

MBHASHE MUNICIPALITY



ANNUAL REPORT 08/09

Prepared by: Strategic and Planning Department

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PART ONE: INTRODUCTION AND OVERVIEW

1.1 THE MAYOR'S FOREWORD

MAYOR'S FOREWORD

Significant progress has been made during the 2008/2009 financial year in the fight against poverty and underdevelopment. The Municipality's concern was to accelerate speed of change and delivery of services to the people. Most unfortunately Mbhashe Municipality has a vast number of people living below poverty line and it is the integrated government's programme that can help reverse the inequalities of the past. Together with other sector departments and communities we remain steadfast in our commitment to address the pressing challenges.

This annual report presents an honest expression of the municipality's performance during the year in question, as well as the challenges that confronted us and the interventions we undertook.

To ensure that we deepen democracy, the municipality uses the community based approach where meetings are called at village level (± 200 average no. of households), then ward level and at district or unit level. Ward committees preside over meetings at village level and ward councilors preside at ward level meetings. This is made to ensure collective decision is taken and people are afforded opportunity to freedom. This planning approach assists in deepening democracy as communities ask and deliberate on the municipality's progress and performance.

As a collective in a municipality whose majority is the ANC, we are again making a pledge that we will work together as council including opposition parties UDM and PAC to carry out the mandate given to us by the communities. We will do that passionately and willingly in order to change the peoples' lives.

The municipality has initiated different programmes to ensure that the following challenges are addressed:

- Poor infrastructural services such as roads
- Poverty
- Poor land use
- Untapped tourism potential

Cllr Mayor Mvana

1.2 ACKNOWLEDGEMENT FROM THE ACTING MUNICIPAL MANAGER

This is the year marked by lots of challenges and uncertainties. In one financial year, the municipality for the first time had three municipal managers and for many times found itself without the Mayor or the Speaker.

Despite the challenges the management and the officials should be applauded for the work they did during the year. They stayed focus despite the challenges, the Integrated Development Plans, the Budget, the Service Delivery and Budget Implementation Plan were all done on time. Some of the legislative requirements were not met because of the council approval which was not found.

However, we are delighted that the Department of Local Government came to our assistance by providing a direct and straight forward format for compiling the Annual Report.

We are presenting this Annual Report based on the model adopted for evaluating and assessing performance of the municipality and municipality officials i.e. the Municipal Scorecard Model which specifically looks at the five key performance areas, which are:-

- Municipal transformation and organisational development
- Infrastructure development and service delivery
- Local economic development
- Municipal financial viability and management
- Good governance and public participation

The focus for the coming year will be on improving on systems, policies and strategies. Some of the them have already been started. We are confident that with the support we are getting from the office of the Superintendent General of the Province, we are going to move forward with vigour and hope.

Yours faithfully

S. Dumezweni
Acting Municipal Manager
Mbhashe Municipality

1.3 OVERVIEW OF THE MUNICIPALITY

Mbhashe municipality is situated in the south eastern part of the Eastern Cape Province, and is bound by the coast line flowing from Qhora River in the south to Mncwasa River in the north along the Indian Ocean. The municipality borders the following municipalities:

- King Sabata Dalindyebo (in the eastern part)
- Ngcobo (to the Western part)
- Mnquma (to the south)
- Ntsika Yethu (in the south-western part)

Mbhashe has earned the name from the beautiful river called Mbhashe which flows from the banks of Ngcobo flowing through Dutywa, Gatyana (Willowvale) and Xhora (Elliotdale). Mbhashe comprises the three towns of Dutywa, Gatyana and Xhora and numerous rural settlements. The area also boasts the head offices of the Amaxhosa kingdom at Nqadu Great Place.

Mbhashe is 3030.47 km in the area, consisting of 26 wards and having 51 councillors. The vision of the Municipality is to **“provide quality and accessible services to her community and facilitate sustainable economic and social development through optimal utilization of her potential, and maximizing of opportunities for the creation of a better life in partnership with her community”**. Four clusters of key development priorities are identified i.e. LED and Enviroment, Social Needs, Infrastructure and Institutional and Finance clusters.

Mbhashe is predominantly rural, with high levels of unemployment, poverty and dependency. The dependency ratio is set to increase if employment opportunities are not created for the large and youthful population. Mbhashe’s location on the Wild Coast provides the key for potential economic growth as the area is said to be one of the most sought after coastal tourism destinations in the Eastern Cape. The municipality does not have a full official LED strategy (but a framework was done) mainly because of the lack of finances and is presently using the Amathole District strategy and is investigating means to exploit the Wild Coast’s potential and will make use of the Amathole District’s plans and focus on the development and expansion of Agriculture, forestry, mining and tourism. It should be noted that the road networks are severely under maintained with few roads that are tarred, which adds to the economic woes of local populations, making many rural areas and basic services, such as school, inaccessible.

MBHASHE POPULATION

According to census 2001, there are total of 253 372 people (53 199 households) living in the Mbhashe Municipal area. The population distribution ranges from between 6 068 (2 108 households) and 14 822 (3 324 households) persons per ward. The average household size is 5 people. The population is distributed as follows:-

Table 1: Race distribution

RACE	POPULATION	
African	252 949	99.83%
Coloured	264	0.10%
India	39	0.02%
White	127	0.05%
Total	253 379	100%

Source: Statistics SA

Table 2: Age distribution

AGE	POPULATION	
0-4	30 645	12.09%
5-14	81 123	32.02%
15-34	73 258	28.91%
35-64	50 209	19.82%
Over 65	18 144	7.16%
Total	253 379	100%

Source: Statistics SA

Table 3: Gender distribution by age

AGE	MALES	%	FEMALES	%
0-4	15 465	6.10	15 180	5.99
5-14	40 436	15.96	40 687	16.06
15-34	32 393	12.78	40 865	16.13
35-64	17 739	7.00	32 470	12.81
Over 65	6 728	2.66	11 416	4.51
Total	112 761	44.50	140 618	55.50

Source: Statistics SA

Table 4: Population distribution by language

LANGUAGE	INDIVIDUALS	%
Afrikaans	374	0.15%
English	628	0.25%
IsiNdebele	84	0.03%
IsiXhosa	251 610	99.30%
IsiZulu	201	0.08%
Sepedi	98	0.04%
Sesotho	121	0.05%
Setswana	33	0.01%
SiSwati	191	0.08%
Tshivenda	14	0.01%
Xitsonga	6	0.002%
Other	19	0.01%
Total	253 379	

Source: Statistics SA

PART 2

CHAPTER ONE: ORGANISATIONAL TRANSFORMATION

INTRODUCTION

The purpose of this function is to render a professional support service that is well aligned to the municipality's Integrated Development Plan (IDP) as well as to the needs of the municipality's stakeholders and customers. The main objectives include:

- Development and implementation of an Integrated Human Resources Strategy; Design and implementation of an organisational structure aligned to the municipality's IDP;
- Formulation and implementation of human resources programmes that are consistent with the IDP;
- Development of the organisational human resources, including Councillors;
- Implementation of the HIV/AIDS strategy and employee wellness programme;
- Motivation of employees and implementation of change management programmes;
- Development and implementation of retention and talent management strategies;
- Maintenance of a labour relations environment that is conducive to and that promotes organisational stability and harmony;
- Facilitation of employer/employee relations to resolve disputes and to create a culture of healthy interactions and tolerance;
- Provision of management support and leadership on pertinent organisational issues; and
- Implementation of the Task Job Evaluation Systems.

1.1 PRESENTATION OF THE ORGANISATIONAL STRUCTURE

The Mbashe Local Municipality consists of a Council, Mayor, Executive Committee, Municipal Manager and six section 57 managers. The department are as follows:-

1. Human Resources and Administration;
2. Finance Department;
3. Strategic and Planning Department;
4. Land and Housing Department;
5. Technical Services Department; and
6. Community Services Department.

1.2.1 Human Resources and Administration Department

This department deals with following three functions:

a. Human Resources

- Personnel Administration;
- Recruitment and Selection;
- Training and Development;
- Health and Safety;
- Labour Relations and
- Performance Management

b. Administration and Council Support

This unit deals with inclusive Auxiliary and provides secretarial support to the Council.

c. Auxiliary Section

This unit deals with Library and Registry functions:

- The reason of its existence is to tender registry services such as faxing, photocopying, filing and archiving of municipal documents such as contracts 7 council resolutions; and
- It also circulates memos and correspondence from both internal and external sources.

1.2.2 Finance Department

The Finance Department include the following sections:

- Revenue;
- Budget and Information Technology;
- Expenditure; and
- Supply Chain Management.

1.2.3 Strategic and Planning Department

This department consists of the following sections:

- Small, Medium and Enterprises (SMMEs);
- Agriculture;
- Tourism and
- Industrial Development.

1.2.4 Land and Housing

The Estates Department is responsible for the following:

- Land Administration;
- Housing Development; and
- Planning and General Property Valuations in the Municipal area of jurisdiction

1.2.5 Technical Services Department

The Works Department deals with the following functions:

- Waterworks and Sanitation;
- Street cleansing and Refuse Removal;
- Solid Waste disposal;
- Electricity supply; and
- Road Maintenance.

1.2.6 Community Services Department

The Protection Services Department has the following sections:

- Traffic;
- Security;
- Pound; and
- Fire/Disaster and Emergency

2.3 STAFF COMPLIMENT

The staff compliment is 100 with 33 vacancies as at 15/05/08; this is according to the existing organogram. This includes Section 57 employees. These are:

- Municipal Manager
- Chief Financial Officer
- Land and Housing Manager
- Community Services Manager
- Strategic Manager
- Technical Services Manager (Vacant)
- Human Resources and Administration Manager
- There are vacant posts that have not yet been filled due to death, dismissal and resignation.
- Two interns have been appointed by the municipality on a two year-contract basis in April 2008 through National Treasury Internship programme.
- There are short-term contracted employees hired by the municipality.

