BY THE MUNICIPAL MANAGER



In the financial year 2007/2008 the Intsika Yethu Local Municipality continued to make advances in the implementation of its Integrated Development Plan (IDP). Last year Intsika Yethu Local Municipality continued on its path to deliver improved service to its residence.

A number of programmes were implemented which included:

- Hosting of the Mayoral Soccer Tournament, which is an annual occurrence culminating to the 2010 World Cup.
- 16 Days of Activism

Apart from Sport and Recreation and Infrastructure plans, Intsika Yethu Local Municipality has been more active in promoting and supporting artistic and cultural activities.

Various crucial projects commenced during the year under review namely:

- The St Marks Housing Project
- Live stock improvement
- Construction of a number of access roads

Z. SHASHA

The municipality continues to remedy the situation of limited capacity. It is with this that the management considered new employee programmes namely, employee wellness and performance assessment programmes. In the coming financial year (2008/2009) the management plans to move swiftly to fulfill employee skills requirements. The municipality continues to fill vacancies that are crucial to the institution.

The infrastructure Department maintains existing infrastructure and facilities while focusing on uplifting residential areas according to appropriate levels of service.

The Local Economic Development Department continues to embark on an aggressive strategy aimed at unlocking and stimulating Local Economic and performance related programmes.

In conclusion, I would like to express my gratitude to the dedicated employees of Intsika Yethu Local Municipality who continue to provide quality service to our residents. Without them, the achievements and

challenges mentioned could not be accomplished. I must how ever thank the Executive Committee for their commitment to our vision of making the municipality a place of opportunity for all citizens.

I remain confident that if our municipality continues to work closely with all community partners and residents then the year 2008/2009 will be even more successful than the 2006/2007.

Z SHASHA
Municipal Manager

INSTIKA YETHU MUNICIPALITY EXECUTIVE COMMITTEE



HONORABLE MAYOR:
Cllr SD PLATA



PORTFOLIO HEAD OF INFRASTRUCTURE,
DEVELOPMENT & PLANNING:
Cllr Z MBOTLOSHI



PORTFOLIO HEAD OF CORPORATE
SERVICES: Cllr Y GASA



Cllr K VIMBAYO



PORTFOLIO HEAD OF SPU:
Cllr A NKOTA



PORTFOLIO HEAD OF LED:
Cllr W MDWAYINGANA



PORTFOLIO HEAD OF COMMUNITY
SERVICES: Cllr N BOYANA

OVERVIEW OF THE MUNICIPALITY

Intsika Yethu Local Municipality is a democratic elected category B municipality made up of representative councilors and administration staff. It is one of eight local municipalities found within the Chris Hani District Municipality. The municipality is purely rural with a population of about 194 000. Intsika Yethu Municipality practices its duties through its communities from all 23 wards. The councilors of Intsika Yethu Local Municipality form part of the local allocated government working directly with the local people. The municipality exercises its duties through its communities.

Under the municipality's jurisdiction is:

- Cofimvaba
- Tsomo and
- 213 villages

Unemployment and poverty affects a large number of people within the municipal areas. The council forms part of the local sphere of government, closely located to the people. The Intsika Yethu Local Municipality exercises its duties and functions through its constituent areas.

Africans represent the largest population group in the Municipal area. Mini farming is the biggest source of livelihood in the area. The area of Intsika Yethu offer a diverse range of opportunities in industries linked to agriculture and other industries.

Key features of the Local Economy

- Farming: grain, poultry and dried fruit
- Growing tourism sector

Tourism has been added to the economic base of Intsika Yethu. Slowly the Municipality is becoming more noticeable on tourism maps due to its rich history and culture.

VISION

A developmental local municipality that provides sustainable development in its area of jurisdiction in an effective manner.

MISSION

Endeavour's to achieve sustainable development by engaging the following instruments: Integrated Development Plan (IDP), Budget, Performance Management System (PMS) and public participation.

CORE VALUES & PRINCIPLES

- Equity
- Excellence
- The Spirit of Partnership
- Integrity
- Ubuntu
- Batho Pele

PERFORMANCE REPORTS

Chapter

2



ADMINISTRATION REPORT

OVERVIEW

The Office of the Municipal Manager continues to make efforts to strengthen the administration support services to the institution. This report will tabulate the successes and efforts of the department in promoting good governance, corporate governance and challenges.



Some of the key performance areas of the office are to:

- Ensure the Integrated Development Plan (IDP) and Budget timetable is adhered to and adopted by the council within the prescribed timeframe.
- Ensure council resolutions are implemented timeously.
- To improve and promote Intergovernmental structures.

IDP AND BUDGET

The municipality again undertook the annual consultation programme of presenting the IDP and Budget Programme, through consulting with the communities through meetings in all 23 wards of the municipality. After this consultation programme the IDP and Budget was approved by the Council and released for public comment and input. Thereafter the IDP and Budget was finalized and submitted to Council and was approved at the end of May 2007. For the implementation of the approved IDP and Budget 2007/8, a service Delivery and Budget Implementation Plan was drafted and progress was monitored through quarterly progress reports.

IMPLEMENTATION OF COUNCIL RESOLUTIONS

It is the duty of this office to implement resolutions of the Council. The Office of the Municipal Manager has successfully implemented Council Resolutions. The Office regularly reports to council on all programmes and challenges within the institution. It continues to form part of strategic framework for the transformation within Intsika Yethu Local Municipality.

EXCO AND STANDING COMMITTEES

All reports of the departments within the municipality were served before the Standing Committees. All the reports and conclusions were accepted with changes been completed. The office ensured that Executive Committee Meetings were set timeously according to the planned schedules. All council meetings are published in the newspaper seven days prior to the Council meeting.

ANNUAL REPORTS

To keep our stakeholders and partners informed about Intsika Yethu Local Municipality financial progress and challenges, the Office of the Municipal Manager coordinated, developed and produced the institutional annual report. Before the report was published it was tabled to Council for approval. The published annual reports were distributed to all stakeholders, partners and relevant structures according to adhered timeframes.

FINANCIAL STATEMENTS

The municipality has worked hard in meeting timeframes this year for submission of the financial statements.

PMS & EVALUATION

The office is still faced with many challenges. A service provider was appointed for the development of a PMS and evaluation programme. The programme is yet to be implemented with most of the challenges on the side of the service provider.

INTERNAL AUDIT COMMITTEE

The municipality is still waiting for shared services from Chris Hani District Municipality on the issue of the establishment of an Audit committee. Some of the key issues that need to be addressed by the committee are to have a plan based on the results of the strategic risk assessment.

COMMUNICATION

Communication is a cross-cutting function within the institution. To keep up with communication publication and to respond to Municipal Systems Act no. 32 of 2000 and the Municipal Systems Act no. 56 of 2003, the municipality is following all the legislative requirements.



The unit continued with its media liaison, media production and photography; upholding corporate identity, organizing promotional material, website development, consolidation and production of annual reports; information dissemination and full participation of community encouragement and establishment of communication structures.

TSOMO UNIT

CUSTOMER CARE

The mandate of the Customer Care unit is to provide service excellence to all consumers, as well as to register consumer complaints and direct them to the relevant departments within the municipality. The unit also provides a reliable and consistent platform for accessibility of information to the public of Intsika Yethu community.



Tsomo administration staff provides the unit support function to the Municipal Manager. The Tsomo Management ensures that the unit follows mandate from the council.

Services offered:

- Administration
- Support System

INVENTORY & REPORTS

All the units assets and equipment were spot counted on a monthly basis and verified to determine any losses and damages. Requisitions are made to replace any worn out equipment or assets.

Unit reports were conducted on a monthly basis and submitted timeously to the office of The Municipal Manager.

REVENUE COLLECTION

Monthly bills were issued to consumers before the seventh day of each month. The new Venus system is fully operational and has had a huge impact on the time-frames of executing regular tasks. The office assured that rates accounts were issued on monthly basis. Reading of the meters was done on the 16th day of every month. All lease agreements in town were in place and rentals are paid monthly.

BUILDING CONTROL

The office assures that all building plans are submitted to the office for approval before construction takes place. The plans are submitted to the Infrastructure and Planning Department for approval and the Tsomo office plays a coordinating role within the area of Tsomo.

The office continued to identify all washed out access roads and notified the Tsomo office of the works manager. The infrastructure department was subsequently notified for works scheduling.

WATER SUPPLY

Provision of water is the key in changing the lives of the communities. The office continues with day to day operations and maintenance to ensure that water services are rendered to the communities. The supplier dam is purified daily and the sedimentation dam is cleaned monthly or when necessary. Water suitable for human consumption is pumped daily from the reservoirs to the consumers.

POUND

To limit stray animals the impoundment of stray animals is done on a regular basis. The office continued with registration of stock entering and leaving the pound. All the revenue collected was received in a pound receipt book.

SPECIAL PROGRAMME UNIT

The operations of the office are based on the strategies and objectives set, to improve the lives of the impoverished people of Intsika Yethu.

The unit consisted of the following:

- Welfare of the vulnerable
- Disability matters
- Children and elderly
- Sports, recreation, arts and culture
- Gender

PROMOTIONAL MATERIAL

To promote and market the programmes of the office, a Mayoral booklet was developed and distributed to all key stakeholders and relevant partners of the institution. 300 copies were developed and the budget for the program was R20,000.00. The office saw a need to produce more copies in order to continue to market the programmes of the Office of the Mayor.

The booklet profiled all the units programmes and highlighted its vital role within the municipality.



SPECIAL PROGRAMMES UNIT INDUCTION STRUCTURE

The municipality took an initiative to capacitate the entire Special Programme Structure (Councillors and Officials). The main aim of the training was to educate the councilors and officials about the programmes, aims and objectives of the unit. The capacitation of the unit was conducted by HDPSA. The budget for the project was R100,000.00 and the expenditure was R130,000.00. The training was highly successful.

NATIONAL DAY CELEBRATIONS

The SPU office continued to participate in all national events where officials and the entire political structure of SPU participated. Some of the events that were attended were Women's Day, Heritage Day, 16 Days of Activism and International Day of Disability. The challenge the office is facing is poor attendance by Youth and Disability Structures.



MAYOR'S CUP TOURNAMENT

The development of young talent by offering sport activities is one of the key areas of the SPU. The municipality continue to host the Mayoral Tournament yearly, to draw a positive attitude to the youth of Intsika Yethu. A large number of soccer and netball teams participated in the Mayoral Tournament. The tournament showed its annual growth by the increased number of teams participating. A good response was

shown by teams and the entire community of Intsika Yethu. The overall winning team was from Bolotwa.

