

**O.R. TAMBO  
DISTRICT MUNICIPALITY**

**ANNUAL REPORT**  
**2007-2008**

## **FOREWORD BY THE EXECUTIVE MAYOR**



During the 2007/08 financial year, the community, the council and the management of O.R Tambo district Municipality have together with various partners and Government Departments and both National and Provincial spheres, worked tirelessly to ensure that the with all hands on the deck, the lives of the communities in this region is impacted for the better.

It is in this financial year that we have hosted a unique and successful event in celebration of 90th birthday of the honorable hero and legend Oliver Reginald Tambo, who was born and bred in this region. This event was marked by an exceptional memorial lecture, first of its kind in the history of South Africa, delivered by Dr. Kenneth Kaunda, the president of Lusaka, whose contribution in the struggle towards the freedom we currently enjoying will be remembered for generations to come. This was combined with an open council, district wide, including all councils of all local municipalities and honored by the presence of Dr. Kaunda

The district municipality has entered into a twinning agreement with the city of Lusaka and it focuses on the following:-

- Widening African Renaissance
- O.R. Tambo statue being built in Lusaka
- Benchmarking in Agriculture practices and HIV/AIDS management

### **HOSTING OF NATIONAL PARLIAMENT**

This event exposed our communities to the parliament procedures for the first time and afforded the parliamentarians an opportunity to interact with the communities in this region towards improving various approaches to bringing delivery of services.

### **NEW INITIATIVES TOWARDS ADVANCING THE LED**

The appointment of new board Ntinga board together with acquiring of land and farmland to enhance revenue generation are some of our strides towards improving the local economy.

### **FINALISATION OF THE ORGANOGRAM**

In line with the vision, mission and objectives, the council approved a reviewed organizational structure, the top Management in particular, and recruited 90% of the vacant posts.

#### **HOUSING AWARD**

The O.R. Tambo DM was awarded by the province for being the best housing provider and the award has assisted in addressing the most deserving of challenges confronting the people in this region.

#### **POVERTY RELIEF and HIV/AIDS**

A number of programmes implemented continue to impact in relieving various communities of distress due to poverty and unemployment.

- More than 120 youth are contractually employed in most local municipalities under **Cleaning and Greening Project** and 35 under **Sicoca Sonke Campaign**.

**The scourge of HIV/AIDS is also heavily impacted in that we have successfully reduced HIV/AIDS infections and STIs from 33% to 29 %.** The **Inkciyo** abstinence program involving youth has impacted a lot in this regard. **At least** 18 non medical VCT sites and five high transmission area sites have been establish to further improve our efforts in this regard.

#### **BRUTAL KILLINGS IN MBIZANA AND WOMEN AMBUSHED BY YOUTH**

Additional to challenges experienced, 4 elderly women from Ingquza hill local municipality, who were brutally killed by young men alleging them of practicing witchcraft. This was followed by the brutal mass killings at Mzamba view village at Mbizana where at least 18 people were murdered

#### **LOOKING FORWARD**

Many households in our district continue to experience a number of undesirable circumstances, including the soaring levels of poverty, unemployment, frequent disasters leaving people stranded and feeling desolate. With such in mind the municipality will join hands with other partners and government departments to facilitate and ensure the establishment of the following, amongst others:-

- Integrated Disaster Centre which will be activated at one point linking all the satellite centres.
- Orphanage hostels to accommodate orphans at a school going age so that they are given the opportunity to study and attain success in life as well as shelter homes
- Nursing school to address nursing staff shortage in this region and by so doing reduce the high levels of unemployment.

Yours in governance

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Cllr R.Z Capa  
Executive Mayor

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**CHAPTER 1.**  
**MUNICIPAL MANAGER'S REMARKS AND EXECUTIVE SUMMARY**

The O.R Tambo District Municipality together with its development agency has indeed, (through the active participation of organised structures representing the greater civil society in this region, the provincial and national government sector departments as well as the private sector), taken significant strides in the 2007/2008 financial year towards achieving its mandate as outlined in the various pieces of legislation governing the local sphere of government as well as the integrated development plan (IDP). The council maintained its vision and mission as outlined below:-

**VISION:**

Attaining a developmental Municipality, responsive to social aspirations for an economically vibrant, healthy and sustainable community.

**MISSION:**

To create an economically viable municipality through optimum utilisation of available resources, to provide efficient and effective service delivery, adequate access to land, security of tenure, housing, social well-being and effective skills development aimed at promoting a self sustaining healthy community.

**District Priority Clusters**

1. Good governance and public participation
2. Municipal Transformation and organisational development
3. Financial Viability and Management
4. Local Economic Development
5. Basic Services and Infrastructure

## 1.1 GOOD GOVERNANCE AND PUBLIC PARTICIPATION

### 1.1.1 COUNCIL AFFAIRS

O.R. Tambo District Municipality held eight council meetings in the year four of which were ordinary council meetings and four special Council meetings. The register of council resolutions has been consolidated into a register booklet which reflects all Council resolutions taken from year 2000 to date.

A new Oversight Committee was appointed during 07/08 financial year and already they had to consider 2006/07 annual report and all member of the committee were trained to improve their capacity to undertake their roles and responsibilities. During 2007/08 at least fifty two (52) councilors were trained as tabulated below:

NAME OF INTERVENTION	NUMBER OF CLLRS TRAINERS	TRAINING PROVIDER	MALE	FEMALE	AMOUNT
Executive Leadership	3	University of Zululand	2	1	R60 000.00
Leadership Skills	13	The Leadership Development	7	6	R61560.00
Presentation Skills	15	Edge Training	7	8	R49020.00
Project Management	15	Ikwezi Lokusa	9	6	R60 000.00
Finance for Non-Financial Councillors	15	ITO Focus	8	7	R70 110.00
Local Government Law & Administration	6	SALGA	3	3	R52 500.00

### 1.1.2 Corporate Governance Structures

The current status in all municipalities is as reflected in table below.

#### Corporate governance structure in O.R Tambo

	ORTDM	KSD	PSJ	Nyandeni	Ingquza Hill	Mbizana	Ntabankulu	Mhlontlo
Audit Committee	Yes	Yes	No	No	No	Yes	No	No
Supply Chain management Committees	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Oversight Committee	Yes	Yes	No	No	No	No	No	No
Remuneration Committee	Yes	Yes	Yes	No	No	Yes	Yes	Yes
Perf. Mngnt Committee	Yes	Yes	Yes	No	No	Yes	Yes	Yes

### 1.1.3 Public participation and community development workers (CDWs)

Good governance at local level is institutionalised through the establishment of ward structures. At least 162 ward committees have been established in the district, each having its own ward committee and a ward councillor. A total of 37 ward committees have been trained district wide.

In this financial year the district municipality has built seven (7) ward offices and provided office equipment. The Community Development Workers (CDWs) programme was allocated at least 118 trained CDW's in O.R Tambo district.

### 1.1.4 Intergovernmental Relations (IGR)

The district IGR policy was adopted in August 2006 in-line with the IGR framework Act. The district IGR forum has been established in-line with the Act and is supposed to meet on a monthly basis as per the approved policy. The district participates in the Premier's Coordinating Forum (PCF) through the executive mayor of the district municipality. Moreover, the Municipal Manager of the District Municipality participates in the Technical Support Group (TSG) to the

PCF. Municipal sector sub-forums to the IGR are in place and functional.

The district municipality has entered into twinning arrangements with the city of Cape Town and Ekurhuleni municipality and as such has signed memoranda of understanding. The main objective of the agreement with the City of Cape Town is to explore possibilities of developing exchange of knowledge and experience with a view to sharing technical expertise in the fields of housing, infrastructure development, municipal service provision, economic development, capacity building, governance and financial management strategies.

## **1.2 INSTITUTIONAL TRANSFORMATION AND ORGANISATION DEVELOPMENT**

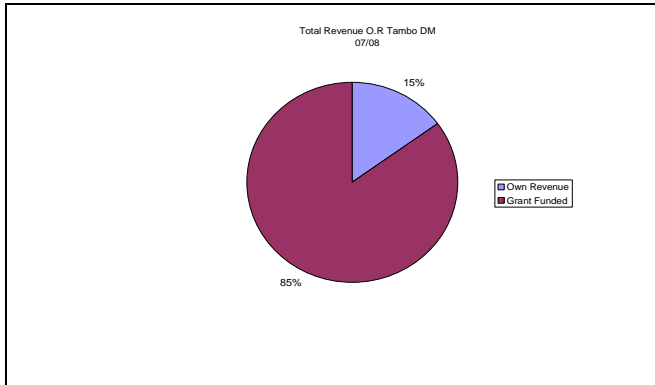
The focus for this financial year included that of focusing on developing and implementing programs that address the institutional capacity and as such this was rated high in the municipality's performance score card. The key issues in this regard included the following:

- Finalising the job evaluation process for all posts that started in the previous financial year.
- Review of key policies including the Workplace Skills plan and Human Resource policy
- Ensuring all Section 57 managers, the second layer of management (deputy directors) as well as the assistant directors employed on a contractual basis have signed annual performance contracts.
- Focusing on training and skills development which resulting in achieving the following:
  - o Implementing learnership program, where the 6 learners based in Mthatha participating in the Mixed Farming Learnership funded by Office of the Premier and training provided by Uluntu Skills
  - o 4 interns with Finance qualifications funded with a grant from National Treasury
  - o Training of councilors on various disciplines and institutions as reflected earlier.



### 1.3 FINANCIAL VIABILITY AND MANAGEMENT

The total revenue for the 2007/2008 financial year amounted to R849,044,175.00, of which R 126,832,222.00 was own revenue and the remaining R 722,211,970.00 was grant funding as illustrated in the chart below.



#### 1.3.1 Budget implementation

The Actual spending of the budget per the following categories is as follows:

- Personnel 98.08%
- Repairs & Maintenance 87.24%
- General Expenses 83.44%
- Capital Expenditure:
  - o Own revenue funded 65.5%
  - o Grant funded 75.25%

#### 1.3.2 The Financial State of affairs

Bank balances as at 30 June 2008 amount to R39, 2 Million. Th state of the municipality's investments is as follows;

- o The total balance of all investments as at 30 June 2008 is R82, 3 Million invested as follows:

FNB	R64, 6 Million
Meeg Bank	R4, 5 Million
Standard Bank	R13, 1 Million
Nedbank	R 3, 1

### 1.3.3 Revenue Collections

For the period under review the district municipality collected R 46 076 895.79. This represents 70% of the budgeted amount of R 72 000 000, reflecting an under-collection by at least 30%.

### 1.4 LOCAL ECONOMIC DEVELOPMENT

The local economic and financial viability clusters are both administratively driven by the strategic manager for planning and socio-economic affairs. The Ntinga O.R Tambo development agency was established to spearhead the implementation of sustainable economic development and as such most of the economic development programmes of the DM are implemented through the agency.

The economy of the O.R Tambo district hinges around the following key economic drivers: Agriculture, Tourism, Forestry, Mari and Aquaculture as well as Trade and manufacturing. The establishment and development of cooperatives remained the key area of focus with regards to accelerating the development of local economy in the district. Major strides during this financial year are highlighted as follows:-

#### Agriculture

- On Livestock improvement, 30 heifers, 24 rams, 9 bulls and 15 bucks distribute to local communities.
- Branding of 14000 cattle to reduce the impact of stock theft.
- Crop production focused on maize production, where 2558 ha were planted, 560ha of cotton and 15ha of sorghum.
- 50 farmers were trained on various skills and exposure visits were also arranged for 18 farmers and farmer cooperatives.

#### Tourism

- Training of councilors and tourism officers in the LMs.
- Launch and distribution of tourism brochures

## 1.5 ACCESS TO BASIC SERVICES

### 1.4.1 Access to Potable Water

The OR Tambo District Municipality is the Water Services Authority and Water Services Provider responsible for planning, implementation, and operation and maintenance of water and sanitation services within the 7 Local Municipalities. Backlog eradication is not the only substantial challenge facing the OR Tambo District Municipality. Much of the existing water and sanitation infrastructure is not adequately maintained and, in many cases, is not functioning. Ongoing refurbishment and maintenance is therefore a priority for sustainable water services delivery. The backlog figures should therefore be considered in the light of this situation as they represent the population that is unserved by water or sanitation schemes. Those deemed to be "served" are not necessarily benefiting from a fully functional and operational water service, though they do live in the area covered by some sort of formal scheme.

In estimating these water backlogs, the following assumptions have been applied:

1. People with piped and borehole water within 200m are deemed to be served
2. People sourcing water from springs, rainwater tanks, streams, rivers, dams or water vendors are deemed to be unserved
3. People sourcing water from communal taps, yard taps or any other more basic source are deemed to be not served to a higher level.

Population served or unserved in 2007 has been escalated from the 2004 figures in line with the projected overall population change from 2004 to 2007.

Table 2. RDP Water Services Backlogs in OR Tambo DM

	TOTAL POPULATION	WATER			
		RDP STANDARD		HIGHER LEVEL	
		served	not served	served	Not served
KSD	411,871	74%	26%	40%	60%
Mbizana	244,590	55%	45%	8%	92%
Mhlontlo	197,723	67%	33%	23%	77%
Ngquza Hill	259,982	74%	26%	16%	84%
Ntabankulu	134,912	53%	47%	17%	83%
Nyandeni	296,337	57%	43%	15%	85%
Port St Johns	151,593	54%	46%	21%	79%
TOTAL	1,697,008	64%	36%	22%	78%

Source: DWAF Reference Framework (2004) escalated to 2007

#### 1.4.2 WATER QUALITY MONITORING

The River Health Programme, implemented in partnership between the DM and the department of Water Affairs and Forestry is designed to measure the ecological status of the two river catchments of Mthatha and Umzimvubu.

This involves Biomonitoring which, integrates impacts upon a water resource from diverse sources and is a holistic measure of the health of the river. Surveys have been done to monitor the condition of these rivers and a draft technician report has been consolidated and will be synthesized by the river health specialists who will then produce the state of the rivers report for the two rivers.

#### 1.4.3 Access to Sanitation

Approximately 62% of the population does not have an adequate level of sanitation (at least a VIP or equivalent). Of the 62% mentioned above, 172,582 households (approximately 914,000 people) are located in the rural areas of the district.

Table 3. Sanitation services backlog in O.R Tambo

Population		SANITATION			
		RDP STANDARD		HIGHER LEVEL	
		Served	Not served	Served	Not served
KSD	411,871	56%	44%	30%	70%
Mbizana	244,590	23%	77%	9%	91%
Mhlontlo	197,723	21%	79%	9%	91%
Ngquza Hill	259,982	25%	75%	11%	89%
Ntabankulu	134,912	23%	77%	10%	90%
Nyandeni	296,337	42%	58%	14%	86%
Port St Johns	151,593	55%	45%	14%	86%
TOTAL	1,697,008	37%	63%	16%	84%

- ✿ Only 4 of the 10 urban areas within the seven municipalities are either fully or partially served by waterborne sanitation systems.
- ✿ The rural areas generally depend on informal pit latrine toilets where at least 91.4% of the population has no formal sanitation services
- ✿ People with flush toilets and septic tanks are deemed to be served to a higher level
- ✿ People using pit latrines, buckets, any other or no infrastructure are deemed to be not served to a higher level

#### 1.4.4 Free Basic Water

The O.R Tambo District Municipality has a free basic water services policy that was approved by Council 15 December 2005 and is currently compiling an indigent register. Since the indigent register is not yet complete, we are providing free basic water to all communities that have access. The situations in ten towns differ from one town to another, where there are meters communities are getting 6kl per month for free and in towns that do not have meters communities are paying for the services not consumption. In the rural areas, communities are now getting free water. Currently, 175 195 household are receiving portable water and 23 799 are billed for water consumption, meaning that 151 396 households are receiving free water.

#### 1.4.5 Free Basic Energy Provision

Regarding free basic energy, consultations with the stakeholders are underway in municipalities towards the development of policies thereof. Various sources of electricity have been identified to be the grid, solar energy and gel. So far the public participation processes conducted in this regard indicated that communities are not interested in the alternative sources of energy, they are only interested in the Eskom grid. A district wide picture is as shown in table below

Table . FBE sources and beneficiaries per municipality

Municipality	Number of h/h benefiting from FBE			
	ESKOM grid	Solar	Stove/Gel	Total FBE beneficiaries
KSD	3350	-	-	3350
Nyandeni	933	-	9000	9933
Port St Johns	9583	68	-	9651
Ingquza hill	365	538	-	903
Ntabankulu	665	582	165	1432
Mhlonthlo	4999	450	-	5449
Mbizana	3333	849	-	4182

#### 1.4.6 HIV/AIDS PROGRAMMES

Masihlanganeni PLWHAS summit was held .

- Twelve Ward AIDS forums were established .
- Provincial youth conference was hosted .
- Seven support groups were established .
- PLWHAS sub committees were established per local municipality .
- Support visit was done for Ixabiso lomntu community care centre
- Counselling in all health centres , NGOs, FBOs and ATICC was done
- Trainings for traditional health practitioners, traditional leaders , PLWHAS , CBOs, NGOs, FBOs ,lay counselors professional nurses and Inkciyo girls .
- Three new HTA sites were prepared .
- Inkciyo girls attended Swaziland annual event .
- World AIDS day was held in Ncamedlana Maden farm . Umhlobo Wenene FM hosted the commemoration together with KSD and the District .
- One High Transmission Area (HTA)site was established in Ngqeleni - Nyandeni municipality .
- Eleven non medical VCT sites were established

#### 1.4.7 SPECIAL PROGRAMMES

Youth Development: Focused on support to various youth owned businesses and groups, including those in sports, creative and performing arts as well as youth cooperatives. The Miss O.R Tambo beauty pageant is also another youth support programme supported by the district municipality.

Disabled: The highlights for the current financial year included the hosting of the provincial disabled parliament and the establishment of O.R Tambo interdepartmental forum on disability. The establishment of Masimanyane arts and craft centre.

Women: The registration and support to various women's cooperatives.

Children and Elderly: The development of the Local Plan of Action for children in 5 of the 7 local municipalities. Support offered to orphans in the back to school campaign.

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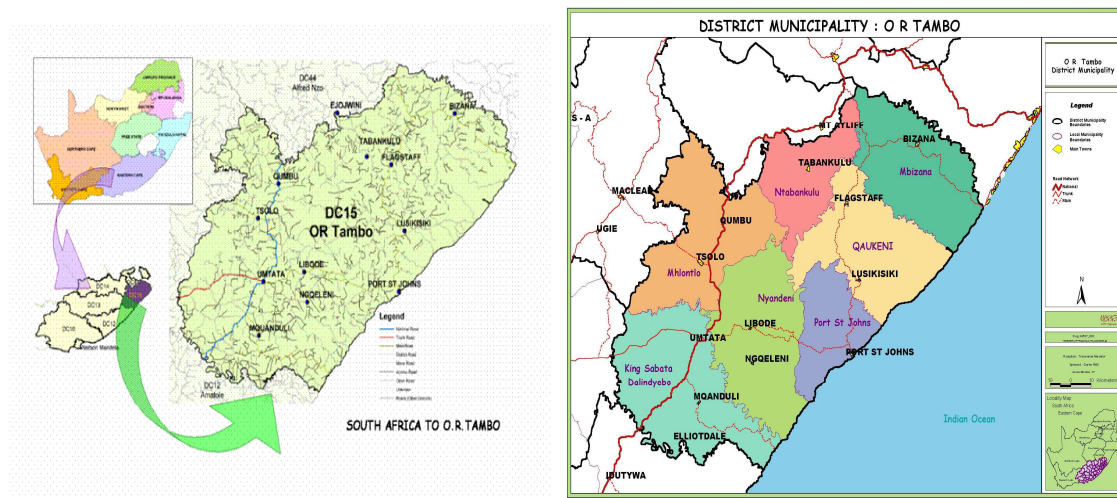


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## CHAPTER 2 INTRODUCTION AND MUNICIPALITY OVERVIEW

### 2.1 LOCALITY AND DESCRIPTIVE BACKGROUND

The O.R. Tambo District Municipality (ORTDM) occupies the eastern coastal portion of the Eastern Cape Province of the Republic of South Africa, stretches from the Mbashe rivers near the town of Idutywa (home town of former President Thabo Mbeki) all the way to Mthamvuna river on the border of KwaZulu Natal. The District extends over 15,946.84km<sup>2</sup> and incorporates eleven former Transkei magisterial districts into seven local municipalities of King Sabatha Dalindyebo (KSD), Mhlontlo, Nyandeni, Port St Johns, Ingquza Hill, Ntabankulu and Mbizana.



ORTDM is also one of the four Integrated Sustainable Rural Development Programme (ISRDP) nodes in the Eastern Cape. OR Tambo district has a marginal urbanisation rate of 9.24%, ranging from only 0.19% (Mbizana) to 26.42% (KSD). ORTDM is classified as a Category C2 municipality, indicating a largely rural character and low urbanisation rate, as well as limited municipal staff and budget capacity. All, but King Sabata Dalindyebo (KSD), local municipalities are classified as Category B4 (rural, mainly subsistence). KSD is classified as a

Category B2 (large core town/s with surrounding agricultural areas) municipality.

### 2.1.1 Population

The total population of O.R Tambo district amounted to 1,703,667million in 1997, which is approximately 26, 6% of the total for the Eastern Cape province, which is approximately as depicted in the chart below.

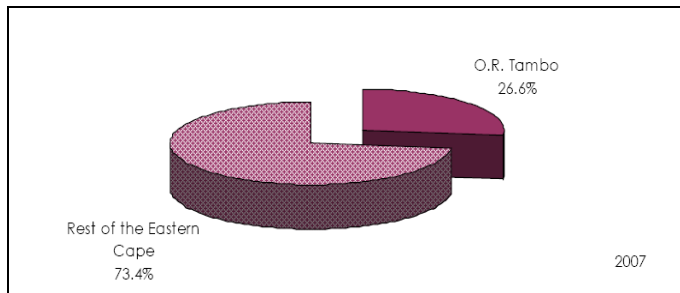


Figure 1: Total population in O.R Tambo relative to the Eastern Cape (1997, Numbers)

In recent years, population growth in O.R. Tambo has become increasingly less, with an average annual increase from 1996 to 2007 of 0.5% - which is significantly lower than the average for the period between 1996 and 2001 which was almost 1.0%. In terms of the seven local municipalities within O.R. Tambo, the majority of the population dwells within the King Sabata Dalindyebo Local Municipality i.e. 429,233 (25%) of the total population of the District. The chart below compares the various local municipalities in term of their population numbers, in 2007.

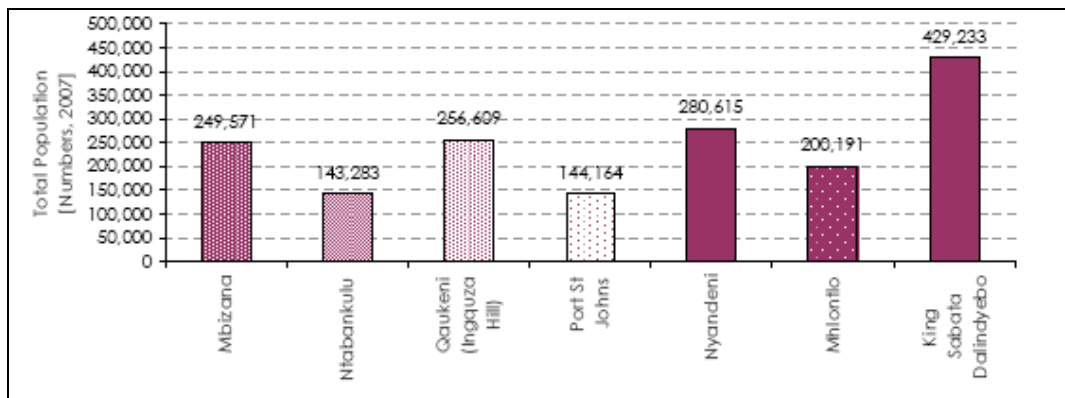


Figure 2: Total population (numbers) per Local Municipality (2007)

Since 2001, both Port St Johns and Mhlonto have experienced negative population growth rates, while Ntabankulu, King Sabata Dalindyebo and Nyandeni grew by an annual average of 0.8%, 0.3% and 0.2% respectively between 2001 and 2007. The chart below depicts annual growth rates for 1996, 2001 and 2007 respectively for each of the local municipalities.

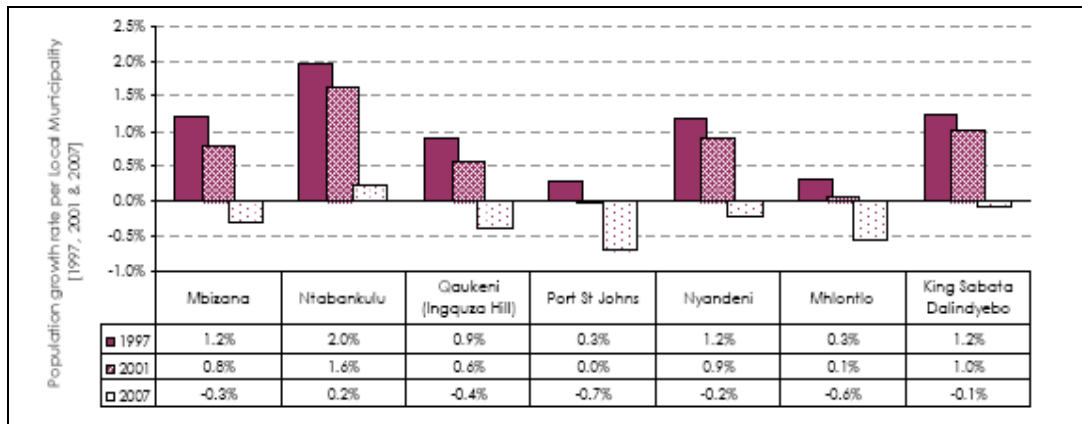


Figure 3: Population growth rates per Local Municipality

### 2.1.2 Age Distribution

It is estimated that, in 2007, 52.4% of the total population of O.R. Tambo was between 15 and 65. This amounts to approximately 892,705 persons. Of this amount, 400,230 (44, 8%) are male and 492,475 (55, 2%) are female as depicted in the chart below.

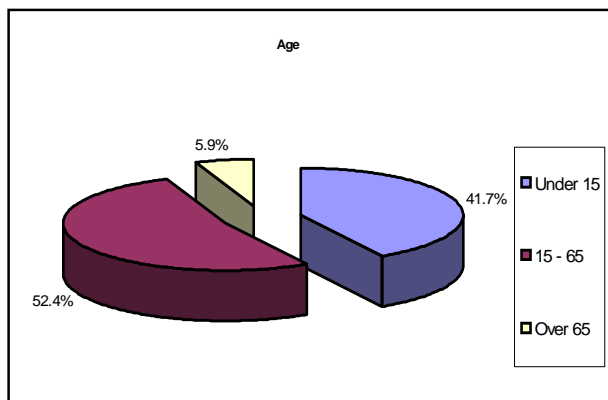


Figure 4: Age distribution

The number of persons aged 15 to 65 in the Eastern Cape comprised 60.5% of the total population in the Province, which is substantially higher than was the case for O.R. Tambo.

In 2007, 41.7% of the total population in O.R. Tambo was under the age of 15. In years to come, this may prove to contribute very positive toward economic growth in the District if these persons are retained within the District and are provided with initiatives to further their studies beyond matric or its equivalent - and become participants in achieving the District's accelerated economic growth objectives.

## **2.2 SOCIO-ECONOMIC DEVELOPMENT**

Indicators of development are used to estimate how advanced the population of

O.R. Tambo is relative to people from the rest of RSA in terms of population density, education, income distribution (specifically income inequality), and an index (the Human Development Index (HDI)) that attempts to quantify the extent of human development in O.R. Tambo based on life expectancy, literacy and income.