1.3 KEY HR STATISTICS PER FUNCTIONAL AREA

1. Full time staff complement per functional area (examples are given below)

a. MM/Section 57 and Line Managers

	Approved positions (e.g MM-S57 etc...)	Number of approved and budgeted posts per position	Filled posts	Vacant posts
1.	Municipal Manager	1	1	-
2.	Section 57 managers	6	5	1
3.	PMU manager	1	1	-
	Total	8	7	1

Staff levels as at 30th of June 2009

	Directorate/Department	Number of approved posts	Filled posts	Vacant posts
1	Office of the Mayor	6	5	1
2	Community Services Department	52	39	13
3	Technical Services Department	19	7	12
4	Treasury Department	16	10	6
5	Strategic Department	6	5	1
6	Land and Housing Department	6	3	3
7	Office of the Speaker	4	2	2
8	Human Resources and Administration	25	17	8
9	Total		95	46

2. Technical staff registered with professional bodies

Technical Service (e.g water, electricity etc...)	Total number of technical service Managers	Total number registered in the accredited professional body	Total number pending registration confirmation in the accredited professional body	Total number not yet registered in the accredited professional body

Roads	One	-	-	One

1.3 (b) Levels of education and skills

Total number of staff	Number of staff without Grade 12	Number of staff with Senior Certificate only	Number of staff with Tertiary/accredited professionals training
95			

1.3 (c) Trends on total personnel expenditure

Financial Years	Total number of staff	Total approved operating Budget	Personnel expenditure (salary and salary related)	Percentage of expenditure
2006-2007				
2007-2008				
2008-2009	95			

Total workforce: Posts

Target Group: Gender and race	Level of representation: required figure/total Workforce	% Of work force
African female	42/101	42%
African male	59/101	58.4%
Coloured female	0/101	0%
Coloured male	0/101	0%
Indian female	0/101	0%
Indian male	0/101	0%
White female	0/101	0%
White male	0/101	0%

Employment equity for top management levels (section 57 managers):

Target Group: Gender and race	Level of representation: Required figure/total workforce	% Of workforce
African female	2/6	33.3/%
African male	3/6	50/%
Coloured female	0/6	0%

Coloured male	0/6	0%
Indian female	0/6	0%
Indian male	0/6	0%
White female	0/6	0%
White male	0/6	0%

1.3 (d) Pension and Medical Aid

PENSION FUNDS	MEDICAL AID FUNDS
1. SAMWU National Pension Fund	1. SAMWU National Pension Fund
2. Eastern Cape Group Municipal	2. Eastern Cape Group Municipal
	3. SAMWU National Pension Fund
	4. Eastern Cape Group Municipal
	5. SAMWU National Pension Fund

Staff levels as 30th of June 2009

	Directorate/Department	Number of approved posts	Filled posts	Vacant posts
1	Office of the Mayor	6	5	1
2	Community Services Department	52	39	13
3	Technical Services Department	19	7	12
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7	Office of the Speaker	4	2	2
8	Human Resources and Administration	25	17	8
9	Total		95	46

2.6 MANAGEMENT ORGANISATIONAL STRUCTURE

Municipal Manager

Budget and Treasury
Office

Land and Housing
Department

Technical Services
Department

Community Services
Department

Strategic
Development
Department

Human Resource and
Administration
Department

CHAPTER THREE: SERVICE DELIVERY PERFORMANCE HIGHLIGHTS

INTRODUCTION

The Council has resolved to embark in revitalising the projects under the following clusters in an attempt to increase service delivery in a manner that will be easily coordinated, monitored and measured.

- Local Economic Development
- Infrastructure
- Social Needs
- Institution and Finance

2. PROVISION OF SERVICE DELIVERY 2008/2009

2.1 LOCAL ECONOMIC DEVELOPMENT PROJECTS

PROJECT	PROJECT DISCRPTION	WARD
Maize production	Silime Programme (providing inputs for 50ha per ward)	In 12 wards
Vegetable production	Masenze Imifuno Programme	All wards in Mnandi, Ngolela, Mbhangcolo, Mpozolo, Mbozi etc.
Livestock: Sheep	Meat production	Dutywa area
Livestock: Cattle	Meat and leather production	Mbhashe area
Livestock: Goat	Small projects improving quality of milk production	Willowvale area
Poultry	Supply of chickens to projects and co-operatives.	12
Citrus	Citrus fruit production in households	24 in Lubomvini 23 in Jujura 19 in Zithulele 19 in Mhlahlane
Brick making	Housing Development	1, 3, 17 and 26
Bakery	Community co-operatives	Almost in every ward
Manufacturing	Leatherwork manufacturing	8
Small Business Development	Hawking	1, 13 and 25
Small Business Development	Sewing	Almost in every ward
Small Business Development	Welding	1, 5, 13 and 25

2.1.1 Maize production programme

An amount of R600 000 has been allocated for the maize production programme. Mbhashe Municipality took over from the Department of Agriculture's Maize production programme. What the municipality does is the supply of inputs like fertilizer and seeds to the maize growers. A farmer

is required to donate money for cultivation to the community association of farmers. Once, all or the majority of the farmers in the area have paid the money, tractors are provided through the ADM for the cultivation of land. The money is then used to pay for the fuel and other related costs. Individual farmer then continues with planting up to harvesting. Unspent funds remain with the farmer's association bank account until the next ploughing season. For the 2008/2009 financial year, 50ha areas in 12 wards have been provided with inputs.

2.1.2 VEGETABLE PRODUCTION

The fund allocation for the programme was R700 000 in the 2008/2009 financial year. There are two areas of involvement of the municipality in the programme, these are:-

2.1.2.1 VEGETABLE CO-OPERATIVES

The community of Mbashe is taking advantage of the big river like Mbashe, Nqabara and many other river streams for irrigation water in their vegetable gardens. Mbashe Municipality is supporting such initiatives. Group projects are trained in various aspects like business skills, co-operative development etc. funds used in the 2008/2009 financial year were for the provision of material and equipment to Mpozolo Youth and other co-operatives.

2.1.2.2 Siyazondla Household Vegetable production

These are women dominated groups where each individual in a group is planting vegetables in own garden. Together they are joined up in groups of fifteen in order to receive assistance of ploughing material from the Department of Agriculture. This became a famous concept in rural women of the area as a result large groups of people from the rural reported to have formed a group and wanted assistance in terms of equipment given. The department could not afford the demand and the Municipality through the LED programme came to the rescue by supplying vegetable seedlings to the groups. This amounted to R200 000 in the 2008/2009 financial year.

This created a huge supply for vegetables and that led to the MEC's involvement which ultimately led to the initiative of the Agri-park which is still under construction.

2.1.3 LIVESTOCK

The municipality has for a number of years been vaccinating livestock on quarterly basis to curb the diseases of the time. The municipality does this by providing medicines to the farmers through the veterinarian from the department of agriculture. Farmers are expected to donate R10 for each animal to be injected or given medicine. The funds collected are banked by the farmers in their banking account in order for them to be able to use it once the municipal and government funding are exhausted. This covered the whole Mbashe area of jurisdiction. Funds used in the financial year 2008/2009 was R300 000.

2.1.4 POULTRY

Support was given to 11 groups of in 11 wards. These are women dominated groups for chicken projects. This amounted to R275 000.

CITRUS

The aim of the programme is to encourage households and communities to plant trees and grow fruit trees where it is suitable to do so. Areas which were targeted were the four locations namely Lubomvini in Ward 24, Jujura in ward 23, Zithulele in ward 19 and Mhlahlane in ward 19. The project is a continuous programme which amounted to R200 000 in the year 2008/2009.

BRICKMAKING

There are four brick making co-operatives identified for support and assistance. They are:-

- Ward 17 brick-making co-operative
- Ward 26 brick making co-operative
- Ward 1 brick making co-operative
- Ward 19 brick making co-operative

Ward 17 and 26 co-operatives were trained and assisted with the registration processes. The co-operative was also assisted with the setting up of two slabs meant for brick making. ECATU – a strategic partner in the implementation of this project assisted with the training of the members of the co-operatives in brick making.

Ward 1 co-operative

The co-operative is composed of the middle aged man and women from Doti Location. The co-operative was assisted by the municipality on the following:-

- Lease of land for the project
- Fencing of the land
- A container for office space was also provided

2. LAND AND HOUSING INFRASTRUCTURE SERVICE DELIVERY PROJECTS 2008/2009

PROJECT	PROJECT DESCRIPTION	STATUS
Dutywa Extension (8)	Registration of township	Completed
	Engineering Designs	Has been done
	Surveying Planning and Engineering Drawing	Has been paid
	400 Subsidies and Housing Support Center Grant	Were approved
Dutywa Extension (9)	500 Subsidies	Were approved
Dutywa Extension (7)	264 Residential sites	Must be started afresh
Elliotdale Extension (5)	102 Residential sites	Submitted to DHLG
Elliotdale Extension (6)	Project comprises of 6000 sites	Planning is completed
Willowvale Extension (6)	Project comprises of 251 residential sites. Township establishment and registration	Completed

2.3 SOCIAL NEEDS

HIV/AIDS CAMPAIGNS

Projects like HIV/Aids campaigns were taken by the department in various wards of the municipality. These programmes were carried out in a partnership between the department of health and the municipality.

COMMUNITY SAFETY

Safety awareness campaigns were held during sports games. Sports games were organised in the form of Amathole Mayoral Cup organised yearly. These games start at ward level, through to the unit level and until the Municipal level.

SPORTS FACILITIES

About four sports facilities were done at ward 21, 22 and 26.

2.4 INSTITUTION AND FINANCE

The most important project being undertaken in the year 2008/2009 is the provision of free basic energy to the households. To those who don't have electricity an alternative energy is supplied. The alternative energy being used is the Paraffin which was supplied to more than 200 households in each ward. This amounted to more than R5m being used.

2.5 WASTE MANAGEMENT

The municipality is using the employed staff for the collection of waste in the three towns. The full time staffs are employed as drivers and waste collectors whilst waste collectors are employed temporarily. Each month, there is a group of 30 employed. This amounts to more than R600 000 being used for poverty alleviation on people living below poverty.

2.6 HOUSING AND TOWN PLANNING

PROJECT	PROJECT DISCRPTION	STATUS
Dutywa Extension (8)	Registration of township	Completed
	Engineering Designs	Has been done
	Surveying Planning and Engineering Drawing	Has been paid
	400 Subsidies and Housing Support Center Grant	Were approved
Dutywa Extension (9)	500 Subsidies	Were approved
Dutywa Extension (7)	264 Residential sites	Must be started afresh
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Elliotdale Extension (6)	Project comprises of 6000 sites	Planning is completed
Willowvale Extension (6)	Project comprises of 251 residential sites. Township establishment and registration	Completed

PERCENTAGE DISTRIBUTION OF HOUSEHOLDS BY TYPES OF MAIN DWELLING.