YOUTH DEVELOPMENT

The Intsika Yethu Local Municipality in partnership with sector departments were engaged in various youth outreach initiatives, capacity building programmes and awareness campaigns. The office continued to hold sessions with the youth structures to discuss priority issues affecting the youth of Intsika Yethu Municipality. These plans will be implemented with the Youth Council and other stakeholders, role-players and partners.

GENDER

The Special Programmes Unit has capacitated women structures with the aim to empower them on gender issues. The capacity building programmes included Human Rights, Women and Child Abuse in Local Government and Advocacy and Lobbying.

COMMUNICATION

Activities of the section are cross-cutting within the institution and it involves strategic goals set. This office mostly focuses on external communication. The communication function is a legislative requirement in terms of the Municipal Systems Act no. 32 of 2000 and the Municipal Finance Management Act, 56 2003.

Communication is broken down into the following key functions which includes: Media Liaison, Media Production (information booklets) and general photography work. It also includes brand awareness and the promotion of the corporate identity. The communication department encouragement community participation and the establishment of local communication structures.

OBJECTIVES OF THE COMMUNICATION OFFICER

- Create and maintain a positive corporate image at all times.
- Enhance working relations between the Intsika Yethu Local Municipality and its stakeholders and partners.
- Develop and implement the Communication Strategy of the municipality.

FUNCTIONS FOR 2007/2008 INCLUDED

- General marketing of the Intsika Yethu Local Municipality
- Production of Annual Report and information booklets
- Photography
- Monitoring the Municipalities Corporate Identity
- Information dissemination

DEVELOPMENT OF ANNUAL REPORT

Performance reports from all HODs and sectional heads, including notes from the Honorable Mayor, Speaker of the Council and the Municipal Manager. The draft report was compiled then presented to the council for approval.

WEBSITE

The Department of Local Government and Traditional Affairs previously hosted the Intsika Yethu Municipality website but due to the restructuring of their site the Intsika Yethu, local and district municipality websites were affected. ICT in partnership with the Communication department are in the process of developing a site for the municipality. Due to budgetary constraints the website was not completed in this financial year but is expected to be uploaded by the second quarter of 2008/2009.

MARKETING AND BRANDING (CORPORATE IDENTITY)

In order to maintain a positive image of the institution the corporate identity continued to be monitored and adhered to. This serves to portray professionalism, consistency and to create a strong brand. The budget was R50,000.00 and it was utilized.



MEDIA MONITORING

To maintain a good relationship with the local, commercial and provincial media, ongoing media monitoring takes place through media interviews with the Municipal Manager and Political Heads.

CHALLENGES

- Insufficient funding
- Meaningful community sector department's participation is still a challenge.
- Communication among the three spheres of government needs to be strengthened.

COMMUNITY LIAISON OFFICE

The Key areas of the Community Liason Office is to ensure public participation of the municipality and the communities, interaction with communities in all government related programmes and to make sure government has a positive impact within the communities through these different programmes.

OBJECTIVES

- To act as a repository for information concerning public participation within Intsika Yethu Local Municipality.
- To build relationships with the community and traditional leaders.
- To manage conflict and complaints of the communities.
- To promote a co-ordinated and integrated approach to public participation.

EVENTS

The office facilitated outreach programmes such as Imbizo's, IDP and Budget road shows in partnership with other municipal departments. The office participated in the Youth Launch with EWP Projects together with the national Department of Public Works and played a communication role in communicating the events to the entire Intsika Yethu community. The budget utilized for the event was a shared budget between the municipality and department of public works.

PUBLIC EDUCATION

The Community liaison office took the initiative of educating community stakeholders on Local Government Services, programmes and policies. Community Development Workers (CDW's) were also empowered in Local Government Programmes. The Public Education Office co-ordinates all public hearings in towns. An amount of R100,000.00 was budgeted for the programme.

COMMUNITY DEVELOPMENT WORKERS COORDINATION

The office played a vital and successful role in coordinating the day to day operations of the Community Development Workers. Monthly reports from the CDWs are scrutinized and forwarded to provincial government. The daily office ensures the effectiveness of the CDWs in the Intsika Yethu Local municipality.

LEGISLATION

Efficient and effective information that plays a role on service delivery matters was provided to the entire Intsika Yethu community. The office took the initiative of processing a petition of Code of Conduct for councilors, Ward Committees and Traditional Leaders as to create a common working ground. The budget for the programme was R150,000.00

CHALLENGES

- Community attendance at public hearings
- Limited communication with the traditional leaders
- Limited resources for some programmes



CORPORATE SERVICES DEPARTMENT REPORT



Ms N. Nkuhlu
Corporate Services Manager

OVERVIEW

The Corporate Services Department derives its mandate from the Council's key development objective (Institutional development). Therefore it means it is largely internally focused department with the primary aim of employee recruitment, development and enhanced and efficient administrative systems.

The strategic challenge for the municipality is to improve service delivery to the Intsika Yethu community by effectively and efficiently utilizing structures and mechanism to address the needs of the community in a holistic and integrated manner. It is therefore the department's responsibility to ensure that the organization is being aligned to advance on the key objectives of the municipality by addressing human

resources related issues and to amplify technological applications within the organization.

This department consists of the following sections:

- Administrative Services
- Human Resources

The department is regarded as a lifeline within the municipality as it services the entire organization. It provides administrative support services to each department as well as Council structure and committees.

RECRUITMENT AND SELECTION

To carry out the municipal mandate, the department needed to ensure that it has the necessary personnel to carry out its functions.

The following tasks were performed:

- 31 posts advertised
- 28 posts were filled
- 8 employees resigned
- 10 employees retired

HUMAN RESOURCE SECTION

Skills Development and Employment Equity was revived and meetings were scheduled and set bi-monthly. A WSP was developed and submitted to the LGSETA on 30 June 2007 and the budget was R240,000.00 and the expenditure was R180,000.00.

The EE Plan and report was developed and submitted to the Department of Labour on 30 September 2007. The municipality started a study assistance programme and the budget was R60,000.00.

LABOUR RELATIONS

Local Labour Forum meetings are held monthly or when the need arises.

HRM AND ADMINISTRATION

The office performed the following:

- Critical areas like communication and induction identified but policies are in the process of being developed
- The following By-Laws were sent for gazetting (Street Trading and Building Control)
- A consultation programme took place in Tsomo Town Hall and Cofimvaba Town Hall. The aim was to receive input from the communities on credit control, dumping, littering and waste collection

REGISTRY FUNCTION

- Mail recorded and distributed timeously
- Photocopying and faxing
- Meter readings taken
- Stationary requested when needed

SUPPORT TO COUNCIL, EXCO AND COMMITTEE

The directorate continued to prepare agendas and minutes for the committees, Exco and Council Meetings. This office also assists in the management of Intsika Yethu Councilor benefits. A photocopier machine was purchased to perform Council related work.

PERFORMANCE MANAGEMENT SYSTEM

Performance contractors were developed to measure the senior management. This also seeks to improve the standards of service delivery of the municipality. Once fully operational it will be cascaded to lower levels in the organisational structure. The budget for the programme was R200,000.00.

PAYROLL ADMINISTRATION

This section is responsible for information capturing of both employees and councilors. Printing of all required reports needed by Finance Department. The section is responsible for responding to all financial enquires from the officials and councilors. It is also responsible for preparing for financial year personnel established for councilors and employees.



INFORMATION COMMUNICATION TECHNOLOGY

OVERVIEW AND BACKGROUND

The Management of the Information Communication Technology Unit is to provide a support service to the municipality and to provide a secure, reliable consistent platform for information accessibility.

SERVICE DELIVERY

Management of ICT service that involves a number of management practices to ensure that the services are provided as expected by Council, Management and users.

Service Delivery involves:

- Service level management
- Capacity management
- Availability management and
- Security management

The following was performed:

- IT equipment was purchased
- Worked towards linking all municipal sites



COMMUNITY SERVICES REPORT



Ms Y. Mniki
Community Services Manager

OVERVIEW

Community Services continued to improve and was also faced with challenges during the financial year. This department is one of the critical departments within the Intsika Yethu Local Municipality and consists of Traffic, Libraries, Social Development and Law-enforcement.

The department has strategically committed itself to providing a people-centred service recognising that service delivery is based on the needs of the people and service excellence can only be achieved through dedicated and committed staff.

OBJECTIVES

- Registration of all community projects and disaster management
- Traffic safety law enforcement, revenue generation and public road maintenance

- Basic community services – waste management, pound management, and management of public open space
- To improve the health status and environment of Intsika Yethu communities through the identification and the evaluation and control of the factors that affects physical and social life of Intsika Yethu Municipality
- Efficient environmental health in the areas

REFUSE COLLECTION

Refuse collection from the towns of Cofimvaba and Tsomo took place on a daily basis within the business and residential areas. To improve the services of refuse collection, eleven general workers were permanently employed with an improvement being noticed. As a way of accelerating the cleanliness, the municipality took an initiative of formulating a By-Law that applied to the communities. The By-Law was published in the Government Gazette and was introduced to the communities.

GENERAL CLEANLINESS

To promote cleanliness in two towns, the directory temporarily employed 50 workers for the Clean up Project. This was solely for the routine cleaning in the centre towns, junctions and townships for the period of October 2007 to April 2008. An amount of R185,000.00 from Chris Hani District Municipality was allocated for the project. This amount was for salaries and purchasing of equipment.

CONSTRUCTION OF WASTE DISPOSAL SITE

The two sites were identified with construction completed. The contractor held monthly progress meetings. The waste disposal site was completed and handed over to the municipality. The amount budgeted for the construction of the site was R1 million.

POUND MANAGEMENT

The newly relocated pound was completed and handed over to the municipality with its progress certificate of completion. Following this was the formulation of Pound Policy. The budget for the project was R360,000.00 from equitable share.

The municipality held a public auction of all impounded animals in October 2007 and revenue generated totalled an amount of R16,320.00. This took place in the two towns of the municipality (Tsomo - R5,420.00, Cofimvaba - R10,900.00). To have effective management of the pound, a pound master was employed.

DISASTER MANAGEMENT AND FIRE FIGHTING

DISASTER REDRESS PROGRAMME

This will cover all incidents that occurred during in the financial year. The section continued to deliver support and assistance to communities affected by disasters. Incidents of fire took place in the following wards 09, 08 (Sikhobeni), 20 (Ngqwaru), 18 (Cwecweni) and 11 (Mhlahlane). Assessment was done in all affected areas and the report was submitted to Chris Hani District Municipality. 5 households were affected and 3 fatalities were reported

WIND INCIDENTS

Incidents of wind took place in the following wards: 05 (Mkhonjane, Nyongwana and Bilatye), 04 (Qamata, Mkukwini, Maya and Nogate Township), 23 (Ngcaca), 21 (Ncora), 08 (Magwala), 15 (Maduma), 08 (Magwala Loc), 15 (Maduma Loc), 21 (Ncora Loc). A list of the affected households was compiled and sent to the Chris Hani District Municipality and the province for approval of redress funding.