### **2.2.1 EDUCATION AND LITERACY**

At least 102,793 people in O.R. Tambo have a matric certificate, while 43,438 have a tertiary education. Thus, almost 15% of the population aged 15 and up has at least matric or a tertiary education. In terms of the various local municipalities inside O.R. Tambo, the majority of people do in fact not have a matric certificate - in line with what was observed for the district as a whole. The next chart indicates the education level of people inside each local municipality.

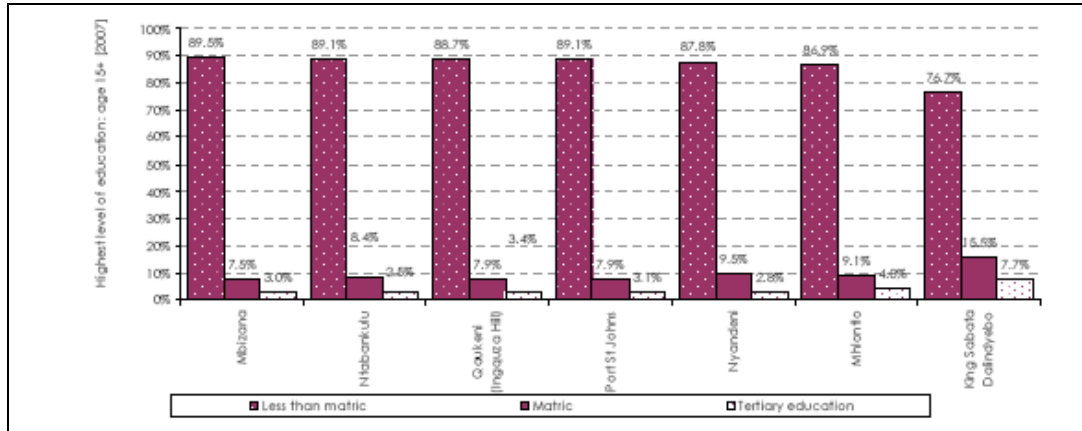


Figure 5: Highest Level of Education per Local Municipality in ORTDM (2007)

The majority of highly educated people in O.R. Tambo reside in King Sabata Dalindyebo. This is almost 8% of this local municipality's people aged 15+. It is evident that there exists a severe lack of educated people inside O.R. Tambo. More often than not - as mentioned before - those that are educated are lured away from rural areas towards the glamour and glitz of the big cities i.e. Johannesburg and Cape Town for example. There is no reason to stay in O.R. Tambo if it is not able to offer similar opportunities and room for growth. O.R. Tambo should seriously consider how it intends to "sell" itself to the younger generation in an attempt to retain their skills and expertise within the region.

### 2.2.2 GINI COEFFICIENT

The Gini coefficient is a summary statistic of income inequality, which varies from 0 (in the case of perfect equality where all households earn equal income) to 1 (in the case where one household earns all the income and other households earn nothing). A low Gini coefficient indicates more equal income or wealth distribution, while a high Gini coefficient indicates more unequal distribution. 0 corresponds to perfect equality (everyone having exactly the same income) and 1 corresponds to perfect inequality (where one person has all the income, while everyone else has zero income). In practice the coefficient is likely to vary from approximately 0.25 to 0.70. The following chart tracks the change in the Gini coefficient for 1996, 2001 and 2007 of O.R. Tambo, relative to the province and South Africa as a whole.

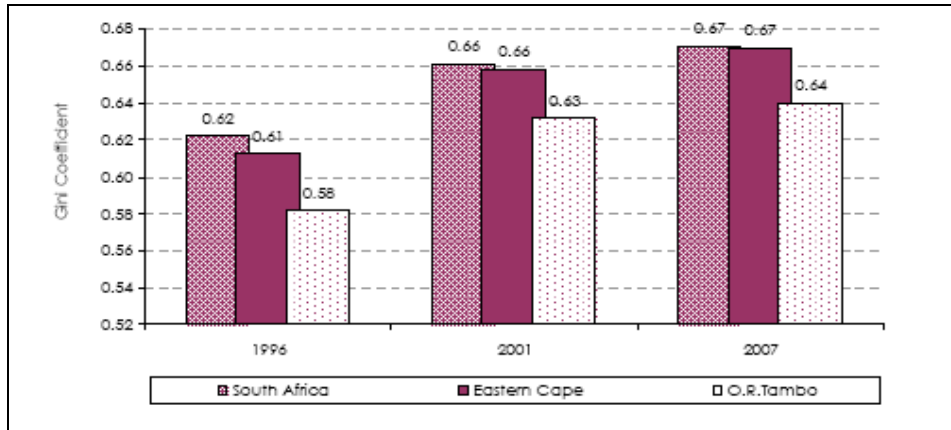


Figure 6: Gini Coefficient of South Africa, Eastern Cape and O.R Tambo

### 2.2.3 HUMAN DEVELOPMENT INDEX

The Human Development Index (HDI) is a composite, relative index that attempts to quantify the extent of human development of a community. It is based on measures of life expectancy, literacy and income. It is thus seen as a measure of people's ability to live a long and healthy life, to communicate, to participate in the life of the community and to have sufficient resources to obtain a decent living. The HDI can assume a maximum level of 1, indicating a high level of human development, and a minimum value of 0.

It is estimated that - in 2007 - O.R. Tambo has a HDI of 0.42. This is significantly lower than the Eastern Cape which has a HDI of 0.53 and South Africa with its 0.60. In addition, relative to all other districts in the province, O.R. Tambo had the lowest HDI in 2007. However, since 1996, its HDI has increased by 10% from a low 0.38. The following chart demonstrates the HDI - for 1996, 2001 and 2007 - for South Africa, the Eastern Cape and O.R. Tambo.

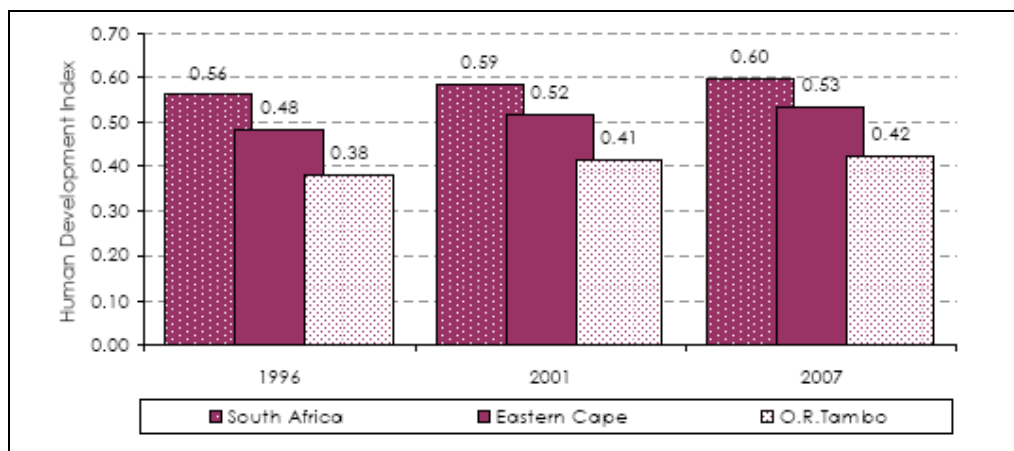


Figure 7: Human Development Index (HDI) 1996, 2001 & 2007

To this day, O.R. Tambo is seeing the effects of the pre-1994 regime that kept economic development and equal opportunities at bay. Apartheid planning left the District with towns that:

- Have racially divided business and residential areas;
- Are badly planned to cater for the poor - with long traveling distances to work and poor access to business and other services.
- Have great differences in level of services between rich and poor areas; and
- Have sprawling informal settlements and spread out residential areas that make cheap service delivery difficult.

These factors contribute towards the stunted human development that prevails in the District. In this vein, the District is looking towards the following:

- Establishing a sustainable rural economy;
- Sustaining livelihoods in the poor communities;
- Implementing local economic development anti-poverty programmes; and
- Evaluating the role of institutions in eradicating poverty.

#### 2.2.4 LITERACY

Functional literacy is defined as the proportion of persons aged 20 and above that has completed Grade 7 and boils down to the ability to



read, spell and to communicate through written language. An increase in the basic literacy skills of adults has positive effect on any economy. Studies consistently find that adults with better literacy skills are more likely to be employed, and to earn more, than those with poorer literacy skills, even when taking account of other factors which affect work performance.

It was estimated that there were 406,357 illiterate and 364,143 literate people - aged 20+ - residing in O.R. Tambo in 2007. This implies a literacy rate of approximately 47.3%. This is significantly below the rate for the Eastern Cape that stands at 63.5% and that of South Africa which is 71.3%.

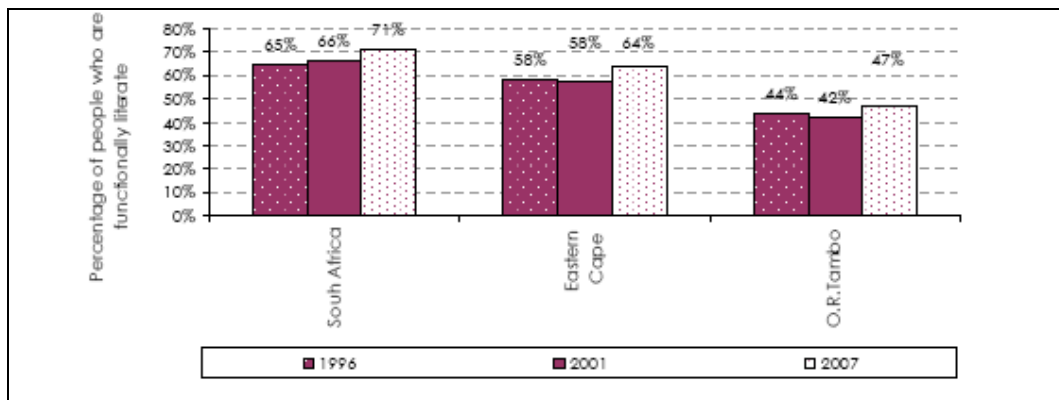


Figure 8: Functional Literacy Rate

When considering the local municipalities of O.R. Tambo, the lowest literacy rate is observed in Port St Johns, and the highest in King Sabata Dalindyebo (KSD).

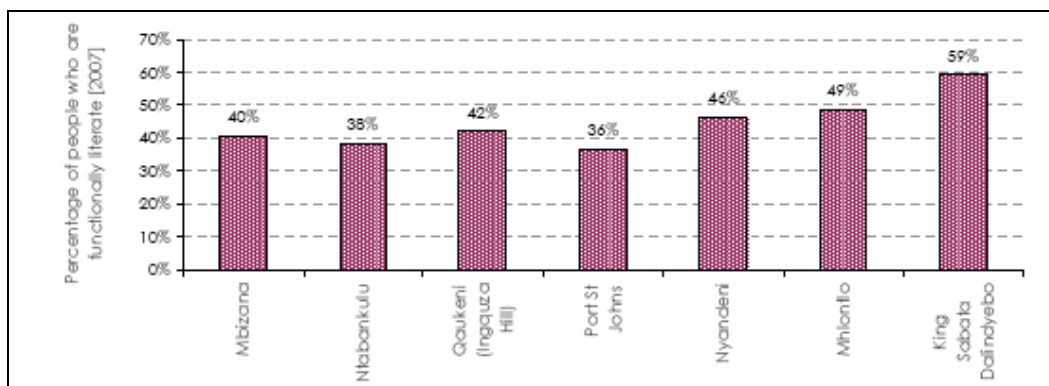


Figure 9: Functional literacy rate per Local Municipality

### 2.2.5 POVERTY

One of the core objectives of AsgiSA is to half poverty by 2014. Poverty is deprivation of those things that determine the quality of life, including food, clothing, shelter and safe drinking water, but also "intangibles" such as the opportunity to learn and to enjoy the respect of fellow citizens<sup>3</sup>. Clearly, this type of existence can no longer be tolerated in South Africa - and O.R. Tambo specifically. It is estimated that - in 2007 - 1,229,832 people were living in poverty in O.R. Tambo.

In 2007, the poverty gap in O.R. Tambo was R 2.6 billion. Poverty gap is the amount of income that would be required to bring every poor person exactly up to the poverty line, thereby eliminating poverty. Thus, the total income of poor households in O.R. Tambo will have to increase by R 2.6 billion to see all households lifted from poverty. The poverty gap in O.R. Tambo has been increasing in recent years meaning that persons or households lack the resources necessary to be able to consume a certain minimum basket of goods. The chart below depicts the steady increase in the poverty gap since 1996.

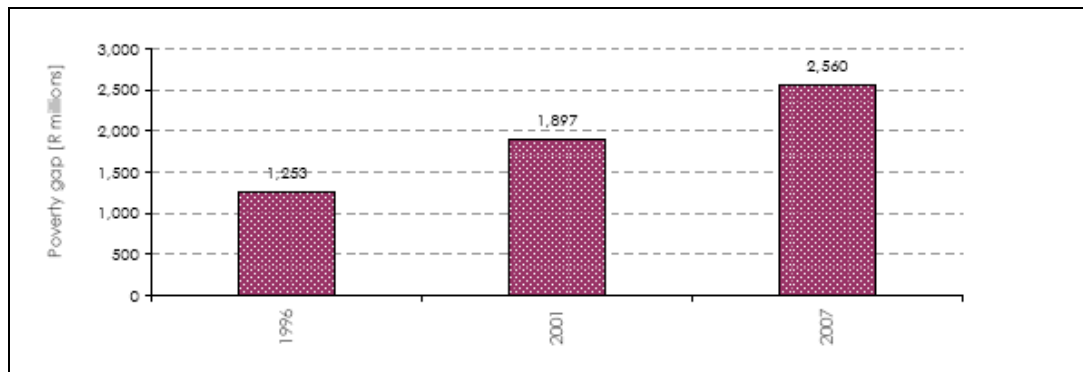


Figure 10: Poverty Gap in O.R. Tambo (R. millions, current prices)

### 2.2.6 Urbanization

Urbanization is estimated as the percentage of people living in urban areas for each region. Relative to the Eastern Cape and South Africa as a whole, O.R. Tambo is largely a rural area which only 7.2% of its population living in urban areas. In terms of its population by population group, 73.3% of Whites stay in urban areas, 36.6% of

Coloureds and 89.3% of Asians, as opposed to 6.9% of Africans. O.R. Tambo's urbanization rate has increased marginally from 6.7% in 1996, but remains well below the 2007 urbanization rate of the Eastern Cape which was 38.1%, and that of the total South Africa which was 57.2%. KSD has the highest urbanization rate equaling 20.5%. The rates of the other districts range between 1.5% and 4%.

## 2.3 ECONOMIC INDICATORS

### 2.3.1 Gross Domestic Product per region (GDP-R)

Gross Domestic Product is a measure of the total economic activity occurring in a specific region. In 2007, O.R. Tambo's GDP-R was R 13.2 billion (current prices) which accounted for approximately 8.5% of the Eastern Cape's GDP. The table below reflects how this has change over the period between 2001, 2005 and 2007.

Table 1. GDP-R for O.R Tambo and the Eastern Cape Province

GDP-R	2001	2005-2006	2006-2007
Eastern Cape Province	3.9%	5.2%	5.0%
O.R Tambo District	3.1%	3.7%	3.9%

The majority of O.R. Tambo's GDP-R is generated in King Sabata Dalindyebo - R8.1 billion or 61.7% of the total district.

### 2.3.2 GROSS VALUE ADDED

Gross value added (GVA) is the difference between output and intermediate consumption for any given sector/industry. In 2007, the GVA of O.R. Tambo was R 11.9 billion (in current prices). This amounted to approximately 8.6% of the Eastern Cape's provincial GVA. The economic sectors that dominate the economy of the district are community services, financial and business services, and wholesale and retail trade. Clearly, economic activity in O.R. Tambo is narrowly based on the tertiary sector, with little emphasis on the primary and secondary sectors.

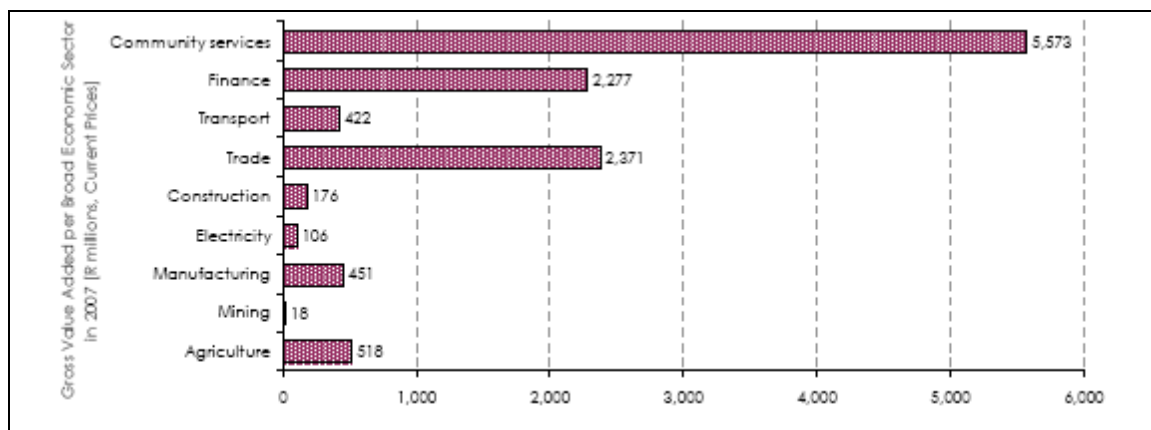


Figure 11: GVA for Broad Economic Sectors in O.R Tambo (2007, current prices)

Since 2001, annual average economic growth (in terms of GVA) has been 3.2% in O.R. Tambo. The sectors that contributed most towards this growth are transport (with an average growth of 9.6% per annum) and finance (with an average growth of 6.3% per annum). Over the same period, negative growth was observed in agriculture, mining and electricity, with a positive growth of 1.8% per annum in the manufacturing sector.

### 2.3.3 Gross Operating Surplus

Gross operating surplus (GOS) is the surplus due to owners of incorporated businesses i.e. profits. Total GOS generated in O.R. Tambo - in 2007 - amounted to R 6.0 billion - of which 29.5% was generated by trade, and 28.4% by finance - with community services trailing at 22.9%. GOS in O.R. Tambo amounted to approximately 9.1% of the GOS generated at the Eastern Cape's provincial level - the majority of which was created in KSD (R 3.9 billion).

### 2.4 Labour Remuneration

Remuneration is pay or salary, typically monetary payment for services rendered, as in an employment. In 2007, total labour remuneration in O.R. Tambo amounted to R5.9 billion (or approximately 8.2% of the provincial total). Of this amount, 61.2% (or R 3.6 billion) can be attributed to King Sabata Dalindyebo.

## 2.5 Location quotient

The location quotient is an indication of the comparative advantage of an economy. A provincial or district economy has a location quotient larger (smaller) than one, or a comparative advantage (disadvantage) in a particular sector when the share of that sector in the provincial economy is greater (less) than the share of the same sector in the national economy. O.R. Tambo has a comparative advantage to the national economy in terms of the following sectors (location quotient indicated between brackets):

- • Agriculture (1.36);
- • Trade (1.44); and
- • Community services (2.28).

**CHAPTER 3**  
**AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION**

**3.1 REPORT OF THE AUDIT COMMITTEE**

This report is prepared in terms of section 121(4)(g) of the Municipal Finance Management Act no. 56 of 2003.

The audit committee has the responsibility to report that it has regulated its affairs in compliance with the audit committee charter, and has discharged its responsibilities set out therein.

**3.1.1 Scope of the audit committee**

During this financial year the following were achieved:

- Approval of the 2007/2008 internal audit coverage plan;
- Review of the annual financial statements;
- Reviewed and adopted the amended internal audit charter;
- Participated in the oversight processes for the 2006/2007 annual report.

The audit committee is required to report its findings to Council, identifying any matters in respect of which it considers that action or improvement is needed, and make recommendations as to the steps to be taken.

**Composition of the audit committee**

<b>Name</b>	<b>Gender</b>	<b>Designation</b>	<b>Profession</b>
J.L. Moshesh	Male	Chairperson	Legal
H.H. Gxaweni	Male	Member	Legal and finance
N. Mangisa	Female	Member	Finance

There has been no resignation in the committee during the 2007/2008 financial year. When members of the committee are appointed they are appointed for a period of three years. At expiry of this term Council considers extending the term of membership in the committee or appoints a new member. Mr. H.H. Gxaweni's term of membership expired in November 2007. His membership was not renewed. This meant that two members were left in the committee. According to the Municipal Finance Management Act, the audit committee must consist of at-least three persons. Council took a resolution to fill the vacancy. Advertisement was placed in the newspaper inviting interest people to apply for membership in the committee. No suitable candidates were found during this process. The scarcity of skilled people to serve in the audit

committee meant that for a considerable length of time the committee remained inactive.

### **3.1.2 Meeting and attendance**

The committee met once during the 2007/2008 financial year. The chairperson of the audit committee normally invites the Municipal Manager, the Chief Finance Officer, the head of internal audit, the office of the Auditor General and other heads of departments to attend audit committee meetings. During committee meetings, external auditors are allowed to talk with the committee in the presence of management. Attendance of the meeting by members of the audit committee was as follows:

<b>MEMBER</b>	<b>28 September 2007</b>
J.L. Moshesh	Present
H.H. Gxaweni	Present
N. Mangisa	Present

### **3.1.3 Main activities of the committee during the year**

Due to the committee not satisfying quorum requirements it has not met since September 2007. Consequently, the committee has not carried out its responsibilities as provided for in the audit committee charter as well as the Municipal Finance Management Act.

### **3.1.4 Internal audit**

The audit committee would receive presentations from the head of internal audit about the results of work undertaken by the unit. Due to the status of the committee this has not been possible.

### **Overview**

As a result of vacancies in the committee during the 2007/2008 financial year, the Audit Committee has concluded that it has not acted in accordance with its terms of reference.

---

J.L. Moshesh  
**Chairperson - Audit Committee**

3.2 REPORT OF THE AUDITOR GENERAL



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

REFERENCE: 21298REG07/08  
ENQUIRIES: S HLATSHWAYO  
DATE: 15 DECEMBER 2008

The Municipal Manager  
O R Tambo District Municipality  
Nelson Mandela Drive  
**MTHATHA**  
5100

Dear Sir

**O R TAMBO DISTRICT MUNICIPALITY: AUDIT REPORT FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2008**

A copy of the report issued to the Mayor is forwarded, herewith, for your information.

Yours faithfully

**S Hlatshwayo**

*for* **AUDITOR-GENERAL**  
**East London**



**REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL  
LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND  
PERFORMANCE INFORMATION OF O.R. TAMBO DISTRICT MUNICIPALITY FOR  
THE YEAR ENDED 30 JUNE 2008**

**Introduction**

1. I was engaged to audit the accompanying financial statements of the O.R. Tambo District Municipality ("the municipality") which comprise the statement of financial position as at 30 June 2008, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages [xx] to [xx].

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

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) ("MFMA") and the Division of Revenue Act, 2007 (Act No. 1 of 2007) (DoRA). This responsibility includes:
  - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - selecting and applying appropriate accounting policies
  - making accounting estimates that are reasonable in the circumstances.

**Responsibility of the Auditor-General**

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004), 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 matters discussed in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.
4. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the O.R. Tambo District Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.

**Basis of accounting**

5. The municipality's policy is to prepare financial statements on a comprehensive basis accounting as determined by the National Treasury, as set out in accounting policy note 1 of the annual financial statements.

## **Basis for disclaimer of opinion**

### **Revenue – Service charges**

6. The revenue accounting system does not include all residents in the municipal district that receive water services. Revenue from the water usage of these residents is therefore not recorded. Also, adequate water metering systems have not been implemented in some local municipalities for the recording of water consumption and the remaining local municipalities have been excluded from the revenue base. Some water meters were found to be damaged or were not accessible and revenue for water services to these consumers has not been recorded or billed. Locations were identified where meters were either not installed or meter readings were not taken even though water services were provided. The revenue accounting system does not include residential or postal addresses for all consumers. As a result it cannot be confirmed whether these consumers receive statements of account. In addition, a calculation of distribution losses incurred during the year was not performed.
7. The municipality's records and systems did not permit the application of alternative audit procedures. Consequently, I was unable to satisfy myself as to the completeness of service charge revenue amounting to R57.2 million, as disclosed in note 17 to the annual financial statements.

### **Government grants and subsidies**

8. In terms of the Division of Revenue Act, 2007 (Act No. 1 of 2007) (DoRA), an amount of R565,8 million should have been received during the year. Due to releases in the current year of R56,4 million relating to prior year amounts that were withheld, an amount of R622,2 million should have been received. Appendix G reflects that an amount of R647,8 million was received. An adequate explanation of the difference of R25,6 million was not provided. Current year receipts of R443 million, as disclosed in Appendix G were not reconciled to the receipts of R445 million disclosed in Appendix F to the annual financial statements, either individually or in total.
9. The municipality's records did not permit the application of alternative audit procedures. Consequently, I was unable to satisfy myself as to the completeness and accuracy of government grants and subsidies revenue as disclosed in the statement of financial performance.
10. Furthermore, no supporting documentation for the equitable share allocated to subsidise the provision of basic services to indigent consumers, along with the monthly subsidies as disclosed in note 18 to the annual financial statements, was submitted for audit purposes.

### **Expenditure**

11. I was unable to obtain sufficient appropriate audit evidence to support journal entries relating to the reallocation of contract expenditure from unspent conditional grants amounting to R9.9 million. Also an adjustment of R7.4 million was made to general expenditure when the municipality effected audit adjustments to the annual financial statements and no supporting documentation was submitted for these changes. The municipality's records did not permit the application of alternative audit procedures. Consequently, I was unable to satisfy myself as to the occurrence and

accuracy of general expenditure amounting to R640.5 million as reported in the statement of financial performance.

12. Documentation supporting quarterly expenses disclosed alongside quarterly receipts on Appendix F to the annual financial statements was also not submitted.

#### **Funds and reserves**

13. I was unable to verify the opening balance of the accumulated surplus due to the disclaimer of audit opinion issued in the prior year. Misstatements which were identified in the prior year have not been corrected and as a result I was unable to satisfy myself as to valuation of the accumulated surplus of R56.1 million as reported in the statement of financial position and changes in net assets.

#### **Provisions**

14. The provision for leave of R14.2 million disclosed in note 3 to the annual financial statements is based on the leave records of the municipality, which were found to be inadequate. Instances were found where leave recorded as taken was not supported by leave applications and documentation authorising the absence from work. Attendance registers for some employees were not submitted. The municipality's records and systems did not permit the application of alternative audit procedures. Consequently, I was unable to satisfy myself as to the accuracy and valuation of the provision for leave of R14.2 million as disclosed in note 3 to the financial statements.

#### **Unspent conditional grants**

15. A reconciliation between the unspent conditional grant liability of R132 million and related bank balances amounting to R87.7 million was not submitted. An adequate explanation for the shortfall of R44.3 million could not be provided. The municipality's records did not permit the application of alternative audit procedures. Consequently, I was unable to satisfy myself as to the completeness, existence and valuation of the unspent conditional grant liability of R132 million as disclosed in note 4 to the annual financial statements.

#### **Property, plant and equipment**

16. The fixed asset register did not contain sufficient information describing the assets to enable verification of the existence of the assets
17. The municipality's assets records and systems did not permit the application of alternative audit procedures. Consequently, I was unable to satisfy myself as to the valuation, accuracy, existence, completeness and rights pertaining to ownership of assets of the municipality to the value of R114.1 million as disclosed in the statement of financial position.
18. Appendix E to the annual financial statements discloses a comparison between budgeted and actual capital expenditure. Budgeted capital expenditure is not correctly disclosed, as actual additions of R72.1 million are disclosed instead of budgeted figures.
19. GAMAP 17.15 states that it is appropriate to allocate the total expenditure on an asset to its component parts and account for each component separately when the component assets have different useful lives or provide benefits to the entity in a different pattern, thus necessitating the use of different depreciation rates and methods.