TYPE OF DWELLING	%
House/brick structure on a yard	14.1
Hut made of traditional materials	78.7
Flat in block of flats	4.9
Flat in backyard	1.1
Informal Settlement	0.6
Room on a shared property	0.2
Other	0.3

2.7 SERVICE DELIVERY BACKLOG

2.7.1 ROADS

Construction of Msikithi Access road		
Construction of Lubomvini access road		
Construction of Zwelilungile access road		
Construction of Nebelele access road		
Construction of Kotyana road		

2.7.2 ELECTRIFICATION

	NO OF HOUSEHOLDS	% TOTAL POPULATION
Access to Electricity	15 996	26.79%
On process of	5 917	9.91%

connection (2009/10)		
Backlog	37 791	63.30%
Total households	59 704	100%
2008/2009		
Gatyana Phase 2A	2449	
Candu Phase 5	3190	
Total	5639	

In addition, the municipality has undertaken to do the electrification refurbishment in the three main towns i.e. Willowvale, Elliotdale and Dutywa.

2.7.3 SANITATION

2.7.4 WATER

PERCENTAGE DISTRIBUTION OF HOUSEHOLDS BY TYPE OF WATER SOURCE.

TYPE	%
Piped water	24.70
Borehole	1.8
Spring	1.5
Dams	0.3
River	63.9
Water vendor	0.7
Rainwater tank	7.1

This means the total backlog in Mbhashe is 75.30%.

CHAPTER 3: MUNICIPAL LED FRAMEWORK AND IMPLEMENTATION

INTRODUCTION

The Mbashe Municipality's IDP has identified Tourism and Agriculture as the main resources that are key for the economic development of the region. The resources include the 22 hectare arable land and natural attractions such as the wild coast. The development of the LED Development Plan is aimed at unlocking the growth potential of the greater Mbashe Municipality that could be of benefit to the larger Mbashe populace.

3.1 LED STRATEGY

3.1.1 DESCRIPTION OF PLANNING AREA

Under the present municipal demarcation the three Magisterial Districts of Dutywa, Elliotdale (Xhora) and Willowvale have been combined to form the Mbashe Local Municipality. The district is bounded in the South East by a long section of the Indian Ocean coastline. In the North West the N2 National road cuts through the area and through the main town of Dutywa. The three towns of Dutywa, Willowvale and Elliotdale are important commercial centres, providing commercial and government support services to the local community. Except for within these three towns all land within the area is state land falling under communal tenure.

3.1.2 ECONOMIC DEVELOPMENT OPPORTUNITIES

The opportunities for local economic development in the area are huge but there's a huge backlog in infrastructure development for those. It is important however to provide as much support to the few that do exist in order to have maximum impact on the livelihoods of the local population.

3.1.2.1 AGRICULTURAL DEVELOPMENT

Generally the agricultural potential in Mbashe is good. There is a mixture of climatic zones. The area is well watered, soils are reasonable and given the large local population agricultural markets are good and presently under exploited. The table below gives a good indication of the potential that exists in various agricultural enterprises. It is felt that properly exploited, after a five year period, the Mbashe agricultural sector could produce an annual turnover of R 125 million per annum and employ an additional 6 550 jobs on a sustainable basis.

The implementation methodology revolves around a development initiative that has been leveraged by the DBSA. The DBSA have encouraged involvement in the L.M. of Teba Development and two of its implementing partners Lima and Mngcunube. Funding has been committed by DFID through the Commark Trust and from the Goldfields Foundation to run a comprehensive farmer support and livestock mentorship programme in the Elliotdale district. These two projects started in 2008 and good working partnerships have been established with the Dept of Agriculture as well. What is however still required is to find additional funding to expand this programme throughout the rest of Mbashe to include Dutywa and Willowvale.

AGRICULTURAL SECTOR ECONOMIC OPPORTUNITIES

ENTERPRIZE	OPPORTUNITY	IMPLEMENTATION METHODOLOGY	POTENTIAL GROWTH IN 5 YEARS	JOB CREATION IN 5 YEARS
Crop Production	The area is well suited for crop production. Maize, beans and oilseeds could be grown by small holders. This can happen provided farmer support systems & market linkages were in place	The Teba Development agricultural facilitator is supporting farmers in Elliotdale in partnership with DOA and MLM staff. This needs to be expanded to rest of Mbashe.	Over 5 000 ha's of new and improved cropping land could be developed by a farmer support team. Annual turnovers of R 45 million could be achieved.	These projects would sustain direct employment for 5 000 farm workers
Vegetables	This requires the development of irrigation at household or scheme level	The agricultural facilitation team could lead this programme, but it would require government and donor support for irrigation capital investment.	Medium sized schemes and rain water harvesting projects could be established. An area of 150 ha's could be developed with an annual turnover of R10.5 million	Irrigation projects would generate a minimum of 600 direct jobs
Broiler production	Establishment of small broiler projects of 500 bird units, selling into local markets	The agricultural facilitation team once expanded to the whole of Mbashe but could not manage implementation and support.	25 by 500 bird units could be established with annual turnover of R 3.75 million	Total of 50 direct jobs
Forestry	Well suited to eucalypt and wattle production. Small holder production is possible, but group schemes are more feasible	By commissioning a forestry potential study including a community consultation process with the establishment of timber market linkages.	There is potential for group schemes of over 4 000 ha's being established, with annual turnover of R48 million.	A total of 600 direct forestry jobs
Livestock	The area is highly suited to small holder production of small and large stock. This enterprise is already very active, but improved husbandry, animal reproduction and market linkages, could boost production	The Teba Development livestock mentorship programme is about to be funded by Goldfields in the Elliotdale district. This needs to be expanded across the rest of Mbashe in partnership with the Veterinary division of the DOA.	Support could be provided to 5 000 large stock and 40 000 small stock units. This would produce a turnover of R17.5 million	A total of 300 direct jobs
Citrus fruit production	The area in Elliotdale and Willowvale is	The municipality has started with the programme at	Large percentage of land that is not used can be converted to	A total of 20 direct jobs per 50 hectares

ENTERPRIZE	OPPORTUNITY	IMPLEMENTATION METHODOLOGY	POTENTIAL GROWTH IN 5 YEARS	JOB CREATION IN 5 YEARS
	most suited for citrus.	household level.	citrus forests.	could be created.
TOTAL AGRICULTURAL PRODUCTION			After five years a potential exists for annual production to exceed R 125 million	A total of 6 550 sustainable agricultural jobs can be created

3.1.2.2 CONSTRUCTION SECTOR

The proposed housing programme stands to improve local employment conditions considerably. This can also greatly enhance skills transfer to local people and it is hoped that the best can be made of this opportunity. The housing project will actively develop an entrepreneurial class through the support of emerging contractors as well as the development of downstream material manufacturers, suppliers and transport contractors. This LED strategy explores a number of other economic opportunities that could be developed through the construction sector. By looking at housing, schools, community access roads and water supply alone it is felt that an annual investment of R 180 million could be achieved annually within Mbhashe in the next five years. The construction sector could on its own develop 4 435 direct jobs within the next five years.

CONSTRUCTION SECTOR ECONOMIC OPPORTUNITIES

ENTERPRIZE	OPPORTUNITY	IMPLEMENTATION METHODOLOGY	POTENTIAL GROWTH IN 5 YEARS	JOB CREATION IN 5 YEARS
Housing	Through its Breaking New Ground policy on housing government has the opportunity to stimulate considerable economic opportunity through the funding of a rural housing programme.	The Dept of housing has allocated 7 000 housing units to two wards in Elliotdale. Progress on implementation has been slow, but the potential is considerably high.	Once in full operation a government housing project could construct 1 000 units per annum. Resulting in an annual investment of R 90 million rand per annum. A total of 23% would be spent on labour and with SMME support another 10-15% could materials sourced from local suppliers	Each housing unit creates 1.25 jobs per annum. A total of 1 875 direct construction jobs would be created as a result.
School Buildings	The back log of schools within Mbhashe is estimated at over 30.	Through collaboration, between Dept of Education, Public Works, and the DBSA	If three class rooms were to be constructed at 6 schools per annum it would generate	The schools project would generate 960 jobs on an annual basis

		a construction programme could be developed.	R40.5 per annum. Again 23% would be spent on local labour and local material suppliers could be encouraged	
Community Access Roads	The construction of community access roads using labour based techniques. Provides jobs, improved roads & access and empowers communities to construct & maintain their own infrastructure	This would require the enhancement of the existing programme through the department of transport. Grants could be made to community development forums to run road construction projects	A small L.M. level project investing R10 million per annum would construct 83 km of good quality community access road per annum. A total of 70% would accrue to local labour and an additional 20% to local material suppliers.	A community access roads programme could provide 700 construction jobs per annum within rural communities.
Water Supply	A number of large scale water supply projects have been proposed and suggested for Mbhashe and the backlog is considerably very high.	Some of these projects are about to be constructed and are sitting between the Amathole D.M. and DWAF	If project implementation on large scale domestic water supply projects were to invest R40 million per annum into the district. R9.2 million would be spent on local labour	Water projects could generate 900 jobs on a sustainable basis per annum.
TOTAL CONSTRUCTION SECTOR			The construction sector could sustain a R 180 million rand annual invest in housing and community level infra-structure	A total of 3 810 direct construction jobs could created per annum within the Mbhashe area

3.1.2 SMALL ENTERPRISE DEVELOPMENT

The two sectors of agriculture and construction have the ability to develop considerable local small enterprise opportunities in their wake. The main SMME developments in these sectors are the small scale farmers and emerging contractors themselves, which will form the core of

these sectors. A number peripheral or associated enterprises including ploughing, transporting, block making and material and input supplies have been identified in the table below. These SMME's are estimated to generate an annual turnover of R128 million per annum in the next five years. The SMME's will also provide direct employment for 280 people on a sustainable basis.