A non-governmental organisation ADRA from Port Elizabeth provided the worse hit areas with food parcels. The municipality provided the worse hit area with 20l of paraffin per household.

A R5,000.00 donation and food parcels from different business men from around Intsika Yethu were donated to Maduma location. A total number of 111 households were affected and 1 fatality was reported.



DISASTER AWARENESS PROGRAMME

The Chris Hani District Municipality introduced a disaster prevention strategy aimed at scholars. Schools competed in drama, visual arts and choral music. The key message in all performances was on disaster risk management: awareness, preventative strategies, mitigation, and reconstruction and rehabilitation.

The competition was held in September 2007, where Daliwonga High School and B.B Mledle won the 1st places and 2nd place respectively.

PUBLIC SAFETY

TRANSFORM FORUM

The directorate took an initiative of reviving the Community Based Transport Forum. The revival of the structure was followed by the election of the new executive structure. Guidelines of the new structure were provided by Department of Transport. The guidelines were adopted as a working document. The challenge faced is inconsistent participation by various stakeholders.

The Arrive Alive Pilot Project was initiated and the names of prospective rangers were forwarded to the Department of Transport and training of rangers was completed.

COMMUNITY FACILITIES

CONSTRUCTION OF COMMUNITY HALLS

In continuing of building a better life for all, Intsika Yethu Municipality built 3 community halls in 3 wards: ward 06, ward 15, and ward 19. The total cost of the programme was R2,517,120.00 and all the structures were completed.

LIBRARY SERVICES

The municipality has planned to have libraries which will render effective and efficient services to the community of Intsika Yethu. As a build up programme to this, Literacy Day was conducted in Tsomo. The directorate is still waiting for a confirmation of funding from the Department of Sport, Arts and Culture. The budget for the library is: Tsomo library is worth about R1,5 million and renovations for Cofimvaba Library R500,000.00.

LAW ENFORCEMENT AND TRAFFIC INFRASTRUCTURE

LAW ENFORCEMENT

Law enforcement is one of the key performances of the department. A total number of 253 tickets amounting to R156,100.00 were issued. The amount collected in warrants was R35,000.00

TRAFFIC TESTING CENTRE

Vehicle Registrations were conducted on a monthly basis. To respond to regulation 18 of Road Traffic Act 93 of 1996, vehicles were licensed with the licence section in compliance of the Act. This was all conducted through E-NATIS which is an agency function performed by the municipality on behalf of the Department of Transport. An amount totalling R168,799.78 was collected of which R43,705.97 was paid to the municipality as the agency fee.

LEARNERS LICENCE

The section effectively continues to grow with a total number of 480x150 totalling to the amount of R72,000.00. Capturing of learners 427x45 making an amount of R19,215.00. The total revenue collected was R91,215.00.

TRAFFIC INFRASTRUCTURE TESTING GROUND

An amount of R2 million from equitable share was allocated for the project. The project was completed. The testing station is in Cofimvaba in ward 09.

MUNICIPAL HEALTH SERVICES

To respond to the needs of the communities', three clinics were accredited as clinics of excellence. A total number of six clinics and Cofimvaba Hospital were accredited for ARV roll out which has already begun.



ECONOMIC DEVELOPMENT & PLANNING DEPARTMENT REPORT



Mr G.G. Ntshanga
LED Manager

OVERVIEW

The department is responsible for the promotion of LED which includes the following functions: Business support, tourism, informal trading support, skills development marketing and economic research within local government environment. It is also responsible for the development initiative to turn around the local economy within and beyond the jurisdiction of the area. The developmental nature of Local Government is meant that the municipality has a responsibility around economic development to eradicate poverty. The directorate is responsible for municipal strategic planning services which includes the development of the IDP.

OBJECTIVES

- Development and train communities involved in the LED projects
- To promote tourism development and the upgrading of tourism infrastructure
- To establish joint ventures and public private partnership to strengthen initiatives
- To offer support in ensuring sustainable socio-economic development within Intsika Yethu
- To provide strategic support to the municipal IDP

AGRICULTURE AND FORESTRY

CONSTRUCTION OF SHEARING SHED

To improve live stock in the area, the department successfully constructed shearing sheds in three wards (ward 03, Dertskhill, ward 11, Mahlubini, and ward 17 Ndlunkulu). After completion of the structures, the official handing to communities was done by the municipality. The final phase of the programme was to supply 150 rams and rams were delivered in all three wards. The budget for the programme was R300,000.00. To have a sustainable development the department organised training for the farmers of the three wards.

CONSTRUCTION OF DIPPING TANKS

To continue with the upgrading of genetic improvement, three dipping tanks were constructed in ward 20, Qumanco, ward 21 Mbaxa and ward 23 Ngaca. An allocated amount for the programme was R324,422.00. The Ngaca dipping tank was completed and handed over to its community in January 2007, while the Qumanco dipping tank was handed over on 09 February 2008. The Mbaxa dipping tank was completed and handed over to its community.

GOAT IMPROVEMENT PROJECT

Ward 13 was identified as the ward to kick-start the project of goat improvement and the construction of handling pens was completed. The department started commercial marketing and establishment of a business corporate entirely for the project. The budget for the project was R900,000.00 by Chris Hani District Municipality. Community awareness took place and a business plan was developed.

NGUNI LIVESTOCK AND MARKETING

Ward 05, Bolotwa was identified as where the Nguni Livestock project will start. The department successfully completed the community awareness and profiling of the project. The assessment of the infrastructure requirement was completed. Provision of bulls and heifers to the farming community was completed. The overall budget for the project was R350,000.00.

IRRIGATION SCHEMES

Provision of production inputs to support youth project in Qamata and Ncora were completed. The Department of Agriculture submitted quotations for procurement of inputs in January 2008. The overall budget was R200,000.00 equitable share.

HYDROPONICS PROJECT

To kick-start the project, rezoning and sub-division was done. Application for additional funding was lodged with Thina Sinako Funding. Training of project beneficiaries is in process and the actual construction of tunnels and required infrastructure has started. The overall budget for the project was R100,000.00 from DEDA.

POLE TREATMENT PLANT

To boost the local economy a pole treatment plant was proposed and a site was identified.

MEDIUM SIZE SAW MILL

The idea to establish a medium size saw mill materialized and the tender was advertised for feasibility, business planning, and project management operations. But there were delays in the implementation phase of the project.

LAND CARE PROGRAMME

Initial meetings were held with local traditional leaders to create awareness. Community mobilisation was completed.



HAWKER STALLS

Phase 1 in Cofimvaba Town of upgrading and construction of Hawker Stalls was completed and the budget for the project was R134,115.00. Phase 2 - a consultant was engaged to submit a business plan and design to MIG. This initiative is to strengthen informal trading initiatives to beneficiaries. For phase 2, the tender was advertised for construction and the construction phase is 60% complete.

NCORA MICRO BAKERY

An amount of R300,000.00 from Chris Hani District Municipality was budgeted to support the operations of the project. Terms of reference were developed and draft advert was developed towards acquiring an audit firm to do the project auditing.

TOURISM DEVELOPMENT

Training of PSC members in responsible tourism was completed and draft situation analysis report was presented. The department successfully developed the tourism sector plan.

LUBISI DAM DEVELOPMENT PROJECT

National Youth Service Programme was conducted in Lubisi:

- 40 learners were placed in Agricultural Sector
- 41 learners were placed in Social Services
- 21 learners were placed in Department of Health
- 20 learners were placed in Department of Social Development.

Feasibility studies and business planning was conducted and a draft report submitted, three business cases have been developed.

PROMOTION OF PARTNERSHIP**LED FORUM**

To accelerate LED projects, LED structures were established as vehicles to drive LED. Intsika Yethu Hawkers Association was launched in August 07 and Business Chamber and Local Tourism Organisation were established in July 07.

A draft memorandum of agreement was developed with Rural Livelihood Programme. The department also had a joint application lodged with the Thina Sinako EU funding programme which was approved to the value of R200,000.00.

STRATEGIC PLANNING**LED STRATEGY DEVELOPMENT**

To have a sustainable economy, LED strategy document was completed and adopted by the Council. Terms of reference for the establishment of the LED Forum were also developed. The amount allocated for this was R247,186.00. Area Based Planning was developed to assist in the land reform and economic development programmes, a progress situation analysis report was developed for all local municipalities within the Chris Hani District Municipality.

IDP FORMULATION

The final IDP was developed and presented and approved by the Council. The IDP Steering Committee and IDP representative's committee members were held in 2007.

CONCLUSION

This report highlighted achievements to date with regards to Intsika Yethu Local Municipality initiatives. LED projects are continuing and department is keen on crafting sustainable plans and exit strategies to ensure on-going running of the projects in Intsika Yethu.



INFRASTRUCTURE, PLANNING & DEVELOPMENT DEPARTMENT REPORT



Mr S. Koyo
Infrastructure, Planning & Development Manager

OVERVIEW

The department managed to achieve various performance highlights during the financial year, which are in-line with the major challenges regarding basic service delivery. The highlights are under different sections.

The department is to ensure a meaningful contribution towards the local development of Intsika Yethu through implementation of capital programmes.

KEY PRIORITIES

- Building and Control management
- Land and Housing
- Water and Sanitation
- Road maintenance and treatment works
- Electrification

OBJECTIVES

- Ensure proper maintenance of the municipal pound and cemeteries
- Ensure environmental control in conjunction with relevant line function departmental
- Arrange and implement a programme of regular inspection and maintenance where necessary
- Maintain buildings, fences and installations
- Maintain streets and public walkways
- Manage the repair of all pipes, water metres and general plumbing

LAND AFFAIRS & HOUSING

The municipality is keen on addressing the issue of housing in the area. There is need to finalise zoning. The directorate successfully completed the development of land use maps and the budget allocated was R80,000.00. Extension 04 and Section C Formalization, planning and survey was completed. The budget was R209,013.00. Section C is part of the forest thus cannot be developed without the Item 28 certificate proposal is for Extension 4 to proceed.

BUILDING AND PLANNING

The directorate took the initiative of upgrading the municipal offices in Tsomo. A contractor was appointed and monitored. The budget for this was R35,000.00.

The department also converted a Tsomo residential house into offices where skilled workers were engaged and the progress was monitored. The allocated budget for this was R50,000.00 and the expenditure was R25,871.00.

To keep our towns clean, illegal shacks were removed in both Cofimvaba and Tsomo. The directorate suggested that there is a need to create an approach to shacks that belong to Erf numbers of the municipality.

The directorate successfully approved and accept building plans and co-ordinated other department for approval. One of the challenge is 50% do not want to comply whilst others accept the law.