The municipality does not separate its fixed assets in terms of their individual components. Thus GAMAP 17 was not complied with.

20. Accounting policy note 5 states that property, plant and equipment is stated at cost, less accumulated depreciation, except land and buildings, which are revalued. The municipality has not revalued its land and buildings. Therefore the accounting policies have not been followed correctly.

#### **Biological assets**

21. IAS 41 (Agriculture) requires full disclosure of biological assets owned by the municipality. This includes non-financial measures or estimates of physical quantities of output during the period and assets on hand at the end of the period, financial risk management strategies and methods and assumptions for determining fair value. This information is not disclosed in note 8 to the annual financial statements. Thus IAS 41 was not complied with.

#### **Water inventory**

22. The municipality only took into account the water inventory for the Mthatha area of the district. Therefore the chemicals used to treat water in the storage reservoirs, dams, treatment works and water pipes in the other areas within the district has not been accounted for. As a result, I was unable to verify the completeness and valuation of water inventory of R8.5 million as reported in the statement of financial position.

#### **Consumer debtors**

23. The municipality could not submit documentation and explanations in support of indigent debtor applications, approvals and monitoring that was requested. In addition the value of indigent debtors was not separately identifiable. As a result I was unable to determine whether the subsidies awarded to indigent debtors were complete and accurate.
24. The municipality's records and systems did not permit the application of alternative audit procedures to confirm the existence, completeness and valuation of debtors. Consequently, I was unable to satisfy myself as to the existence, completeness and valuation of consumer debtors of R55 million as reported in the statement of financial position.
25. The policy of the municipality is to provide for doubtful debts. However, this policy was found to be deficient. As a result, the provision for doubtful debts of R57.8 million as disclosed in note 14 to the annual financial statements was found to be inadequate. In addition, the municipality does not have any consumer deposits on hand to cover outstanding amounts from debtors, does not charge interest and penalties on overdue balances, and does not hand over long-outstanding balances to debt collecting agents. The amount recovered in the month following year-end was used as a basis for the estimate of the recoverability of accounts receivable. Therefore the provision for doubtful debts is understated by an estimated amount of R50.5 million, and the consumer debtors is overstated by an estimated amount of R50.5 million.

### **Value Added Taxation (VAT)**

26. VAT due from SARS of R19.4 million is disclosed in note 5 to the financial statements. These balances have not been reconciled to the VAT 201 returns, and as a result no documentation is available to support the valuation and existence of the balances. The VAT returns outstanding at 30 June 2008 had a receivable balance of R26.1 million. There is thus an unreconciled difference of R6.7 million.
27. The municipality's records did not permit the application of alternative audit procedures. Consequently, I was unable to satisfy myself as to the completeness, existence and valuation of the VAT debtor of R19.4 million.
28. Input VAT that was claimed from SARS on invalid VAT invoices in terms of section 20 of the Value-added Tax Act, 1991 (Act No. 89 of 1991) amounted to R2 million.

### **Cash and cash equivalents**

29. Outstanding cheques of R4.5 million, included in the reconciliation between bank statements and the cash book were found to have been cleared by the bank before 30 June 2008 and are thus invalid reconciling items. An adjustment of R6.4 million was made to bank balances and cash. No supporting documentation was submitted. The municipality's records did not permit the application of alternative audit procedures. Consequently, I was unable to satisfy myself as to the completeness, existence and valuation of the cash and bank balance of R19.8 million as disclosed in note 16 to the annual financial statements.

### **Capital commitments**

30. GAMAP 17.76(d) requires the disclosure of amounts committed for the acquisition of property, plant and equipment. Note 31 to the annual financial statements discloses capital commitments of R27.7 million. The municipality has not undertaken an adequate process of identifying and disclosing capital commitments both contracted for and not contracted for.
31. The municipality's records did not permit the application of alternative audit procedures. Consequently, I was unable to satisfy myself as to the completeness or valuation of capital commitments as disclosed in note 31 to the annual financial statements.

### **Irregular expenditure**

32. The municipality purchased seven farms, livestock and equipment in the Greater Kokstad Municipality, KwaZulu Natal for R40.9 million. Although the purpose of acquiring these farms appears to be in line with the objects of the municipality, due to the fact that the farms were purchased a month before the financial year-end, I was unable to verify if the farm was able to promote economic development in the O.R. Tambo District municipal area during the financial year under review.
33. In terms of section 28 of the DoRA, any unspent conditional grants should be returned to the National Revenue Fund, unless the accounting officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects. VAT on expenditure funded from these grants should be paid from equitable share to prevent the underlying investment from being depleted or VAT refunds should be paid back into the investment when received. These VAT refunds have been used to finance operating and capital expenditure, including the

purchase of the farms described above which is not in terms of the conditions of the grants. The municipality failed to obtain permission from the National Treasury to spend these funds. In terms of section 44(2) of the DoRA, spending of an allocation that is in contravention of this Act is considered to be irregular.

34. In terms of regulation 12 of the Supply Chain Management Regulations, a competitive bidding process should be conducted for procurement above a transaction value of R200 000. Payments of R0.6 million were made that were split into several payments under R200 000 in order to avoid the competitive bidding process. This expenditure is thus considered irregular.
35. In terms of paragraph 13.10.1 of the mayoral handbook issued by the South African Local Government Association (SALGA), the municipality must not supply linen, blankets, television sets, video recorders, decoders, wall decorations and ornaments to the mayoral residence. The municipality purchased R0.6 million worth of items as described above which were supplied to the mayoral residence. The accounting officer failed to implement appropriate policies and procedures to comply with the above regulation.
36. In terms of Government Notice R1224 published in Government Gazette No. 29447 of 1 December 2006, the upper limits of the total remuneration package of the executive mayor may include a motor vehicle allowance. In addition, the municipality may also make an official vehicle available provided it is used for official purposes. No procedures or policies have been adopted by the municipality to ensure that the mayoral vehicle is used only for official business or to identify private usage. It was not possible to determine the extent of the irregular expenditure incurred. The accounting officer failed to implement appropriate policies and procedures to comply with the above regulation.
37. The municipality provided mayoral residence at no cost to the mayor. Such a benefit does not fall within the framework of the Political Officers Bearers Act, 1998 (Act No. 20 of 1998) and would constitute a violation of section 167 of the MFMA. As a result, the market related rental of such a residence would constitute irregular expenditure. The cost of such housing was not recovered from the mayor, and the full extent of the irregular expenditure could not be determined. The accounting officer failed to implement appropriate policies and procedures to comply with the above regulation.
38. In terms of section 112 of the MFMA, the supply chain management policy of the municipality must comply with the Supply Chain Management Regulations (the prescribed regulatory framework). Payments of R0.6 million were made without the support of three quotations as required by the Supply Chain Management Regulations. Payments of R0.9 million were made without the support of orders, requisitions or contracts as required by the Supply Chain Management Regulations. These constitute irregular expenditure as the MFMA has not been complied with.
39. In terms of section 11(1) of the MFMA, only the municipal manager, chief financial officer or another delegated official may authorise the withdrawal of municipal funds from the municipality's bank accounts. The executive mayor was issued a municipal credit card in a previous financial year in order to enable her to effectively utilise the mayoral budget. During the year under review transactions with a value of R22 488 were recorded on this card. Since the credit card account is a municipal bank account, this expenditure constitutes irregular expenditure as the MFMA has not been complied with.

40. The municipality has omitted disclosure of irregular expenditure of at least R45.6 million which was incurred during the financial year. This is contrary to section 125(2)(d) of the MFMA, which requires disclosure of irregular expenditure in the annual financial statements.

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

41. Three months of salary payments of R4 655 were made to an employee after her retirement. This constitutes fruitless and wasteful expenditure.
42. Section 11(1) of the MFMA prescribes the purposes for which expenditure may be incurred by the municipality. Private telephone calls by employees and officials are not included in such allowed expenditure. No system was in place to monitor and recover the cost of private telephone calls made by employees. Therefore it was not possible to determine the extent of this fruitless and wasteful expenditure.
43. The municipality has omitted disclosure of fruitless and wasteful expenditure described above which was incurred during the financial year. This is contrary to section 125(2)(d) of the MFMA, which requires disclosure of fruitless and wasteful expenditure in the annual financial statements.

#### **Related parties**

44. The municipality has not documented and implemented adequate procedures to identify related parties, as well as any transactions and balances with such related parties. Consequently it was not possible to obtain sufficient appropriate audit evidence to support the completeness and accuracy of related party disclosure.
45. As a result of the above, it was not possible to determine whether the information contained in the register of interests in contracts or the related party disclosure in the financial statements was complete and accurate.

#### **Councillors' arrear consumer accounts**

46. In terms of section 124(1)(b) of the MFMA, the notes to the annual financial statements of a municipality must include particulars of any arrears owed by individual councillors to the municipality for services and which at any time during the relevant financial year were outstanding for more than 90 days, including the names of those councillors. Councillors' arrear consumer accounts are not disclosed in the annual financial statements. Therefore it was not possible to verify the completeness and accuracy of the disclosure of councillors' arrear consumer accounts.

#### **Disclaimer of opinion**

47. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, 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 O.R. Tambo District Municipality. Accordingly, I do not express an opinion on the financial statements.

**EMPHASIS OF MATTER**

I draw attention to the following matters:

**Significant uncertainties**

48. With reference to note 32 to the financial statements, the municipality is the defendant in various law-suits. The municipality is defending the claims. The ultimate outcome of the matters cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

**Restatement of corresponding figures**

49. As disclosed in note 24 to the financial statements, the corresponding figures for 30 June 2007 have been restated as a result of errors discovered during 30 June 2008 in the financial statements of the O.R. Tambo District Municipality at, and for the

**OTHER MATTERS**

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

**Internal control**

50. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The paragraphs below depict the root causes of the matters indicated, as they relate to the five components of internal control.

Reporting item	Control environment	Assessment of risks	Control activities	Information and communication	Monitoring
<b>Basis for disclaimer of opinion</b>					
Revenue – service charges			X		X
Government grant and subsidies			X		X
Expenditure			X		X
Funds and reserves	X				
Provisions			X		X
Property, plant and equipment	X		X		X
Biological assets			X		X
Water inventory			X		X
Consumer			X		X



Reporting item	Control environment	Assessment of risks	Control activities	Information and communication	Monitoring
debtors					
VAT			X		X
Cash and cash equivalents			X		X
Capital commitments			X		X
Irregular expenditure			X		X
Fruitless and wasteful expenditure	X				
Related parties		X			
Councillors' arrear consumer accounts			X		X

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

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

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

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

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

### Non-compliance with the Municipal Finance Management Act

51. Section 89(a): The municipality did not determine the upper limits of the remuneration of the chief executive officer and senior managers of the municipal entity under control of the municipality. Furthermore, the municipality did not report to the council on staff remuneration matters according to prescribed categories.
52. Section 166: The municipality did not have an operating audit committee during the financial year.
53. Section 131(1): The municipality has not fully addressed issues raised in the prior year by the Auditor-General as a result of delays in tabling the audit and management reports with council. This is due to the late finalisation of the prior year audit report.

54. Section 65(2)(e): Invoices to the value of R4.3 million were not paid within thirty days.

**Fraud risk**

55. There is no approved fraud prevention plan at the municipality. This increases the risk of fraud and error within all major business cycles.

**Performance Management System**

56. Sections 39 and 40 of the Municipal Systems Act, 2000 (Act No.32 of 2000) require the development of a Performance Management System and the establishment of mechanisms to monitor and review the Performance Management System. There is insufficient evidence that the council complied with these statutory requirements during the year under review.

**Matters of governance**

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

Matter of governance	Yes	No
<b>Audit committee</b>		
• The municipality had an audit committee in operation throughout the financial year.		X
• The audit committee operates in accordance with approved, written terms of reference.		X
• The audit committee substantially fulfilled its responsibilities for the year, as set out in Section 166(2) of the MFMA.		X
<b>Internal audit</b>		
• The municipality had an internal audit function in operation throughout the financial year.	X	
• The internal audit function operates in terms of an approved internal audit plan.	X	
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in Section 165(2) of the MFMA.	X	
<b>Other matters of governance</b>		
• The annual financial statements were submitted for audit as per the legislated deadlines in section 126 of the MFMA.	X	
• The annual report was submitted to the auditor for consideration prior to the date of the auditor's report.		X
• The financial statements submitted for audit were not subject to any material amendments resulting from the audit.		X
• No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.	X	
• The prior year's external audit recommendations have been substantially implemented.		X

Matter of governance	Yes	No
<b>Implementation of Standards of Generally Recognised Accounting Practice (GRAP)</b>		
<ul style="list-style-type: none"> <li>The municipality submitted an implementation plan, detailing progress towards full compliance with GRAP, to the National Treasury and the provincial treasury before 30 October 2007.</li> </ul>		X
<ul style="list-style-type: none"> <li>The municipality substantially complied with the implementation plan it submitted to the National Treasury and the relevant provincial treasury before 30 October 2007, detailing its progress towards full compliance with GRAP.</li> </ul>		X
<ul style="list-style-type: none"> <li>The municipality submitted an implementation plan, detailing further progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 31 March 2008.</li> </ul>		X

## OTHER REPORTING RESPONSIBILITIES

### Reporting on performance information

58. 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

59. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.

60. 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 audit procedures selected depend on the auditor's judgment.

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

### Audit findings (Performance information)

62. I was not able to complete an evaluation of the quality of the reported performance information since the information was not received.

**APPRECIATION**

63. The assistance rendered by the staff of the O.R. Tambo District Municipality during the audit is sincerely appreciated.

*Auditor-General.*

EAST LONDON  
30 November 2008



AUDITOR-GENERAL

### 3.3 MANAGEMENT ACTION PLAN ON THE 2007/2008 AUDIT REPORT

Summary of audit finding	Response given to the auditors	Proposed corrective action	Timeframe	Responsible person
Revenue - Service charges				
Billing system does not include all residents in the municipal district	The list that was received from office of the Auditor General, detailing the names of the customers and street address that appears on the list was traced into our Venus system and the street address is showing the different names. The names of customers that appear on the system with physical address were submitted to the office of the Auditor General. We have also submitted the copy of the statements together with the meter history for your perusal.	Cleansing of the database is continuously performed to ensure completeness, accuracy, existence of debtors. The complete valuation roll is also being used to update the database. The office of the auditor general will be engaged during the planned engagement by end of March 2009 about them using the telephone book to test the inclusion of all residents	30 June 2009	B. Benxa
Certain households are not metered hence they are not billed		All meters that are inside the yard will be relocated to outside the yard	28 February 2009	Director Water Services
Meter readings were not taken		Currently, there is an ongoing program to replace faulty meters and expose those that are covered.	On-going	Director Water Services
Certain meters were damaged or inaccessible hence consumers were not billed				
That are bills that did not have residential or postal addresses		The ERF numbers will be utilized through Deeds office to identify the postal or residential address.	30 June 2009	B. Benxa
Distribution losses were not calculated.	This issue was not in the management letter hence no response was given by management.	<ul style="list-style-type: none"> <li>Currently, there is a program of installing zone meters in areas where there is none. Readings are available in those areas where we have meters.</li> </ul>	28 February 2009	Director Water Services

Summary of audit finding	Response given to the auditors	Proposed corrective action	Timeframe	Responsible person
		<ul style="list-style-type: none"> <li>Water Losses for areas where we have zone meters, calculations are available.</li> </ul>		
<b>Government grants and subsidies</b>				
Amounts recorded as received do not reconcile with those contained in the Division of Revenue Act.	A reconciliation of grants revenue received is performed on a monthly basis by a senior accountant and an intern and reviewed by S. Hopa who is the Head of Budget and Treasury Office. However, these will be reviewed and signed by the CFO.	All the amounts received per DORA and Provincial gazette will be shown separately in the annual financial statement and be agreed individually to DORA and the gazette. At the beginning of the financial year a schedule will be prepared with dates and amounts that are expected to be received. A follow up will immediately be done where there are discrepancies between the schedule and the receipts.	30 June 2009	S. Hopa
Amounts disclosed as received in the annual financial statements did not reconcile with amounts recorded in explanatory appendix.	A revised Appendix F has been submitted to the office of the auditor general. The main cause of the discrepancy was the fact that, in appendix F the equitable share allocation was included and thus we have removed it now and the total receipts for grants received tally in both appendices.	Appendix F & G will be linked to ensure that all grants received will be updated simultaneously.	31 March 2009	S. Hopa
No supporting documentation provided for the equitable share amount allocated to subsidize indigent consumers.	The corrections have been effected in the annual financial statements	The council approved tariff used to determine the R21,6 as a monthly subsidy will be furnished to the auditors.	30 June 2009	B. Benxa
<b>Expenditure</b>				
Certain journal entries were did not	Management has sent a schedule/details of the journal entry	No journal entry will be authorized without an attachment	30 June 2009	Mr. S. Hopa, Mrs F.

Summary of audit finding	Response given to the auditors	Proposed corrective action	Timeframe	Responsible person
have supporting documentation.	relating to journal BKB17 including the vouchers	of supporting documentation. For all journal entries passed, a copy of supporting document such as the invoice will be attached and a reference will be made to the file where the original is filed for easy access. If the journal entry is initiated by one of the people that have been put as responsible, more senior manager such Mr Hopa or the CFO will authorize.		Mgidlana, Ms Mazwana, Mr Qegu and Mr Benxa.
Supporting documentation for quarterly expenditure on conditional grants was not provided.	The corrections have been effected in the annual financial statements			
<b>Funds and reserves</b>				
Misstatements identified in the prior year were not corrected.	The annual financial statements have been corrected.	All figures affecting the opening balances will be corrected and a file showing all the workings will be submitted to the auditors. Paragraph 49 of the audit report confirms that indeed the corrections were made. Adjusting journal entries that were necessitated by audit findings during the 2007/2008 audit have been processed and they have supporting documentation.	30 June 2009	M. Moleko
<b>Provisions</b>				
Leave recorded as taken not supported by leave application forms.	Prior to the beginning of the current financial year (2008/09), when officials visit HR department for leave applications, the leave days they have applied for would be debited immediately on the system even before the application has been approved, hence you will find that leave would be debited on PAYDAY whilst the paper records indicate otherwise. Since the beginning of 2008/09 that has since been sorted	Since the beginning of 2008/09 that has since been sorted out.  The officials are made aware during the year that they have to utilise their leave days. When the officials exit the municipality, leave gratuity is paid for a credit of up to 48 days only. Contracts of senior managers and other contracted officials have no reference to a	01 July 2008	Director Human Resources

Summary of audit finding	Response given to the auditors	Proposed corrective action	Timeframe	Responsible person
	<p>out.</p> <p>The officials are made aware during the year that they have to utilise their leave days. When the officials exit the municipality, leave gratuity is paid for a credit of up to 48 days only. Contracts of senior managers and other contracted officials have no reference to a limited of 48 days that can be accumulated as a leave credit.</p>	limited of 48 days that can be accumulated as a leave credit.		
Attendance registers were not submitted.	Once every quarter, officials will be notified of their leave credits via their heads of departments with effect from 01 January 2009.	Once every quarter, officials will be notified of their leave credits via their heads of departments.	01 January 2009	Director Human Resources
<b>Unspent conditional grants</b>				
Balances of unspent conditional grants did not reconcile with related bank balances	The reconciliation was submitted to the auditors on the 11/11/2008.	The Office of the accountant general will be consulted to give a written explanation about the benchmark treatment of unspent conditional grants and their corresponding call accounts. Upon receipt of the response from the National Treasury, a reconciliation of each unspent conditional grants will be prepared accordingly. Moreover, the treatment unspent conditional grants will be part of planned engagement with the office of the auditor general.	30 June 2009	M. Moleko
<b>Property plant and equipment</b>				
No sufficient information is	A detail verification of fixed assets in terms of existence and	• Dispose all the non- functioning assets and the write-offs of old	30 June 2009	N. Mazwana



Summary of audit finding	Response given to the auditors	Proposed corrective action	Timeframe	Responsible person
provided in the asset register to enable physical verification of assets	<p>completeness will be done during 2008/09 financial year by the end of 31 March 2009.</p> <p>The Fixed asset register will be attended to ensure that it is complete and that all assets exist and correctly valued.</p>	<p>assets</p> <ul style="list-style-type: none"> <li>All assets will be bar-coded with the assistance of the service provider</li> <li>The depreciation and accumulated depreciation assets are being added in our fixed asset register.</li> <li>The column for the physical condition of the asset is being added.</li> <li>Where there are no clear description of assets &amp; physical location, this will also be addressed</li> </ul>	<p>31 March 2009</p> <p>31 March 2009</p> <p>30 April 2009</p> <p>30 April 2009</p>	
Budget does not allow for comparison of actual asset purchases with budgeted amounts per class of asset.	This issue is not in the management letter hence no response was provided by management.	All grants received will be broken down according to classification of an expense. Where the expenditure incurred do not meet an asset definition, the corresponding budget will also be transferred to Appendix E.	30 June 2009	S. Hopa
Component parts of an asset that have different useful lives are not separately depreciated.	GAMAP 17.15 states that in certain circumstances, it is appropriate to allocate the total expenditure on an asset to its component parts and account for each component separately when the component assets have different useful lives or provide benefits to the entity in a different pattern, thus necessitating the use of different depreciation rates and methods. For example, a sewage purification works and sewage reticulation network may need to be treated separate	The fixed asset register will be reviewed for its valuation, existence and completeness during the compilation of infrastructure asset register. This should include the amendment of the asset management policy to provide for the identification of component parts. Accounting policy will also be amended to provide for depreciation methods and rates of these parts.	30 June 2009	N. Mazwana
Land and buildings are not revalued as		Land and building will be revalued during the review of fixed asset	30 June 2009	N. Mazwana

Summary of audit finding	Response given to the auditors	Proposed corrective action	Timeframe	Responsible person
provided for in the policy.	depreciable assets if they have different useful life. In the case of O R Tambo District Municipality, we are not aware of such circumstances except for land & building which are shown separately in financial statements and fixed asset register. In terms of exception #145 deficiencies in the financial statements, the auditors recommended that paragraph 5 should read as follows: property, plant and equipment is stated at cost, less accumulated depreciation, except land and buildings, which are revalued because the specimen financial statements say so. The recommendation has since been removed in terms of paragraph 5. See the attachment of the accounting policy.	register.		
<b>Biological assets</b>				
Disclosures required in terms of IAS 41 not made in full.	The disclosure has been done.  The revaluation was done by B W Dwer as at 30 June 2008 and Biological assets had not changed or altered from the end of April up to 30 June 2008.	IAS 41 requirements will be adhered to. The office of the auditor general will be engaged to resolve the portion of the paragraph in IAS 41 where it relates to financial instrument.	30 June 2009	M. Moleko
<b>Water inventory</b>				
Water inventory is not complete because balances of chemicals at hand at year end were not included in the inventory balance.	The other areas in the district municipality as mentioned in the audit finding has not been accounted for because we do not purchase the raw water. The District Municipality has been exempted to value such water	These will be included in the water inventory. This will form part of quarterly inventory counts that are supposed to be done. Variances between theoretical inventory balances and count results should be investigated by	31 March 2009	N. Mazwana

Summary of audit finding	Response given to the auditors	Proposed corrective action	Timeframe	Responsible person
	inventory in terms of In terms of Exemption Gazette no.30013 dated 29 June 2007, Gamap 12 where it says the entire standard as far as it relates to water stock that was not purchased by the municipality.	the head of asset management.		
<b>Consumer debtors</b>				
Information on indigent applications, approvals and monitoring was not provided.	All the files will be updated with all outstanding supporting documents by the 19th December 2008. The responsible person will be Mr Bongani Benxa.	Indigent debtor application documentation is being updated and filed to ensure all documents are in the files.	30 June 2009	B. Benxa
Value of indigent debtors is not identifiable.	This issue is not in the management letter hence no response was given by management.	Indigent debtors will be separate disclosed. This will begin by creating a category in the financial system for indigent debtors. Regular checks will be conducted to see to it that these debtors are supported by complete application documentation.	30 June 2009	B. Benxa
Policy for doubtful debts is deficient in that its application resulted to the under provision on doubtful debts.	The basis of provision for doubtful debt is in terms of the approved policy which was recommended by the auditors in 2004/2005 and 2006/07 financial years. If the basis is changed, this will be non-implementation of council resolution.	The policy will be reviewed.	30 June 2009	M. Moleko
Deposits are not charged to water and sanitation consumers.	All consumer deposits will be collected from new connections with effect from 31 October 2008. The responsible person is Chief accountant for water & sanitation	The by laws will be implemented that permits us to charge consumer deposits for new accounts.	30 June 2009	B. Benxa
Interest and	The fully implementation of credit	The by laws will be implemented	28	B. Benxa

Summary of audit finding	Response given to the auditors	Proposed corrective action	Timeframe	Responsible person
penalties are not charged on overdue accounts.	control as outlined above in point (1) to (5) during 2008/2009 financial year	that permits us to charge interest and penalties on overdue accounts	February 2009	
Overdue accounts are not handed over to debt collection agents.	The fully implementation of credit control as outlined above in point (1) to (5) during 2008/2009 financial year	The by laws will be implemented that permits us to hand over long outstanding and overdue accounts	30 June 2009	B. Benxa
<b>Value added taxation (VAT)</b>				
There was no reconciliation statement submitted to reconcile the amount disclosed as receivable from SARS and the total of submitted vat returns.	The VAT balance at the end of the year includes the returns for other periods. The reconciliation has already been submitted to the auditors to explain the difference.	We have communicated with office of the AG on the correct treatment, we are still waiting for their response. We will also communicate with the Office of the Accountant General. A monthly VAT reconciliation is done on a monthly basis	30 June 2009	F. Mgidlana
Input Vat was claimed on non qualifying invoices in terms of Vat Act.	We have not received any Tax invoices for Dwaf Water Purchases as yet; the only information available to us from Dwaf is their statement only. As we still owe Dwaf their debt has not been settled, we never claimed any Input Vat in respect of their debt.	We are ensuring that every tax invoice is valid before we claim input vat. A senior person in the finance department e.g. Mrs. Mgidlana will perform checks in the general ledger to see to it that vat is not claimed on invalid invoices. The invalid invoices will also be returned back to the supplier for correction.	Monthly	F. Mgidlana
<b>Cash and cash equivalents</b>				
Cheques presented for payment before year end appeared as outstanding cheques in the year end bank reconciliation statement.	Management ensures that valid reconciling items are processed. Further investigation of the list of outstanding cheques has revealed that some of the cheques have been cancelled due to replacement but cancelled after year end. The necessary journal has been processed to correct the cashbook balance. The	All outstanding cheques will be traced to bank statements of the following month before the bank reconciliation is signed off. The monthly reconciliation printed from the system shows a list of outstanding cheques. This list be traced to the bank statements before manual bank reconciliation	30 June 2009	S. Hopa

Summary of audit finding	Response given to the auditors	Proposed corrective action	Timeframe	Responsible person
	invalid items reconciling items have been removed the bank reconciliations as they were cancelled but were not reversed.	is finalized.		
No supporting documentation submitted for the adjustment that was made in the bank balances.	This issue is not in the management letter hence no response was provided by management.	All the adjustments made will have Supporting documentation attached. No journal entry will be authorised without supporting documentation. Consequently, it will not be processed.	30 June 2009	Mr. S. Hopa, Mrs F. Mgidlana, Ms Mazwana, Mr Qegu and Mr Benxa.
<b>Capital commitments</b>				
There is no process followed to identify capital commitments.	The capital commitments have been disclosed in the annual financial statements as per the audit finding.	The office of the Accountant General will be consulted to give a clear explanation of capital commitments so as to avoid ambiguity. Where there are commitments as defined, an adequate process such as detailing the identification will be followed. A policy will then be developed and be guided by inputs of the Accountant General	30 June 2009	M. Moleko
<b>Irregular expenditure</b>				
Auditors were unable to verify if the farms were able to promote economic development in the district.	This issue was not in the management letter hence no management response was given.	A record of where the produce from the farms is sold will be maintained. Details of community livestock breeding programme that has been initiated in the farms will be maintained.	2008/2009 financial year	Farm Manager and Ms. A. Dunywa
Vat refunds from conditional grants were used to finance the acquisition of farms and the municipality did not obtain permission to	The unspent amount of conditional in terms of DORA 28 relates to the principal amount transferred relating to that specific grant. The VAT recovered from SARS is not the principal amount and should, therefore not required to be returned	We have already written to National Treasury to clarify whether VAT recovered in respect of the expenditure incurred on conditional grants should be treated as conditional money or not.	28 February 2009	M. Moleko