SMALL ENTERPRIZE ECONOMIC OPPORTUNITIES

ENTERPRIZE	OPPORTUNITY	IMPLEMENTATION METHODOLOGY	POTENTIAL GROWTH IN 5 YEARS	JOB CREATION IN 5 YEARS
Ploughing contractors	A few contractors exist and there is considerable room for expansion.	As part of the farmer support programme ploughing contractors need to be encouraged and supported. Equipment credit is an important limiting factor.	In the wake of the agricultural programme 10 enterprises could be sustained. These should generate gross incomes of R4.8 million p.a.	This would create 20 direct local employment opportunities.
Transport contractors	In rural areas transport provision is critical both agricultural and construction sectors could support a large network of contractors	Emerging transport contractors would need to be supported through the Mbashe LED office. Again credit is an important factor.	The establishment of 20 transport contracts supporting the sector seems achievable. These contractors could generate R7.2 million in the local economy	Create at least 40 local jobs
Block makers	Given the demand for a variety of concrete products the expansion of existing and the development of new block enterprises is highly likely	The supervision team of the housing project as well as the Mbashe LED team would need to provide support	The development of 5 block makers with an annual turnover of R 7.2 million is feasible	Create 50 direct jobs
Nurseries & Agricultural input suppliers	The supply of good quality inputs such as seedlings, fertilizer, day old chicks, stock feed & chemicals is an essential part of farmer support services	The farmer support team would support this process through their business linkage activities.	The establishment of three enterprises in each of the three towns is feasible. These enterprises could generate R9 million p.a.	A total of 20 jobs could be created within these enterprises
Material Suppliers	A growing construction industry will support existing material suppliers as well as develop some new	The demand for building material will create opportunities for materials retailers. The	The estimated local demand for materials will be in the region of R100 million p.a. It is	It expected that 150 jobs would be created

ENTERPRIZE	OPPORTUNITY	IMPLEMENTATION METHODOLOGY	POTENTIAL GROWTH IN 5 YEARS	JOB CREATION IN 5 YEARS
	ones. These will vary in size from large corporate to small start up firms	Mbhashe LED staff would also need to provide support services to these traders	expected that at least 15 local & regional suppliers will benefit in this process	
Baking	With the school nutrition programme taking shape, the bakery projects have easy access to the market with the excess going to the locality.	Co-operative development in this industry will assist. The full support from the Department of Education in terms of using local or ward based co-operatives for the supply of food to schools.	The estimated demand is high given the present government's intention to provide food to more children.	It is a women empowerment programme which can change the lives of 520 women who will be employed in the programme.
TOTAL SMME OPPORTUNITIES			R 128 million	800 jobs

3.1.3 TOURISM & HOUSING ESTATES

Given the large unspoilt Wild Coast coastline that Mbhashe has the potential for tourism development in both resorts and housing estates is considerable. Developments of this nature can stimulate private sector investment, enhance the construction sector and provide long term job opportunities in servicing and maintaining these resorts and investments.

The tourism sector of the wild coast has suffered from years of underdevelopment as a result of poor levels of private sector investment, continuous bungling by bureaucrats and a communal land tenure system that requires considerable planning and consultation, before private sector investment is possible. The Mbhashe coast has some particularly high potential coastal development areas. These include the Nqabara and Xhora river mouths, Qhora, as well as the large coastal forest reserves of Dwesa and Cwebe. The coastal forests of Dwesa and Cwebe have been returned to the community in two land claims that were settled in 2001. This period however has seen little or no progress in developing the tourism opportunities. The trust is seen as not closer to the people and no reports are given to them as a result in some areas there's a lot of infighting within the communities. It would appear that procrastination and ineptitude have resulted in massive lost opportunities for local communities and project beneficiaries.

Other possible lodge sites within Mbhashe could also be investigated and this includes a viewing site of the Cape Vulture in the Mbhashe canyon in a place called Collywobbles.

BLACK GRANITE MINING

The Willowvale area of Mbhashe has large deposits of Black Granite, a highly sort after material for the international construction industry. There have been small informal attempts made by

small mining companies to mine these deposits. The granite beneficiation expertise is largely based in Italy and mining would require markets to be secured in advance, in a relatively difficult industry

This opportunity does however warrant further investigation and the communities have now formed development trusts and partnered with the joint venture strategic partners.

N2 CORRIDOR

The N2 passes through Mbashe and its main town of Dutywa. The N2 provides the district with good access. The town of Dutywa is an important government and commercial centre. But its growth opportunities are limited. In neighbouring Butterworth large factories, part of a decentralised industrial policy of the past are still empty and are unutilised.

There is however plans for the refurbishment of services in Dutywa as part of an urban renewal programme through National Development Partnership Grant. This would do much to improve the town as well as stimulating jobs and the economy of Mbashe.

SUMMARY OF ECONOMIC IMPACT

The main potential drivers of the Mbashe economy are Agriculture and Tourism with construction and Small Enterprise activity that these three main sectors could stimulate. These sectors are already set up for roll out as various departments have already made sizeable financial commitments to housing and infrastructure as well as the fact the Teba Development have set up a team to assist the Department of Agriculture with farmers support and livestock mentorship services. These two sectors have the ability to generate 11 160 jobs within a five year period.

PRIORITISATION OF PROJECTS

a. Tourism Projects

- Gcalekaland Cultural Village
- Camping sites at Beechamwood
- Ntsimbakazi/Hlakothi Community Game Park
- Dutywa/N2 Visitor Information Centre
- Dwesa/Cwebe Tourism Hub
- Qatywa Community Tourism Development
- Mpame Lodge Development
- Ngqeza Lodge Development
- Nkanya Backpacker Lodge
- Bulungula Backpackers
- Events (Haven Beach Festival, Craft Zone Mania, Cape Vulture Viewing)
- Development of Arts and Crafts
- Old Golf Course Development at Dutywa
- Kanyisa Ntsimbi Cultural Centre
- Mbhanyana Falls

b. Heritage Sites Earmarked For Development

- Birthplace of former President Thabo Mbeki and home of former Robben Island prisoner Govan Mvuyelwa Mbeki at Mbewuleni
- Graves of AmaXhosa Kings (King Hintsa, King Sarhili)
- Nqadu Great Place (Home of AmaXhosa Kingdom)
- Esinqumeni caves
- Battlefields (Gwadana, Fort Malan, Fort Bowker)

c. Agricultural Development Projects

- Nguni Cattle Breeding
- Wool Improvement
- Livestock production and Improvement
- Siyazondla
- Vegetable Processing Plant
- Broiler/Poultry Production
- Citrus Fruit Production
- Crop production (Maize, beans)
- Maize Milling Plant

d. SMME Development

- Support for small scale producers
- Co-operative development (block making, baking)

e. Other projects of importance

- Granite mining
- Forestry
- Fishing and Mariculture
- Support to Construction enterprises

3.3 Annual performance as per key performance indicators in LED

	Indicator name	Target set for the year	Achievement level during the year (absolute figure)	Achievement percentage during the year
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1	Percentage of LED Budget spent on LED related activities.	(R5.2m) 100%	R5 096 000	98%
2	Number of LED stakeholder forum held	4	3	75%
3	Percentage of SMME that have benefited from a SMME support program	8	8	100%
4	Number of job opportunities created through EPWP	-	-	-
5	Number of job opportunities created through PPP	-	-	-

3.2 Challenges regarding LED implementation

Challenges regarding LED implementation include:

1. Poor infrastructure to access our major tourism and agricultural drawcards like Dwesa Nature Reserve, Kobb Inn and other. Poor road infrastructure to these points makes every move to bring more investment in the area to fail.
2. LED strategy is not understood as the cross cutting strategy that must help direct infrastructure provisioning. Infrastructural development and LED initiatives are not directly linked to each other and therefore infrastructure does not necessarily bring Local Economic Development.
3. The LED forum is non-functional. Various parties to the LED forum have dysfunctional structures which make it difficult for the sitting of the forum.

Chapter 4: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT (KPA 4)

4.1 The audited financial statements

4.2 Budget to actual comparison

No major variances were observed; the minor ones were treated during the mid-year term budget adjustment.

4.3 Grants and transfers' spending

Grant details			Amount received and spent each quarter											
Project name	Donor name	BF amount	1/04/ to 30/06		01/07 to 30/09		01/10 to 30/12		01/01 to 30/03		01/04 to 30/06		Total	
			Rec.	Spent	Rec.	Spent	Rec.	Spent	Rec.	Spent	Rec.	Spent	Rec.	Spent

4.4 Meeting of Donors' requirements in respect of conditional grants

All conditional grants received have been used in accordance with the agreement and reports were tabled monthly to the funders.

4.5 Long term contracts entered into by the municipality

Photocopying machines are leased for a period of three years from various service providers like Xerox, Minolta and Nashua.

Other long term contracts include the electrification of the Shixini area and later Ntsimbakazi where a contract is made between the municipality, DME and the service provider. The contract is expected to take three years.

4.6 Annual performance as per key performance indicators in financial viability

	Indicator name	Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
1	Percentage expenditure of capital budget		<u>15534373</u> 21 055 500	0.74%
		Target set for the year (35%) R(000)	Achievement level during the year R(000)	Achievement percentage during the year vs the operational budget
2	Salary budget as a percentage of the total operational budget		<u>27 099 718</u> 54 368 551	0.5%
		Target set for the year (20% or less) R(000)	Achievement level during the year R(000)	Achievement percentage during the year vs the actual revenue
3	Total actual trade creditors as a percentage of total actual revenue		<u>4 227 901</u> 73 465 004	0.06%
		Target set for the year (80% and more) R(000)	Achievement level during the year R(000)	Achievement percentage during the year

4	Total municipal own revenue as a percentage of the total actual budget		<u>6 935 761</u> 3 657 108	1.9%
		Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
5	Rate of municipal consumer debt reduction		<u>149 889</u> 126 156	1.19%
6	Percentage of MIG budget appropriately spent		<u>13 606 000</u> 19 241 000	0.71%
7	Percentage of MSIG budget appropriately spent		<u>977 932</u> 735 000	1.33 %

4.7 The Audit committee functionality

Mbhashe Local Municipality has an effective Audit Committee (AC) which comprises of 3 members outside the institution.