ROAD CONSTRUCTION (MIG)

Construction of access road is the key priority of the municipality. The directorate has successfully completed the following access roads: Mtshanyane and the allocated budget was R2,318,898.98. Mtshabe access road was allocated R1,213,461.19. Nyamankulu access was completed with amount of R1,873,270.03. Ngqutura access road - R272,239.99. Qwebeqwebe Access road - R1,839,095.00. Bolodlela access road - R1,305,713.02. Cofimvaba Street lighting - R1,299,588.60. These were funded by MIG.

Mahlungulu access road - R1,334,92.93. Nxamagele access road - R2,391,495.64. Lower Ncora Bridge & access road - R1,385,685.00.

COMMUNITY HALLS

The directorate continues to build community halls and in the financial year, four community halls were completed in Tsakana - an allocated budget for the structure was R839,040.00. Maduna Community Hall - budget was R839,040.00



PLAN WATER & SANITATION

DROUGHT RELIEF PROGRAMME

Water supply is one of the key needs in most areas of Intsika Yethu and to respond to this the municipality provided four wards with water supply in ward 17(Chaba Water Scheme, R101,079.78), Ward 18 (Nqutura Water Scheme, R2,086,892.68), Ward 13 (Khoncoshe Water Scheme, R1,343,181.92) and Ward 22 (Emahlatini Water Scheme, R1,155,040.92). All the projects in the mentioned wards were completed.

WATER SUPPLY

Provision of clean drinking water in this municipality is key priority and this is done in an RDP standard.

TSOMO RDP 3

Tsomo Phase 3A: (Catshile, Jwayi, Jowweni, Mampondwei, Mjula, Phakam'sciko, Xume & Tshetshengwana)	Sept 06 - Nov 07	CHDM- MIG	R9,124,752.35	R6,280,392.24	R2,844,360.10	Completion stage
Tsomo Phase 3B: (Mkhwinti, Sihobotini, Ntsongeni)	Jan 07- Aug 07	CHDM- MIG	R8,897,987.90	R3,878,980.00	R2,063,664.00	
Tsomo Phase 3C: (Ngcaca, Kumkwana, Ngonyama, Maxambeni, KuNcwana, Sijule, Bolana, Mjikane)	Jan 07- Dec 08	CHDM- MIG	R10,396,199.99	R8,195,738.03	R2,173,461.90	
Tsomo Phase 3D: (Nxelesa, Dipini, Hoyana, Ngxabangu, Nquqhu, Nongqonqwana)	Jan 07- Nov 07	CHDM- MIG	R10,713,303.90			
Tsomo RDP3 2005/2: (Ngali Mzantsi, Fourty, Mdletyeni, Gcingca, Ndlonkulu, Mdeni, Mhlahlane, Sijongolweni, Gqogqora, Mnyangula, Ndulini/Komkhulu)	July 06- July 07	CHDM- MIG		R4,259,555.13	R6,453,748.70	

FLEET CONTROL OFFICE

ALLOCATION OF VEHICLES

The office is responsible for issuing of all trip authorities, coordinating logbooks. This is done on daily basis. Drivers are regally checked if they have valid driver's licence. The vehicles and plant were done when necessary and repairs were done on site and only vehicles under warranty.

Registration and licensing is done when required and all vehicles are registered as to road traffic regulations.

TSOMO RDP 2

Phase 1: Southern Bulk distribution pipeline						
Contract A	July 06- Nov 07	CHDM- MIG	R52.88m	R45,878,988.98	R6,121,011.90	Construction
Contract B	July 06- Jan 08		R8m	R3,564,980.09	R4,435,019.90	
Phase 2: Southern Village reticulation						
EPWP (Mdeni, New Mine, Eendenxa, Emzantsi, Qutsa)	July 07- Feb 08		R28m	0.00	R28m	
CONVENTIONAL (Kwantsume, Mangunkone, Emrhtshozweni, Entilini, Eendenxa, Lutuli, Ngcongcolora AB&C, Lower Qutsa, Elwalweni, Papasini, Goloza.	Dec 07- Dec 08					
Phase 3: Northern Bulk Distribution	Nov 07- July 09		R22.15m	0.00	R22.15m	
Phase 4: Northern Villages Reticulation (Mission F, Gxwalibomvu, Matintela C, Mission C, Mgwenyana G, Emzantsi A, Jara A, Ngcongcolora A,	Nov 07- July 09		R16.55m	0.00	R16.55m	
Ward 11- St Marks Water Scheme (Bolokodlela, Ntlakwefolo, St Marks-lalini, tyelera)	July 06- Oct 07		R6,033,396.53	R5,876,980.00	R156,416.53	Completion stage
Decketshill & Eskhobeni Water Supply			R6,550,413.44	R3,083,960.07	R3,466,453.37	Completion stage
Entshingeni Water Scheme	Oct 06- Aug 07		R2,153,832.91	R2,101,374.74	R52,458.17	Completion stage
Camama Forest Water Scheme Camama fores, mtimbini, sdubip			R4,955,216.74	R2,548,293.48	R2,406,923.26	Completion stage

FINANCE DEPARTMENT REPORT

OVERVIEW

Intsika Yethu Municipality, office of Budget and Treasury was a hive of activity while providing the financial support services expected by the institution. The office, managed a total budget for the year 2007/2008.



The role of the office is to:

- Provide support to other internal directorates.
- Implementation of financial control.
- Ensure continued compliance with all accounting, statutory and legal requirements including the implementation of the MFMA standards.
- Ensure revenue-generating strategies and lobby for additional equitable share from national revenue.

The function of the financial management within the municipality was administered by the office. The staff continued to render services adhering functional sections:

- Budget Control
- Accounting System Administration
- Financial Accounting and Financial Management

DESCRIPTION OF ACTIVITY

- Provision of effective system of expenditure control, including procedure for approval.
- Provision of continuous introduction of budgetary and accounting reforms in line with the requirement of MFMA.
- Production of annual budget and compliant financial statements.
- Providing of relevant, accurate and reliable financial information to all users including managers, levy payers and other stakeholders to facilitate informed decision making.

COMPILATION OF ANNUAL BUDGET

- Consolidation of departmental budgets and Operating Capital Budget of the municipality.
- The office captured the budget in the system
- The directorate successfully linked the budget and IDP process.
- Annual Budget was presented to the Council.
- Process of the budget for 2008/2009 was finalized.
- E Venus System for Integrated Accounting System was installed.
- Few areas that needed to be finalized in expenditure and Supply Chain unit were finalized and the section was fully functional.

MONITORING OF BUDGET EXPENDITURE

In addition to managing the day to day function of the office the following were undertaken:

- Maintained an effective system of expenditure, including procedures for approval of all purchased against available money.
- Disseminated monthly reports to departmental heads showing expenditure.
- Advice heads of department of areas of projected expenditure.
- Monitor budgets on a monthly basis.
- Continuous reports were submitted to the Portfolio Committee, Exco & Council.
- E Venus implementation was active on 1 July 2007.

UPDATING OF ACCOUNTING RECORDS

In attempting to achieve the desired goals for each of the above mentioned performances the following was completed:

- The directory continued to update all subsidiary books and posted them to the general ledger.
- There was a generation of monthly trial balance and monthly bank reconciliations.
- The office was keen on updating books monthly and reconciliation done but have improved on timeframes.
- Financial reports were produced for the Council.

REVENUE COLLECTION

Revenue collection is one of the key priorities of the directory and the performance has been as follows:

- Followed up all outstanding accounts on a monthly basis.
- Implemented credit control and debt collection policy.

- Collected monthly income on all properties owned by the municipality.



GENERATION AND PRINTING

To keep a good relationship with the consumers the municipality has performed the below:

- Monthly billing of all consumers.
- Updating of customer accounts with all payments received.
- Generating monthly age analysis and made a comparison with debtors control account.
- All monthly statements and comparison to debtor's age analysis was completed.

YEAR END CLOSURE OF FINANCIAL STATEMENTS

The office recorded financial transactions relating to the period of the financial year.

- Submission of financial statements to Auditor General within 3 months of the end of the financial year.
- All audit files were prepared and ready for audit.
- Financial statements were submitted on 12 September 2007.
- Monthly accounts were completed to reduce the work load.
- Reports were prepared monthly and departmental meetings were held successfully.
- Gaps were addressed during the year to ensure financial statements were sound.
- Integrated accounting system E Venus being rolled out so as to ensure that financial statements were finalized on time.

RECORDING AND SAFEGUARDING

The identification of the property registered in the name of Intsika Yethu Local Municipality.

The following was performed:

- All assets were recorded on the fixed asset register on acquisition.
- There was a regular spot-check of assets.
- All new assets bought were bar coded and asset register was updated.
- Inventory list in each office was compiled and updated.
- A service provider for reviewal of asset register and financial statements was appointed.

GENERATION OF MONTHLY MANAGEMENT REPORT

The directorate continuously printed all monthly expenditure reports for the institutional management. All monthly and quarterly reports were done and all submitted before 10th of each month.

IDENTIFICATION OF TRAINING NEEDS

To capacitate employees of the department the office offered training on identified areas. The directorate continues to do this on a yearly basis.

RISK MANAGEMENT

It is one of the key performances of the department to perform risk management.

- Chris Hani District Municipality financed the risk assessment.
- Risk assessment Policy adopted by the Council.
- CHDM supporting the municipality in establishment Audit Committee and Internal Audit Unit.

FREE BASIC SERVICES

The Equitable Share Grant makes the provision of free basic services possible in the municipal areas. The municipal Indigent Policy regulates these free basic services. All wards of the municipality received one of the following services free:

- Energy paraffin
- Electricity

There is about 11 307 Free Basic beneficiary households. The department did an assessment of beneficiaries for indigent Support carried out in all wards. The department successfully verified all indigent households in all wards.

SUPPLY CHAIN MANAGEMENT

To address concerns and barriers in their effort to obtain financial growth and independence through the quotations and tendering processes. The following were performed:

- Tenders and quotations were awarded and amounted to R28.3 million, R25.5 million awarded to HDI/PDI and R2.7 million awarded to established business.

CONCLUSION

Overall the office of Budget and Treasury performed well in its attempt to achieve in the key performance areas that were set out in the beginning of the year. Although some of the targets were not met, there were valid reasons as to why they were not achieved. The office continued to strive to render services in an effective and equitable manner to all inhabitants of Intsika Yethu Local Municipality.