Summary of audit finding	Response given to the auditors	Proposed corrective action	Timeframe	Responsible person
do so from National Treasury.	to National Treasury. The VAT returns is not exclusively returns on conditional grants. The full text of section 28 of DORA does provide for the spending of unspent amounts on infrastructure projects, with the concurrence of National Treasury.			
Procurements valued at R200 000 or above were split to avoid tendering.	Abingoni Trading; The material which was bought was as a result of purchase of water equipment due to water pipe bursts. The quotation is usually obtained whenever such events occur which resulted into buying from the cheapest service provider.  Merville Trading; The additional furniture was bought which was replacing the old furniture after the new one was bought.  City Car Ports The additional car ports were as a result of new staff members.	<ul style="list-style-type: none"> <li>No split of tenders will be done in future. The manager responsible will be made accountable. The SCM unit has already been identified as one of the critical areas and it will be capacitated by the end of 30 June 2009.</li> <li>Payments where procurement procedures have not been made require the approval of the Municipal Manager before being processed.</li> </ul>	30 June 2009	All heads of departments
Items that in terms of the SALGA mayoral handbook should not be provided by the municipality in the mayoral residence were provided.	There are no two mayoral residences provided for the executive mayor. The house referred to in Southridge Park is a guest house. Therefore the expenditure incurred for the guest house is not irregular, fruitless and wasteful expenditure	In future, before any purchase is done for the mayoral house the mayoral handbook and legislation such as Public Office Bearers Act will be consulted to ensure compliance.	On a need basis	All directors
No procedure in place to ensure that the mayoral vehicle is used for official	Our actions with regards to provisioning of the house and the vehicle to our Executive Mayor were informed by the Mayoral Handbook	All vehicles will have log books which should be completed by drivers. Transport manager should perform regular checks to	On-going	S. Matshaya

Summary of audit finding	Response given to the auditors	Proposed corrective action	Timeframe	Responsible person
<p>business or to identify private usage.</p> <p>The municipality provided a mayoral residence to the Executive Mayor although such benefit is not provided for in the Political Office Bearers Act.</p>	<p>issued by SALGA. We used the handbook because we viewed it as a guiding document that was by a body that was though an Act of parliament. Preamble to the Organised Local Government Act No. 52 of 1997 provides that the Constitution requires an Act of Parliament to provide for the recognition of national and provincial organisations representing municipalities. Based on this we view the SALGA handbook as a document with legal standing. In order to obtain another view on this regard we have written to National Treasury and SALGA seeking their direction on the matter. However, we have not received any response from them. We undertake to forward their response to the auditors the moment we received it hopefully before the issuing of the final audit report.</p>	<p>establish whether log books are completed.</p> <p>In-depth research will be done on this to establish circumstances where political office bearers are provided with official residences. Correspondence has already been written to the department of local government seeking the interpretation of the Public Office Bearers Act as far as it relates to unstated benefits. SALGA has also been consulted to provide their view on the auditors' assertion that their handbook has no legal standing.</p>	<p>30 May 2009</p>	<p>Director legal services and Municipal Manager</p>
<p>Payments were made without supporting documentation such as quotations and purchase orders.</p>	<p>All managers will be responsible to comply with the regulations in order to ensure compliance.</p>			
<p>The supply by the municipality of the credit card to the Executive Mayor is in contravention of section 11(1) of the</p>	<p>The Mayor's credit card is not directly linked to the municipality's bank account. This means that when the card is used such transactions are not charged directly from the municipality's bank</p>	<p>Institutions such as the legal state advisors will be consulted to provide guidance in this regard. Policy on the use of council credit cards will also be developed.</p>	<p>30 June 2009</p>	<p>Director legal services and CFO.</p>

Summary of audit finding	Response given to the auditors	Proposed corrective action	Timeframe	Responsible person
MFMA.	account. There is monthly limit on the card. Whenever this limit is used up only the municipal manager, chief finance officer or any other senior finance official can make a transfer from the bank account to the credit card. At no stage does the mayor have access to the bank account.			
<b>Fruitless and wasteful expenditure</b>				
Salary payments were made to an employee after retirement.	After discovering the overpayment, HR informed Ms Ndoni who acknowledge the debt and made commitment to pay. Documents submitted for consideration of Auditor General. The Legal Advisor will follow up on the matter by 15 January 2009.	Processes are underway to recover this money.	31 March 2009	Director Human Resources
No system in place to monitor and recover private telephone calls made by employees.	The municipality is in the process of finalising the Telephone Policy. Heads of department are every month given statements for their various departments and are requested to determine with their staff members private calls which they have to repay. The telephone (telkom) allowance is capped at R600.00 for every employee. Telephone policy will be finalised for consideration in the Council meeting of February 2009. The responsible official is Ms Xhego (Director: HR).	The municipality is in the process of finalising the Telephone Policy.	31 March 2009	Director Human Resources
<b>Related parties</b>				
There are no procedures to identify related parties as well as related	The disclosure note 37 relates to the related party transactions to O R Tambo Ntinga Development Agency, as well note 19.	A related party policy will be documented. The policy would cover both IAS 24 and definition of "service of the state".	30 June 2009	Mr. M Moleko and All Directors



Summary of audit finding	Response given to the auditors	Proposed corrective action	Timeframe	Responsible person
transactions.				
<b>Councillors' arrear consumer accounts</b>				
Details of councillors in arrears with municipal accounts were not disclosed in the annual financial statements.	The corrections have been effected in the annual financial statements.	All councillors will be asked to complete a declaration of interest form annually or when there is a change in their interests. The form provides for councillors to declare their properties. Addresses declared in the form will then be used to check whether there are councillors whose arrear accounts should be disclosed in the annual financial statements. We will perform quality checks to ensure that all sections of the declaration form are completed in full.	On the day of the council meeting (29 January 2009) all councillors will be given declaration forms to complete.	Programme Manager
<b>OTHER MATTERS</b>				
The municipality did not determine upper limits of salaries of Ntinga management.	Information to prove that upper limits of salaries were determined by the parent municipality were given to Ms Ingrid Volker by the Head of internal audit. These were in the form of letter signed by the municipal manager as well as a copy of the management accounts for the month of June 2008.	The municipal manager will facilitate the development of the remuneration framework for senior managers of the municipal entity.	30 June 2009	Municipal Manager
Report was not made to council on staff remuneration matters according to prescribed categories.	Not provided by the cut off date.	Report will be made in council meetings.	31 March 2009	Director Human Resources / CFO
There was no operating audit committee during the financial year.	As far as vacancies in the committee are concerned, the council of the municipality is attending on the matter. A resolution was taken for	Head hunting is currently underway in order to find suitable candidates that will serve in the audit committee. As resolved by	31 March 2009	Director Internal Audit and Political

Summary of audit finding	Response given to the auditors	Proposed corrective action	Timeframe	Responsible person
	the Mayor to lead the process. Vacancies have been advertised although we did not receive good or ideal responses. The office of the Mayor is now exploring other means of speedily addressing the matter.	the standing committee, the plan is to have at-least one member of the committee who is qualified as a chartered accountant.		Advisor
Certain invoices were not paid within 30 days.	Detailed explanations of the above discrepancies were provided to the Auditor-General.			
There is no approved fraud prevention plan.	Department of local government offered to assist in developing an anti fraud and anti corruption policy for the municipality in the prior year. However, this process was delayed. The municipality has since developed the strategy in-house and it was approved in the council meeting on 10 September 2008.	The policy is now in place	N/A	N/A
There is insufficient evidence that performance management system is implemented.	The O.R Tambo DM council has a system in place to implement and evaluate performance through the adopted PMS framework and policy. All the processes are being followed accordingly, however during the audit process the following irregularities occurred:	Using the past audit RFI on performance, a file containing all the necessary responses will be prepared in advance before the auditors start the process, like we have successfully done with the RFI for IDP, which there was no problems whatsoever throughout the audit process.	During 2008/2009 financial year	COO
Information on performance was not provided to the auditors.	<ul style="list-style-type: none"> <li>Initially the auditors did not request for performance until they finished the process and left the DM office.</li> <li>A few days later, they e-mailed a performance information request for information (RFI) on a Monday morning and called to indicate that some auditors will come in the afternoon of the same day so</li> </ul>			COO

Summary of audit finding	Response given to the auditors	Proposed corrective action	Timeframe	Responsible person
	<p>that we go through the FRI and also that they will stay in the DM office until Wednesday, which they later changed to insist that they will leave on Tuesday morning which left me not more than 4 hrs to first go through the RFI with them and explain to them the kind of information that will need to be provided (because they did not understand the RFI themselves and the kind of information in response thereof)</p> <ul style="list-style-type: none"> <li>• The readily available information was submitted to them and the rest needed time to organize, to which they indicated that it will have to be faxed before 12h00 Tuesday because they had to leave for East London on the same day.</li> <li>• This only left us with no more than 4hrs to furnish all the responses, which is obviously against the approved audit plan which allows at least 3days to respond to the RFI and the audit steering committee was obviously not consulted in this regard.</li> <li>• Working through the tight deadline, we managed to collect all the information required some of which was sent by e-mail. With regards to information on hard copies, efforts to fax it to the auditors failed because their fax line was practically dead on Tuesday morning until 13h00 and</li> </ul>			

Summary of audit finding	Response given to the auditors	Proposed corrective action	Timeframe	Responsible person
	<p>this was brought to their attention, they later on sent an e-mail stating that they will no longer be accepting any further information after that time</p> <p>This resulted to the situation that although the information is available but it could not reach the auditors to enable them to do their work in this regard</p>			

**3.3.1 CORRECTIVE ACTION TO BE TAKEN IN RESPONSE TO NTINGA O.R. TAMBO DEVELOPMENT AGENCY AUDIT**

**1. BASIS FOR QUALIFIED OPINION**

**• PROPERTY, PLANT AND EQUIPMENT**

- i. The expected residual values shall be quantified and documented during the asset verification process at year end.
- ii. The community assets will be expensed with the approval of the Board of Directors as it is not easy to classify these assets into their various components.

**• INVESTMENTS IN CONTROLLED ENTITIES**

- iii. The de-registered enterprises has been incorporated into Ntinga O.R Tambo Development Agency in the 2008-2009 financial year as projects and we are in the process of obtaining exemption from Section 164 of the Municipal Finance Management Act No.56 of 2003.

iv. The grants paid to Repo Wild 78 (Pty) Ltd and Tammaron (Pty) Ltd has since ceased as these have been incorporated into Ntinga O.R Tambo Development Agency as projects with effect from 1 July 2008.

- **IRREGULAR EXPENDITURE**

v. The procurement of agricultural inputs amounting R1,6 million that did not go through the normal tender processes but acquired as emergency goods (due to the seasonal nature of ploughing maize) as approved by the Agency's Supply Chain Management Policy has been rectified in the 2008/2009 financial year by inviting all potential suppliers to submit their quotations as one has to wait for the rainy period to plough. The inputs are acquired once the rainy period commences to avoid theft and decline in the quality of inputs due to improper storage facilities.

## **2. EMPHASIS OF MATTER**

- **GOING CONCERN**

i. The going concern issue Ntinga O.R Tambo Development Agency as a Section 21 company is currently being resolved as the Agency is in the process of deregistering to a municipal entity. The operating loss will be addressed in the next financial year by budgeting for depreciation which caused the loss. In terms of the prohibition of Section 164 of the MFMA, not to engage in commercial activities, an exemption shall be sought from National Treasury but it should be noted that revenue generated by the Agency and its enterprises results from the implementation of LED projects as documented in the By Law and mandate given by the District Municipality and this is inevitable if community projects are to be sustainable.

## **3. OTHER MATTERS**

- **INTERNAL CONTROLS**

- i. The maintenance of effective systems of internal controls as required by Section 62(1)(c)(i) is being addressed by appointing a Risk, Internal Audit & Quality Controller in the next financial year whose main function is risk management and implementation and monitoring of internal controls.
- ii. A supply chain management unit existed but as a small unit. This has been fully established during the review of the organisational structure and this will be fully populated.
- iii. All fruitless and wasteful expenditure shall be reported to the Auditor General.
- iv. The delegation policy shall be developed in the 2008/2009 financial year but it must be noted that the authorisation matrix already exists and it is being implemented.
- v. The corrective actions taken in response to issues raised in the audit report; recommendations made by the Audit Committee and the parent municipality shall be documented published on the website.

- **COMPANIES ACT, 1973 (ACT NO. 61 OF 1973)**

- vi. Current directors of the Agency shall be included in all correspondences
- vii. A representative from the District Municipality now attends the Board meetings in the 2008/2009 financial year.

- **MATTERS OF GOVERNANCE**

- viii. With the appointment of the Risk, Internal Audit & Quality Controller, the internal audit function will fully fulfil its responsibilities.
- ix. Proper reconciliations will be prepared to reduce material amendments.

### 3.4 AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

#### O R TAMBO DISTRICT MUNICIPALITY

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3.3.1 STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008

	Note	2008 R	2007 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>		<b>90,434,983</b>	<b>107,130,200</b>
Government grant reserve		34,291,598	23,772,126
Accumulated Surplus		56,143,385	83,358,074
<b>Non-current Liabilities</b>		<b>312,360</b>	<b>638,514</b>
Long-term liabilities	6	312,360	638,514
<b>Current Liabilities</b>		<b>231,336,346.78</b>	<b>276,598,544</b>
Creditors	3	98,921,898	101,265,688
Unspent conditional grants and receipts	4	131,999,392	174,962,976
Current Portion of long-term Liabilities	6	415,057	369,880
<b>Total Net Assets And Liabilities</b>		<b>322,083,689</b>	<b>384,367,257</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>123,598,542</b>	<b>52,953,895</b>
Property, Plant And Equipment	10	114,133,456	52,532,539
Intangibles	9	641,719	394,514
Biological Assets	8	8,750,000	-
Long-term receivables	12	73,366	26,842
<b>Current Assets</b>		<b>198,485,148</b>	<b>331,413,362</b>
Inventory and Water Inventory	13	15,365,838	5,580,052
Consumer debtors	14	54,987,416	56,839,140
Other debtors	15	1,168,641	1,429,055
Current portion of long-term loans	12	103,791	559,254
Vat	5	19,437,131	29,661,658
Call investments deposits	11	87,660,550	223,868,603
Bank balances and cash	16	19,761,780	13,475,599
<b>Total Assets</b>		<b>322,083,689</b>	<b>384,367,257</b>



3.3.3 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008	2007
		R	R
<b>REVENUE</b>			
Rental of facilities and equipment		30,732	35,045
Service charges	17	57,165,492	62,840,255
Investment earned - external investment		8,707,456	3,339,743
Investment earned - outstanding debtors		17,429	2,926,295
Government grants and subsidies	18	709,782,598	557,000,681
Other income	27	1,219,567	486,619
Gains on disposal of property, plant and equipment		-	65,370
<b>Total Revenue</b>		<b>776,923,274</b>	<b>626,694,008</b>
<b>EXPENDITURE</b>			
Employee related costs	19	93,734,444	80 485 468
Remuneration of Councillors	19	6,930,990	6 587 599
Bad debts	20	18,581,674	15 479 445
Interest paid		177,821	706 774
Provision for leave		4,936,024	2 408 406
Collection costs		-	588 016
Depreciation & Amortization		11,122,782	8 447 704
Repairs and maintenance		18,289,578	25 044 805
Bulk purchases	21	285,089	8 395 746
Contracted services		3,431,001	2 065 834
Grants and Subsidies paid	22	260,650	1 034 932
General expenses-other	23	640,495,700	494 714 282
<b>Total Expenditure</b>		<b>798,245,755</b>	<b>645,959,011</b>
<b>Nett (Deficit) for the year</b>		<b>(21,322,481)</b>	<b>(19,265,003)</b>

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

	<b>Government grant reserve</b>	<b>Accumulated surplus</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>2007</b>			
Balance at 1 July 2006	26,934,890	127,797,351	154,732,241
Corrections (Note 24)	-	(28,337,038)	(28 337 038)
Restated balance	<b>26 934 890</b>	<b>99 460 313</b>	<b>126 395 203</b>
Net Deficit for the year	-	(19,265,003)	(19 265 003)
Capital grants used to purchase PPE	2,021,940	(2,021,940)	-
Offsetting of depreciation.	(5,184,704)	5,184,704	-
<b>Balance at 30 June 2007</b>	<b>23 772 126</b>	<b>83,358,074</b>	<b>107 130 200</b>
<b>2008</b>			
Corrections (Note 24)	-	4,627,264	4,627,264
Restated balance	<b>23 772 126</b>	<b>87 985 338</b>	<b>111 757 464</b>
Net Deficit for the year	-	(21,322,481)	(21 322 481)
Capital grants used to purchase PPE	16,879,898	(16,879,898)	-
Offsetting of depreciation	(6,360,426)	6,360,426	-
<b>Balance at 30 June 2008</b>	<b>34 291 598</b>	<b>56,143,385</b>	<b>90 434 983</b>

**3.3.5 CASH FLOW STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30  
JUNE 2008**

	<b>2008</b>	<b>2007</b>
	<b>R</b>	<b>R</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Cash receipts from service charges, government and other	751,572,113	585,062,971
Cash paid to suppliers and employees	(816,603,932)	(550,047,183)
Cash generated from (utilised in) operations	25 (65,031,819)	35,015,788
Interest received	8,724,885	6,266,039
Interest paid	(177,821)	(706,774)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>(56,484,756)</b>	<b>40,575,052</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment.	(72,081,820)	(13,251,577)
Purchase of Intangible assets	(889,083)	(554,363)
Purchase of Biological assets	(8,750,000)	
Proceeds on disposal of property, plant and equipment	-	65,370
Decreases in non-current receiveables	408,939	1,580,778
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(81,311,964)</b>	<b>(12,159,792)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Decrease in Long-term Liabilities	(310,117)	(458,155)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>(310,117)</b>	<b>(458,155)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(138,106,837)</b>	<b>27,957,106</b>
Cash and cash equivalents at the beginning of the year	245,529,168	217,572,062
Cash and cash equivalents at the end of the year	26 107,422,331	245,529,168
	<b>138,106,837</b>	<b>(27,957,106)</b>

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

	2008	2007
	R	R
<b>1 LONG- TERM LIABILITIES</b>		
O R Tambo District Municipality had no long- term liabilities by way of external loans.		
<b>2 CONSUMER DEPOSITS</b>		
O R Tambo District Municipality holds no consumer deposits.		
<b>3 CREDITORS</b>		
Trade creditors	30,090,380	53 638 146
Income received in advance	2,406,999	1 643 648
Sundry creditors-general	5,147,619	3 099 864
Provision for leave	14,152,511	6 272 064
Provision for bonus	3,023,220	2 301 758
Department of Water Affairs and Forestry	<u>44,101,169</u>	<u>34 310 207</u>
<b>Total creditors</b>	<b><u>98 921 898</u></b>	<b><u>101 265 688</u></b>

The Department of Water Affairs and Forestry debt relates to the historical debts from the Local Municipalities. The District Municipality is currently negotiating with Department of Water Affairs and Forestry to cancel the debt.

**4 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

<b>Conditional grants from government</b>	131 999 392	174 962 976
Government Grants	131 557 877	159 621 621
Provincial Grants and subsidies	441 516	15 341 355
<b>Other conditional receipts</b>	-	-
<b>Total Conditional Grants and Subsidies</b>	<b><u>131 999 392</u></b>	<b><u>174 962 976</u></b>

See **Appendix G** for a reconciliation of grants from National/Provincial Government. These amounts are fully invested until utilised.

<b>5 VAT</b>		
Accrued vat (refund from sars)	(13 044 507)	(10 764 949)
Output vat - income	(1 954 359)	(4 612 996)
Input vat - general	29 522 217	45 762 966
Capital Vat	5 701 396	249 035
Vat control (rsc levies)	<u>( 787 616)</u>	<u>( 972 398)</u>
	<b><u>19,437,131</u></b>	<b><u>29,661,658</u></b>

Vat is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS

**6 LONG-TERM LIABILITIES**

long-term Liabilities	727,416	1,008,393
Less: Current portion of long-term liabilities	(415,057)	(369,880)
	<b>312,359</b>	<b>638,513</b>

The finance lease liability is secured by photocopying machines (**note 8**). Monthly instalments which varies between R1926.34 and R26217.72 are payable monthly in arrears. Interest is payable at rates between 5,75% and 11,5% per month. The final instalment is payable on 31 March 2010.

**7 FINANCE LEASE**

O R Tambo District Municipality has leased photocopying machines from different companies between 10 May 2002 and March 2006. The lease agreements provide for between thirty-six(36) to sixty(60) monthly payments in arrears. The agreements do not provide for contingent rental payments. Ownership of the machine will not pass to O R Tambo District Municipality at the end of lease term.

**Reconciliation between the total minimum lease payments and their present value**

		1 - 5 years	>5 yrs	Total
<b>Up to 1 year</b>				
<b>30 June 2008</b>				
Minimum lease payments	450,326	466,087		916,413
Finance costs	(173,862)	(73,704)		(247,566)
Present value	<u>276,464</u>	<u>392,383</u>		<u>668,847</u>
<b>30 June 2007</b>				
Minimum lease payments	537,215	977,739	-	1,514,954
Finance costs	(117,425)	(150,663)	-	(268,088)
Present value	<u>419,790</u>	<u>827,076</u>		<u>1,246,866</u>

**8 BIOLOGICAL ASSETS**

	<b>Trees</b>	<b>Livestock</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>
Carrying amount at 01 July 2007	-	-	
Increases due to purchases	4,950,000	3,800,000	8,750,000

Gain arising from changes in fair value less estimated point-of-sale costs attributable to physical changes	-	-	-
Gain arising from changes in fair value less estimated point-of-sale costs attributable to physical changes	-	-	-
Fair value less estimated point-of-sale costs of agricultural produce, harvested during the period, determined at the point of harvest	-	-	-
Decreases due to sales	-	-	-
<b>Carrying values at 30 June 2008</b>	<b>4,950,000</b>	<b>3,800,000</b>	<b>8,750,000</b>

The value of the biological assets were valued by Mr Basil William Dweyer, a sworn appraiser, at 30 June 2008 and they were no changes in value since the date of acquisition. Trees covers an area of 18 hectares and their main use are for peaches and apples. Livestock are mainly used for heifer exchange program as well as livestock improvement with communities in the O R Tambo District Municipality and breeding for marketing

#### 9 INTANGIBLE ASSETS

Computer Software	GIS Software		Total
	R	R	R
<b>Carrying values at 1 July 2006</b>	<b>138,429</b>	-	<b>138,429</b>
Cost	1,176,772	-	1,176,772
Accumulated amortisation	(1,038,343)	-	(1,038,343)
Acquisitions	418,762	135,600	554,362
Amortisation	(278,501)	(19,775)	(298,276)
<b>Carrying values at 30 June 2007</b>	<b>278,689</b>	<b>115,825</b>	<b>394,514</b>
Cost	1,595,534	135,600	1,731,134
Accumulated amortisation	(1,316,845)	(19,775)	(1,336,620)
<b>30 June 2008</b>			

Reconciliation of Carrying Value	Computer Software	GIS Software	Total
	R	R	R
Carrying values at 1 July 2007	278,689	115,825	394,514
Cost	1,595,534	135,600	1,731,134
Accumulated amortisation	(1,316,845)	(19,775)	(1,336,620)
Acquisitions	889,083	-	889,083
Amortisation	(596,678)	(45,200)	(641,878)
Carrying values at 30 June 2008	571,094	70,625	641,719
Cost	2,484,617	135,600	2,620,217
Accumulated amortisation	(1,913,523)	(64,975)	(1,978,498)

11 CALL INVESTMENT DEPOSITS	2008	2007
Call Account Deposits	<u>87,660,550</u>	<u>232,053,568</u>
Total cash investments	<u>87 660 550</u>	<u>232 053 568</u>
Provision for irrecoverable New Republican Bank cash investments	<u>0</u>	<u>(8 184 965)</u>
<b>Total Investments</b>	<b><u>87 660 550</u></b>	<b><u>223 868 603</u></b>

Average interest rate 9.95%

#### Allocation of external investments

Surplus cash is invested until used for specific purposes. Investments are allocated on the following basis:-

Capital Replacement Reserve	0	0
Provisions Invested	0	0
Conditional Grants And Subsidies Invested	(131 999 392)	(166 929 013)
Surplus Funds Invested	<u>0</u>	<u>(19 679 081)</u>
<b>Total</b>	<b><u>(131 999 392)</u></b>	<b><u>(186 608 093)</u></b>

The New Republican Bank was placed under curatorship by the Minister of Finance on 29 January 1999. As at 30 June 2008, funds still vested with New Republican Bank totalled R12.5 million. Correspondence received from the curators Ernst & Young dated 27 July 2006 forwarded to all depositors and creditors states that they are not in a position to determine the recoverability of the remaining capital balance as there are various litigation matters which have not been finalized. They further state that the quantum of the awards will depend on the outcome of the same. Furthermore, All creditors were requested to vote for a return of 35 cents in a rand, hence a provision of 65% has been made in the financial statements.

12 LONG-TERM RECEIVABLES		
Motor car loans and other sundry debtors	177,157	586,097

	177 157	586 097
Less : Short-term portion transferred to current assets	(103,791)	(559,254)
<b>Total Non-Current loans</b>	<b>73 366</b>	<b>26 843</b>

**Loans were approved for:**

Motor car loans to employees. No new loans are being made and existing loans are phased out as they are repaid.