The current AC started working in January 2009 and up to this date has conducted 5 effective functional AC meetings.

The responsibilities of the AC are as follows:

- Monitor the performance of the municipality against its strategic plan
- Evaluate and make recommendations to management with regards to internal controls, risk management and compliance with legislation
- Interact with external audit and act as liaison between management , internal and external audit where unresolved differences arise
- Review Draft and Final Annual Financial Statements
- Review the Annual Report
- Provide direction and support the Internal Audit Unit
- Review the activities of the Internal Audit Unit

Recommendations made by the Audit Committee (AC)

REPORT OF THE AUDIT COMMITTEE OF MBASHE LOCAL MUNICIPALITY

Honourable Speaker, Mayor and the Councillors at large, the Audit Committee take the liberty of thanking you for this opportunity to present the Audit Committee Report for the period January 2009 to November 2009. The Committee has been in existence for the period of eleven months since January 2009.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee of Mbhashe Local Municipality started 14 January 2009. The first meeting was held on 14 January 2009. The Committee has three independent members appointed by Council, namely:

- Dr Winston Plaatjes (Chairperson)

- Adv. Albert Max Bluhm
- Mr. Sizwe Matthew Mbewu

Other invited members by the Audit Committee include:

- Mr. Nkosinathi Gxasheka (Department of Local Government)
- Mr John Whittal replaced Mr Sandile Hlatshwayo (Auditor-General Office).
- Mr. Sabelo Dumezweni (Acting MM)
- Ms. Sindiswa Mini (CFO)
- Mr. Sisa Baliso (Internal auditor)
- Mr. Siphetho Gada (Human Resource and Administration Manager – one meeting)
- Ms. Nosiphiwo Mgweba (Secretariat)
- Mr. Warren Els and Mr Gary Simms (KPMG – Service Provider)

The Mayor may be present at an Audit Committee meeting as an invitee only.

As per discussion at the first meeting, it was agreed that the Chairperson of the Audit Committee circulates amongst the rest of the term. At the meeting it was agreed that Dr Plaatjes be the first Chairperson of the Audit Committee.

In terms of Section 166 (4) (b) of MFMA, the Audit Committee must meet as often as required to perform its functions, but at least four (4) times a year.

In so far as the last ten (10) months is concerned, that is January 2009 to October 2009, the Audit Committee managed to hold five effective functional Audit Committee meetings, excluding the induction meeting, (namely):

- 14 January 2009 (Induction meeting)
- 11 February 2009
- 7 April 2009
- 3 June 2009
- 19 August 2009
- 14 October 2009

AUDIT COMMITTEE RESPONSIBILITY

Section 165(1) of the Municipal Financial Management Act (MFMA) 56 of 2003 states that each municipality must have an internal audit function.

Further, Section 166(1) of the MFMA states that each municipality must have an audit committee. Section 166(6) also allows for a single audit committee to be established for more than one local municipality.

The Audit Committee is an independent advisory body that carries its functions in terms of Section 66 of the Municipal Financial Management Act (MFMA) 56 of 2003 and King II Report on Corporate Governance.

In terms of the Auditor-General South Africa, the audit committee should be effective throughout the year and meet on a predetermined regular basis.

As a minimum, the Auditor-General South Africa recommends that the Audit Committee should:

- Monitor the performance of the municipality against its strategic plan, as far as it relates to audit;

- Evaluate and make recommendations to management with regards to internal controls, risk management and compliance with legislation relating to preparation of the financial statements;
- Interact with the external audit and act as a liaison between management and internal and external audit where unresolved differences arise;
- Review the draft and final annual financial statements;
- Review the annual report, audit report and audited annual financial statements;
- Provide direction to internal audit; and,
- Review the activities of internal audit.

The Committee is pleased to declare that it has approved the Mbashe Local Municipality Audit Committee Charter which regulates the activities and the terms of reference in August 2009. We now await final approval from Council.

The Audit Committee, in line with what transpired at the risk assessment workshop and the Auditor General's report, previously suggested that Administration and the Council consider the implementation of the documentation provided to Administration in order to create an alternative audit trail as required by auditing practice and which is was hoped would create a transparent and organised Administration easily overseen by the Executive Committee and Council and which would be a well efficient and effective institution.

The following documents/policies etc were made available to the Municipal Manager for the above purpose namely:

- Delegation document for Council (To date no feedback has been received whether Council would prefer a workshop to finalise the delegation document).
- List containing the various requirements that is prescribed that Human Resources, Administration and Committee sections should have. (No feedback has been received from the Directorate in regard to whether the Department complies with these requirements.)
- Proposed agreements for the Municipal Manager and Section 57 Managers service agreements
- Proposed agreements for the Municipal Manager and Section 57 Managers performance agreements.
- Proposal of what should be contained in the Municipal year report of which the IDP should be part of to save costs of two documents which is very closely related to each other.
- Proposal for Monthly Departmental reports to the Executive Committee and Council.
- Proposal of what file/documents/registers should be available in the Internal Auditors office.
- Correspondence file plan that must be approved by Provincial archives to enable Council to have an approved correspondence system.
- Proposal for the writing of reports to Committee's and Council and a guideline how to write the reports and what it should contain.
- Various pro-forma forms for consideration for use in the municipality to standardise the use of forms.
- Proposal of what the Municipal Managers job description should be.
- Proposal of a incidents/accidents risk committee to investigate and decide on all incidents/accidents that occurs in the municipality and which creates a risk for the Council.

The above is meant as tools to enable Council to move closer to a clean Audit report, to be easily monitored by both the Audit Committee and the Executive Committee and that the existence of the documents/registers will allow the Auditor General to perform an alternative audit to verify any finding or result.

Despite every effort by the Audit Committee to assist the Municipality, to date, there is very little evidence of co-operation (excluding the CFO which has from the beginning work well with the Committee) from the effected Departments.

It is however hoped that this will change because the rest of the Departments will receive the same kind of list as a suggestion of what should be available in each Department to facilitate alternative audits, transparency and a complete office of records/documents.

THE EFFECTIVENESS OF INTERNAL CONTROL

The system of internal control was not entirely effective for the period under review. During the year under review, several deficiencies in the system of internal control were reported by the internal auditors and the Auditor-General South Africa. In certain instances, the matters reported previously have not been completely and satisfactorily addressed.

Some of the areas of concern include:

- Significant difficulties with comparative figures;
- The availability of supporting documentation;
- The lack of reconciliations in general;
- The adequacy of controls implemented;
- Limited review procedures;
- A lack of integration within the finance department and between the finance department and other departments;
- Hesitance to use the financial system;
- Training and skills levels of officials;
- General staff motivation; and,
- The need for hands on guidance on a more detailed basis

The Municipality is negatively affected by the above contributing towards the Auditor General's disclaimer of opinion in prior years. The impact however is not isolated to the audit opinion.

The impact can be felt in other areas such as:

- Poor quality financial information leading to inappropriate decision-making;
- Not achieving/monitoring service delivery objectives; and,
- Poor quality reporting.

The above ineffective control environment is also vulnerable to exploitation and abuse.

INTERNAL AUDIT

The Internal Auditor was also appointed in May 2009 and he started functioning in the current (2009/10) financial year.

As a minimum, the Auditor-General South Africa recommends the internal audit unit should:

- Prepare a risk-based audit plan and internal audit programme for each financial year. This programme would ordinarily include the nature, timing and extent of internal audits to be performed during the financial year, and address significant risk areas sufficiently;
- Advise the accounting officer and report to the audit committee on the implementation of the internal audit plan, internal controls, accounting procedures and practices, risk and risk management, performance management, loss control, compliance with legislation;
- Developed and documented written policies to guide financial accounting processes for each of the main audit cycles; and,
- Implement, formalised and documented internal control processes for all audit cycles. During the year the reporting of the internal audit unit conducted a risk assessment profile of the municipality. However, the establishment of a risk committee to address the issues identified still remains a challenge. The Audit Committee will work in partnership with risk committee to expedite the challenges facing the municipality.

The internal audit unit remains understaffed and only recently acquired the minimal of resources to keep it afloat.

The Internal Audit Charter, Internal Audit Framework, and Internal Audit Methodology and Structure documents were prepared by the internal audit unit approved by the Audit Committee.

The Audit Committee strongly recommends that the municipality appoint a Compliance Officer as soon as possible.

The Audit Committee must applaud Mr. S. Baliso, of internal audit for the tireless and sterling work he has done thus far.

ACTIVITIES OF THE AUDIT COMMITTEE

6.1 AUDIT /MANAGEMENT PLAN

In terms of the chief financial officer the draft report was distributed to the relevant section/departments to respond to the matters related to them and only the financial section prepared a response action plan to the queries raised by Auditor-General.

The 2008 response to the Auditor-General management letter was deficient and follow-up actions were lacking, hence the Committee assumes that some challenges will remain for the new financial period.

The Audit Committee is still awaiting an action plan to respond to the queries raised by Auditor General from other sections/departments; hence the Committee recommended that the Head of Human Resources should also attend the Audit Committee meetings.

6.2 MANAGEMENT ASSESSMENT REPORTS (QUARTERLY REPORTS)

The Audit Committee noted that departmental quarterly reports were not tabled. This must be circulated at least three weeks before a scheduled meeting. The Audit Committee approved the use of a standardised Quarterly Report template in June 2009, for the following reasons:

- It actively seeks to pro-actively evaluate performance, which are directly linked KPA's, which emanates from the IDP;
- Inhibitors to performance are timeously indentified and the audit committee can make recommendations in terms of how these challenges can be rectified;
- Important issues such as staffing, resources (including over and under budgeting), and due/completion dates are addressed; and
- Section Heads can estimate their own overall performance. Uptake on the new reporting format is however non-existent.