FINANCIAL STATEMENTS

Chapter

3



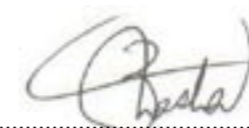
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APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 24 - 55 were approved by the Municipal Manager and presented to and approved by Council on:

DATE: 26 September 2008



.....
MR Z SHASHA
 Municipal Manager



.....
MR MS DINGA
 Chief Financial Officer



GENERAL INFORMATION

MEMBERS OF THE EXECUTIVE COMMITTEE

SD Plata (Mayor)	
WN Mdwayingana	Local Economic Development and Tourism - Chairperson
Z Mbotoloshi	Infrastructure Development - Chairperson
Y Gasa	Corporate services - Chairperson
K Makapela	Finance - Chairperson
A Nkota	Special Programmes - Chairperson
N Boyana	Social Needs - Chairperson
K Vimbayo	

OTHER COUNCILLORS

M Sokujika	M Yamile	N Tsomo
(Speaker of the Council)	N Mteli	M Shungu
L N Ntshanka	N E Stata	N Mbebe
M Mkhumbuzi	M Yotsi	P Nqandela
S N Bizana	N Tukwayo	M H Hewu
B Mbonoswa	J Peter	M Kolofane
F N Dangazela	N Berana	N Magaga
M S Mfanyana	M G Ntshinka	S Myataza
V G Matomela	M Mahali	M Papiyana
L Mbanbisa	N M Rigala	D Kaspile
J Mdekazi	G Kuse	Z Qayiya
N Tayitile	C S Voloki	Z Jabanga
D Wakeni	S Tame	F N Dyushu

GRADING OF THE LOCAL AUTHORITY

Grade 3

MUNICIPAL MANAGER

Mr Z SHASHA

AUDITORS

Auditor General - Eastern Cape

CHIEF FINANCIAL OFFICER

Mr MS DINGA

BANKERS

First National Bank

REGISTERED OFFICE

P/ BAG X1251 • COFIMVABA • 5380

Tel: 047 874 5211 • Fax: 047 874 0385

FORWARD BY THE MAYOR - S.D. PLATA

The functions of the Council centre around promoting the interests of its ratepayers, employees, residents and customers by striving to render the highest quality of services, advancing the interest of its employees by providing safe, secure and satisfying working environments.

The elected Council has faced significant challenges since taking up office. From an organisational perspective, some senior management posts are currently occupied by acting managers. One of our immediate goals is to transform our local municipality into a service orientated organisation which will make a positive impact on the quality of life of our citizens by having a permanent management team who are committed to the realisation of the Council's goals.

A further important challenge facing Council is to improve the financial position of Intsika Yethu Municipality. In particular an improvement in the collection of long outstanding debtors balances is critical if the council is to achieve its goals. The unfortunate part is that the unemployment rate in the area has worsened causing many residents not to be able to pay for services. Our ability to render services will be threatened if our cash position does not improve. This is a major problem facing the Local and Provincial Government in South Africa and we hope that workable solutions will be found soon to this challenge.

Council remains committed to meeting the challenges it faces and hopefully in future years, I will be able to report positively on the progress we have made in this regard.

In conclusion I would like to express my appreciation to my fellow Council members, the Acting Municipal Manager, the Chief Financial Officer, and all other staff for their support, co-operation and hard work during the year under review.



SD PLATA

Mayor and Chairman of the Executive Committee

TREASURER'S REPORT

INTRODUCTION

Appropriate legislation was complied in order to provide statements for the year ending 30 June 2008. To the best of my knowledge, these financial statements are a fair presentation of the Council at the above mentioned date and the results of its operation for the year then ended.

OPERATING RESULTS

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

INCOME	Actual 2006/07 R	Actual 2007/08 R	Variance Actual 06/07 VS Actual 07/08 %	Budget 2007/08 R	Variance Actual/ Budget %
Accumulated deficit brought forward	76,119,011	(1,785,881)	-102.35%	-	100.00%
Operating Income for the Year	58,487,494	58,990,297	0.86%	70,425,123	-19.38%
	134,606,505	57,204,416	-57.50%	-	-
EXPENDITURE					
Appropriation for the year	53,934,934	36,839,426.53	-31.70%	-	100.00%
Operating Expenditure	82,457,452	77,891,446	-5.54%	70,425,123	9.59%
(Deficit) / Surplus at year end	(1,785,881)	(57,526,456)	-37.23%	-	-100.00%

RATE AND GENERAL SERVICES

	Actual 2006/07 R	Actual 2007/08 R	Variance Actual Increase/ Decrease %	Budget 2007/08 R	Variance Actual/ Budget %
Income	58,487,494	58,990,297	0.86%	(70,425,123)	-219.38
Expenditure	82,457,452	77,891,446	-5.54%	70,425,123	-9.59
(Deficit) / Surplus	(23,969,958)	(18,901,149)	-21.15%	(140,850,246)	645.19
Surplus (Deficit) as % of Total Income	-40.98%	-32.04%	-21.82%	200.00%	

CAPITAL EXPENDITURE AND FINANCING

	Actual 2007/2008 R	Budget 2007/2008 R	Actual 2006/2007
Capital Expenditure			
Land and buildings	1,703,953	0	12,873,389
Infrastructure Assets	6,798,062	14,441,391	38,119,358
Community Assets	4,727,341	6,143,995	210,277
Other Assets	5,923,400	650,000	3,978,796
	19,152,756	21,235,386	55,181,820
Financing of Fixed Assets			
Contribution from Current Income	5,923,400	650,000	3,978,796
Contribution from Other Sources	-	-	-
Grants and Subsidies	13,229,356	20,585,386	51,203,024
	19,152,756	21,235,386	55,181,820

INVESTMENTS AND CASH

Investments and cash amounted to R28,203,793.00 at 30 June 2008 (30 June 2007: R47,389,766.00).

	2008 R	2007 R
Bank and Cash	1,565,745	27,176,326
Short term investments	26,488,048	20,063,440
Long term investments	150,000	150,000
	28,203,793	47,389,766

The unfavourable bank balances at 30 June 2008 amounted to R28,365.00 being credit card facility. The municipality did not utilise a bank overdraft in the year under review. More information regarding investments is disclosed in notes 5 to the Annual Financial Statements.



FUNDS AND RESERVES

The Revolving Fund has increased by R106,819.00 to R580,105.00. More information regarding funds and reserves is disclosed in notes 1, 5 and appendix A to the annual financial statements.

EXPRESSION OF APPRECIATION

I am grateful to the Mayor, Councillors, the Municipal Manager and Heads of Departments for their support during the past year.

.....
MR MS DINGA
Chief Financial Officer

AUDIT REPORT

Report of the Auditor-General to the Provincial Legislature and the Municipal Council on the Financial Statements and Performance Information of Intsika Yethu Municipality for the year ended 30 June 2008.

REPORT ON THE FINANCIAL STATEMENTS

INTRODUCTION

I was engaged to audit the accompanying financial statements of the Intsika Yethu 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.

RESPONSIBILITY OF THE ACCOUNTING OFFICER FOR THE FINANCIAL STATEMENTS

The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with IMFO and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2007 (Act No. 1 of 2007 (DoRA)). This responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

RESPONSIBILITY OF THE AUDITOR-GENERAL

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 98 of the MFMA, my responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with the International Standards on Auditing and General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008. Because of the matter(s) discussed in the Basis for disclaimer of opinion paragraph(s), however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

I conducted my audit in accordance with the International Standards on Auditing and General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the:

- appropriateness of accounting policies used
- reasonableness of accounting estimates made by management
- overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**BASIS OF ACCOUNTING**

The Intsika Yethu Municipal policy is to prepare financial statements on IMFO, as set out in note 1 to the financial statements.

BASIS FOR DISCLAIMER OF OPINION**MANUAL SYSTEM USED AT THE MUNICIPALITY**

The municipality uses a manual system for the capturing of all transactions with the exception of revenue and receivables. Subsequent to financial year end the municipality contracted consultants to capture the manual information on an electronic application system and prepare the financial statements. The general ledger provided for auditing purposes however does not provide an audit trail as all transactions were captured as balancing totals per month via journal entries on the application system. Reconciliations between the monthly totals as per the manual system to the application system were not performed. In addition, the trial balance does not reconcile to the financial statements.

As an alternative the audit team attempted to reconcile the manual system to the electronic system where significant variances were identified which could not be supported by documentation or explanations. We are unsure as to why the municipality maintains a manual system as the revenue and receivables are monitored on e-venus.

We consider the payments to the consultants to be fruitless and wasteful as value for money was not achieved by the municipality. Due to the lack of the audit trail the amount paid to the consultants could not be quantified.

FUNDS AND RESERVES

Appendix A to the financial statements details total funds amounting to R5,904,171.00 and project funds amounting to R11,494,165.00 which was disclosed as part of accumulated surplus on the balance sheet. As these funds are not regarded as the surplus of

the municipality a separate line item detailing these funds should have been disclosed on the face of the balance sheet (detailing trust and project funds) and the corresponding notes. Management however regard the trust and project funds to be a part of the reserves and differ from the required classification.

Furthermore, documentation supporting debit journals passed on the trust and project funds to the value of R14,853,894.00 and credit journals to the value of R12,082,946.00 and debit journals passed on the reserve account amounting to R25,049,621.00 and credit journals amounting to R26,861,244.00 could not be provided by management. Alternative procedures could not be performed to verify the transactions passed on the accounts as the general ledger does not detail an audit trail.

INVESTMENTS

The investment register details total investments held amounting to R14,684,545.00 whilst the financial statements details total investments held to the value of R39,162,849.00. The variance of R24,478,304.00 was partly identified to be a result of investments to the value of R15,067,364.00 not disclosed on the investment register whilst the remaining variance of R9,410,940.00 could not be supported with documentation and management could not provide explanations thereto. As alternative we issued bank confirmations to the financial institutions which were not returned.

An investment to the value of R2,961,817.00 was disclosed on the financial statements for the year ended 30 June 2007. Documentation supporting either the closing of this investment or the ongoing monitoring could not be provided to enable the audit team to

quantify the balance that should have been disclosed on the financial statements for the current year.

STATUTORY FUNDS

Paragraph 5.1 of the Accounting Policy in the financial statement requires a total contribution of 7.5% of the total rates of the preceding financial year (2007) to be contributed to the revolving fund. Recalculation of the required contribution however indicated that the required contribution had not been made. A contribution amounting to R109,396.00 is required whilst the contribution made amounts to R67,344.00. The under-provision of R42,052.00 could not be explained by management.

FIXED ASSETS

The fixed asset register details assets held amounting to R80,057,365.00 whilst the asset register amounts to R99,116,020.00. The variance could not be explained or supported by documentation.

The value of land and buildings recorded in the asset register was understated. Recalculations performed (totaling R9,086,583.00) indicated a variance of R1,191,458.00. Furthermore, upon recalculating the value of land and buildings contained in the fixed asset register it was identified that the asset register (detailing R7,895,228.00) is understated with R1,191,355.00.