13 INVENTORY AND WATER INVENTORY	<u>15,365,838</u>	<u>5,580,052</u>
13		
.1 INVENTORY		
Consumable stores at cost	<u>6,856,059</u>	<u>5,580,052</u>
	<u>6,856,059</u>	<u>5,580,052</u>

13		
.2 WATER INVENTORY		
Raw Material at cost	3,239,150	
Work In Progress at cost	2,976,874	
Purified Water at cost	<u>2,293,755</u>	
	<u>8,509,779</u>	

14 CONSUMER DEBTORS

As at 30 June 2007	Gross Balances	Provision for Bad Debts	Net Balance
Service Debtors	96,144,158	(39,305,018)	56,839,140 #
Levies	8,486,747	(3,394,699)	5,092,048
Sewerage	20,961,138	(12,450,337)	8,510,801
Water	66,696,273	(23,459,983)	43,236,290
<b>Total</b>	<u>96,144,158</u>	<u>(39,305,018)</u>	<u>56,839,140</u>

**Levies: Ageing**

Current (0 - 30 days)	-
31 - 60 Days	-
61 - 90 Days	-
91 - 120 Days	-



121 - 365 Days	-	
+ 365 Days	-	135,707,838
Adjustment for Corrections	-	(127,221,090)
<b>Total</b>	<b>-</b>	<b>8,486,747</b>

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

	2008	2007
	R	R
<b><u>Sewerage &amp; Water: Ageing</u></b>		
Current (0 - 30 days)	24,797,990	8,625,278
31 - 60 Days	3,671,751	4,073,240
61 - 90 Days	3,150,386	3,891,263
91 - 120 Days	2,739,691	2,948,084
121 - 365 Days	19,103,476	3,254,299
+ 365 Days	53,826,799	63,524,147
Adjustment for Corrections	-	(302,517)
<b>Total</b>	<b>107,290,093</b>	<b>86,013,794</b>

As at 30 June 2008	Gross Balances	Provision for Bad Debts	Net Balance
Service Debtors	112,770,434	(57,783,018)	54,987,416
Levies	6,371,566	(5,734,409)	637,156
Sewerage	25,191,936	(12,491,666)	12,700,270
Water	81,206,932	(39,556,943)	41,649,990
<b>Total</b>	<b>112,770,434</b>	<b>(57,783,018)</b>	<b>54,987,416</b>

**Levies: Ageing**

Current (0 - 30 days)	-
31 - 60 Days	-
61 - 90 Days	-
91 - 120 Days	-
121 - 365 Days	-
+ 365 Days	6,371,566
Adjustment for Corrections	-
<b>Total</b>	<b>6,371,566</b>

**15 OTHER DEBTORS**

Sundry Debtors	3,194,918	3,545,445
Provision for irrecoverable overpayments	(2,026,277)	(2,116,390)
<b>Total Other Debtors</b>	<b>1 168 641</b>	<b>1 429 055</b>

**16 BANK, CASH AND OVERDRAFT BALANCES**

O R Tambo District Municipality has the following bank accounts:

**Current Account (Primary Bank Account)**

Meeg bank

Acc no: 4059110438

address: 60 Sutherland Street,

P.O. Box 30 Mthatha 5099

Cashbook balance at the beginning of the year

-

Cashbook balance at the end of the year  
Bank statement balance at the beginning of the year

-

7 962 349

Bank statement balance at the end of the year

7,962,349

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

**2008**

**2007**

**R**

**R**

**Current Account (Primary Bank Account)**

FNB

Acc no: 53990137772

address: York Road Street,

P.O.Box 149 Mthatha 5099

Cashbook balance at the beginning of the year

13,434,766

23,142,083

Cashbook balance at the end of the year

19 750 468

13 434 766

Bank statement balance at the beginning of the year

30 087 306

53 559 320

Bank statement balance at the end of the year

39,193,004

30 087 306

**Other Bank accounts**

FNB

Acc no: 62154518404

address: York Road Street,

P.O.Box 149 Mthatha 5099

Cashbook balance at the beginning of the year

-

35,903

Cashbook balance at the end of the year

0

35 803

Bank statement balance at the beginning of the year	-	35,903
Bank statement balance at the end of the year	0	35 803
FNB Acc no: 8812710004736000 address: York Road Street, P.O.Box 149 Mthatha 5099		
Cashbook balance at the beginning of the year	4,807	4,807
Cashbook balance at the end of the year	7 145	4 807
FNB Acc no: 62142861881 address: York Road Street, P.O.Box 149 Mthatha 5099		
Cashbook balance at the beginning of the year	-	-
Cashbook balance at the end of the year	4 168	-
<b>Total</b>	<b>19 761 780</b>	<b>13 475 375</b>
<b>17 SERVICE CHARGES</b>		
Sale of water	43,511,265	47,899,482
Sewerage and sanitation charges	13,654,227	14,940,773
	<b>57 165 492</b>	<b>62 840 255</b>
<b>18 GOVERNMENT GRANTS AND SUBSIDIES</b>		
<u>Government Grants</u>		
Equitable share	210,420,349	190,354,067
<b>Total Government Grants</b>	<b>210 420 349</b>	<b>190 354 067</b>
<b>Total</b>	<b>210 420 349</b>	<b>190 354 067</b>
<u>National/Provincial conditional Government grant funding.</u>		
Operational spending	482 482 351	364 624 674
<u>National/Provincial conditional Government grant funding.</u>		
Capital spending	16 879 898	2 021 940

Total National/Provincial Government Grants reimbursements	499 362 249	366 646 614
Total Government Grants and Subsidies	<u>709 782 598</u>	<u>557 000 681</u>

**Equitable share**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R21,60 (2007: R21,60), which is funded from this grant. Moreover, the district municipality cart water to the periurban and rural areas around the district.

**19 EMPLOYEE BENEFITS**

**19**

**.1 EMPLOYEE RELATED COSTS**

Salaries and wages	59,847,472	49 896 959
Contributions for UIF, pensions and medical aids	11,681,997	8 785 019
Travel, motor car and other allowances	13,656,908	13 156 992
Housing benefits	3,587,044	3 066 124
Overtime	4,839,939	4 267 737
Performance bonuses	121,084	1 312 637
	<u>93 734 444</u>	<u>80 485 468</u>

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

	2 008	2007
	R	R
<b>Remuneration of the Municipal Manager</b>		
Annual Remuneration	845,906	794 800
Performance Bonuses	0	
Car Allowance	79,397	74 600
UIF	1,473	1 399
<b>Total</b>	<u>926 776</u>	<u>870 799</u>

**Remuneration of the Chief Finance Officer**

Annual Remuneration	499 783	391 685
Performance Bonuses	0	96 201
Car Allowance	286 724	261 123
UIF	1 473	1 399
<b>Total</b>	<u>787 980</u>	<u>750 408</u>

**Remuneration of Manager - Engineering Services**

Annual Remuneration	657,054	391 685
Performance Bonuses	0	54 514
Car Allowance	83,188	261 123
UIF	1,473	1 399
<b>Total</b>	<b>741 715</b>	<b>708 721</b>

**Remuneration of Manager - Developmental Planning**

Annual Remuneration	640,594	391 685
Performance Bonuses	0	96 201
Car Allowance	0	261 123
UIF	125	1 399
<b>Total</b>	<b>640 719</b>	<b>750 408</b>

**Remuneration of Manager - Community Services**

Annual Remuneration	515,890	385 364
Performance Bonuses	0	32 067
Car Allowance	178,893	256 909
UIF	1,473	1 399
<b>Total</b>	<b>696 256</b>	<b>675 739</b>

**Remuneration of the Internal Audit Manager**

Annual Remuneration	574,085	391 685
Performance Bonuses	0	96 201
Car Allowance	212,422	261 123
UIF	1,473	1 399
<b>Total</b>	<b>787,980</b>	<b>750 408</b>

**Remuneration of Manager - Human Resources**

Annual Remuneration	485,914	391 685
Performance Bonuses	0	64 134
Car Allowance	208,869	261 123
UIF	1,473	1 399
<b>Total</b>	<b>696 256</b>	<b>718 341</b>

**Remuneration of Political Advisor**

Annual Remuneration	780 305	391 685
Performance Bonuses	0	0
Car Allowance	75 600	261 123
UIF	1 473	1 399
<b>Total</b>	<b>857 378</b>	<b>654 207</b>

**Remuneration of Strategic Manager -  
Office of the Executive Mayor**

Annual Remuneration	471,904	391 685
Performance Bonuses	0	96 201
Car Allowance	314,603	261 123
UIF	1,473	1 399
<b>Total</b>	<b>787 980</b>	<b>750 408</b>

19

**.2 REMUNERATION OF COUNCILLORS**

Executive Mayor	486 567	496 967
Speaker	216 829	221 202
Mayoral Committee members	3 526 859	3 295 749
Councillors	2 700 735	2 572 667
Councillors' pension and Medical contribution	0	1 014
<b>Total Councillors' Remuneration</b>	<b>6 930 990</b>	<b>6 587 599</b>

**20 BAD DEBTS**

Contribution to the bad debt provision	18,581,674	15,479,445
<b>Total Bad Debts</b>	<b>18,581,674</b>	<b>15,479,445</b>

**21 BULK PURCHASES**

Water	<b>285,089</b>	<b>8,395,746</b>
-------	----------------	------------------

**22 GRANTS AND SUBSIDIES PAID**

Mbizana Local Municipality	-	376,276
Port St Johns Local Municipality	-	292,006
Inqguza Hill Local Municipality	-	239,618
Support to traditional authorities	260,650	127,032
<b>Total Grants and Subsidies paid</b>	<b>260,650</b>	<b>1,034,932</b>

**23 GENERAL EXPENSES**

Conditional grant expenditure	487,755,318	364,621,896
Free basic services	49,554,609	25,915,601
Other operational expenditure	108,652,530	104,176,785

645,962,457

494,714,282

No extraordinary expenses were included in general expenses

#### 24 CORRECTIONS

During the year 2007/08 the following transactions was made in regard of the previous year and the comparitve amounts have been restated:

Restatement of provision for leave from basic salary to total package	(4,474,562)
Capitalisation of office building under construction for 2006/07	6,573,865
Allocation of VAT refund received in 2007/08 relating to June 2007	2,509,826
Accounting for prior year expenditure not included in annual financial statements	18,135
	<u>4,627,264</u>

2008

2007

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During the year 2006/07 the following transactions was made in regard of the previous year and the comparitve amounts have been restated:

Restatement of accumulated depreciation which was overstated	(4,969,978)
Reversal of stale cheques that were not presented for payment	214,754
Provision for Leave	5,061,606
Provision for Bonus	
Repayments on amounts overpaid	581,034
Adjustment fo funds amounts received on 05/06	1,852,252
Prior year correction of Vat	260,959
Backlog Depreciation for finance leased assets	947,155
Adjustment of CBDWP fund with unaccounted funds	6,457,019
Adjustment of prior years MIG receipt	20,772,570
Recognition of Vulindlela DBSA fund received	419,400
Salaries for MIG staff paid through Equitable share on 05/06	(3,805,449)
Vat recovered for previous years	(12,954,637)
Correction of Bank error	(82,405)
Reversal of dishonoured cheque	(1,625)
Clearing of opening balance for Line Mapping Fund	(384,179)
Lease Payments from previous years for finance leased assets	(846,888)
Adjustment of prior years returned cheques	(88,505)

Adjustment of Grant call fund to call account		(6,851,757)
Recognition of DWAF debt for raw water for previous financial years		24,801,747
Recognition of input vat from DWAF debt for raw water for previous financial years		<u>(3,046,035)</u>
Net effect on surplus for the year		<u><u>28,337,038</u></u>

## 25 CASH GENERATED BY OPERATIONS

Net surplus for the year	(21,322,481 )	(18,947,566)
Adjustment for:-		
Previous years		-
Changes in accounting policy		
Depreciation and amortization	11,122,782	8,447,704
Under-provision prior year		-
Gain on disposal of property, plant and equipment	-	(65,370)
Contributions to bad debt provision	18,581,674	15,479,445
Contributions to provisions	7,830,976	4,381,326
Investment income	(8,724,885)	(6,266,039)
Provision for irrecoverable investments	-	8,184,965
Interest paid	177,821	706,774
<b>Operating surplus before working capital changes:</b>	<b>7,665,888</b>	<b>11,921,240</b>
Decrease/(Increase) in inventories	(9,785,786)	(3,525,153)
(Increase)/Decrease in RSC Levy debtors	2,115,181	3,866,669
(Increase)/Decrease in Consumer debtors	(18,741,457 )	(39,163,520)
(Increase)/Decrease in other debtors	350,527	1,464,577
Increase/(Decrease) in VAT	10,224,527	10,880,886
Increase/(Decrease) in conditional grants and receipts	(42,963,584 )	10,831,953
Increase/(Decrease) in creditors	(13,897,117 )	38,739,137
<b>Cash (utilised in) generated by operations</b>	<b>(65,031,819 )</b>	<b><u><u>35,015,788</u></u></b>

## 26 CASH AND CASH EQUIVALENTS



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

Bank balances and cash	19,761,780	13,475,599
Call investment deposits	87,660,550	232,053,568
	<hr/>	<hr/>
<b>Total cash and cash equivalents</b>	<b><u>107,422,331</u></b>	<b><u>245,529,167</u></b>

**27 OTHER INCOME**

Sundry revenue	20,000	44,331
Tender documents	261,710	165,288
Commission received	83,682	
Insurance proceeds	322,953	
Donations		277,000
Proceeds received due to under-declaration	531,222	
	<hr/>	<hr/>
<b>Total</b>	<b><u>1,219,567</u></b>	<b><u>486,619</u></b>

**28 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION**

O R Tambo District Municipality had no Long-term liabilities at the end of both financial years

**29 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**Unauthorized expenditure**

**Reconciliation of unauthorised expenditure**

Opening balance	-	-
Unauthorized expenditure current year	-	-
Approved by Council	-	-
Transfer to statement of Financial performance	-	-
- authorised losses	-	-
Transfer to receivables for recovery	-	-
	<hr/>	<hr/>
<b>Closing balance</b>	<b>-</b>	<b>-</b>

2008

2007

R

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**Irregular, fruitless and wasteful expenditure**

**Reconciliation of fruitless and wasteful expenditure**

Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Approved by Council	-	-
Transfer to statement of Financial performance	-	-
- authorised losses	-	-
Transfer to receivables for recovery	-	-
<b>Closing balance</b>	<b>-</b>	<b>-</b>
<b>Total unauthorised, fruitless and wasteful expenditure disallowed</b>	<b>-</b>	<b>-</b>

**ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE**

30 **MANAGEMENT ACT**

30

.1 **Contributions to SALGA**

Opening balance	-	-
Council subscriptions	398,952	1,152,958
Amount paid - current year	(398,952)	(1,152,958)
Amount paid - next year	-	-
<b>Closing balance</b>	<b>-</b>	<b>-</b>

30

.2 **Audit fees**

Opening balance	-	-
Current year audit fee	1,723,607	1,143,412
Amount paid - current year	(1,422,914)	76,202
Amount paid - previous years	-	(1,219,614)
<b>Balance unpaid (included in creditors)</b>	<b>300,693</b>	<b># -</b>

30

.3 **VAT**

Vat inputs receivables and VAT outputs receivables are shown in note 5 . All Vat returns have been submitted by the due date throughout the year.

30

.4 **PAYE and UIF**

Opening balance	(418)	8,341
Current year payroll deductions	16,311,390	14,770,303
Amount paid - current year	(16,311,390)	(14,779,062)
Amount paid - previous years	-	-
<b>Balance unpaid (included in debtors)</b>	<b>(418)</b>	<b>(418)</b>

30

**.5 Pension and Medical Aid Deductions**

Opening balance	-	28,058
Current year payroll deductions and Council Contributions	10,330,898	11,697,391
Amount paid - current year	(10,329,563)	(11,723,455)
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<b><u>1,335</u></b>	<b><u>1,994</u></b>

The balance represents medical aid contributions for Munimed Medical for the year ended 30 June 2008. This amounts was paid during August 2008.

	27,698,000.	
<b>31 CAPITAL COMMITMENTS</b>	<u>00</u>	<u>-</u>
The capital commitments consists of the construction of offices phase two(2) amounting to R14,698,000.The letter for awarding of the tender was issued on 15 August 2008 to VDZ Construction.The costs remaining to complete the phase one(1) of the office buildings amount to R13,000,000 at the reporting date, which is 30 June 2008.The tender was awarded to Express Builders and the appointment letter was signed on the 15 June 2006.		
<b>32 CONTINGENT LIABILITIES</b>		
<b>32 ILISO CONSULTING</b>		<b>#</b>
<b>.1</b>	<u>70,890</u>	<u>-</u>
Plaintiff claims for monies owed by the DM for services rendered		
<b>32 WILD COAST GUARDS/OR TAMBO DISTRICT MUNICIPALITY</b>		<b>#</b>
<b>.2</b>	<u>3,320,136</u>	<u>3,320,136</u>
The OR Tambo District Municipality is being sued by the contractor for the termination of contract. Parties are still exchanging pleadings.		
<b>32 IPHINDE TRADING</b>		<b>#</b>
<b>.3</b>	<u>1,519,068</u>	<u>-</u>
Claimant applies for interdict (including payment) against the DM in the Mankosi Water Supply Phase 2		
<b>32 TEMBINKOSI HLUPHEKO</b>		<b>#</b>
<b>.4</b>	<u>-</u>	<u>-</u>
The DM is being interdicted against performing digging at Erf 49 Lusikisiki		
<b>32 BARLOWORLD/OR TAMBO DISTRICT MUNICIPALITY</b>		
<b>.5</b>	<u>268,298</u>	<u>268,298</u>
The OR Tambo District Municipality is being sued by the contractor for failure to honour a cession between contractor and Haupt Civils on the Mfundisweni Access Road project		
<b>32 ILISO CONSULTING/OR TAMBO DISTRICT MUNICIPALITY</b>		
<b>.6</b>	<u>21,991</u>	<u>21,991</u>
The OR Tambo District Municipality is being sued by the consultants for professional services rendered in respect of Zanokhanyo Access Road project		
<b>32 ILISO CONSULTING/OR TAMBO DISTRICT MUNICIPALITY</b>		
<b>.7</b>	<u>-</u>	<u>142,511</u>
The OR Tambo District Municipality is being sued by the consultants for professional services rendered in respect of Mpapane Water Supply project		

32	ILISO CONSULTING/OR TAMBO DISTRICT		
.8	MUNICIPALITY	-	<u>31,408</u>
	The OR Tambo District Municipality is being sued by the consultants for professional services rendered on the Mvalweni to Manzana Water Supply project		
32	ILISO CONSULTING/OR TAMBO DISTRICT		
.9	MUNICIPALITY	-	<u>68,890</u>
	The OR Tambo District Municipality is being sued by the consultants for professional services rendered on Ntsimbini Water Supply project		
32	NELISWA NDABANKULU/OR TAMBO DISTRICT		
.1	MUNICIPALITY	<u>2,000,000</u>	<u>2,000,000</u>
0	The OR Tambo District Municipality is being sued by the said individual for breach of employment contract		
32	MOFFAT QITHI/OR TAMBO DISTRICT MUNICIPALITY		
.1	DISTRICT MUNICIPALITY	<u>141,158</u>	<u>141,158</u>
1	The OR Tambo District Municipality is being sued by the former employee for the unpaid performance bonus		
32	KWINDA CONSTRUCTION/OR TAMBO DISTRICT MUNICIPALITY		
.1	MUNICIPALITY	<u>187 981</u>	<u>187 981</u>
2	The OR Tambo District Municipality is being sued by the contractor for failure to honour a cession between contractor and Collosus Construction		
32	LUSINDISO MAPISA		
.1	MUNICIPALITY	<u>200 000</u>	<u>-</u>
3	Plaintiff is claiming for damages suffered in a motor vehicle accident		
32	PUTHAPARANDIL KOCHUKUNJU		
.1	MUNICIPALITY	<u>-</u>	<u>-</u>
4	The DM is interdicted from disconnecting water supply at 4 Muncwane Ikwezi T/Ship		
32	BAKULA TRUST T/A S FORCE		
.1	MUNICIPALITY	<u>42,004</u>	<u>-</u>
5	Plaintiff claims for damages suffered through the DM's termination of contract		

### 33 RETIREMENT BENEFIT INFORMATION

#### Post- Retirement Medical Benefit

The Municipality does not make Provision for post retirement medical benefits.

#### Pension and Retirement Fund Benefits

Employees and Council contribute to the Cape Joint Pension, Municipal employee provident fund, Eastern Cape pension fund, Eastern Cape Gratuity Fund, National Fund for Municipal workers, Municipal Employee Pension Fund and Southern Negotiated Retirement Fund on the basis of a fixed contribution and is charged against income as incurred.

**34 DONATIONS AND ASSISTANCE**

DONATIONS

FNB	-	50,000
STD Bank	-	15,000
DBSA	-	150,000
ABSA	-	50,000
	-	<u>265,000</u>

**35 EVENTS AFTER THE REPORTING DATE**

O.R. Tambo District Municipality does not have any reportable events after year end

**36 COMPARISON WITH THE BUDGET**

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

**37 O R TAMBO NTINGA DEVELOPMENT AGENCY**

**37**

**.1 TRANSFERS O R TAMBO NTINGA DEVELOPMENT AGENCY**

Included in General Expenditure-other totalling **R647,7 million** incurred by the District Municipality, are transfers that were made to the Municipal Entity. Transfers made totalled **R48,5 m (2007: R39.7M)**

**37 DOMICILE AND LEGAL FORM**

**.2**

The Ntinga O R Tambo Development Agency (an Association Incorporated under Section 21 of the Companies Act, Act No.61, of 1973 and herein after referred to as the Agency), was established by the O R Tambo District Municipality to promote and implement local economic development initiatives and programs in the O. R. Tambo Municipal District of the Eastern Cape

**37 NATURE OF BUSINESS**

**.2 ACTIVITIES**

Spearheading the implementation of sustainable economic development in the O R Tambo District of the Eastern Cape; Creating, supporting and encouraging the promotion of business and employment opportunities in the O R Tambo District; Supporting the O R Tambo District Municipality in the formulation of its growth and development strategy; Implementing a district economic growth and development strategy that develops the productive and other economic capabilities of the O R Tambo District in high potential sectors, namely: agriculture, forestry, tourism, and mari-culture; Enhancing planning and service delivery capacity in the O R Tambo district through development of human capital and provision of support to social development; and Instituting integrated poverty eradication programs aimed at improving the quality of life of the people of the O R Tambo District.

38 **CONSOLIDATED FINANCIAL STATEMENTS**

O R Tambo District Municipality has elected the exemption, as allowed by National Treasury, not to prepare consolidated financial statements.

39 **EXEMPTIONS APPLICABLE TO THE MUNICIPALITY**

Standard No	Standard title	GRAP
GRAP 3	Accounting policies changes in accounting estimates an derrors	<p>Identification and impact of GRAP standards that have been issued but are not yet rffective (GRAP3.30 -31)</p> <p>Changes in accounting policies(GRAP3 .14,19)</p>
GAMAP 09	Revenue	<p>Initial measurement of fair value; discounting all future receipts using an imputed rate of return (GAMAP 9.12 and SAICA circular 9/06)</p>
GAMAP 12	Inventories	<p>The entire standard as far as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17 The entire standard as far as it relates to water stock that was not purchased by the municipality.</p>

		Property , plant and equipment	Review of useful life of items of PPE recognised in the annual financial statements (GAMAP17.69- 61,77)
			Review of depreciation method applied to PPE recognised in the annual financial statements (GAMAP 17.62,77) Impairment of non cash generating assets (GAMAP 17 .64- 69,75(e)(v)- (vi)) Impairment of cash generating assets (GAMAP 17.63,75(e)(v) -(vi))
GAMAP 17 IAS 11 (AC 10) IAS 14 (AC 115)	€	Contraction contracts Segment reporting	Entire standard Entire standard
IAS 17(AC 105)		Lease	Recognising operatinglease payments/ receipts on a staright- line basis if the amounts are recognised on the basis of the cash flows in the lease agreement (IAS 17.33 - 34 and 50-51, SAICA circular 12/06.8-11)

		Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and defined benefit obligation disclosed by narrative information (IAS 19.29,48-119 and 120A © - (q))
IAS 19(AC 116)	Employee benefits	
		Entire standard excluding paragraphs 24 and 26 , replaced by GAMAP 12.8 , GAMAP 17.25 and GAMAP 9.42 - 46.
IAS 20(AC 134)	Accounting for government grants and disclosures	
IAS 36(AC 128)	Impairment of assets	Entire standards
		The entire standard except for recognition , measurement and disclosure of computer software and website costs (SIC 32) and all other costs are expensed
IAS 38(AC 129)	Intangible assets	
		Initially measuring financial assets and liabilities at fair value (IAS 39.43 ,AG 79,AG64- AG 65 and SAICA circular 9/06)
IAS 39(AC 133)	Financial instruments : recognition and measurement	



	Investment property	The entire standard to the extent that the property is accounted for in terms of GAMAP 17
IAS 40(AC 135)		Disclosure of fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of this standard (IAS 40.79(e)(i)-(iii))
IFRS 3(AC 140)	Business combinations	Entire standard
IFRS 5 (AC 142)	Non-current assets held for sale and discontinued operations	Classification, measurement and disclosure of non-current assets held for sale (IFRS 5.6-29 (in so far it relates to non-current assets held for sale) and 38-42 Entire standard to be replaced by IAS 32(AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998
IFRS 7(AC 142)	Financial instrument: disclosure	

PROPERTY, PLANT AND EQUIPMENT

30 June 2007

Reconciliation of Carrying Value	Land and buildings	Infrastructure	Community	Other	Leased Assets	Total
	R	R	R	R	R	R
<b>Carrying values at 1 July 2006</b>	<b>16,422,809</b>	-	<b>3,961,463</b>	<b>20,995,116</b>	<b>1,081,025</b>	<b>48,452,545</b>
Cost	22,076,366	-	4,887,695	44,113,847	2,039,022	73,116,930
Accumulated depreciation	(1,956,822)	-	(1,233,676)	(21,165,108)	(308,780)	(24,664,385)
Acquisitions	3,582,744	-	552,197	9,116,636	-	13,251,577
Capital under Construction	-	-	-	-	-	-
Depreciation	(870,710)	-	(420,653)	(6,371,687)	(486,381)	(8,149,430)
- based on cost	(870,710)	-	(420,653)	(6,371,687)	(486,381)	(8,149,430)
Carrying value of disposals	-	-	-	-	-	-
Cost	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
<b>Carrying values at 30 June 2007</b>	<b>22,831,579</b>	-	<b>3,785,562</b>	<b>24,671,537</b>	<b>1,243,861</b>	<b>52,532,539</b>
Cost	25,659,110	-	5,439,892	52,208,331	2,039,022	85,346,355
Accumulated depreciation	(2,827,531)	-	(1,654,330)	(27,536,794)	(795,161)	(32,813,816)

Reconciliation of Carrying Value	Land and buildings	Infrastructure	Community	Other	Leased Assets	Total
	R	R	R	R	R	R
<b>Carrying values at 1 July 2007</b>	<b>22,831,579</b>	-	<b>3,785,562</b>	<b>24,671,537</b>	<b>1,243,861</b>	<b>52,532,539</b>
Cost	25,659,110	-	5,439,892	52,208,331	2,039,022	85,346,355
Accumulated depreciation	(2,827,531)	-	(1,654,330)	(27,536,794)	(795,161)	(32,813,816)
Acquisitions	32,582,747	-	873,524	17,367,659	29,140	50,853,069
Capital under Construction	20,615,685	-	613,066	-	-	21,228,751
Depreciation	(859,198)	-	(472,375)	(8,778,303)	(371,028)	(10,480,904)
- based on cost	(859,198)	-	(472,375)	(8,778,303)	(371,030)	(10,480,906)
Carrying value of disposals	-	-	-	-	-	-
Cost	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
<b>Carrying values at 30 June 2008</b>	<b>75,170,812</b>	-	<b>4,799,777</b>	<b>33,260,893</b>	<b>901,973</b>	<b>114,133,456</b>
Cost	78,857,542	-	6,926,482	69,575,990	2,068,162	157,428,175
Accumulated depreciation	(3,686,729)	-	(2,126,705)	(36,315,097)	(1,166,189)	(43,294,720)

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

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2009. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records. Furthermore, the Municipality has not assessed whether items of property, plant and equipment are impaired. It is expected that an assessment of impairments will be done by 30 June 2009.