6.3 CHALLENGES FACING THE AUDIT COMMITTEE (AC)

- Possible non-compliance with the Audit Committee recommendations; management (although facing many challenges this year 2009) will sometimes not comply with the request and recommendation of the Audit Committee, amongst others:

- The Audit Committee requested draft reports on management plans prepared by finance and other sections in order for the AC to make comments on these documents, but the only report received was from finance section;
- Uptake on the new quarterly reporting format;
- Final budgets being tabled to the audit committee which has been approved by Council, before being approved by the audit committee;
- Copies of service agreement and performance agreements of section 56 Managers, which include job descriptions was requested but never received;

- o The human resources compliance list (dealing with questions and possible challenges facing the section), not being addressed;
- o The Audit Committee was disappointed with 2007/2008 Annual Report to state the least; recommendation as to latter can be reviewed in the minutes of June 2009;
- o The 2008 IDP does not inspire confidence to invest in the area;
- o The need for competent minute taking services from the secretarial unit; which includes the setting of agendas and the distribution of minutes timeously; and
- o The Audit Committee wanted to meet with Executive Management Committee and Council to introduce themselves, and explain what their role and functions are, and to discuss challenges facing the Committee; However due to challenges of a political nature this never materialised.
- No internal Audit Unit throughout the year: Although this was addressed, but the Audit Committee started without the Internal Audit Unit. Furthermore, this unit only consists of one person, which will delay future processes and activities.
- The appointment of the Municipal Manager remains of immense concern to Audit Committee.

CONCLUSION

The Municipality is already in the fourth month of the 2009/10 financial period and, as a matter of urgency, requires hands-on assistance to take corrective action to address the shortcomings identified before it is too late to effectively show an improvement in the financial administration.

The Audit Committee has hence recommended that KPMG who has been working with the Municipality for the past four months and has gained invaluable insight into the practical challenges the municipality, continue to work with the officials to improve the control environment, the quality of the financial information and provide sustainable hands-on skills transfer.

We would like to thank the Council, the various Acting Municipal Managers, the Chief Financial Officer, internal audit unit, the representative from the Department of Local Government, the office of the Auditor-General South Africa for the support they have provided during the period under review.

8 WAY FORWARD

The municipality had developed the performance management system framework, which guides the performance evaluation and reporting process. This was adopted by council.

However, the municipality did not set up structures, forums – such as Performance Audit Committee – review of the performance information management for reported performance information. The management will bring the matter to the mayor and the EXCO for its urgent attention.

For the purposes of cost saving, the audit committee can perform these functions. The audit committee however requires a mandate from management to deal with these issues.

4.8 Arrears in property rates and service charges

Whilst it is not possible to write the figures because of the systems problem; the payment rate for property rates and service charges is very low. The municipality is busy trying to improve the system with the assistance from the Amathole District Municipality.

4.9 Anti corruption strategy

The Municipality is in the process of developing the anti-corruption strategy and fraud prevention policy. No workshop was held on the year under review.

Chapter 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION- (KPA 5)

5.2 Public participation and consultation;

The municipality uses various methods of communication with its stakeholders. The following are the kinds of methods used during the year:

- Community Based Planning
- Mayoral Imbizos
- IDP/Budget representative forum
- IDP/Budget hearings

Community Based Planning is led by the office of the speaker and done by the councillors, community development workers and the municipal administration. Community meetings were held during the month of September 2008. These meetings were also used to get priorities from the villages/wards.

The Mayoral Imbizos are done annually. The Imbizos were held under the theme, "Business Unusual-Service Delivery to the People".

The three imbizos were held in the following venues:-

1. Khasa (ward 13) – Elliotdale on the 10th of November 2008.
2. Sofuthe (ward 3) – Dutywa on the 12th of November 2008.
3. Ntlabane (ward 10) – Willowvale on the 14th of November 2008.

Other government departments participated include SAPS, GCIS, Health and Department of Agriculture.

The purpose was to demonstrate what government has done for the community and also to table its plans to accelerate service delivery.

5.3 Ward committees' establishment and functionality

The ward committees were established in each ward in 2006. Each ward has 10 ward committee members who are elected at village level so that every village is represented in the ward committee structure.

There is a schedule of meetings for the ward committee meetings. The schedule compels ward committees to sit every month i.e. from July to June of each financial year. This method eases the reporting and performance monitoring of both ward committees and the councillor.

During 2008/2009 financial year, the following dates were on schedule:

10 July 2008	21 January 2009
14 August 2008	18 February 2009
19 September 2008	11 March 2009
21 October 2008	22 April 2009
18 November 2008	20 May 2009
10 December 2008	24 June 2009

Meetings for the 19th of September, 21st of October and the 28th of November 2008 were all held under the supervision of the speaker. Minutes were sent to the municipal administration where issues raised by wards are compiled and acted upon.

Minutes of the ward committee meetings are kept in the office of the speaker by the council support staff.

5.4 Community Development workers performance monitoring

MONTHLY REPORTS

The community development workers of Mphashe municipality representing all 26 wards of the municipality work in collaboration with the office of the speaker on a political side and the strategic manager on the administration side.

The Cdw's reports on monthly bases through their local coordinator who compiles a single report for the local municipality, the district municipality and province, their reports focus on five clusters namely;

- **Social Cluster**
- **Economic cluster**
- **Justice cluster**
- **Investment cluster and**
- **Governance and administration cluster**

All these clusters are activities that are taken per each ward through Cdw initiatives and those that are already initiated by government and some by private sector. Although these reports are submitted each month there are challenges that are always captured by Community Development Workers (CDW'S) and are not responded to by the identified agencies.

NUMBER OF CASES

As per the agreed upon standard in terms of the number of cases dealt with each CDW is expected to 15 case each month (resolved, non resolved and pending) cases.

HOMES VISITED

As I have highlighted earlier on the standard of reporting of CDW's is key in their work performance, they have agreed to have door to door every Wednesday of the month which they perform jointly in each unit targeting one ward in each Wednesday throughout the year.

CDW PARTICIPATION IN MLM ACTIVITIES

Community Development Workers in Mbhashe take part in all its public participation processes namely; Community based Planning, IDP Road Shows and IDP forum meetings.

5.5 Communication strategy

The municipality is using an adhoc communication strategy with no approved strategy. Previously no one was tasked with the communication activities but a communication officer was recruited in the financial year 2008/2009.

5.7 Intergovernmental Relations

The IGR forum was launched in 2006 and representatives from various government participated in the meeting.

In the year under review, there's only one IGR forum meeting that was held. The meeting was on the 10th of December 2008. Again various government departments participated and a clear programme of action was developed.

5.8 Legal matters

5.8.1 Setting up of Legal Units

The municipality does not have the legal services department within the municipality. Whenever there is something there's a case where legal services are required, a municipal data base is used to acquire those services.

5.8.2 Management of litigation

1. Case Load Management with specific reference to:

a. Favourable cases

Case name	Recovery (yes/No)	Reasons for non recovery
N/A		

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b. Unfavourable cases

Case name	Compliance with judgement (yes/No)	Reasons for non compliance with judgement
N/A		

2. Case age analysis,

Case name	Nature of the case	Date of commencement	Cases of 2 years or bellow	Cases beyond 2 years	Reasons for extensive duration
N/A					

3. Default judgements

Case name	Reasons for default judgement

4. Prevention mechanisms of current litigations:

The municipality is expected to clearly indicate steps taken by the legal services to prevent the current litigations and the reasons why these litigations could not be prevented.

5. Criminal matters emanating from corruption and fraud

No fraud or corruption case was dealt with during the year.

[9/1/4]

[Executive and Council report (CBM)]

ANNUAL REPORT

PURPOSE:

The purpose of the report is to seek approval of the council on Annual Report

OBJECTIVES:

- To provide a record of activities of the municipality during 2008/2009 financial year.
- Report on the performance of the municipality for the year.

LEGISLATIVE FRAMEWORK:

- Municipal Systems Act no. 32 of 2000
- MFMA (2003)

BACKGROUND

The Annual Report of a Municipality must be tabled to the council seven months after the end of the financial year.

Section 129 (1) of the MFMA says the council must consider the annual report of the municipality and of any municipal entity under the municipality’s sole or shared control, and by no later than two months from the date on which the annual report was tabled in the council in terms of section 127, ...”

Section 127 of the MFMA says, “the Mayor of a municipality must, within seven months after the end of a financial year, table in the municipal council the annual report of the municipality and of any municipal entity under the municipality’s sole or shared control.”

It is also necessary for the Annual Report, when it is tabled; responses to queries raised by Auditor General are also tabled. Draft action plan is given as Annexure.

FINANCE IMPLICATIONS

The Annual report shows how the funds were used in the year under review.

STAFF IMPLICATIONS

The Strategic Management section is presently responsible for co-ordinating the compilation of the Annual Report.

RECOMMENDATIONS

It is highly recommended that the council approves the Annual Report.

CHAPTER 7: FUNCTIONAL AREA AND SERVICE DELIVERY REPORTING (PMS)

MUNICIPAL SCORECARD 08/09

NAME OF DEPARTMENT: INFRASTRUCTURE

UNIT/DIVISION	Infrastructure
ACCOUNTABLE OFFICIAL	S. Dumezweni/S. Gwentshe

PERSPECTIVE	Infrastructure Development			
PRIORITY AREA	Roads			
OBJECTIVE	To provide quality and trafficable road network throughout Mbhashe by 2014			
PERFORMANCE				
KEY PERFORMANCE INDICATOR	MEASURE (% number, date) and frequency	Target	Actual	Variance
No. of new roads constructed	Quarterly reports	6	8	+2
No. of kms of road maintained	Quarterly reports	100 km	100km	0

PERSPECTIVE	Infrastructure			
PRIORITY AREA	Electricity			
OBJECTIVE	To provide the three units (towns) with adequate electrical service			
PERFORMANCE				
KEY PERFORMANCE INDICATOR	MEASURE (% number, date) and frequency	Target	Actual	Variance
No. of streets with adequate street lights	Quarterly reports	All	All	0