Journals supporting debit transactions to the value of R567,514.00 and credit transactions to the value of R4,439,297.00 could not be provided for auditing purposes. Alternative procedures could not be performed due to the lack of the audit trail on the accounting records.

DEBTORS

The list detailing sundry debtors details debtors to the value of R1,953,204.00 whilst the general ledger and financial statements amounts to R2,014,345.00. The variance could not be supported by documentation or explained by management. The existence and completeness of the debtors disclosed on the financial statements could not be verified as subsequent payments were not identified on the financial records.

Documentation supporting debit journals to the value of R1,357,287.00 and credit journals amounting to R3,175,476.00 could not be provided by management. Furthermore the basis established for the calculation of the provision for bad debts amounting to R3,753,753.00 could not be provided. Alternative procedures could not be performed due to the lack of an audit trial on the accounting records.

Evaluation of the Credit Control Policy implemented at the municipality interest is to be charged on late account payments whilst evidence thereof could not be identified. In addition management has not adopted procedures to follow up on outstanding debt such as reminder letters to defaulting debtors, legal action and discontinuance of services.

PROVISIONS

Upon recalculating the provision for leave pay disclosed on the financial statements amounting to R1,032,641.00, an overstatement of R20,977.00 was identified (recalculated balance: R1,011,643.00) which could not be explained by management and whereto documentation could not be provided.

REVENUE

The receipts relating to monies received on behalf of the Department of Transport (e-natis) and the relating overpayment to the Department is not reconciled. The completeness and accuracy of the total traffic income recognised amounting to R846,754.00 on the financial statements could not be verified as reconciliations are not performed.

In addition, it was revealed that the agreed percentage allocated to the municipality is allocated to the agency fees account in the general ledger, which amounts to R65,286.00. The remainder of the traffic income should be paid over to the Department as the revenue does not fall due to the municipality but is collected on behalf of the Department.

Intsika Yethu Municipality renders water to the community whereto a contractual agreement to authorise the municipality to provide water could not be obtained. The total water revenue recognised to the value of R113,184.00 was thus considered to be outside the scope of the services provided by the municipality.

The municipality only keeps the current valuation roll and does not have a supplementary valuation roll. The municipality also does not have a register of properties that are exempt from valuation and there are no annual updates done on the existing register. The total rates earned during the financial year amounting to R2,693,764.00 could thus not be confirmed to be complete.

The rental income contracts were not provided for the audit. Total rent received during the financial year ended 30 June 2008 to the value of R366,344.00 could thus not be verified.

The total grants allocated to the municipality amounts to R45,020,304.00 whilst the financial statements details grants received amounting to R48,768,566.00. Documentation and explanations to the variance of R3,748,262.00 could not be provided.

Alternative procedures could not be performed to verify the completeness and accuracy of revenue received due to the lack of the audit trial on the accounting records.

The municipality does not charge a connection fee from customers on the provision of water services. As a result the lack of consumer deposits might cause significant losses to the municipality as no monies will be recovered on payment defaulting customers.

INVENTORY

The balance of inventory amounting to R46,262.00 disclosed on the financial statements agrees to the inventory listing. However, documentation supporting the inventory listing is not maintained at the municipality as stock records or alternative documentation is not safeguarded. Furthermore, the general ledger details total inventory to the value of R151,208.00 held at financial year end. It is not clear how the variance of R104,946.00 resulted. Alternative procedures could not be performed to verify the existence and valuation of inventory at year-end as the auditors were not invited to the inventory count and documentation is not available.

PAYABLES

The list of accruals details total payables as at 30 June 2008 to the value of R908,368.00 whilst the financial statements details R882,220.00. The understatement of R26,148.00 could not be supported

by documentation or explained by management. Due to the insufficient audit trial alternative procedures could not be performed to verify the variance.

**EXPENDITURE**

Documentation supporting total expenditure to the value of R66,459.00 could not be provided. Alternative procedures could not be performed to verify these expenses due to the insufficient audit trial.

SALARIES AND WAGES

A salary increase of 6.43% was approved by the South African Bargaining Council which was correctly applied by the municipality. However, in addition to the approved increase management awarded an additional 2.5% increase to employees subsequent to the adjustment to salaries. This subsequent increase to the value of R2,970,203.00 was considered to be

unauthorized but was not disclosed as such on the financial statements. An advance of R20,000.00 was paid to the family of the deceased as the advanced amount is reimbursed by the pension fund to be municipality. Documentation supporting the reimbursement of the advance from the pension fund could however not be provided for auditing purposes.

VALUE ADDED TAX

The total Value Added Tax returns submitted to the South African Revenue Services (SARS) to the value of R6,536,562.00 does not agree to the amount disclosed on the financial statements which totals R6,708,805.00. The overstatement on the financial statements of R172,243.00 could not be supported by documentation. Alternative procedures could not be performed to verify the variance identified due to the lack of the audit trial on the financial records.

Furthermore, the VAT returns submitted to SARS were not submitted on/before the 25th of the month following the end of the tax period. All returns relating to the period January to June 2008 were only submitted on 21 August 2008. Correspondence detailing the possible fruitless and wasteful expenditure incurred by the municipality relating to the fines and penalties could not be obtained to quantify the fruitless expenditure that needed to be disclosed on the financial statements.

Furthermore, the rental income is not recorded in the VAT control account which resulted in an overstatement of revenue and an understatement of the VAT. This amount could not be quantified due to the lack of the audit trial.

COMMITMENTS

The schedule detailing commitments to the value of R8,590,035.00 does not agree to the financial statements detailing R8,865,025.00. The variance of R274,990.00 could not be explained by management.

DISCLAIMER OF OPINION

Because of the significance of the matter(s) described in the Basis for disclaimer of opinion paragraph(s), I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Intsika Yethu Municipality. Accordingly, I do not express an opinion on the financial statements.

EMPHASIS OF MATTER(S)

I draw attention to the following matter(s):

GOING CONCERN

The financial statements have been prepared on the going concern basis which assumes that the municipality will be able to meet its existing and future service obligations and commitments during the ordinary course of business.

However, certain matters have come to our attention which places uncertainty over the municipality's ability to continue as a going concern as the total revenue generated during the financial year ended 30 June 2008 amounting to R58,990,297.00. A total of R48,768,566.00 was received in respect of grants.

OTHER MATTERS

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

INTERNAL CONTROLS

Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the [type of entity] 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 [qualified/ adverse/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 & COMMUNICATION	MONITORING
Manual system			✓		
Funds and Reserves			✓		
Investments			✓		
Statutory Funds			✓		
Fixed Assets			✓		
Debtors			✓		
Provisions			✓		
Revenue			✓		
Inventory			✓		
Payables			✓		
Expenditure			✓		
Salaries & wages			✓		
VAT			✓		
Commitments			✓		

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

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

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

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

MONITORING: covers external oversight of internal controls over financial reporting by management or other parties outside the process; or the application of independent methodologies, like customised procedures or standard checklists, by employees within a process.

MATTER OF GOVERNANCE	YES	NO
Audit committee		
• The municipality had an audit committee in operation throughout the financial year.		✓
• The audit committee operates in accordance with approved, written terms of reference.		✓
• The audit committee substantially fulfilled its responsibilities for the year, as set out in Section 166(2) of the MFMA.		✓
Internal audit		
• The [type of entity] had an internal audit function in operation throughout the financial year.		✓
• The internal audit function operates in terms of an approved internal audit plan.		✓
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in Section 165(2) of the MFMA.		✓
Other matters of governance		
• The annual financial statements were submitted for audit as per the legislated deadlines in section 126 of the MFMA.		✓
• The annual report was submitted to the auditor for consideration prior to the date of the auditor's report.		✓
• The financial statements submitted for audit were not subject to any material amendments resulting from the audit.	✓	
• No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.		✓
• The prior year's external audit recommendations have been substantially implemented.		✓
Implementation of Standards of Generally Recognised Accounting Practice (GRAP)		
• 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.		✓
• 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.		✓
• 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.		✓

NON-COMPLIANCE WITH APPLICABLE LEGISLATION

The municipality did not comply with the following sections of the Municipal Finance Management Act 56 of 2003: 33,63,64(1), 64(3), 71, 75, 95,114,116,118,121(1), 129(1), 132(1), 119(4)

MATTERS OF GOVERNANCE

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: **table on left**

REPORT ON PERFORMANCE INFORMATION

RESPONSIBILITY OF THE ACCOUNTING OFFICER FOR THE PERFORMANCE INFORMATION

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

RESPONSIBILITY OF THE AUDITOR - GENERAL

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.

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.

I believe that the evidence I have obtained is sufficient and appropriate to report that no significant findings have been identified as a result of my review.

AUDIT FINDINGS (PERFORMANCE INFORMATION)

Performance information documentation was not submitted with the financial statements for auditing.

APPRECIATION

The assistance rendered by the staff of the Intsika Yethu during the audit is sincerely appreciated.

**Auditor - General
Mthatha
28 November 2008**



ACCOUNTING POLICIES

BASIS OF PRESENTATION

These Financial Statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants in its Code of Practice (1997) and Report on the Standardisation of the Financial Statements of Local Authorities (2nd Edition, January 1996).

The Financial Statements are prepared on the Historical Cost Basis, adjusted for Capital Expenditure. The Accounting Policies are consistent with those applied in the previous year, except if otherwise indicated. Fundamental errors identified have been adjusted for and prior year restated where applicable.

The Financial Statements are prepared on the accrual basis as stated:

- Income is accrued when collectable and measurable. Certain direct income is accrued when received, such as Traffic Fines and business Licenses.
- Expenditure is accrued in the year that it is incurred.

CONSOLIDATION

The Balance Sheet includes Rate and General Services, different funds, Reserves and Provisions. All inter departmental charges if any, are set-off against each other, with the exception of Assessment Rates and Refuse Removal which are treated as income and expenditure in the respective Departments.

FIXED ASSETS

FIXED ASSETS ARE STATED

- at historical cost, or
- at valuation (based on market price at date of acquisition), where assets have been acquired by Grant or Donation, while they are in existence and fit for use.

DEPRECIATION

The balance shown against the heading "loans redeemed and other capital receipts" in the notes to the Balance Sheet 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 various Council funds, assets may also be acquired through:

- Appropriations from income, where the full cost of the asset forms an immediate and direct charge against operating income and it is therefore unnecessary to make any further provision for depreciation.
- External contributions, grants and subsidies, where the amount representing the value received is immediately credited to the "loans redeemed and other capital receipts" account.

All proceeds from the sale of fixed property are credited to the Public Improvement Fund. Net proceeds from the sale of all other assets are credited either to the relevant department in which the asset was purchased or to the Capital Development Fund.