**Leased assets represents Office Machines which are held in terms of a Finance lease agreements (refer to note 7)**

**APPENDIX A: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008**

	Cost					Accumulated Depreciation				Carrying Value	Budget Additions 2006
	Opening	Additions	Under	Disposals	Closing	Opening	Additions	Disposals	Closing		
	Balance		Construction		Balance	Balance			Balance		
<b>LAND AND BUILDINGS</b>											
Buildings	19,536,975	6,509,339	20,615,685		46,661,999	2,424,008	699,866		3,123,874	43,538,125	9,320,000
Parking areas	4,689,955	-			4,689,955	401,724	156,332		558,056	4,131,899	
Land	1,342,180	26,073,408			27,415,588					27,415,588	
Statue	90,000	-			90,000	1,799	3,000		4,799	85,201	
<b>Total Land and buildings</b>	<b>25,659,110</b>	<b>32,582,747</b>	<b>20,615,685</b>	<b>-</b>	<b>78,857,542</b>	<b>2,827,531</b>	<b>859,198</b>	<b>-</b>	<b>3,686,729</b>	<b>75,170,813</b>	<b>9,320,000</b>
<b>INFRASTRUCTURE ASSETS</b>											
<b>Total Infrastructure Assets</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>COMMUNITY ASSETS</b>											
<b>Buildings:</b>											
Community Centres	3,881,303	-	613,066	-	4,494,369	344,073	129,377		473,450	4,020,919	
<b>Security Measures:</b>	<b>3,881,303</b>	<b>-</b>	<b>613,066</b>	<b>-</b>	<b>4,494,369</b>	<b>344,073</b>	<b>129,377</b>	<b>-</b>	<b>473,450</b>	<b>4,020,919</b>	<b>-</b>
Fencing	1,348,075	715,460			2,063,535	1,303,544	282,793		1,586,336	477,199	
Security Systems	210,514	158,064			368,578	6,713	60,205		66,919	301,659	
<b>Total Community Assets</b>	<b>1,558,589</b>	<b>873,524</b>		<b>-</b>	<b>2,432,113</b>	<b>1,310,257</b>	<b>342,998</b>		<b>1,653,255</b>	<b>778,858</b>	
<b>OTHER ASSETS</b>											
<b>Office Equipment:</b>											
Air Conditioners	344,817	-			344,817	152,633	92,153		244,786	100,031	
Computer Hardware	6,844,089	1,140,060			7,984,150	4,219,599	1,274,946		5,494,545	2,489,605	1,000,000
Computer Software	-	-			-	-	-		-	-	200,000

Office Machines	612,070	1,094,088			1,706,158		330,750	224,717		555,467	1,150,691	
Miscellaneous	349,325	-			349,325		318,572	6,111		324,683	24,642	
Training		-						-				50,000
Audio visual	244,276	-			244,276		209,295	14,136		223,431	20,845	
Scanners	22,229	-			22,229		22,228	-		22,228	1	1,250,000
	<b>8,416,808</b>	<b>2,234,148</b>	-	-	<b>10,650,956</b>	-	<b>5,253,077</b>	<b>1,612,063</b>	-	<b>6,865,140</b>	<b>3,785,816</b>	
	<b>Cost</b>					<b>Accumulated Depreciation</b>					<b>Budget Additions</b>	
	<b>Opening</b>	<b>Additions</b>	<b>Under</b>	<b>Disposals</b>	<b>Closing</b>	<b>Opening</b>	<b>Additions</b>	<b>Disposals</b>	<b>Closing</b>	<b>Carrying</b>	<b>2005</b>	
	<b>Balance</b>		<b>Construction</b>		<b>Balance</b>	<b>Balance</b>			<b>Balance</b>	<b>Value</b>		
<b>Plant And Equipment:</b>												
Tractors	261,237	-			261,237	81,336	26,124		107,460	153,777		
Farm Equipment	354,137	1,669,298			2,023,435	167,219	35,414		202,633	1,820,802		
Lawnmowers	-	-			-	-	-		-	-		
Plant and Equipment General	543,889	3,620,492			4,164,381	127,168	188,928		316,096	3,848,285		
Telecommunications	92,792	-			92,792	23,895	5,783		29,678	63,114		
Ambulance /Clinic Equipment	255,975	-			255,975	62,177	25,598		87,775	168,200		
Mobile Clinic	-	-			-	-	-		-	-		-
Tents	1,095,803	-			1,095,803	346,163	109,580		455,743	640,060		
Mobile pumps & assesories	3,061	-			3,061	1,509	306		1,815	1,246		
Mowing and cutting equipment	102,884	-			102,884	43,413	9,587		53,000	49,884		
Water tanker	2,182,756	684,336			2,867,092	647,512	234,914		882,426	1,984,666		
Sucker tanker	695,822	-			695,822	175,265	69,582		244,847	450,975		
Vacuum tanker	407,806	-			407,806	93,899	40,781		134,680	273,126		
brick machine	79,596	-			79,596	2,659	7,960		10,619	68,977		
Generators	198,013	-			198,013	79,215	19,801		99,016	98,997		
	<b>6,273,772</b>	<b>5,974,126</b>	-	-	<b>12,247,898</b>	<b>1,851,430</b>	<b>774,358</b>	-	<b>2,625,788</b>	<b>9,622,110</b>		
<b>Furniture And Fittings:</b>												
Cabinets and Cupboards	775,814	-			775,814	285,963	110,831		396,794	379,020		

Chairs	492,288	-			492,288	224,842	70,327		295,169	197,119	312,593
Furniture & Fittings Other	3,274,259	2,354,307			5,628,565	1,531,285	568,172		2,099,457	3,529,108	
Safes	125,851	-			125,851	7,635	17,979		25,614	100,237	
Kitchen Equipment	19,476	-			19,476	11,658	2,782		14,440	5,036	
Tables and Desks	1,350,132	-	-		1,350,132	501,865	192,876		694,741	655,391	312,593
	<b>6,037,819</b>	<b>2,354,307</b>	-	-	<b>8,392,126</b>	<b>2,563,248</b>	<b>962,967</b>	-	<b>3,526,215</b>	<b>4,865,911</b>	
Motor Vehicles:											558,000
Motor Vehicles	3,021,511	5,069,185		-	8,090,696	991,885	546,343	-	1,538,228	6,552,468	
Trucks / Bakkies	22,386,622	1,236,842		-	23,623,464	15,340,855	4,300,335	-	19,641,190	3,982,274	
Caravans	859,756	-			859,756	586,588	171,951		758,539	101,217	
Carpports	368,038	-			368,038	17,935	73,608		91,543	276,496	
Trailers	<b>7,915</b>	-			<b>7,915</b>	<b>7,914</b>	-		<b>7,914</b>	<b>1.00</b>	<b>558,000</b>
Emergency Equipment:	<b>26,643,842</b>	<b>6,306,027</b>		-	<b>32,949,869</b>	<b>16,945,177</b>	<b>5,092,237</b>	-	<b>22,037,414</b>	<b>10,912,456</b>	
Fire Engines	3,548,365	499,051			4,047,416	760,326	250,830		1,011,156	3,036,260	280,000
Compressors	-				-	-			-	-	
General	278,441				278,441	5,554	18,562		24,116	254,325	
	-				-	-					280,000
	<b>3,826,806</b>	<b>499,051</b>		-	<b>4,325,857</b>	<b>765,880</b>	<b>269,392</b>	-	<b>1,035,272</b>	<b>3,290,585</b>	
General	<b>1,009,283</b>				<b>1,009,283</b>	<b>157,982</b>	<b>67,286</b>		<b>225,267</b>	<b>784,016</b>	
											<b>2,400,593</b>
<b>Total Other Assets</b>	<b>52,208,331</b>	<b>17,367,659</b>	-	-	<b>69,575,990</b>	<b>27,536,794</b>	<b>8,778,303</b>	-	<b>36,315,096</b>	<b>33,260,894</b>	
<b>Leased Assets</b>											
<b>Photocopier Machines &amp; Faxes</b>	<b>2,039,022</b>	<b>29,140</b>			<b>2,068,162</b>	<b>795,161</b>	<b>371,030</b>		<b>1,166,190</b>	<b>901,972</b>	
<b>Total Leased Assets</b>	<b>2,039,022</b>	<b>29,140</b>	-	-	<b>2,068,162</b>	<b>795,161</b>	<b>371,030</b>	-	<b>1,166,190</b>	<b>901,972</b>	
											<b>11,720,593</b>
<b>TOTAL</b>	<b>85,346,355</b>	<b>50,853,069</b>	<b>21,228,751</b>	<b>-</b>	<b>157,428,176</b>	<b>32,813,816</b>	<b>10,480,906</b>	<b>-</b>	<b>43,294,720</b>	<b>114,133,456</b>	

APPENDIX B

O R TAMBO DISTRICT MUNICIPALITY: DEPARTMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

30 JUNE 2008

FIXED ASSETS	HISTORICAL COST					ACCUMULATED DEPRECIATION				CARRYING VALUE
	OPENING	ADDITIONS	UNDER	DISPOSALS	CLOSING	OPENING	ADDITIONS	DISPOSALS	CLOSING	
	BALANCE		CONSTRUCTION		BALANCE	BALANCE			BALANCE	
Executive & Council	7,931,873	6,562,363			14,494,236	2,238,157	1,118,760		3,356,917	11,137,319
Finance & Admin	39,704,330	14,928,270			54,632,600	10,166,302	3,072,937		13,239,239	41,393,361
Planning & Developme	1,552,235	25,149,564			26,701,799	677,749	263,496		941,245	25,760,554
Health Community & Social Services	2,029,251	43,000			2,072,251	496,681	112,376		609,057	1,463,194
Housing	3,997,485	1,903,333	613,066		6,513,884	1,966,025	716,560		2,682,585	3,831,299
	31,079	-			31,079	21,695	2,799		24,492	6,587
Public Safety	8,253,003	122,354			8,375,357	3,189,722	746,702		3,936,424	4,438,934
Environmental Protection	-				-	-			-	-
Water & Sanitation	2,967,597	1,727,805	20,615,685		25,311,087	1,467,082	726,586		2,193,668	23,117,419
Road Transport	1,488,964	416,379			1,905,343	260,698	358,295		618,993	1,286,350
Other Functions	17,390,539				17,390,539	12,329,705	3,362,395		15,692,100	1,698,439
<b>TOTALS</b>	<b>85,346,355</b>	<b>50,853,069</b>	<b>21,228,751</b>	<b>-</b>	<b>157,428,175</b>	<b>32,813,816</b>	<b>10,480,906</b>	<b>-</b>	<b>43,294,720</b>	<b>114,133,456</b>

APPENDIX C: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED '30 JUNE 2008

2007 Actual Income R	2007 Actual Expenditure R	2007 Surplus/ (Deficit) R		2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R
2,010,050	33,772,839	(31,762,789)	Executive and Council Finance and Administration	2,594,059	47,315,329	(44,721,270)
260,856,454	85,659,697	175,196,757		211,029,988	27,965,327	183,064,661
4,047,410	52,595,162	(48,547,752)	Planning and Development	7,963,000	59,986,840	(52,023,840)
2,801,859	4,329,674	(1,527,815)	Health Community and Social services	280,000	3,198,318	(2,918,318)
229,468	4,644,632	(4,415,164)		1,900,000	5,902,935	(4,002,935)
40,667,278	36,192,500	4,474,778	Housing	5,584,635	39,869,026	(34,284,391)
2,141,860	8,484,695	(6,342,835)	Public safety	1,500,000	8,253,293	(6,753,293)
1,018,847	1,819,426	(800,579)	Environmental Protection	2,000,000	539,832	1,460,168
-	12,457,894	(12,457,894)	Road Works	-	9,889,666	(9,889,666)
-	-	-	Sanitation	-	-	-
-	10,413	(10,413)	Electricity	-	-	-
24,816,211	80,537,818	(55,721,608)	Water	20,339,452	106,715,860	(86,376,408)
288,078,673	325,428,364	(37,349,691)	Other	529,005,107	495,335,399	33,669,708
626,668,110	645,933,114	-19,265,003	<b>TOTAL</b>	782,196,241	804,971,826	-22,775,585



**APPENDIX D: ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2008**

	Actual 2008	Budget 2008	Variance R	Variance %	Explanation of Significant Variances Greater than 10% versus Budget
<b>REVENUE</b>					
Regional Services Levy- Turnover	0	11,000,000	11 000 000		
Regional Services Levy- Remuneration	0	-	0		0
Rental	30 732	11,464	( 19 268)	63	During the adjustment budget period it was anticipated that the hall will be used more frequently, however not many functions were held in there. This is due to the fact that the credit control policy was not fully implemented.
Service charges	57 165 492	91,054,624	33 889 132	-59	
Investment Interest	8 707 456	4,500,000	(4 207 456)	48	The district municipality decided to invest surplus funds and refunds from SARS in high ineterst bearing instruments hence the difference.
Other Interest	17 429		( 17 429)	100	
Income for agency services	0		0		
Government grants and subsidies	715 055 565	722,126,977	7 071 412	-1	
Other income	1 219 567	133,896	(1 085 671)	811	The variance is caused by the fact that we budgeted for VAT refunds which when received did not go through the income statement but rather transferred to the call account.
Gains on disposal of property, plant and equipment	0	-	0		
<b>Total Income</b>	<b>782 196 241</b>	<b>828,826,961</b>	<b>46 630 720</b>		(23,780,231)
<b>EXPENDITURE</b>					
Executive & Council	47,315,329	59,623,771	12 308 442	-26	Included in the total budget is a budget for the operational centre, sustainable villages, communications e.t.c. which were not fully utilised hence the variance.
Finance & Admin	27,965,327	47,812,961	19 847 634	-71	The variance is caused by the inclusion of provision for loss of investments held with NRB Bank which is in curatorship since 2000 and also the increase in the depreciation. Also a provision for the irrecoverable overpayments has been made.

Planning & Developme	108,650,198	122,290,956	13 640 758	-13	Included in the budget for developmental planning is the budget for Tourism which has not yet been fully operational hence the variance.
Health	3,198,318	3,975,853	777 535	-24	Acquisition of park homes led to the variance
Community & Social Services	5,902,935	9,578,978	3 676 043	-62	
Housing	39,869,026	90,472,190	50 603 164	-127	The gazetted amount to be received from the provincial housing department was never received in full hence the underspending, because it was not adjusted during the adjustment budget period.
Public Safety	8,253,293	16,667,307	8 414 014	-102	Grants that were to be received were never received, hence the variance.
Environmental Protection	539,832	2,119,992	1 580 160	-293	Included in the total budget for enviromental protection is a grant amount of R 1 200 000 for river health water quality monitoring. Its actual expenditure has been transferred to the fund hence the variance.
Water & Sanitation	106,715,860	185,545,010	78 829 150	-74	Shortage of technicians and engineers is the cause of the variance
Road Transport	9,889,666	8,971,178	( 918 488)	9	
Other Functions	446,672,042	305,548,996	(141 123 046)	32	
<b>Total Expenditure</b>	<b>804,971,827</b>	<b>852,607,192</b>	<b>47,635,365</b>		
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>(22,775,586)</b>	<b>(23,780,231)</b>	<b>(1,004,645)</b>		

**Appendix E : Actual Versus Budget Acquisition Of Property, Plant And Equipment For The Year Ended '30 June 2008**

	2008	2008	2008	2008	2008	2008	Explanation of Significant Variances Greater than 5% versus Budget
	Actual	Under Construction	Total Additions	Budget	Variance	Variance	
	R	R	R	R	R	%	
Executive & Council	6,562,363		6,562,363.00	6,562,363.00	-	0.00%	
Finance & Admin	14,928,270		14,928,270.00	14,928,270.00	-	0.00%	
Planning & Developme	25,149,564		25,149,564.22	25,149,564.22	-	0.00%	
Health	43,000		43,000.00	43,000.00	-	0.00%	
Community & Social Services	1,903,333	613,066	2,516,398.97	2,516,398.97	-	0.00%	
Housing	-		-	-	-	0.00%	
Public Safety	122,355		122,355.00	122,355.00	-	0.00%	
Environmental Protection			-	-	-	0.00%	
Water & Sanitation	1,727,805	20,615,685	22,343,489.97	22,343,489.97	-	0.00%	
Road Transport	416,379		416,378.96	416,378.96	-	0.00%	
Other Functions			-	-	-	0.00%	
<b>TOTAL</b>	<b>50,853,069</b>	<b>21,228,751</b>	<b>72,081,820</b>	<b>72,081,820</b>			

QUARTERLY EXPENDITURE	a	b	TOTAL		GRANTS AND SUBSIDIES DELAYED/WITHHELD	REASON FOR DELAY/WITHHOLDING OF FUNDS	DID THE MUNICIPALITY COMPLY WITH THE GRANT CONDITIONS IN TERM OF GRANT FRAMEWORK IN THE LATEST DIVISION OF REVENUE ACT	REASON FOR NON-COMPLIANCE
			EXPENDITURE	TOTAL RECEIPTS				
			-	280,000.00			YES	NONE
			-	2,594,059.00			YES	NONE
1,350.00	299,404.99	316,091.27	1,579,245.74	150,000.00			YES	NONE
			-	317,000.00			YES	NONE
			26,315.79	1,300,000.00			YES	NONE
			834,433.64	352,961.10			YES	NONE
242,539.54	92,095.94	1,637,386.60	2,935,556.37	1,500,000.00			YES	NONE
			23,312.58	745,794.00			YES	NONE
1,969,667.84	1,915,397.05	1,017,901.06	15,792,059.04	1,004,500.00			YES	NONE
			-	1,004,500.00			YES	NONE
			-	2,915,113.00			YES	NONE
			-	5,377,170.00			YES	NONE
			-	595,479.00			YES	NONE
			-	1,577,520.00			YES	NONE
			-	5,377,170.00			YES	NONE
60,104.73	111,200.85	182,278.32	1,670,198.60	500,000.00			YES	NONE
62,124.94	82,100.00	33,624.46	2,738,058.99	2,000,000.00			YES	NONE
			-	2,045,334.00			YES	NONE
			-	495,000.00			YES	NONE
1,055,799.24	1,281,472.59	2,128,134.90	21,701,063.05	4,320,320.00			YES	NONE

			-	28,889.60			YES	NONE
			-	2,659,300.00			YES	NONE
			-	245,794.00			YES	NONE
			-	322,250.00			YES	NONE
			-	108,769.10			YES	NONE
			-	531,310.00			YES	NONE
			-	479,069.05			YES	NONE
99,267.46	(1,534.40)	57,522.81	1,427,069.73	1,362,000.00			YES	NONE
			-	5,000,000.00			YES	NONE
			181,826.00	362,954.64			YES	NONE
			-	150,126.18			YES	NONE
441,534.29	31,416.60	384,167.30	1,754,851.53	2,019,139.26			YES	NONE
			-	300,000.00			YES	NONE
			-	396,000.00			YES	NONE
61,300,090.21	49,558,777.09	477,087,240.99	849,215,021.54	29,799,722.26			YES	NONE
			-	8,734,091.12			YES	NONE
			-	40,390,027.95				
			-	38,390,027.95			YES	NONE
			-	38,000,000.00			YES	NONE
			-	38,000,000.00			YES	NONE
			-	26,555,401.26			YES	NONE
			-	40,000,000.00			YES	NONE
			-	45,000,000.00			YES	NONE
			-	20,410,000.00			YES	NONE
			-	30,555,000.00			YES	NONE
			-	40,700,000.00			YES	NONE
1,344.00		477,446.00	668,267.58	500,000.00			YES	NONE

			-	500,000.00		YES	NONE
			-	2,000,000.00		YES	NONE
		680,000.00		750,000.00		YES	NONE
			-	893,465.00		YES	NONE
		409,602.00	1,084,823.32	2,427,329.00			
65,232,478.25	53,370,330.71	482,844,347.71		444,951,792.47			

APPENDIX G: CONDITIONAL GRANTS AND RECEIPTS

	UNSPENT BALANCE 1-Jul-2007	CURRENT YEARS RECEIPTS	INTEREST ALLOCATED	NON CAPITAL EXPENDITURE	CAPITAL EXPENDITURE	TRANSFERS	UNSPENT BALANCE 30-Jun-2008
<b><u>NATIONAL GRANTS</u></b>							
FINANCIAL MANAGEMENT GRANT	1,517,287	500,000	176,450	-1,735,342			458,395
TRANSPORT INFRASTRUCTURE	3,629,153		221,466				3,850,618
INCOME GENERATING PROJECTS	476,188		26,632				502,820
RURAL ANTI-POVERTY	510,807		41,802				552,609
TSOLO-QUMBU SKILLS	36,023		1,309				37,333
CBPWP	930,934		3,406				934,340
BSRP PROJECTS	2,643,157		135,610	-744,887			2,033,881
MSIG PROJECTS	486,675	1,000,000	89,670	-1,333,161			243,185
DWAF PROJECTS	14,711,923	17,912,123	308,187	-18,745,575	-416,379		13,770,280
IRDIP PROJECT FUND	862,890		150,769				1,013,659
DISASTER MANAGEMENT	2,484,160		94,663	-1,266,767	-226,789		1,085,267
SURVEY & PLANNING PROJECT	348,086		660				348,746
LAND DEVELOPMENT OBJECTIVES							
HIV / AIDS PROGRAMME	5,943,650		57,843	-132,283			5,869,210
ESTABLISHMENT FUND (GRANTS RECEIVED)	11,149,478	1,014,767	1,061,866	-2,779,851			10,446,261
SPU YOUTH DEVELOPMENT PROJECT FUND	185,027		15,777	-20,658			180,146
SPU SIMISONKE FUND	119,052		23,203				142,255
MBIZANA DROUGHT RELIEF FUND	818,247		1,024				819,271

MIG FUND	93,933,240	396,534,271	7,162,221	-419,564,032	-14,232,496	63,833,204
UMZINTLAVA/QHINQOLO FUND	4,615,451		426,666			5,042,117
SIP FUND	3,683,103		159,931			3,843,035
COMMUNITY DEV.WORKERS FUND	535,724		132,360	-209,134		458,950
INTEGRATED TRANSPORT FUND	224,693		2,925	-228,734		-1,115
LIBRARIES & INFORMATION FUND	1,569,772	1,900,000	255,319		-2,004,234	1,720,857
INTEGRATED DEVELOPMENT FUND	1,775,322		131,614	-1,442,195		464,741
AIDS TRAINING INFO & COUNSEL FUND	-784,072	2,594,059	157,485	-1,585,246		382,227
LGWSETA	180,872		6,438			187,310
JOB EVALUATION FUND	15,347	6,000	14,868			36,215
IFESH	52,155		5,162			57,317
FIRE & EMERGENCY	680,530	2,000,000	372,048	-2,740,009		312,568
BALANCE CARRIED OVER	<b>153,334,876</b>	<b>423,461,220</b>	<b>11,237,377</b>	<b>-452,527,873</b>	<b>-16,879,898</b>	<b>118,625,702</b>
BALANCE BOUGHT DOWN	<b>153,334,876</b>	<b>423,461,220</b>	<b>11,237,377</b>	<b>-452,527,873</b>	<b>-16,879,898</b>	<b>118,625,702</b>
ORTDM DROUGHT RELIEF	1,939,974	745,794	9,630	-212,720		2,482,678
VOTING STATIONS	208,379		3,358			211,736
LG SETA	152,180		12,444			164,623
LED BEAET	1,688,382		161,866	-961,977		888,271
EMFUNDISWENI B&B	108,777	4,158	10,635			123,570
ORTDM SUGAR ASSOCIATION	303		1,051			1,354
VULINDLELA DBSA	331,210		53,640			384,849
CAPE TOWN DISASTER FUND	27,648		2,744			30,392
SPATIAL DEVELOPMENT	156,403		8,819			165,222
MASIMANYANE FUND	106,527		10,871			117,398
SPATIAL PLANNING FUND	12,904		1,283			14,187
VALUATIONS PROJECT FUND	50,555		129,015			179,570
LAND SURVEY PROJECTS FUND	592,478		57,482	-563,000		86,960
FREE BASIC SERVICES FUND	342,001	495,000	46,930			883,931
ISRDP DEVELOPMENT FUND	273,148		27,878			301,026
ISRDP BEEF PROJECT	20,212	300,000	1,994			322,206
CAPACITY BUILDING	131,433		43,213	-26,316		148,330
INSTITUTIONAL TRAINING	52,550	750,000	14,494	-680,000		137,044
ISMIS FUND	38,728	513,082	9,613	-487,785		73,638
LANGENI DEVELOPMENT	52,954		26,601			79,555

Siyaphambili Woodworkers Cooperative		750,000	48,361	-143,465		654,896
Information & Energy Centre		2,500,000	160,479	-2,500,000		160,479
Ntabankulu Dam Hotel and Recreation		2,000,000	48,607			2,048,607
Disaster Relief Fund		1,500,000	25,558	-1,500,000		25,558
ISRDP Knowledge Management Fund		1,000,000		-902,931		97,069
Investment Site Profiling Mapping		396,000				396,000
LED Capacity amd Systems Fund		317,000				317,000
Assessment Study for Health Water Services Business Plan Implementation (WSBPI)		2,427,329	57,753	-329,056		2,156,026
	<b>159,621,621</b>	<b>437,439,582</b>	<b>12,211,694</b>	<b>-460,835,123</b>	<b>-16,879,898</b>	<b>131,557,877</b>
<b>PROVINCIAL GRANTS</b>						
PRESTON HOUSING FUND FUND	837,274		162,204	-353,192		646,285
MPEKO HOUSING FUND	243,223		18,008	-4,452		256,779
HADINI HOUSING FUND	402,829	2,659,300	267,868	-3,848,302		-518,305
EAGERTON HOUSING FUND	1,867,933		72,799	-794,252		1,146,479
LINDILE HOUSING FUND	1,295,674		39,281			1,334,955
ZIDINDI RURAL FUND	1,709,253	66,000	90,230	-1,461,018		404,465
PAYNE RURAL FUND	1,062,441	67,350	67,636	-1,221,665		-24,238
UPPER CENTULI FUND	370,954	132,000	6,765	-511,437		-1,718
UPPER TABASE FUND	537,713	133,960	12,701	-790,114		-105,741
NKONZO RURAL HOUSING FUND	874,030	479,069	43,761	-1,499,229		-102,369
NDLUKULU RURAL HOUSING FUND	568,070	66,000	3,287	-622,015		15,342
MANTLANENI RURAL HOUSING FUND	2,324,767		91,221	-1,533,502		882,486
NCAMBELE RURAL HOUSING FUND	31,101		2,840			33,942
NGWALA RURAL HOUSING FUND	1,162,635		8,516	-1,384,577		-213,425
NEW PAYNE RURAL FUND	-271,494		16,652	-20,831		-275,673
KWENXURHA RURAL HOUSING FUND	718,632	66,000	4,925	-1,530,312		-740,754
NTSHABENI RURAL HOUSING FUND	294,470	28,890	90,502	-100,251		313,609
RURAL ACCESS ROADS						
	<b>14,029,505</b>	<b>3,698,569</b>	<b>999,196</b>	<b>-15,675,151</b>		<b>3,052,119</b>
<b>PUBLIC CONTRIBUTIONS</b>						



UMTATA COMMUNITY ARTS FUND	51,776		99,372			151,149
MBIZANA EXT.4 FUND	1,260,074	1,886,066	64,185	-5,972,077		-2,761,752
	<b>1,311,850</b>	<b>1,886,066</b>	<b>163,557</b>	<b>-5,972,077</b>		<b>-2,610,603</b>
<b>TOTAL CONDITIONAL GRANTS</b>	<b>174,962,976</b>	<b>443,024,217</b>	<b>13,374,448</b>	<b>-482,482,351</b>	<b>-16,879,898</b>	<b>131,999,392</b>
PRIOR YEAR ADJUSTMENT						
RESTATED OPENING BALANCE	<b>174,962,976</b>					
		215,609,336.37		5,272,368.45		6,553,316.85

#### 4.1 Background and Summary

By the end of June 2008, Ntinga, as commonly known, completed four and a half years of existence. This is by all means a very young organization whose legal nature is defined and regulated by the Municipal Systems Amendment Act No. 44 of 2003. The brief given to Ntinga by its parent municipality, O.R. Tambo District Municipality (ORTDM) is "the facilitation and co-ordination of local economic development (LED) as well as implementation of LED programmes and projects identified in terms of the ORTDM integrated development plan (IDP)".

The brief to Ntinga emanates from the realization by the O.R. Tambo Council of the need to prioritize local economic development if the much needed growth in one of the worst poverty and jobless stricken districts in the Eastern Cape Province are to be realized.

#### **Synopsis of the Year**

The year 2007/8 has been a challenging one in the Ntinga's few years of existence. The inescapable reality of scarce resources, often complex planning environment exacerbated by the inherent urgency in development as a result of the high levels of poverty in the district posed a formidable challenge to Ntinga. One of the highlights would be the appointment of our new energetic Board and the new Chief Executive Officer with the same breath bid farewell to our former Board and the outgoing CEO.