PERSPECTIVE	Infrastructure			
PRIORITY AREA	Land			
OBJECTIVE	To ensure maximum and sustainable usage of available land by 2014			
PERFORMANCE				
KEY PERFORMANCE INDICATOR	MEASURE (% number, date) and frequency	Target	Actual	Variance
No. of villages planned and	Quarterly reports	3	3	0

surveyed				
Approved zoning schemes	Quarterly reports	1	1	0
Adopted Spatial Development Framework	Quarterly reports	Review	Reviewed	0
Adopted Sale and Lease Agreement Policy	Quarterly reports	1	Not yet adopted	-1
No. of towns with approved sites	Quarterly reports	(1)Dutywa	1	0
No. of shopping malls developed	Quarterly reports	2	2	0
No. of developed first order nodes	Quarterly reports	1	-	
Adopted Billboard Policy	Quarterly reports	1	1	0
PERSPECTIVE				
	Infrastructure Development			
PRIORITY AREA				
	Housing			
OBJECTIVE				
	To provide adequate housing to 75% of households by 2014			
PERFORMANCE				
KEY PERFORMANCE INDICATOR	MEASURE (% , number, date) and frequency	Target	Actual	Variance
No. of projects to unblock	Quarterly Reports	2	2	0
% projects completed (RDP houses)	Quarterly reports	20%	20%	0
No. of townships established	Quarterly reports	1 Willowvale	1	0
No. of rental housing projects at Dutywa established	Quarterly reports	1	0	-1
No. of Willowvale and Dutywa RDP houses rectified	Quarterly reports	200	On progress	

MUNICIPAL SCORECARD 08/09

NAME OF DEPARTMENT: COMMUNITY SERVICES

UNIT/DIVISION	Social Needs			
ACCOUNTABLE OFFICIAL	N. Mlungu			
PERSPECTIVE	Social Needs			
PRIORITY AREA	Social Amenities			
OBJECTIVE	To ensure optimum use of available social amenities by 2010			
PERFORMANCE				
KEY PERFORMANCE INDICATOR	MEASURE (% number, date) and frequency	Target	Actual	Variance
Approved control measures for use and management of community halls	Quarterly reports	3	0	-3
Adopted pound policy	Quarterly reports	1	0	-1
No. of upgraded pounds to SPCA standards	Quarterly reports	1	1	0
No. of partnerships established for improvement of libraries	Quarterly reports	2	2	0
No. of existing libraries supported with resources	Quarterly reports	3	3	0
No. of library awareness campaigns conducted	Quarterly reports	3	3	0
No. of new sports facilities developed	Quarterly reports	7	0	-7
No. of existing sports facilities maintained	Quarterly reports	3	3	0
Adopted municipal beautification landscape plan	Quarterly reports	1	0	1

PERSPECTIVE	Social Needs			
PRIORITY AREA	Health and Hygiene			
OBJECTIVE	To ensure co-ordination and improvement of health and hygiene in Mbhashe by 2012			
PERFORMANCE				
KEY PERFORMANCE INDICATOR	MEASURE (% number, date) and frequency	Target	Actual	Variance
No. of community health forums established	Quarterly reports	1	0	-1
PERSPECTIVE	Social Needs			
PRIORITY AREA	Community safety and security			
OBJECTIVE	Reduce the levels of crime by 40% in 2010			
PERFORMANCE				
KEY PERFORMANCE INDICATOR	MEASURE (% number, date) and frequency	Target	Actual	Variance
No. of safety forums established	Quarterly reports	4	1	-3
Adopted policy on street trading	Quarterly reports	1	0	-1
Adopted strategy on local community disaster management strategy	Quarterly reports	1	1	1
No. of beaches with lifesavers at the beaches	Half yearly reports	5	5	5
PERSPECTIVE	Social Needs			
PRIORITY AREA	Traffic Services			

OBJECTIVE	Decrease in the rate of accidents by 10%			
PERFORMANCE				
KEY PERFORMANCE INDICATOR	MEASURE (% number, date) and frequency	Target	Actual	Variance
No. of man hours on patrol	Quarterly Reports	5	15	+10
No. of traffic safety awareness campaigns	Quarterly reports	6	3	-3
PERSPECTIVE	Social Needs			
PRIORITY AREA	HIV/AIDS			
OBJECTIVE	Ensure reduction of HIV/AIDS incidents by 2010			
PERFORMANCE				
KEY PERFORMANCE INDICATOR	MEASURE (% number, date) and frequency	Target	Actual	Variance
An adopted HIV/AIDS plan	Quarterly report	1	0	-1
No. of awareness programmes	Quarterly reports	9	6	-3
PERSPECTIVE	Social Needs			
PRIORITY AREA	Cemeteries			
OBJECTIVE	To ensure availability of nationally accepted cemeteries by 2012			
PERFORMANCE				
KEY PERFORMANCE INDICATOR	MEASURE (% number, date) and frequency	Target	Actual	Variance
No. of existing cemeteries maintained	Quarterly reports	3	3	0

PERSPECTIVE	Social Needs			
PRIORITY AREA	Refuse Collection			
OBJECTIVE	Ensure overall cleanliness of the urban areas in all 03 units			
PERFORMANCE				
KEY PERFORMANCE INDICATOR	MEASURE (% number, date) and frequency	Target	Actual	Variance
Well maintained disposable sites	Monthly reports	3	3	0

MUNICIPAL SCORECARD 08/09

NAME OF DEPARTMENT: HUMAN RESOURCES AND ADMINISTRATION

UNIT/DIVISION	HR and Admin			
ACCOUNTABLE OFFICIAL	S. Gada			
PERSPECTIVE	Human Resource Development			
PRIORITY AREA	Maximising internal governance			
OBJECTIVE	To create healthy working conditions in Mbhashe Municipality			
PERFORMANCE				
KEY PERFORMANCE INDICATOR	MEASURE (% number, date) and frequency	Target	Actual	Variance
Compliance with all the policies of the Council	Monthly reports	35%	35%	0
Adopted policy in line with legislation	Quarterly reports	15	11	-4

PERSPECTIVE	Human Resource Development			
PRIORITY AREA	Maximising internal governance			
OBJECTIVE	Ensure compliance with the Employment Equity Act			
PERFORMANCE				
KEY PERFORMANCE INDICATOR	MEASURE (% number, date) and frequency	Target	Actual	Variance
EEP in place	Quarterly reports	100%	90%	-10%
PERSPECTIVE	Human Resource Development			
PRIORITY AREA	Maximising internal governance			
OBJECTIVE	Data checking			
PERFORMANCE				
KEY PERFORMANCE INDICATOR	MEASURE (% number, date) and frequency	Target	Actual	Variance
No. of personnel files checked	Quarterly reports	50	50	0
PERSPECTIVE	Human Resource Development			
PRIORITY AREA	Maximising internal governance			
OBJECTIVE	To operationalize PMS			
PERFORMANCE				
KEY PERFORMANCE INDICATOR	MEASURE (% number, date) and frequency	Target	Actual	Variance
No. of accountability Agreements(AAs) assigned	Quarterly Reports	100%	0%	-100%
PERSPECTIVE	Skills Development			

PRIORITY AREA	Human Resources Development			
OBJECTIVE	Training, education and development of officials and councillors			
PERFORMANCE				
KEY PERFORMANCE INDICATOR	MEASURE (% number, date) and frequency	Target	Actual	Variance
No. of programmes undertaken	Quarterly report	60	97	+37
PERSPECTIVE	Skills Development			
PRIORITY AREA	Human Resource Development			
OBJECTIVE	Local priority skills development			
PERFORMANCE				
KEY PERFORMANCE INDICATOR	MEASURE (% number, date) and frequency	Target	Actual	Variance
No. of learners developed	Quarterly reports	4	2	-2
PERSPECTIVE	Council Support			
PRIORITY AREA	Public Participation			
OBJECTIVE	To create awareness and participation in municipal programmes			
PERFORMANCE				
KEY PERFORMANCE INDICATOR	MEASURE (% number, date) and frequency	Target	Actual	Variance
No. of Imbizos held	Quarterly reports	4	3	-1
PERSPECTIVE	Council Support			

PRIORITY AREA	Public Participation			
OBJECTIVE	Strengthen the impact of Ward Committees and CDWs			
PERFORMANCE				
KEY PERFORMANCE INDICATOR	MEASURE (% number, date) and frequency	Target	Actual	Variance
No. of ward meetings	Quarterly reports	4	4	0

MUNICIPAL SCORECARD: 08/09

NAME OF DEPARTMENT: BUDGET AND TREASURY

UNIT/DIVISION	Budget and Treasury			
ACCOUNTABLE OFFICIAL	S. Mini			
PERSPECTIVE	Municipal Transformation and Institutional Development			
PRIORITY AREA	Financial Management			
OBJECTIVE	Ensure that the municipality is financial viable by 2012			
PERFORMANCE				
KEY PERFORMANCE INDICATOR	MEASURE (% number, date) and frequency	Target	Actual	Variance
Workshops conducted on development of Property Rates Policy	Council Resolution	Property Rates Policy Document	-	0
Workshop with ratepayers	Report on workshop	Workshop	Workshop conducted	0

Workshop with Staff and Council	Report from workshop	Workshop	Workshop conducted	0
Reports to Council implemented	Quarterly reports	4 th Quarter Report	Report sent to Council	0
Developed Manuals Tabled in Council	Council Resolution			
Reports on implementation	Quarterly reports	Procedure manual	Developed	0

PERSPECTIVE	Municipal Transformation and Institutional Development			
PRIORITY AREA	Financial Management			
OBJECTIVE	Enhanced Information Technology			
PERFORMANCE				
KEY PERFORMANCE INDICATOR	MEASURE (% , number, date) and frequency	Target	Actual	Variance
Development of IT Policies	Adoption by Council	Council Resolution	Policies sent to Council	0
Weekly updated website	Schedule of updated information and dates	Website updated	Website updated	0
Upgrading of computers	Reports on upgraded computers			0
Addressing computer related queries	Number of queries solved			0
PERSPECTIVE	Financial Viability			
PRIORITY AREA	Financial Management			
OBJECTIVE	Ensure that the municipality is financial viable by 2012			