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

FUNDS AND RESERVES

STATUTORY FUNDS

The Revolving Fund Ordinance No. 20 of 1974 requires a minimum contribution of 7,5% of the product of assessment rates in respect of the Financial Year immediately preceding the Financial Year for which such contribution is required to be made.

RESERVES

Reserve Funds are utilised for purposes for which the reserve is formulated by council. Contributions are made from the operating account and in certain instances according to the policy of the Department of Local Government and Housing.

TRUST FUNDS

Funds are paid to the Council for specific purposes and consists of Grants and Subsidies from the public or higher Authorities.

PROJECT FUNDS

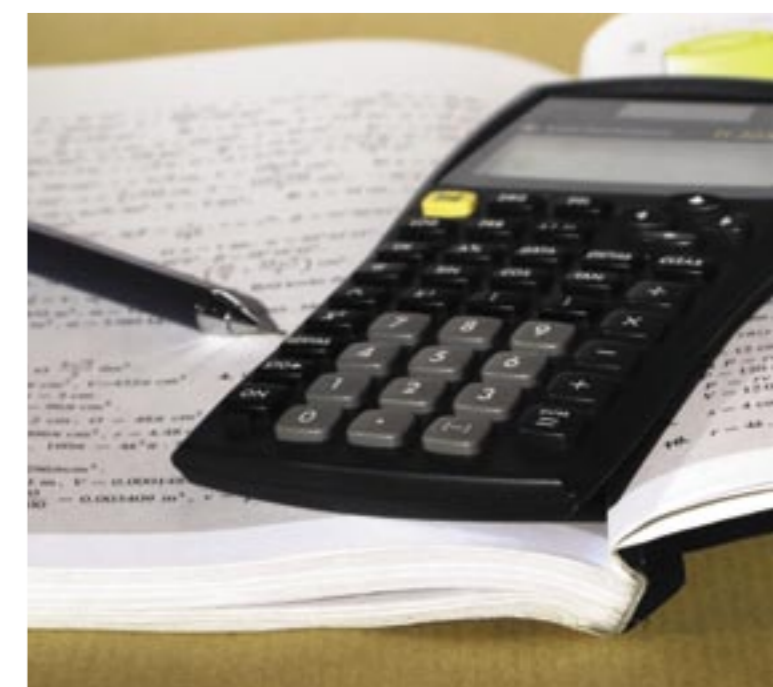
Project funds are representative of external funding received in the past and set aside for pre-identified individual projects or a pre-defined general nature of intervention.

RETIREMENT BENEFITS

It is the policy of the municipality to provide retirement benefits for its personnel. Current contributions are charged against the operating account at the rate of a fixed rate of the basic salary paid to employees.

SURPLUSES AND DEFICITS

Accumulated surpluses reflect the residual of revenue against the sum of operating and capital expenditure reduced by any appropriations.



INVESTMENTS

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred.

INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the first-in, first-out method. Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

INCOME RECOGNITION

ASSESSMENT RATES

Assessment Rates are levied at the same tariff for the land and improvements. Rebates are granted to state bodies. Income is recognised when the annual and monthly levies are done at the beginning of the month.

PROVISIONS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events and is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

LEASES

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment 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 above definition. Operating lease rentals are expensed as they become due.

REFUSE AND OTHER INCOME

Refuse is levied at an approved monthly flat rate. Sundry income is accounted for on a cash receipt basis.

GOVERNMENT AND OTHER RELATED GRANTS

Government and other related grants are recognised as revenue on an accrual basis and in accordance with the funding institution's annual disbursement plan as they relate to municipal statutory annual reporting period.

BALANCE SHEET

FOR THE YEAR ENDED 30 JUNE 2008

	NOTES	2008 R	2007 (Restated) R
CAPITAL EMPLOYED		37,419,531	54,484,308
Funds and Reserves	1	580,105	549,374
Accumulated Surplus / (deficit)	2	36,839,427	53,934,934
Long-Term Liabilities	3	-	-
		37,419,531	54,484,308
EMPLOYMENT OF CAPITAL		26,638,048	27,329,045
Fixed Assets	4	-	-
Investments	5	26,638,048	27,329,045
NET CURRENT ASSETS / (LIABILITIES)		10,781,483	27,155,263
CURRENT ASSETS		12,696,344	30,680,339
	6	46,262	16,173
	7	11,084,338	10,782,217
	8	1,565,745	19,881,949
CURRENT LIABILITIES		1,914,861	3,525,076
	9	1,032,641)	1,208,463
	10	882,220)	2,316,613
		37,419,531	54,484,308

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

2006/2007 Actual Income	2006/2007 Actual Expenditure	2006/2007 Restated Actual Surplus/ Deficit	2007/2008 Actual Income	2007/2008 Actual Expenditure	2007/2008 Actual Surplus/ Deficit	2007/2008 Budgeted Surplus/ Deficit
R	R	R	R	R	R	R
RATE AND GENERAL SERVICES						
Community Services						
58,275,366	82,457,452	(24,182,086)	57,905,005	77,891,446	(19,986,441)	1,858,604
Economic Services						
212,128	-	212,128	1,085,292	-	1,085,292	(1,858,604)
Total						
58,487,494	82,457,452	(23,969,958)	58,990,297	77,891,446	(18,901,149)	75,000
APPROPRIATION FOR THIS YEAR						
(Refer to working papers)						
NET SURPLUS / (DEFICIT) FOR THE YEAR						
		(23,969,958)			(18,901,149)	
ACCUMULATED SURPLUS - BEGINNING OF THE YEAR						
		76,119,011			53,934,934	
ACCUMULATED SURPLUS - END OF THE YEAR						
		52,149,053			35,033,785	

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

	NOTES	2008 R	2007 (Restated) R
CASH RETAINED FROM OPERATING ACTIVITIES		(18,900,383)	(27,710,668)
Cash Generated by Operations	16	(23,092,460)	(24,664,716)
Investment Income		4,129,641	2,480,673
Decrease in Working Capital	17	62,435	(5,526,625)
Less: External Interest Paid		-	(34)
CASH AVAILABLE FROM OPERATIONS		(18,900,383)	(27,710,702)
CASH EFFECTS FROM FINANCING ACTIVITIES			
(Increase) Decrease in Cash Investments	19	(690,997)	1,655,178
(Increase) Decrease in Cash	20	(18,316,204)	25,960,289
Increase (Decrease) in Funds		106,819	95,235
Net Cash (Utilised) / Generated		(18,900,382)	27,710,702

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 (Restated) R
1. FUNDS		
Statutory funds	580,105	549,374
Meeg Bank: Revolving Fund - 9061149096 (Refer to appendix A for more details)	580,105	549,374
2. ACCUMULATED SURPLUS / (DEFICIT)		
Appropriation account:		
Accumulated surplus at the beginning of the year	53,934,934	76,119,011
Operating (deficit)/surplus for the year	(18,901,149)	(23,969,958)
Contributions to revolving funds, trust funds and reserves	24,771,783	
Prior year adjustments	(22,966,141)	1,785,881
Accumulated surplus at the end of the year - Amount to the Balance Sheet	36,839,427	53,934,934
Contributions to:		
Asset Financing	19,152,756	80,220,691
3. LONG TERM LOANS		
Loan DBSA	-	-
Less: Current portion of long term loan	-	-
Amount to the Balance Sheet	-	-
DBSA loan has been approved but not yet received at end of the year.		
4. FIXED ASSETS		
Fixed Assets at the beginning of the year	80,220,689	53,755,036
Capital Expenditure during the year	19,152,756	3,317,889
Restatement per Prior year Adjustment	-	23,147,764
Less: Written-off Assets	(257,427)	-
Total Fixed Assets	99,116,018	80,220,689
Less : Loans Redeemed and Other Capital Receipts	(99,116,018)	(80,220,689)
Net Fixed Assets	-	-
(Refer to appendix B for more details)		

	2008 R	2007 (Restated) R
5. INVESTMENTS		
Short Term Investment		
- CMIP - Investment - 62022329438	1,179,485	1,105,338
- Equitable Share - 74045339170	-	13,223,473
- IDP Call Account - 62026742404	693,754	641,351
- Municipal Rank - Investment - 62026740549	1,159,840	1,059,836
- Peoples Housing Account - 62023535795	196,047	196,047
- Registry Investment - 620270934	39,245	39,245
- Registry Investment - 62027101245	100,281	92,489
- Standard Bank - Notice Deposit - 088795101	26,131	26,131
- Testing Station Investment Account - 74026742946	42,596	42,596
- Meeg Bank: Revolving Fund - 9061149096	512,761	473,286
- MIG Funds - 62027179127	1,545,591	317,037
- Survey - 62027179127	20,782	20,782
- Trust Account - 62090678320	5,904,171	9,938,715
- Intsika Yethu Secondary - 62132786338	-	-
- DBSA Loan - Money Markets - 62160167500	32,268	-
- Nedbank Investments - 03/7881052066/002	15,035,096	-
Amount to the Balance Sheet	26,488,048	27,176,326
No investments were written off during the year.		
Long Term Investment		
- FNB Insurance Brokers	150,000	150,000
Amount to the Balance Sheet	150,000	150,000
6. INVENTORY		
Consumables	-	-
Stationery	46,262	16,173
Amount to the Balance Sheet	46,262	16,173

	2008 R	2007 (Restated) R
7. DEBTORS	14,838,090	13,813,078
Consumer debtors	8,129,285	4,023,442
VAT	6,708,805	6,706,409
Other debtors	-	3,083,227
Less: Provision for Bad Debts	(3,753,753)	(3,030,861)
Amount to the Balance Sheet	11,084,338	10,782,217
8. BANK AND CASH	1,594,110	19,881,949
Main Bank Account - FNB	1,375,041	17,177,142
Other Bank Accounts - Favourable	219,069	2,704,290
Petty cash	-	517.00
Other Bank Accounts - Unfavourable	(28,365)	-
Amount to the Balance Sheet	1,565,745	19,881,949
9. PROVISIONS		
Audit fees	-	-
Leave Pay	(1,032,641)	(1,208,463)
Amount to the Balance Sheet	(1,032,641)	(1,208,463)
10. CREDITORS		
Trade Creditors and Accruals	(882,220)	2,315,633
Deposits	-	980
Amount to the Balance Sheet	(882,220)	2,316,613
11. ASSESSMENT RATES		
Valuations as at 30 June 2008	62,947,257	62,947,257
Actual Income	2,693,764	1,458,615

Valuations on land and improvements are performed every four years and the last general valuation came into effect on 01 July 2007. The basic rate was 1.03c per Rand on Land and improvements. A 20% rebate was granted to government departments.