#### **❖ Agency's Key Performance Areas:**

- o Institutional Development
  - Corporate Services - (HR, Office Admin, Supply Chain Management and Asset Management)
  - Finance and ICT management
- o Agricultural Development
- o Project Management and Municipal Support
- o Enterprise Support and Community Development

**❖ Abridged Financial Information 2007/2008**

**(Ntinga excluding enterprises)**

Ntinga received development funding amounting to R44,7m from O.R. Tambo District Municipality during the 2007/8 financial year broken down into R19,3m for operations and R25,3m for development projects. Additional funds received from fundraising activities amounted to R239,645 and maize program amounted R2,2m giving a total of R47,1m. R26,9m was spent by the company during the 2007/8 financial year in development projects. About 29% of the total projects allocation was spent in the maize programme, 36,3% in enterprises including the Emfundisweni Skills Development & Resource Centre (ESDRC) while the remaining 34,7% was spent on other projects which are mainly agricultural.

Ntinga's operational expenditure in the 2007/8 financial year amounted to R25,8m excluding enterprises operations. In the previous year, operational expenditure amounted to R35,5m. Ntinga had property, plant and equipment with a net value of R3,57m as at 30 June 2008 while the net value of community assets amounted to R6m. Ntinga's cash resources as at 30 June 2008 amounted to approximately R10,6m.

### 4.3 PERFORMANCE REPORTS (Ntinga)

#### 4.3.1 AGRICULTURAL DEVELOPMENT

##### PURPOSE OF THE DEPARTMENT

The purpose of the Department is to improve agricultural development in the O. R. Tambo District. According the IDP document for 2007/08 – 2011/12, the agricultural potential in the district remains untapped. For this reason the Department, as part of Ntinga O.R. Tambo Development Agency, has the mandate for implementation of development objectives of O.R. Tambo District Municipality. This mandate of the Department is implemented in the areas of Crop production, Livestock Improvement, Vegetable production,

##### KPA's, OBJECTIVES, KPI's WITH TARGETS AND ACTUALS

Key Performance Areas	Objectives	Key Performance Indicators with targets	Actual Performance
1.Livestock Improvement in the ORTDM	Improved production of wool, mutton and beef	Introduction of rams, bulls and bucks to farmers for genetic improvement	24 rams, 9 bulls and 15 bucks were distributed. Initially there were 30 bulls and 21 bulls were taken to Mkambathi for proper feeding and shall be handed over to the relevant communities.
	Improved veld management through capacity building of farmers	50 farmers will be trained by end of financial year	50 farmers were trained and are able to disseminate information to others
	Improvement of	Farmers to be trained	50 farmers were trained.

Key Performance Areas	Objectives	Key Performance Indicators with targets	Actual Performance
	<p>animal health management through capacity building</p> <p>Improved skills in animal breeding</p> <p>Linking animal production with Mzikantu Red Meat Abattoir.</p>	<p>during the financial year.</p> <p>50 farmers identified and trained from different sites by end of financial year</p> <p>150 heifers will be exchanged to kickstart livestock marketing</p>	<p>All 50 farmers were trained</p> <p>Thirty heifers were donated to the farmers for improvement of livestock during the heifer exchange launch, and 7 heifers are exchange so far. The reason for deviation is the delayed launch on heifer exchange.</p>
2. Livestock Marketing	<p>To conduct auctions so that farmers realized income from their cattle.</p> <p>To procure local livestock for the abattoir.</p>	<p>To conduct one auction at the South and one in the North.</p> <p>To procure 1000 cattle , 2000 sheep for slaughtering at the abattoir.</p>	<p>One auction conducted at Nyandeni - Southern region.</p> <p>250 cattle and 25 sheep procured. The deviation is due to unavailability of funds allocated for abattoir operations.</p>
3. Ikwezi Dairy-Milk Production	<p>To increase milk production.</p>	<p>To increase milk production from current average of seven liters TO ten liters.</p>	<p>Milk production increased from an average of seven to fifteen liters.</p>
4. Animal Identification	<p>To improve pastures and feeding programme.</p>	<p>To plant 8 Ha to assist in the animal nutrition.</p>	<p>8 Ha planted ryegrass and turf.</p>

Key Performance Areas	Objectives	Key Performance Indicators with targets	Actual Performance
	To brand cattle so as to reduce livestock.	To brand 50 000 cattle.	14 000 cattle were branded and the short fall is due to human resource constraints and high rainfall during summer resulting in cancellation of appointments.
Farmer Development and skills support.	To train farmers on livestock marketing (auction sales) and grading at Abattoir.  To take farmers to an exposure visits especially within the Province.	20 O. R. Tambo farmers are capacitated in Livestock Marketing (auction sales) at Peddie sale pen & grading at East London abattoir.  Three exposure visits this financial year.	18 O.R. Tambo farmers were capacitated in Live stock marketing (auction sales) at Peddie sale pen & grading at East London.  Two exposure visits one on livestock marketing (18 farmers) & another on dairy coops at University of Fort Hare (8 Farmers).
2. Promotion of Agricultural development strategy of the district through Primary Agricultural Resuscitation (PARP) and crop Diversification programmes	Getting agriculture back as a key livelihood activity, particularly on the aspect of food security.  Transform the substance mode of farming by our farmers towards commercialization	<b>Area under production:</b> 2612.6 ha were targeted for maize production in 2007/2008, season.  <b>Increase in yields:</b> We targeted yield of ≥3t/ha compared to an average of 2.7t in 2006/7 season  <b>No. of projects that received extension service.</b> 72 projects were	2558 ha of land was put under maize production for the season 2007/08.  Increase in yields with the average of 3t/ha were realized with some projects achieving yields of >5.5t/ha  72 projects received an unconditional support in the form of extension service in 2007/8 season. All the projects received an in-house

Key Performance Areas	Objectives	Key Performance Indicators with targets	Actual Performance
3. Extension and support services to Ntinga/District projects and any other agricultural related projects in the jurisdiction of O.R Tambo District Municipality.	. (Commercialization of the sector.)  Render effective extension and farmer support service through coaching mentoring and training of farmers into modern farming practices and techniques.	targeted.	training in fertilizer and chemical application. Tractor operators were tutored on calibration of planters & boomsprays.
Fundraising and Resource Mobilisation	To secure outside funds and resources required for the fulfillment of objectives of our programmes/projects.	<b>Amount targeted:</b> R1 878 824.	R1 613 029.50 was raised from the farmers as at the time of writing this report.
3. Vegetable Production	Ensure optimum utilization of available land and water recourses  Ensure that farmers get inputs for vegetable production	existing projects along the river valleys operate  Seeds fertilizers and chemicals are available on project sites  Equipment always functioning and repaired timeously	13 projects are operational with steering committees  All 13 projects were supplied with inputs  Equipment was discovered not to be operating and processes of repairs were started

Key Performance Areas	Objectives	Key Performance Indicators with targets	Actual Performance
	Ensure sufficient and efficient use of irrigation equipment		<p>Out of 13 projects, 1200 bags of potatoes have been sold at R20/bag.</p> <p>108 casual and 12 permanent people were employed.</p> <p>Addition of 2 projects at PSJ constituted 50% of the employment rate of the above number</p> <p>2 projects have graduated to be Coops (Ihem and Matolweni).</p> <p>2 projects have attracted funding from different institutions (Ihem from Social Development Dept and Matolweni from National Development Agency).</p>
4. Farmer Development and Support	<p>Skills development and capacity building for rural farmers</p> <p>Farmers are supported in marketing their products</p>	<p>Farmers will be trained in various skills for empowerment</p> <p>Farmer's products of farmers to have access to the market</p>	<p>Farmers were trained in skills in livestock development, crop production and institutional organization of cooperatives</p> <p>600 bales of wool were transported to BKB, farmers were assisted to sell 2,000 bags of maize to a market in Gauteng</p>
5. Mechanization in agricultural Production	To ensure availability of efficient machinery and equipment for agricultural production in the ORTDM.	Sufficient Tractors and equipment will be secured for the season	34 local tractor owners and 4 commercial tractor contractors were engaged



Key Performance Areas	Objectives	Key Performance Indicators with targets	Actual Performance
High Value Production	<p>To ensure optimum production of the following crops.</p> <p>✓ Cotton</p> <p>✓ Sorghum</p> <p>✓ Beans</p>	<p>1000 Ha cotton to be planted this financial year.</p> <p>100Ha to be planted.</p> <p>15 Ha to be planted.</p>	<p>560 Ha planted of which 15.0 Ha was destroyed by livestock. The deviation from 1000 Ha to 560 Ha is that DAGAMA let us down; they did not rip as promised. The is 1660,5 Kg from 20,3 Ha (Mqhume) &amp; 229,7Kg from 14,3 Ha (Dumsi).</p> <p>50 Ha planted of which 50 Ha was washed away by heavy rains immediately after planting due to deep slope of the land. Currently 200 X 50Kg harvested.</p> <p>15 Ha planted and the yield is 44 X 50Kg.</p>

## CHALLENGES EXPERIENCED

- ✓ Insufficient commitment from farmers
- ✓ Late Inputs purchases and delivery: Due to insufficient grant for inputs, purchases had to be delayed to give room for the Farmers production cost contribution and in cotton it's the late procurement of inputs.
- ✓ No enough money to speed harvesting of cotton as it only harvested in summer where the probability of raining is high. Rains always destroy the quality of the cotton.
- ✓ Sorghum is prone to bird attraction and therefore only bird proof cultivars are to be planted.
- ✓ Chemical- herbicide application: Due to continuous rainfall, effectiveness of herbicide application may not achieve 100% result in all the projects where it has been applied.
  - ✓ Human resource constraints especially in animal identification.
  - ✓ Lack of financial assistance for infrastructural development.
  - ✓ Insufficient funds to procure heifers to reach the targeted farmers.
  - ✓ Livestock programme takes time to see results.
  - ✓ Limited number of women participation in the programme as the assets are customarily belonging to men.
  - ✓ Eskom not cooperating in returning electricity.
  - ✓ Inadequate/absence of access roads to production sites.

## CORRECTIVE MEASURES

- ✓ Farmers have been made to contribute towards crop production costs.
- ✓ Farmers to be encouraged to settle their contributions within the set deadline.
- ✓ To fundraise for the Heifer Exchange programme and training on animal identification

- ✓ Create programmes that will focus in women participation in livestock.

#### **SUMMARY OF PLANS FOR THE NEXT REVIEW TERM**

- ✓ Increase the number of farmers trained on relevant Agricultural skills.
- ✓ Ensure effective intergovernmental relations.
- ✓ Promote Community Participation during implementation of Ntinga Supported programs/ projects.
- ✓ Genetic Improvement of livestock indicated by significant quantifiable better quality progeny (calves, lambs & kids)
- ✓ Exchange of good breeds of heifers for livestock to be sold to Umzikantu Red Meat Abattoir.
- ✓ Transportation of wool to BKB Port Elizabeth.
- ✓ Complete harvesting of maize.
- ✓ Procurement of inputs for maize production.
- ✓ Facilitate marketing of farmers' produce.
- ✓ Mobilise farmers towards their own contribution to maize programme.
- ✓ Provision of extension and support services.
- ✓ More cattle are branded.
- ✓ Procurement of material for construction of goat shed.
- ✓ Procurement of material to finish up the construction of piggery and Mangquzu goat shed.
- ✓ Procurement of inputs for Agricultural programmes.
- ✓ Engagement of tractor contractors as early as August 2008.
- ✓ Termination of planting not later than 30 December 2008.

#### 4.3.2 PROJECT MANAGEMENT AND MUNICIPAL SUPPORT

##### PURPOSE OF DEPARTMENT

- Project initiation, facilitation and management of projects
- Identifying capacity needs and supporting municipalities to ensure integrated and sustainable delivery of services
- Research and information management
- Resource mobilization and fundraising

##### KPA's, OBJECTIVES, KPI's WITH TARGETS AND ACTUAL PERFORMANCE LEVEL

KEY PERFORMANCE AREA	OBJECTIVES	KEY PERFORMANCE INDICATORS WITH TARGETS	ACTUAL PERFORMANCE	VARIANCE
Municipal Transformation and Organisational Development	Improve project management capacity within the Agency.	Development of Project Management tools and training of 3 Ntinga staff on relevant project management tools.	Training was undertaken on the Logical Framework and Project KPI Assessment as part of monitoring and evaluating performance.	There are still a number of tools that required to be covered to ensure proper project implementation.
	Provision of support to the DM in planning and implementation of critical programmes undertaken in the execution of its mandate.	Smooth implementation of the O. R Tambo Month activities.	All activities were carried out as per the concept developed for the project and a report was submitted to the DM.	None.
		Coordination of the Extended Mayoral Forum to consolidate district priorities.	The Mayoral Forum session was successful and a consolidated list developed as broad agreement on district priorities.	None.
Good governance	Ensure transparency and accountability.	Develop Annual and Quarterly reports and	Mid term and 4 <sup>th</sup> quarter reports submitted.	1 <sup>st</sup> and 2 <sup>nd</sup> quarter reports were not

KEY PERFORMANCE AREA	OBJECTIVES	KEY PERFORMANCE INDICATORS WITH TARGETS	ACTUAL PERFORMANCE	VARIANCE
and public participation		submit to CEO.		submitted.
	Ensure integration of community based structures in project implementation.	The three Sustainable Village sites in the implementation phase have appropriate institutional arrangements to enable representation and participation.	PSC's have been set for Tsilitwa, Baziya and Shawburry and have been instrumental in driving activities.	None.
Local Economic Development	Ensure implementation of LED programmes.	Acquisition of Fort Donald and Mfundisweni Trading Centres for investment by the DM.	Transfer of Mfundisweni has been finalised	Transfer of Fort Donald is still outstanding.
		Operationalisation of the Qaukeni Chicken Abattoir.	Discussions were held with Winchick farm as a potential tenant.	The project could not be operationalised due to ownership issues that could not be resolved.
		Development of the sites for Sustainable Village Development.	Planning is being undertaken and nearing completion.	None.
Financial Viability and Management	Reduction of dependence on DM for operational cost funding.	Preparation of costed departmental business plan and budget.	None	100%
	Mobilise resources for expanded impact to community development programmes.	Mobilisation of external resources to enhance community development.	R250 000 has been raised through Old Mutual for the Baziya (R150k) and Mfunsisweni (R100k) Bakery projects.	None
	Effective and efficient management of financial resources of organization resources.	Prevention of unnecessary expenditure of company resources.	Contract of engagement of Caculama Security Company in respect of Fort Donald and employment contracts of the 23 ABET Practitioners were terminated.	None.

## **PERFORMANCE VARIATION**

- Notwithstanding the limitations expressed hereunder, the Unit made an enormous contribution towards achieving some of the critical goals for the financial year, for example the design and implementation of the Turn Around Strategy for enterprises which although not yet fully achieved took a lot of time to discuss amongst affected stakeholders.

## **CHALLENGES EXPERIENCED**

The fulfillment of the mandate of the department and attempts to improve project management was faced with the number of challenges emanating from pre - existing circumstances that have not been resolved internally at both management and Board level, such as:

- Lack of positioning of the Agency as a PIA of choice for funders, government departments and even within the local municipalities of the ORTDM. An enabling environment ought to have been created, especially amongst local municipalities that paved a way for the Agency being conceived as a fee levying organization rather than part of the DM's broader support system.
- The legal form of the Agency coupled with the inability to receive a clearance certificate continues to pose serious limitations for resource mobilisation as this is a standard requirement.
- Poor resourcing of the PMMS Unit with human resource to enable it function as required. The high salary bill of the Agency remains a limiting factor in terms of getting the relevant personnel.
- Linked to there being few people to do the work, time constraints became one of the limiting factors in order to achieve the set targets.

## **CORRECTIVE MEASURES TO BE TAKEN IN RESPONSE TO VARIANCE**

### Project Management Tools

- A budget to be made available in the 2008 / 2009 draft budget for the acquisition of a project management system.

### Transfer of Fort Donald

- To facilitate the transfer to the District Municipality due to legal status of the Agency this is of the identified bottlenecks in relation to further acquisition of property.

### Qaukeni Chicken Abattoir

- Involvement with the abattoir has been seized as per the instructions of the DM.

Reduction of dependence on DM for operational costs

- Efforts shall be strengthened to ensure implementation of the DEAT project for which Ntinga has already been appointed as a PIA. Applications to other potential funders shall continue to be submitted.

## **6. OVERVIEW OF PLANS FOR NEXT FINANCIAL YEAR**

Development and implementation of Municipal Support Plan.

- Strengthening of relations with government departments including DEDEA, DME.
- Entering into strategic partnerships with Job Creation Trust, RULIV and other funders.
- Internal capacity building in project management.

### **4.3.3 FINANCE & ICT MANAGEMENT**

#### **FINANCE MANAGEMENT**

##### **PURPOSE OF THE DEPARTMENT**

- To provide sound financial administration
- Administration and management of the budget
- Asset management
- Implementation and maintenance of systems of internal control.
- Financial reporting
- MFMA Implementation

**KPA's, OBJECTIVES, KPI's WITH TARGETS AND ACTUAL PERFORMANCE LEVEL**

KEY PERFORMANCE AREAS	KEY OBJECTIVES	KEY PERFORMANCE INDICATORS	ANNUAL TARGETS	ACTUAL PERFORMANCE
<ul style="list-style-type: none"> <li>Municipal Transformation and Organisational development</li> </ul>	Skills Development	Train staff members on PAYDAY system	Train 1 staff member	Trained 1 staff member on PAYDAY system
		Train staff members on Pastel Evolution	Train 12 non finance and finance staff members	Trained 8 staff members
<ul style="list-style-type: none"> <li>Good Governance and Public participation</li> </ul>	Ensure transparency and accountability	Annual and Quarterly reports submitted to CEO	Develop Annual and Quarterly reports and submit to CEO.	All quarterly and annual reports developed and submitted to the CEO
		Budget process	Submission of budget	Approval and implementation of annual budgets
	AFS checklist	Prepare AFS checklist	Prepare and implement AFS checklist	Prepared and utilized in the preparation
	Internal control	Implementation of internal controls	Constant monitoring and adherence to the system of internal controls	Monitoring the implementation of internal control systems and constant review thereof
<ul style="list-style-type: none"> <li>Financial Viability and Financial management</li> </ul>	Financial management system	Acquisition, installation and implementation of FMS.	Implement of Pastel Evolution System	Financial management system acquired but not fully implemented due to insufficient knowledge of the system by the service providers
		Preparation of AFS	Preparation and submission of the Annual Financial	Timely submission of accurate AFS and the properly prepared



KEY PERFORMANCE AREAS	KEY OBJECTIVES	KEY PERFORMANCE INDICATORS	ANNUAL TARGETS	ACTUAL PERFORMANCE
	Monthly Reports	Statements with a proper accounting file Submit Monthly reports of Ntinga O.R Tambo Development Agency and the enterprises Monitor the budget	accounting file Preparation and submission of monthly reports within seven working days Monitor the budget ensuring that there is no over-expenditure resulting in fruitless and wasteful expenditure	Ntinga and enterprises AFS submitted to Auditor General on 31 August 2008 and the audit report was signed on 30 November 2008 Submitted the monthly reports to the District Municipality within seven working days
	Cashflow management	Prepare Annual Cashflow	Collection of all revenue budgeted for	Submitted budget vs. actual to management on a monthly basis.
	Third Party payments	Prompt payment of suppliers and statutory deductions	Payment of suppliers within 30 working days of receipt of the invoice	Submitted monthly invoices and follow on those invoices
	Payroll	Monthly payroll	Submission and Payments of VAT returns by the 25 <sup>th</sup> of each month Payments of payroll deductions by the 7 <sup>th</sup> of each month	Received monthly revenue allocation Processed supplier statements subject to the adherence of SCM and availability of budget Prepared and submitted monthly VAT returns
	Banking and Investments	Management of the Agency's investments and bank accounts	Proper management of the investments ensuring maximum return on investments	Deducted and paid of all payroll deductions on a monthly basis

KEY PERFORMANCE AREAS	KEY OBJECTIVES	KEY PERFORMANCE INDICATORS	ANNUAL TARGETS	ACTUAL PERFORMANCE
	MFMA	MFMA compliance	Develop MFMA compliance checklist and implement	<p>Paid of salaries by the 25<sup>th</sup> of each month</p> <p>Submitted quarterly report to the Board of Directors on the return on investments</p> <p>Implemented the checklist e.g. notification of the DM on all new bank accounts opened</p>

**SUBSTANTIATE PERFORMANCE VARIATION**

- The overall performance can be assessed as positive because major targets were achieved in terms of submission of the annual budgets, adjustment budget and annual financial statements.
- There is still room for improvement as we did not achieve 100% in the implantation of MFMA which is critical as this is one of the legislations that govern a municipal entity.

**CHALLENGES EXPERIENCED**

- The financial management system in place is not fully functional and we are currently running Pastel Accounting for financial reporting purposes. The budgets are manually monitored which is then prone to human error.
- There is lack of office space so the safety of the expenditure vouchers is at stake since we do not have a dedicated expenditure office and fire proof filing rooms.

#### **SUGGESTED CORRECTIVE MEASURES**

- A consultant directly from Pastel Evolution is being sought to assist with the full implementation. This will be considered in the 2008/2009 Adjustment budget.
- The lack of office space will be addressed once we relocate to the O. R. Tambo Offices in Southernwood

#### **OVERVIEW OF PLANS FOR NEXT FINANCIAL YEAR**

- Acquire a financial management system
- Prepare annual budgets per department
- Fully implement MFMA
- Improve the payment processes
- Convert enterprises to be GRAP/GAMAP compliant
- Obtain a clean report

#### **ANNEXURES (detailed illustration of performance, e.g. staff profile, etc.)**

- Approved budget - Annexure A
- Signed AFS - Annexure B
- Signed Audit Report - Annexure C

### 3.4.4 INFORMATION & COMMUNICATION TECHNOLOGY MANAGEMENT

#### PURPOSE OF THE DEPARTMENT

To provide Ntinga O.R. Tambo Development Agency with information & communication technology systems management that will enable the organization to fulfill its objectives of services delivery.

#### KPA's, OBJECTIVES, KPI's WITH TARGETS AND ACTUAL PERFORMANCE LEVEL

KEY PERFORMANCE AREAS	KEY OBJECTIVES	KEY PERFORMANCE INDICATORS	ANNUAL TARGETS	ACTUAL PERFORMANCE
<ul style="list-style-type: none"> <li>Municipal Transformation and Organisational development</li> </ul>	Desktop Memory upgrades	To have all desktops Memory upgraded to system specifications for the MFMA training module by 30 September 2007 Acquire the Server acquisition	Upgrade to desktop	All Desktops & Laptops' Memory were upgraded as per system requirements. Software could not be installed because the National Treasury Advisor assigned to OR Tambo District resigned.
	To have Server with capabilities to run BAUD Asset & Financial Management System	To have internal and external daily weekly & monthly backups for Pastel, Payday, Filling system, Email	Acquire and configure the server to accommodate the asset management and financial management system	The Server was acquired
	ICT Risk Management	Provide prompt ICT Support Properly Updated website and functional website	Daily, weekly and monthly backups	Continuous, Daily, weekly & monthly backups (Done)
	ICT User support	Server & workstation updates	Provide timely and prompt support to users	Continuous, Done on daily basis
	Web Maintenance	Software Licensing	Updated Website	Website functional and updates made on timely

<ul style="list-style-type: none"> <li>• Good Governance and Public participation</li> </ul>	<p>ICT Infrastructure Maintenance</p> <p>Software Licenses</p> <p>Develop ICT security &amp; Backup policy</p>	<p>Management to avoid discontinuance of operations</p> <p>ICT and security policy</p>	<p>ICT Infrastructure Maintenance</p> <p>Licensed Software</p> <p>Developed ICT Security and Backup policy</p>	<p>basis.</p> <p>Virus updates - daily Windows updates at least quarterly (Done)</p> <p>Software licensed on a timely basis</p> <p>ICT Security and Backup policy developed and approved by the Board.</p>
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#### **SUBSTANTIATE PERFORMANCE VARIATION**

- Major targets were achieved however, there is still room for improvements especially with the appointment of the ICT support person. This will speed the response time of user queries.

#### **CHALLENGES EXPERIENCED**

- There is currently only one person employed in the ICT Department i.e. the ICT Manager and this does speed up the respond time towards user queries.
- There is currently insufficient funds to acquire a backup system and UPS
- There are insufficient funds to replace the desktops which are old and problematic.
- There is insufficient room to house the servers as this was an issue raised by the Auditor General

#### **SUGGESTED CORRECTIVE MEASURES**

- The ICT Officer will be employed in the 2008/2009 financial year.
- The acquisition of backup system UPS and replacement of the desktops will be considered during the 2008/2009 adjustment budget process.
- The lack of office space will be addressed once we relocate to the O. R. Tambo Offices in Southernwood

#### **OVERVIEW OF PLANS FOR NEXT FINANCIAL YEAR**

- Acquire a backup system and UPS
- Appoint IT assistant to assist with the daily activities of the Agency
- Fully implement the ICT Security Plan and Backup policy

#### **ANNEXURES (detailed illustration of performance, e.g. staff profile, etc.)**

- ICT Security Plan - Annexure A
- Backup policy - Annexure B

## **ANNUAL PERFORMANCE REPORT - CORPORATE SERVICES 2007/08**

### **PURPOSE OF THE DEPARTMENT**

Priorities are :-

1. The effective management of human resources in order to ensure the transformation of skills development, employment equity and performance appraisal.
2. The effective management of an administration system that is effective and facilitates decision making and service delivery throughout the organization.
3. The effective management of Supply Chain Management function within the organization

**KPA's, OBJECTIVES, KPI's**

<b>Key performance areas</b>	<b>Objectives</b>	<b>Key performance indicators</b>	<b>Annual Targets</b>	<b>Actual performance</b>
Provision of strategic human resource support to all Entity's departments	To give human resources department operational guidelines.	Filling of vacant positions.  Development of policies	Ongoing  Ongoing	The assistant HR officer has been appointed.  Laptop policy, traveling allowance policy were reviewed  Achieved 100%
Provision of staff development support	To have result oriented employees  To comply with relevant legislation	Skills audit  Submission of Workmen's Compensation return Submission of WSP and ATR.	May 2008  31 March  30 June 2008	Achieved  Achieved  Achieved
To provide support and ensure the maintenance of sound labour relations.	To provide labour relations support to HOD	Support managers during labour dispute.	On going	Attended two labour disputes (eMfindisweni and Nceduluntu sites)
Organizational Support	To provide administrative, logistical and operational support	Availability of relevant administrative support  To provide employees with relevant information regularly.  Registration of company cars	Ongoing  Ongoing  On due dates	Ongoing  Ongoing  Ongoing



Supply Chain Management	To provide guidelines on procuring goods.  Compile quarterly reports	Compliance to SCM policy and Treasury Regulations.  Submission of reports	Ongoing  Ongoing	Not achieved  Not achieved
Asset Management	To ensure that company assets are managed properly.    Safeguarding Entity's assets  Ensure that fixed assets are properly reconciled.  To provide risk management services.	Acquisition of Asset Management tracking System  Assets are in working condition and maintained  Inspection is on quarterly basis.  Assets are adequately insured  All assets are traceable.  .  Stock count and asset verification  Fixed asset tagging Asset Verification  Identification of redundant assets	31 July 2008  Quarterly  Ongoing  Ongoing  May 2008/ & June 2008  On going On going  June 2008	100% achieved  This was not achieved  Not achieved  100% Achieved  100% achieved  On going On going  Achieved

#### **SUBSTANTIATE PERFORMANCE VARIATION**

Non submission of SCM quarterly reports

Posts which were supposed to have been vacant due to resignation were not filled.

#### **CHALLENGES EXPERIENCED**

The company has the moratorium on appointments until the strategic planning documents are completed. This lead to vacancies not filled.

The Asset Management section and the SCM section have been combined and only one employee is employed. There is one temp who is assisting in this department.

The documents for the organizations are currently kept in managers offices. This makes it difficult to access information by other managers especially when the relevant manager is no longer with the organization.