PERFORMANCE				
KEY PERFORMANCE INDICATOR	MEASURE (% number, date) and frequency	Target	Actual	Variance
% of gazetted funds received on implementation of DORA	Monthly reports	100%	100%	0
Addressing queries	Monthly reports			No queries solved
No. of accounts verified	Monthly reports			
No. of indigent registered and benefitting in the programme	Quarterly reports	100% registered and confirmed	100%	0
% increase in revenue collection	Quarterly reports	-	-	100%
Reports to National Treasury, Provincial Treasury and Council	Quarterly reports			
Staff trained on new processes	Training conducted	Report	Report	0
Council resolution on the development of a risk management policy	Monthly report	Workshop on policy	Policy sent to Council	10%
PERSPECTIVE				
	Financial Viability			
PRIORITY AREA				
	Financial Management			
OBJECTIVE				
	Effective Budget and Treasury Office			
PERFORMANCE				
KEY PERFORMANCE INDICATOR	MEASURE (% number, date) and frequency	Target	Actual	Variance
Council resolution for adoption of ideal Organogram	Council Resolution	Ideal organogram	Organogram developed	0

		adopted		
PERSPECTIVE	Good Governance			
PRIORITY AREA	Auditor General's Report			
OBJECTIVE	To obtain a positive unqualified Auditor General's Report			
PERFORMANCE				
KEY PERFORMANCE INDICATOR	MEASURE (% number, date) and frequency	Target	Actual	Variance
Action Plan submitted to Council	Quarterly Reports	60% queries to be solved	40%	-20%
Submission of Financial Statements to AG by 30 August 2008	Council Resolution	Submission by 31/08/09	-	On progress
PERSPECTIVE	Good Governance			
PRIORITY AREA	Supply Chain Management			
OBJECTIVE	To ensure compliance with Supply Chain Management			
PERFORMANCE				
KEY PERFORMANCE INDICATOR	MEASURE (% number, date) and frequency	Target	Actual	Variance
Functioning unit	Quarterly reports	3	1	-2
Accurate reporting	Quarterly reports			

**ACTION PLAN TO ADDRESS AUDIT QUERIES
FOR 09/10 FINANCIAL YEAR**

No	Finding	Management Action	Responsible Person	Timeframe
REVENUE				

1.	Inadequate system used for receipting and payments	A system that provides a complete audit trail and uses sequential numbering should be implemented.	Mr Ndakisa	Ongoing
2.	Monthly Billing reports, Consumer Statements	Review of monthly billing reports	Ms Gegela	Monthly
3.	Grant Income reconciliation	Monthly reconciliation to DORA and GL	Ms Gegela	Monthly
4.	Consumer deposits not charged	Prepare item to council on charging deposits on refuse	Ms Gegela	Next council meeting
5.	Daily banking	Review receipts and deposits daily	Ms Gegela	Daily
6.	Policy on Indigents debtors not implemented	Implementation of Indigent Policy	Ms Gegela	Monthly reports
7.	Irrecoverable debtors	Write off debtors as per policy	Ms Gegela	April 2010
8.	Monthly reconciliation of receipts and deposits	Reviewed and signed monthly reconciliations by CFO.	Ms Gegela	Monthly
9.	Traffic fine register	Maintanance of traffic fine books register.	Mr Bongo	Monthly
10.	Interest on overdue accounts	Interest should be charged on overdue accounts	Ms Gegela	Monthly
11.	Accessible paypoints and other mechanisms of settling accounts	Installation of speed points , payments through post office and bank.	Mr Ndakisa	March 2010
12.	Debtors Data cleansing	Maintainance of an accurate database	Mr Ndakisa	April 2010
13.	Reconciliation of Valuation Roll and rates	Reconciliation of Valuation Roll and rates	Ms Gegela	April 2010
14.	Distinction between and land and buildings in the Valuation Roll	There should be a distinction between land and buildings in the Valuation Roll.	Mr Qunta	March 2010
EXPENDITURE				
15.	Complete list of leases	Maintenance of a lease register	Mr Singeni & Ms Styata & Departments	January 2010
16.	Contract register not in place	Maintenance of a contract register	Mr Singeni & Ms Styata & Departments	February 2010
17.	Tender and Bid documentation not provided	Filing of tender documentation	Mr Singeni & Mr Styata	April 2010
18.	Expenses above R	All expenses above R	Mr Singeni &	Ongoing

	1001 do not have 3 verbal or written quotes.	1 001 should have 3 verbal quotes	Mr Ndakisa	
19.	Contracts not provided to the auditors	Filing of contracts	Mr Singeni & Mr Styata	Ongoing
20.	No complaints register for unsuccessful tenders	Maintenance of complaints register.	Mr Singeni	Monthly
21.	No recovery system in place for private phone calls	Private phone calls costs should be recovered from staff	Sectional Heads	Monthly
22.	Inadequate quotations for expenditure incurred	Management should review expenditure files periodically to ensure that necessary quotes are attached to invoices	CFO	Periodically
23.	Expenditure not sufficiently authorised	Payments should be authorised by senior management	MM & CFO	Ongoing
24.	No cheque attached to invoice	Cheques should be attached to invoices	Mr Manzi	Ongoing
25.	Invoices not stamped as posted once captured	All processed invoices should be stamped as posted	Mr Manzi	Ongoing
26.	No orders, delivery notes, goods received notes attached to vouchers	Orders and delivery notes, goods received should be attached to vouchers	Mr Manzi	Ongoing
27.	One year notice not granted for retirements	Management should ensure that a one year notice is given to all employees who would be forced to retire because of age.	Ms Hanise	When necessary
28.	Payroll reconciliations not performed	Reconciliations between payday and the financial system must be performed	Mrs Booii	Monthly
29.	Employee files not adequately maintained	All employee files should be adequately maintained to include recent amendments	Ms Hanise	Ongoing
30.	UIF Contributions not made by councillors	Matter to be investigated	Ms Hanise	January 2010
31.	Verification of qualifications not properly performed	HR should ensure that all employees qualifications are valid and document evidence	Ms Hanise	March 2010
32.	No off site storage are made use of	Back ups should be stored in an offsite location	Mr Gobingca	Daily

33.	Leave records not maintained adequately	All authorised leave must be captured timeously	Ms Hanise & MrsBooi	Ongoing
34.	No supporting documentation for deductions	Deductions must be authorised by the employee	Ms Hanise & Mrs Booi	Ongoing
35.	No supporting documentation for allowances and other income.	Proper documentation should be maintained	Ms Hanise	Ongoing
36.	Not all employees are listed in leave register	All employees should be listed on leave register	Ms Hanise	Ongoing
37.	Councillors remuneration could not be determined	All documentation regarding councillors remuneration appointment and position should be in their employee files	Ms Hanise	April 2010
38.	PAYE incorrectly calculated	PAYE calculated by payroll system should be reviewed by HR Manager	Mrs Booi	Monthly
FIXED ASSETS				
39.	Fixed asset register not updated timeously	The fixed asset register must be updated timeously when a change is made	Mr Ndinisa	February 2010
40.	Asset impairment review not conducted annually	Impairment review to be done annually and that impaired assets are written down	Mr Ndinisa/ CFO	May 2010
BANK AND CASH				
41.	Bank reconciliations not performed timeously	Monthly reconciliations to be performed	Expenditure Accountant	Monthly
42.	No petty cash reconciliation	Review of petty cash reconciliations	Mr Ndakisa	Monthly
43.	Bank statements not submitted for audit purposes	Bank statements should be kept safe	Ms Gegela	Monthly
44.	Payment vouchers not maintained for processing of direct debits	Payment vouchers should be used to record direct debits to the bank statements	Expenditure Accountant	Daily
45.	MFMA requirement re bank accounts	Information should be submitted as per s9 of the MFMA	Ms Gegela	As when required
46.	Investment	A senior official needs	Mr Ndakisa	Monthly

	reconciliation not signed as evidence of review	to review and sign		
47.	Transfer vouchers not submitted for audit purposes	Transfer vouchers should be filed safely	Ms Gegela	Ongoing
VAT				
48.	Vat reconciliations not performed	Preparation of monthly reconciliations	Mr Ndakisa/ Accountant Expenditure	Monthly
49.	Vat not levied on rental of facilities	Rental charged should be levied with VAT at a rate of 14%	Ms Gegela/ Mr Ndakisa	February 2010
50.	VAT number of the municipality not on included on invoice	VAT no of the municipality to be included on invoice	Ms Gegela	January 2010
COMPLIANCE WITH LAWS AND REGULATIONS				
51.	Schedule of landfill sites not provided. Permits obtained from the Minister of Environmental Affairs for each site.	Legislation should be complied with	Ms Mlungu	February 2010
52.	Infrastructure projects information not provided	Budgets and expenditure information relating to infrastructure projects should be maintained	Mr Molakalaka	Monthly
53.	Website not maintained	Documents to be placed on a website as per the systems act should be on the website	Communications officer	Monthly
54.	Grant implementation plans	Grant implementation plans , prepared and expenditure properly recorded	Mr Ndakisa	Monthly
55.	Budgetary file containing all supplementary documentation	Budget file should be maintained	Ms Ngxabi	Ongoing
56.	Quarterly reports on SCM	Quarterly reports should be submitted to council and copies filed	Mr Singeni	Quarterly
57.	No fraud prevention plan or policy	A fraud prevention plan should be drafted , workshopped, finalised and implemented	Mr Ndakisa/ Ms Styata	April 2010
58.	Policies and procedures not in	Policies should developed reviewed ,	All sectional heads	February 2010

	place	adopted and implemented		
59.	Risk Management	Policy, procedure and assessments	Mr Baliso	Monthly
60.	IT environment	Policies Procedures Master system plan Illegal software controls	Mr Gobingca	March 2010

REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE MBHASHE LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

Introduction

1. I was engaged to audit the accompanying financial statements of the Mbhashe Local Municipality (municipality) which comprise the statement of financial position as at 30 June 2009, and the statement of financial performance, the statement of changes in net assets and the 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].

The accounting officer's responsibility 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 for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

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 the 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 described 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.

Basis for disclaimer of opinion

Basis of accounting

4. The municipality's policy is to prepare financial statements in accordance with Generally Recognised Accounting Practice (GRAP). In terms of *Government Notice 522 of 2007*, issued in *Government Gazette No. 30013 of 29 June 2007*, low capacity municipalities are required to prepare and submit their financial statements using the same basis of accounting applied in the 2005-06 financial year (being IMFO). Paragraph 4(2)(b) further requires that a low capacity municipality must have consulted with the relevant treasury before 31 July of the year concerned and have agreed with that treasury on the basis of presentation of the financial statements. The municipality is unable to provide proof that this process of consultation and agreement was followed and therefore the basis of preparation of the financial statements of the municipality is inappropriate. Due to the nature and the extent of the matters referred to in the paragraphs below, we were not able to determine the effect of the use of the incorrect basis of preparation on the financial statements.