	2008 R	2007 (Restated) R
12. COUNCILLORS' REMUNERATION	8,319,404	8,473,660
Executive and Council	8,319,404	8,473,660
	-	-
13. FINANCE TRANSACTIONS	(4,129,641)	(2,485,539)
Total external interest earned or paid:		
- Interest earned	(4,129,641)	(2,485,539)
- Interest paid	-	-
14. PRIOR YEAR ADJUSTMENTS	(22,966,141)	1,785,881
Correction of the following errors:		
- Property, Plant and Equipment	(23,147,764)	-
- Bank and Cash Balances	178,772	-
- Creditors & Stores	2,851	1,785,881
The prior year adjustment relates to adjustments relating to accounting errors in the previous years and reinstatement of Assets.		
15. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
- Approved and contracted for;	8,865,025	-
This expenditure will be financed from;		
- Internal Sources and Government Grants	8,865,025	-
16. Cash generated from operations		
Surplus/(Deficit) for the year	(18,901,149)	(23,969,958)
Adjustments for:		
Previous year's operating transactions	(61,669)	1,785,881
Investment Income credited to Operations account	(4,129,641)	(2,480,673)
Interest expense	-	34
Amount to the Cashflow Statement	(23,092,460)	(24,664,716)

	2008 R	2007 (Restated) R
17. DECREASE IN WORKING CAPITAL		
- (Increase) decrease in inventory	(62,435)	22,557
- (Increase) decrease in accounts receivable	302,121	(4,345,249)
- Increase (decrease) in accounts payable and provisions	(302,121)	(1,203,933)
Amount to the Cashflow Statement	(62,435)	(5,526,625)
18. CASH FLOW FROM FINANCING ACTIVITIES		
- Increase in funds and reserves	30,731	549,374
Amount to the Cashflow Statement	30,731	549,374
19. DECREASE IN CASH INVESTMENTS COMPRISES		
- Investments realised	(690,997)	27,329,045
Amount to the Cashflow Statement	(690,997)	27,329,045
20. INCREASE IN CASH AND CASH EQUIVALENTS		
- Increase in cash balances	(18,316,204)	19,881,949
Amount to the Cashflow Statement	(18,316,204)	19,881,949
21. CONTINGENT LIABILITY		
The Municipality is being sued by a Akani Pension Fund due to damages arising from certain contractual dispute. Council is contesting the claim based on legal advice. A court date has not yet been set or issue finalised. The contingent liability includes legal costs of R 2 121 174. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled from		
22. ADDITIONAL DISCLOSURES IN TERMS OF MFMA		
22.1 Audit Fees	824,185	-
22.2 Councillor's arrear consumer accounts		
Total as at 30 June 2008	58,474	
Oustanding	less than 90 days	more than 90 days
Councillor: SD PLATA	-	58,474
22.3 Remuneration of councillors and managers		
Executive councillor's remuneration	8,519,119	8,473,660
Senior mananager	3,562,303	-
	12,081,422	8,473,660

APPENDIX A

ACCUMULATED FUNDS, TRUST FUNDS, PROVISIONS & RESERVES FOR THE YEAR ENDED 30 JUNE 2008

	Balance at 2007-06-30	Contributions during the Year	Interest on Investments	Other Income	Expenditure during the year		Balance at 2008-06-30
					Operational	Capital	
STATUTORY FUNDS							
Meeg Bank: Revolving Fund - 9061149096	473,286	67,344	39,475	-	-	-	580,105
	473,286	67,344	39,475	-	-	-	580,105
TRUST FUNDS							
Trust Account - 62090678320	9,938,715	558,400	671,872	-	3,097,170	2,167,646	5,904,171
	9,938,715	558,400	671,872	-	3,097,170	2,167,646	5,904,171
PROJECT FUNDS							
CMIP - Investment - 62022329438	1,105,338	2,384	102,745	-	30,982	-	1,179,485
IDP Call Account - 62026742404	641,351	-	52,403	-	-	-	693,754
Municipal Rank - Investment - 62026740549	1,059,836	-	100,343	-	339	-	1,159,840
Peoples Housing Account - 62023535795	196,047	-	-	-	-	-	196,047
Registry Investment - 62027099234	39,245	-	-	-	-	-	39,245
Registry Investment - 62027101245	92,489	-	8,108	-	316	-	100,281
Testing Station Investment Account - 74026742946	42,596	-	-	-	-	-	42,596
MIG Funds - 62101651398	317,037	10,152,515	3,013	-	2,247	8,924,727	1,545,591
Survey - 62027179127	20,782	-	-	-	-	-	20,782
DBSA Loan - Money Markets - 62160167500	-	30,632	1,816	-	180	-	32,268
	3,514,721	10,185,531	268,428	-	34,064	8,924,727	5,009,889
TOTAL FUNDS	13,926,722	10,811,275	979,775			11,092,373	11,494,165
RESERVES							
Equitable Share - 74045339170	13,223,473	10,833,655	992,493	-	25,049,621	-	-
Standard Bank - Notice Deposit - 088795101	26,131	-	-	-	-	-	26,131
Intsika Yethu Secondary - 62132786338	-	-	-	-	-	-	-
Nedbank Investments - 03/7881052066/002	-	15,000,000	35,096	-	-	-	15,035,096
	13,249,604	25,833,655	1,027,589	-	25,049,621	-	15,061,227

APPENDIX B

EXTERNAL LOANS & INTERNAL SOURCES FOR THE YEAR ENDED 30 JUNE 2008

Actual 2007 R	Actual 2008 R	Budget 2008 R
-	-	-

Municipality has no External loans at end of the current financial year.

APPENDIX C

ANALYSIS OF FIXED ASSETS FOR THE YEAR ENDED 30 JUNE 2008

	Expended 2007	Budget 2007	Balance at 2007-07-01	Expended 2008	Written off, transferred, redeemed or disposed of during the Year	Balance at 2008-06-30
RATE AND GENERAL SERVICES	80,220,691	21,235,386	80,220,691	19,152,756	257,427	99,116,021
Community Services	80,220,691	21,235,386	80,220,691	19,152,756	257,427	99,116,020
Land and buildings	27,799,002	-	27,799,002	1,703,953	-	29,502,955
Infrastructural Assets	25,639,958	14,441,391	25,639,958	6,798,062	-	32,438,020
Community Assets	9,804,931	6,143,995	9,804,931	4,727,341	-	14,532,272
Other Assets	16,976,800	650,000	16,976,800	5,923,400	257,427	22,642,773
	-	-				-
Economic Services	-	-	-	-	-	0
Sanitation		-		0		0
TOTAL ASSETS	80,220,691	21,235,386	80,220,691	19,152,756	257,427	99,116,021
LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS	80,220,691		80,220,691	19,152,756	257,427	99,116,020
Loans redeemed	30,000		30,000		-	30,000
Contributions from own revenue	956,677		956,677	5,923,400	257,427	6,622,650
Grants and Subsidies	79,234,014		79,234,014	13,229,356	-	92,463,370
NET FIXED ASSETS	-		-	-	(0)	-

APPENDIX D

ANALYSIS OF OPERATING INCOME & EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2008

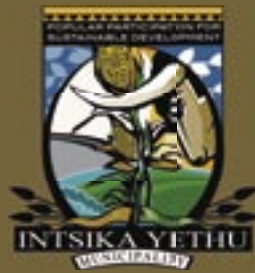
	ACTUAL 2007 R	ACTUAL 2008 R	BUDGET 2008 R
	(58,487,494)	(58,990,297)	(70,425,123)
Assesment Rates	(1,458,615)	(2,693,764)	(1,000,000)
Government and Provincial Grants and Subsidies	(53,266,725)	(48,768,566)	(48,319,542)
Income from Tariffs, Services Charges etc.	(931,442)	(1,213,098)	(2,228,410)
Interest Received	(2,485,539)	(4,129,641)	(3,047,980)
Other Income	(345,173)	(2,185,228)	(15,829,191)
	82,457,452	77,891,446	70,425,123
Salaries, Wages and Allowances	29,246,052	29,937,983	29,060,535
General Expenses	34,788,394	28,494,933	20,054,202
Repairs and Maintenance	14,963,218	305,772	75,000
Capital Charges	3,459,788	19,152,758	21,235,386
Contributions to funds and reserves	-	-	-
	23,969,958	18,901,148	(0)

APPENDIX E

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	2006/2007 Actual Income R	2006/2007 Actual Expenditure R	2006/2007 Restated Actual Surplus/ (Deficit) R	2007/2008 Actual Income R	2007/2008 Actual Expenditure R	2007/2008 Actual Surplus/ (Deficit) R	2007/2008 Budgeted Surplus/ (Deficit) R
RATE AND GENERAL SERVICES	58,487,494	82,457,452	(23,969,958)	58,990,297	77,891,446	(18,901,149)	75,000
Community Services	58,275,366	82,457,452	(24,182,086)	57,905,005	77,891,446	(19,986,441)	1,858,604
			-				
Assessment rates	-	-	-	1,610,856	-	1,610,856	1,000,000
Administration	-	5,194,017	(5,194,017)	350,000	3,018,125	(2,668,125)	7,331,875
Corporate services	-	4,708,272	(4,708,272)	200,000	4,170,075	(3,970,075)	(3,970,075)
Community services	186,100	10,596,101	(10,410,001)	6,171,155	12,880,256	(6,709,101)	(6,709,101)
Technical	8,536,359	10,486,586	(1,950,227)	6,026,994	20,079,308	(14,052,314)	(14,452,314)
Local Economic Development	6,373,271	2,903,101	3,470,170	500,000	2,422,137	(1,922,137)	(1,922,137)
Traffic	318,664	3,862,367	(3,543,703)	846,754	181,259	665,495	544,618
Exco and Council	1,525,198	17,193,223	(15,668,025)	100,000	9,942,266	(9,842,266)	(9,842,266)
Finance	41,335,774	27,513,785	13,821,989	42,099,246	25,198,020	16,901,226	29,878,005
Economic Services	212,128	-	212,128	1,085,292	-	1,085,292	(1,858,604)
Refuse Removal	212,128	-	212,128	231,674	-	231,674	(1,858,604)
Sanitation	-	-	-	853,618	-	853,618	
	58,487,494	82,457,452	(23,969,958)	58,990,297	77,891,446	(18,901,149)	75,000

Appropriation for this Year (Refer working papers)	-	-
Net (Deficit)/Surplus for the Year	(23,969,958)	(18,901,149)
Accumulated Surplus beginning of the year	76,119,011	53,934,934
Prior year adjustments:	1,785,881	(22,966,141)
Fixed Assets	-	(23,147,764)
Bank and Cash Balances	-	178,772
Creditors & Stores	1,785,881	2,851
ACCUMULATED SURPLUS/(DEFICIT) END OF THE YEAR	53,934,934	12,067,644



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