#### **SUGGESTED CORRECTIVE MEASURES**

The Asset Management and Supply Chain Management are transferred to Finance Department since they are subsections which are supposed to be in that department. Additional staff is needed to perform these functions

#### **SUMMARY OF PLANS FOR THE NEXT REVIEW TERM**

- Establish registry section
- Submission of SCM quarterly Reports
- Development of Employee Equity Plan

Secure offices for the Agency

#### 4.3.5 ENTERPRISES, SMME & COMMUNITY DEVELOPMENT

##### 1.1 Background:

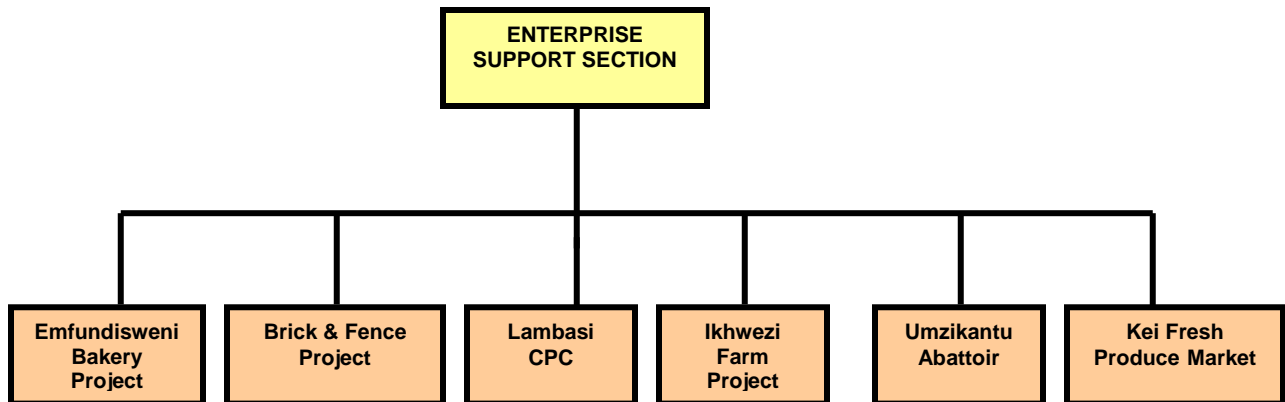
The enterprise development programme is aimed at job creation and local industry growth and competitiveness within the O.R. Tambo District Municipality.

Ntinga O.R. Tambo Development Agency currently manages strategic enterprises that support the needs of local communities, service delivery mandates of ORTDM aimed at improving the quality of life within the district. Therefore enterprise development is a strategic approach to enhance local economic development to attain the goals of the district municipality.

##### 1.2 Objectives for the enterprise development programme.

- Sustainable job creation.
- Community empowerment through participation.
- Support social economic development programmes.
- Human Resource Development and Entrepreneurial Development.

##### 1.3 Enterprise Group Structure



**KPA's, OBJECTIVES, KPI's WITH TARGETS AND ACTUAL PERFORMANCE**

KEY PERFORMANCE AREAS	OBJECTIVES	KEY PERFORMANCE INDICATORS	ACTUAL PERFORMANCE
Sustainable Fresh Produce Market retail.	Food security, local production & job creation.	1. Establishment of a retail market. 2. Use market agents for vegetable sales. 3. No. of jobs created	See below
Red meat sales operation	Food security, local livestock commercialisation & job creation.	1. Operate Abattoir facility. 2. Source local community livestock.	See below
Brick-making operation	local production of bricks, SMME development & job creation.	1. Operate brick yards. 2. Train & establish brick yards. 3. No. of jobs created	See below
Dairy operations establishment.	Food security, local livestock commercialisation & job creation.	1. Operate 2 dairy operations. 2. Establish dairy cooperatives.	See below
Establishment of rural Farmstall operations	Food security, encourage local vegetable production & job creation.	1. Operate Farmstall. 2. Purchase local produce. 3. No. of jobs created	See below
Establish & operate bakery operations in sustainable villages.	Food security, encourage rural production & job creation.	1. Local supply of bread to retailers & Cooperatives. 2. No. of jobs created	See below
Maize production & processing	Food security, encourage rural production & job creation.	1. Sale of samp & mealie-meal. 2. No. of jobs created	See below
Establish & operate poultry production projects.	Food security, encourage rural production & job creation.	1. Operate abattoir operation. 2. Establish poultry projects. 3. No. of jobs created	See below

## 2. SUBSTANTIATE PERFORMANCE VARIATION .

There has been significant variation of sales in all the enterprises due to common problems detailed below:

- Sales budget below projected targets.
- Staff numbers in excess.
- Fewer SMME's & Cooperatives established.

## 3. CHALLENGES EXPERIENCED

- Excess staff.
- Predominantly unskilled workforce.
- Lack of working capital investment.
- Poor revenue collection.
- Low customer base resulting poor revenue streams.
- Obsolete machinery.
- Policy framework for the establishment of cooperatives.

## 4. HUMAN RESOURCES & REVENUE GENERATION

HUMAN RESOURCES - JOB CREATION					REVENUE GENERATION	
Enterprise / Cooperative	Permanent Jobs	Youth	Women	Temporary Jobs	Dec-07	Jun-07
Brick & Fence	96	47	46	88	R 1,076,000.00	R 2,068,917.00
Emfundisweni Bakery	34	13	19	41	R 1,324,313.00	R 1,579,131.00
Kei Fresh Produce Market	16	6	6	0	R 833,000.00	R 1,535,539.00
Ikhwezi Farm	6	0	2	0	R 151,744.00	R 140,818.00
Lambasi	21	11	15	219	R 266,718.00	R 1,479,156.00
Umzikantu Abattoir	13	4	5	0	R 266,718.00	R 1,205,488.00
Young Lion Coperative	9	6	3	9	R 0.00	R 0.00
<b>TOTAL</b>	<b>195</b>	<b>87</b>	<b>96</b>	<b>357</b>	<b>R 3,918,493.00</b>	<b>R 8,009,049.00</b>

## 5. SUGGESTED CORRECTIVE MEASURES

- Improve sales targets.
- Working capital investments provisioning.
- Reduce excess staff.
- Reduce inefficiency through training of employees and process improvements.

## OVERVIEW OF PLANS FOR THE NEXT FINANCIAL YEAR.

The department will hold during February 2008 a strategic planning session that is expected to yield the following results:

- Revised 2007 business plan.
- Restructuring of enterprises.
- Guidelines on establishment of Cooperatives.

### 4.3.5 Corporate Governance Report

#### ❖ Board Structure

- **Composition of the Board of Directors**

The Board of Directors of the Ntinga O.R Tambo Development Agency (Ntinga) is appointed by the O.R. Tambo District Municipality (ORTDM) to serve a term determined by the ORTDM. This arrangement is in line with the Municipal Systems Amendment Act and the ORTDM council approved by-law, which provides for the appointment of the municipal entity's board. Ntinga has a unitary Board, consisting of six non executive directors. The chairperson has no executive functions. The role of the Chairperson and the Chief Executive officer are separate. The chairperson is responsible for ensuring the integrity and effectiveness of the governance process.

- **Board Meetings**

Meetings of the Board are scheduled to meet at least 4 times per annum with defined objectives and agenda structure. Additional combined special or focus meetings with the senior managers of the Agency where consideration of the annual business plan, budget, major capital expenditure and key strategic issues are held on a need basis. Board members endeavor to attend Board meetings with thorough preparation. Board members are expected to participate fully, frankly and constructively in Board discussions and other activities and to bring the benefit of their particular knowledge, skills and abilities to the table. The new Board members were appointed effective from the 09 May 2008.

**Board Meetings = 5 (Old Board)**

Name	No. of Meetings Attended
Z. Pityi - Chairperson	1
N. N. Mnukwana	4
P. Titus	5
D. P. Cohen	5
P. M. Tshitshi	3

**Board Meetings = (New Board) = 3**

<b>Name</b>	<b>No. of Meetings Attended</b>
Dr P.P. Dyantyi - Chairperson	3
Ms N. Galeni	1
Ms P. Titus	3
Ms R. Mandimutsira	2
Ms F. Maqwati	3
Mr. S. Mase	3
Mr. P. Mqingwana	3
Mr. B. Dlulane	2
Chief X. Ndevu	1
Mr. Y. Quma	3

- **Remuneration**

The Directors fees are payable per sitting per day for all normal and special board meetings provided that where more than one meeting has set on a day, the member participating on more than one meeting shall attract fees for only one day at the highest rate applicable for his/her role for the day.

Policy is reviewed by the O.R. Tambo District Municipality annually.

- **Chairperson:** R4 500 per sitting/day
- **Chairperson of the Committee:** R4 000 per sitting/day
- **Ordinary Member (Board & Committee):** R3 000 per sitting/day

- ❖ **Board Committees**

The Board is authorized to form sub-committees as and when it is necessary to facilitate efficient decision making and to assist the Board in the execution of its duties, power and functions. These committees carry out their tasks under the following terms of reference.

Ntinga has two operational Board committees, namely the Audit & Corporate Governance Committee (ACGC) and the Human Resources & Remuneration Committee (HRRC).

The purpose and membership of the committees is as follows:

- **Audit & Corporate Governance Committee (ACGC)**

The ACGC is chaired by Mr. D.P. Cohen. All members are non-executive directors from the Board of Ntinga O.R. Tambo Development Agency. The name of the committee changed from ACGC to ARCGC (Audit; Risk and Corporate Governance Committee) and is chaired by Ms Nomfuyo Galeni.

a. Internal and External Auditors

The Committee recommends to the Board of Ntinga O.R Tambo Development Agency the internal audit coverage plan based on a risk assessment of the agency. It also reviews annually the external audit plan, resources and scope of audit work and considers the fees for the external auditors, who have unrestricted access to it. It also monitors internal and external auditors' performance against expectations.

**b. Financial Statements**

The Committee examines and reviews the annual financial statements of the Agency and other relevant financial reports.

**c. Internal Control and Risk Assurance**

An important role of the Committee is to consider whether appropriate procedures are in place for the ongoing evaluation of the effectiveness of internal systems of control and reviewing the reliability and the integrity of financial and operating information, including the internal audit function.

**d. Ethics and Corporate Conduct**

The Committee considers whether adequate procedures exist to ensure compliance with the requirements of the Agency's code of conduct, the MFMA appropriate standards of ethical conduct and identification of any violations of misconduct or fraud or any other unethical activity.

**ACGC Meetings = 4**

<b>Name</b>	<b>No. of Meetings Attended</b>
Mr. D.P. Cohen - Chairperson	4
Mr. M. Pollack	2
Ms P. Titus	4

**New ARCGC Meetings = 0**

<b>Name</b>	<b>No. of Meetings Attended</b>
Ms N. Galeni - Chairperson	0
Ms F. Maqwati	0
Mr B. Dlulane	0
Mr P. Mqingwana	0

**• Human Resources & Remuneration Committee (HRRC)**

Ntinga O.R Tambo Development Agency has a Human Resources and Remuneration Committee, consisting of non executive directors only and is chaired by Ms P. Titus, and the new one is still chaired by Ms P. Titus. The purpose of this committee is to review, consider and recommend on matters relating to management and general staff working environment.



**HRRC Meetings = 3**

<b>Name</b>	<b>No. of Meetings Attended</b>
Ms P. Titus - Chairperson	3
Mr. N. N. Mnukwana	3
Mr. P. M. Tshitshi	2

**New HRRC Meeting = 1**

<b>Name</b>	<b>No. of Meetings Attended</b>
Ms P. Titus - Chairperson	1
Ms R. Mandimutsira	1
Mr. S. Mase	1
Chief X. Ndevu	1
Mr. Y. Quma	1

**❖ Risk Management**

The Board recognizes that it has the overall responsibility for risk management and internal control. The Board ensures that risks are properly identified, evaluated and managed. The Board has included this function in the Terms of Reference of the ARCGC.

**❖ Internal Control Systems**

To meet its responsibility with respect to providing reliable financial information, the Agency maintains financial and operational systems of internal control. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with managements' authority, that the assets are adequately safeguarded, the company is protected from material loss arising from unauthorized acquisition, use, or disposal and those transactions are properly authorized and recorded.

Internal auditors monitor the operation of the internal controls and report findings and recommendations to management and the Audit and Corporate Governance Committee. Corrective actions are taken to address control deficiencies and improve the systems as identified. The Board, operating through the Committee, provides oversight to the financial reporting process and internal controls.

Ntinga assessed its internal control systems in operation during the year. Based on assessment, the Agency's systems of internal control are considered to be effective.

**❖ Management Team**

The Chief Executive Officer (CEO) attends meetings of the Board of Ntinga O.R Tambo Development Agency as an ex officio member and reports on the activities of the Agency. The CEO is responsible for ensuring that decisions, strategies and views of the Board are implemented. The senior managers are accountable for the control,

conduct and performance of their departments within the agreed business strategy.

❖ **Human Resources Practices and Policies**

Ntinga has human resources policies and practices that foster a high performance environment to the benefit of all the stakeholders.

A Workplace Skills Plan (WSP) is being completed every year and submitted to Services Seta.

Our employee remuneration compares favorably with both the private and the public sector. Staff meetings with the management enable employees to be reasonably well informed of news and developments in the Agency and beyond.

## CHAPTER 6. FUNCTIONAL AREA PERFORMANCE REPORT

### 6.1 INSTITUTIONAL TRANSFORMATION AND DEVELOPMENT

#### OBJECTIVES

- Ensure a district wide comprehensive capacity building and skills development programme
- Develop and implement programs that address the institutional capacity
- Ensure equal Employment opportunities for all throughout the DM.
- Ensure good/ healthy labour relations
- Ensure District Integrated Development Planning and appropriate alignment with PGDP, NSDP & LM's IDP's.
- Establishment, review and Implementation of Core Municipal Policies and Systems as required by law.

TARGETS	ACTUAL ACHIEVEMENTS
<ul style="list-style-type: none"> <li>■ Finalisation of job evaluation for all posts</li> <li>■ Appointment of the EAP practitioner</li> <li>■ Appointment of the OHS Committee</li> <li>■ Appointment of the EE Practitioner</li> <li>■ Each department to have a Customer Care Charter</li> <li>■ All senior to have signed performance agreements</li> <li>■ 4 LLF meetings to have to take place</li> <li>■ Customer service charter for each department</li> <li>■ Council approved IDP document available by 31 May 2008.</li> <li>■ District alignment session conducted</li> <li>■ PMS policy reviewed to align with the August 2007 guidelines</li> </ul>	<ul style="list-style-type: none"> <li>■ WSP submitted to the LGSETA</li> <li>■ 20 learnerships have taken place</li> <li>■ Job evaluation finalized and awaiting results</li> <li>■ OHS committee not yet appointed</li> <li>■ EE Practitioner not yet appointed</li> <li>■ No customer care charters</li> <li>■ Performance agreements in place</li> <li>■ LLF meetings took place</li> <li>■ No customer care charters</li> <li>■ Achieved- IDP document submitted and approved by council before the 31 May 2008</li> <li>■ Achieved - District alignment session was held and planned, all LMs, government departments and community representatives attended</li> <li>■ PMS policy reviewed and approved by council</li> </ul>

## 6.2 GOOD GOVERNANCE AND PUBLIC PARTICIPATION

### OBJECTIVES

- To ensure transparency and accountability
- To ensure the functionality of all IGR Forums, co-ordination and integration of all programmes and projects
- Establish relations with international communities with common interests
- Ensure implementation of internal Audit function within the DM and improve control systems
- Wider community participation to all government programmes and projects
- Promote consultative and sound relations between organized labour and the municipality as an employer
- Ensure clean governance
- Promote District wide communication programmes

TARGETS	ACTUAL ACHIEVEMENTS
<ul style="list-style-type: none"> <li>■ Facilitate effective participation of LM's and Sector Departments in IDP forums.</li> <li>■ Facilitate community participation in IDP processes.</li> <li>■ Council sits at least once per quarter (four times per financial year)</li> <li>■ Develop an update resolution register booklet</li> <li>■ DM councilors receive copies of legislations</li> <li>■ Council adopt Standing Orders</li> <li>■ Oversight checklist being adopted</li> <li>■ Oversight Committee being appointed to consider 2006/07 Annual Report</li> <li>■ Build more capacity to oversight committee members to clearly understand their roles and responsibilities</li> <li>■ Council to adopt 2006/07 Annual Reports</li> </ul>	<ul style="list-style-type: none"> <li>■ IDP Rep forum members including representatives of Government departments invited and attended meetings conducted as per the approved process plan</li> <li>■ IDP engagement meetings held with the Office of the Premier</li> <li>■ Eight Council meetings conducted in the year</li> <li>■ The Policy Register update has been done up to December 2007</li> <li>■ Booklet on resolution register has been developed and distributed</li> <li>■ Annual Report was tabled and adopted by Council without reservations.</li> <li>■ Council has adopted its Council Standing Orders</li> <li>■ A workshop for all members of the committee was conducted on the 10 April 2007 facilitated by a DBSA financial mentor</li> </ul>

### 6.3 FINANCIAL VIABILITY AND MANAGEMENT

OBJECTIVES:

- Ensure increased revenue generation and collection
- Ensure effective and efficient financial management systems
- Ensure appropriate security and controls over Council assets
- Ensure submission of Annual financial statements and financial plan.
- Ensure an effective and efficient support to local municipalities
- Ensure compliance with reporting requirements
- Ensure Improved Information management.

TARGETS	ACTUAL ACHIEVEMENTS
<ul style="list-style-type: none"> <li>■ Revenue generation &amp; enhancement</li> <li>■ Database cleansing of debtors</li> <li>■ Establishment of call centre</li> <li>■ Feasibility study on financial management system</li> <li>■ Financial &amp; budgeting reforms</li> <li>■ Review of IT policies</li> <li>■ Acquisition of a backup server, It equipment repairs &amp; Computer software</li> </ul>	<ul style="list-style-type: none"> <li>■ Budgeted to collect R72million, collected R46million (70% collection)</li> <li>■ VAT refunds - R72,9million collected</li> <li>■ Acquired 2600ha farm land</li> <li>■ Cleansing of consumer database completed and continuously being updated</li> <li>■ Asset management and fleet management policies are in place and fully operational.</li> <li>■ Fixed asset register is up to date and has been reconciled to the general ledger up to 30 June 2008.</li> <li>■ Feasibility study on financial management system was conducted</li> </ul>

#### 6.4 LOCAL ECONOMIC DEVELOPMENT

##### OBJECTIVES:

- Promotion of agricultural development
- Promoting forestry development
- Promotion of aqua-culture and mari-culture development
- Tourism development
- Promotion of manufacturing and industrial development
- Promotion of commercial development
- SMME and co-operatives development

TARGETS	ACTUAL ACHIEVEMENTS
<p>SUPPORT CO-OPERATIVES AND SMME'S</p> <ul style="list-style-type: none"> <li>■ Implementation of Zanokhanyo Brick project, Old Payne Brick Project, Emfundisweni Brick &amp; Fence Project, Information &amp; Energy Center, Siyaphambili Woodworkers Co-operative, OR Tambo Retreat Lodge</li> </ul> <p>VEGETABLE PRODUCTION</p> <ul style="list-style-type: none"> <li>■ Seeds fertilizers and chemicals are available on project sites</li> <li>■ Equipment always functioning and repaired timeously</li> </ul> <p>MAIZE FARMING PROJECT</p> <ul style="list-style-type: none"> <li>■ <b>Area under production:</b> 2612.6 ha were targeted for maize production in 2007/2008, season.</li> </ul> <p><b>Increase in yields:</b></p>	<ul style="list-style-type: none"> <li>■ The Zanokhanyo Brick Project has reached its completion stage as the budgeted amount of R150 000 has been fully spent.</li> <li>■ The Old Payne Brick Project has reached its completion stage as the budgeted amount of R250 000 has been fully spent.</li> <li>■ The Emfundisweni Brick &amp; Fence Project has reached its completion stage as the budget amount of R500 000 has been fully spent.</li> <li>■ R2500 000 was transferred to the OR Tambo Implementing Agent Ntinga. Ntinga will implement the project.</li> <li>■ R143 465 has been spent of R750 000 budget allocated to the Siyaphambili Woodworkers Co-operative.</li> </ul>

TARGETS	ACTUAL ACHIEVEMENTS
<ul style="list-style-type: none"> <li>■ Targeted yield of ≥3t/ha compared to an average of 2.7t in 2006/7 season</li> </ul> <p><b>Number of projects that received extension service.</b></p> <ul style="list-style-type: none"> <li>■ 72 projects were targeted.</li> </ul> <p>SORGHUM PROJECT</p> <ul style="list-style-type: none"> <li>■ 100Ha to be planted</li> </ul> <p>LIVESTOCK IMPROVEMENT</p> <ul style="list-style-type: none"> <li>■ Introduction of rams, bulls and bucks to farmers for genetic improvement</li> <li>■ 150 heifers will be exchanged</li> <li>■ Plant 8 Ha to assist in the animal nutrition.</li> <li>■ To brand 50 000 cattle.</li> </ul> <p>COTTON PRODUCTION</p> <ul style="list-style-type: none"> <li>■ 1000 Ha cotton planted</li> </ul> <p>TOURISM : MARKETING &amp; DEVELOPMENT</p> <ul style="list-style-type: none"> <li>■ Approval of tourism marketing strategy</li> </ul> <p>TOURISM DEVELOPMENT</p> <ul style="list-style-type: none"> <li>■ Strategic Planning Session by August 2007</li> <li>■ Training of 28 tourism officers and councillors from DM and all 7 local municipalities</li> </ul> <p>INVESTMENT CONFERENCE</p>	<ul style="list-style-type: none"> <li>■ A tender has been issued for an EIA for The OR Tambo Retreat Lodge</li> <li>■ 2558 ha of land was put under maize production (yield increased from 3t/ha - &gt;5.5t/ha)</li> <li>■ 24 rams, 9 bulls and 15 bucks were distributed</li> <li>■ 50 farmers were trained</li> <li>■ 8 Ha planted ryegrass and turf</li> <li>■ 15 Ha of sorghum planted and the yield is 44 X 50Kg.</li> <li>■ 15 Ha of sorghum planted and the yield is 44 X 50Kg.</li> <li>■ 14 000 cattle were branded</li> <li>■ Two exposure visits one on livestock marketing (18 farmers) &amp; another on dairy coops at University of Fort Hare (8 Farmers).</li> <li>■ 34 local tractor owners and 4 commercial tractor contractors were engaged</li> <li>■ 560 Ha of cotton planted</li> <li>■ Tourism strategic planning conducted</li> <li>■ Tourism brochure launched and copies distributed</li> <li>■ Tourism training conducted for officers and councillors from DM and LMs</li> </ul> <p>Investment conference rescheduled for 08/09</p>

## 6.5 SERVICE DELIVERY

### OBJECTIVES:

#### Water, Sanitation, Roads, Electricity and Infrastructure

- Provide potable drinking water
- Provide adequate sanitation
- Maintain a good quality road network in the district
- Provide necessary social infrastructure targeting local economic nodes
- Ensure there is synergy of planning between Eskom and the DM.
- Uniform Designs throughout the district
- Emphasis on implementation of labor based construction

TARGETS	ACTUAL ACHIEVEMENTS (Water, Sanitation, Roads, Electricity and Infrastructure)
<ul style="list-style-type: none"> <li>■ 30 000 household provided with RDP potable water</li> <li>■ Complete the free basic services strategy</li> <li>■ Refurbish all the DWAF transferred water schemes</li> <li>■ 80 Springs protected</li> <li>■ 70% service availability throughout the DM</li> <li>■ 400 water samples tested monthly</li> <li>■ Eradicate all buckets by December 2007</li> <li>■ Provide adequate basic sanitation to 28 000 households</li> <li>■ Refurbish all the sewer connector and network</li> <li>■ Construct 50km of gravel access road</li> </ul>	<ul style="list-style-type: none"> <li>■ 31 025 households have been provided with potable basic water</li> <li>■ Free basic policy is complete.</li> <li>■ 60% of DWAF schemes have been refurbished.</li> <li>■ 35 springs protected</li> <li>■ 95% of emergencies related o water services are attended within 48 hours</li> <li>■ Water Samples are submitted to DWAF on monthly</li> <li>■ All buckets have been eradicated.</li> <li>■ 78 712 households were provided access to adequate sanitation.</li> </ul>



<ul style="list-style-type: none"> <li>■ Maintain 100km of the existing roads</li> <li>■ Construct 2 social infrastructure in each LM per annum</li> </ul>	<ul style="list-style-type: none"> <li>■ 70% of sewer pump stations are waiting for funding of the awarded tender.</li> <li>■ 30% achieved.</li> <li>■ Contract have been awarded for the construction of 47km and also projects with 20km are on designs</li> <li>■ 30km gravel access roads have been maintained</li> <li>■ 7 ward offices are under construction Projects were registered by MIG later than planned</li> </ul>
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## **OBJECTIVES**

### **Municipal Health**

- Rendering quality environmental health services
- Water Quality Monitoring

### **Social services**

- Registration of indigent households for basic water and sanitation services

### **HIV/AIDS**

- To ensure that communities have knowledge about HIV& AIDS and STIs.
- To establish four non medical VCT sites & four non medical VCT sites

### **Special Programmes**

- Mainstreaming of the youth into district wide development Programmes.
- Access to information by disabled people and mainstreaming of this sector into main business.
- Maintenance promotion of the Status, wellbeing and safety of elderly people and restore their dignity

TARGETS	ACTUAL ACHIEVEMENTS (Social Services)
<ul style="list-style-type: none"> <li>■ Monitor activities taking place in 28 waste sites</li> <li>■ Take 700 water samples for bacteriological analysis, target 50%</li> <li>■ Take 160 food samples and swabs from food preparation\processing premises.</li> <li>■ Transfer of Environmental Health Practitioners to District Municipality</li> <li>■ Identify and register indigent households in 4 LMs</li> <li>■ To train 24 traditional leaders, 64 professional nurses on VCT &amp; PMTCT</li> <li>■ Masihlanganeni HIV/AIDS summit conducted</li> <li>■ That at least two business initiatives for young people are financially assisted by the DM in the first quarter of 2007 financial year</li> <li>■ International Day of Disabled Persons</li> </ul>	<p><b>Municipal Health</b></p> <ul style="list-style-type: none"> <li>■ 28 waste disposal sites visited\ inspections had been carried out all 11 towns.</li> <li>■ Taken 60% (407) water samples in all LMs</li> <li>■ Inspected 123 food handling/processing premises, (77%)</li> <li>■ MOU has been signed by DM &amp; DoH</li> </ul> <p><b>Social services</b></p> <ul style="list-style-type: none"> <li>■ 250 households have been identified and assessed at Nyandeni and KSD</li> </ul> <p><b>HIV/AIDS &amp; STI</b></p> <ul style="list-style-type: none"> <li>■ High Transmission area site was established in Ngqeleni - Nyandeni</li> <li>■ Eleven non medical VCT sites were established</li> <li>■ PLWHAs summit was held at Mthatha resource Centre -KSD</li> </ul> <p><b>SPECIAL PROGRAMMES</b></p> <ul style="list-style-type: none"> <li>■ Support rendered to Ilitha Metal Suppliers, Zandile Poultry Project,</li> <li>■ The Masimanyane Arts and Craft Centre for Disabled Persons is in a process of spending R50 000 from their R100 000 to equip the centre in Flagstaff Town CBD</li> <li>■ O.R. Tambo Inter-Departmental Forum on Disability has been established. Agriculture has already implemented projects for the disabled in the district.</li> <li>■ O.R. Tambo International Day of Disabled Persons was held in collaboration with SAPS, Social Development, DoSRAC DPO.</li> <li>■ Nyandeni Rural Women's Movement was launched</li> <li>■ 30 children most of them orphans have been placed in various schools most of them are in grade 9,10 and 11 and are exempted from paying and uniform</li> </ul>