



GREAT KEI LOCAL MUNICIPALITY
ANNUAL REPORT FOR THE YEAR
ENDED

30 JUNE 2009

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ANNUAL REPORT 2008/2009 OF THE GREAT KEI LOCAL MUNICIPAL

OVERVIEW OF THE ENTIRE REPORT

PART 1: INTRODUCTION AND OVERVIEW

1 FOREWORD BY THE MAYOR

It is again a pleasure and a privilege for me as a Speaker/Mayor to present this Annual Report of Great Kei Municipality for 2008/2009 Financial year to the Council, the broader community as well as our stakeholders and partners.

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

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

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

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

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

Yours truly

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

2 MUNICIPAL MANAGER'S MESSAGE

The yearly program priorities' statement by the Municipal Manager

Great Kei Local Municipality is responsible for the provision of various services to its population including:

- Roads infrastructure construction and maintenance (local access roads)
- Electricity infrastructure and services supply
- Solid waste management services
- Liaison with the District Municipality and Provincial housing Department in the provision of housing
- Provision of some free basic services particularly energy; with Water being supplied by the District Municipality who is the WSA, and WSP.
- Facilitate human settlement
- Facilitate land availability
- Facilitate LED
- Community Services - community halls, sport and recreational facilities, bathhouses and toilets, libraries, arts and culture, resorts, beaches and pools, child care, old age homes, cemeteries and crematoria
- Traffic services & licensing
- Facilitate transport services
- Building & rezoning regulations
- Refuse collection & grass cutting
- Cemeteries
- Facilitate library services
- Institutional transformation & development

During the year 2008 / 2009 the municipal SDBIP covered the following;

1. Develop LED strategy
2. To promote Vukuzenzele projects within the community.
3. Provide business skills to community and enable them to sources funding
4. To build .SMME, Co-operatives, Small Scale Farming
5. To strengthen Local Tourism Organisation, to ensure advertisement of our tourist destination in the Provincial and National Tourism Board
6. To have clear spatial development framework
7. Facilitate the mainstreaming of the previously marginalized groups into the economic development .e.g. disabled, youth and women.
8. Ensure that the Municipality complies with environmental prescripts
9. Conduct an audit of existing potential for a forestation and facilitate participation of the communities
10. Review IDP in line with legislative requirements
11. Ensure that there is continuous performance management reviews

12. Training of Home Based Care Givers
13. To increase access to Primary Health Services
14. Engagement of all relevant stakeholders & role players towards the implementation of the Housing Sector Plan
15. Establish vending, upgrading of the networks and capacitate staff
16. Establish transfer stations
17. Licence landfill site within GKM
18. Consistent visibility and law enforcement by Traffic Officers within our jurisdiction
19. Regular maintenance of access roads
20. Development of cemetery management plan
21. To capacitate councillors and staff
22. To maintain and harness sound labour relations
23. Develop an Employment Equity Plan
24. Development of appropriate policies
25. Familiarisation of new employees with Great Kei Municipality
26. Link the organogram to IDP
27. Valuation of properties
28. To reduce wasteful expenditure
29. To maintain repairs and maintenance expenditure at about 15% of the operating expenditure
30. To ensure that the expenditure is as per budget
31. Increase in debtor collection
32. Implementation of MFMA
33. To reduce risk areas in Municipality
34. Review and adopt All Policies
35. Respond and address issues raised in the Audit Report. .
36. To establish the Internal Audit Unit
37. To establish the Audit Committee
38. Develop Public Participation and transformation policy
39. Compliance with legislation and reporting

Yours Sincerely

Nicholson M. Mkhoklakali

Acting Municipal Manager

3 OVERVIEW OF THE MUNICIPALITY

3.1 AREA MAJOR CHARACTERISTICS

The Great Kei Municipality (GKM) is located within the Eastern Cape Province and covers an area of 1 421 square kilometers (km²). The GKM is bounded in the East by the Great Kei River and Mnquma Municipality, in the South East by the coastline between Kwelera and Kei Mouth, in the West by the Buffalo City Municipality and the Amahlathi Municipality, which is situated to the North. The Municipality is divided into six wards, which are the amalgamation of previously different communities and municipal entities, including Komga, Kei Mouth, Cintsa East, Haga Haga, Mooiplaas and Kwelera.

The municipal area is divided into six wards which were previously different municipal entities; Komga, Kei Mouth, Cintsa and Haga Haga together with the Komga TRC and portion of the East London TRC. Regional access is obtained through the district via the N2 National Route from East London to Butterworth with a provincial main road connection between Komga and Stutterheim.

3.2 HEALTH

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

Table 9: Hospital Beds

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

Source Dept of Housing & Local Government, 1997

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

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

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

- participate in the Integrated Development Planning process;
- explore new mechanisms for delivering services;
- engage with the allocation of health service functions to Municipalities;

- continue to improve the rendering of high quality health care in an integrated manner.

3.3 EDUCATION

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

Table 10: Number of Primary and Secondary Schools

Great Kei Municipality	primary/combined schools	secondary schools
number of schools	34	8
number of Schools/1000 children	2.62	0.19

Source: Dept of Housing & Local Government (2001)

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

Table 11: Adult Literacy Rate

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

Source MDB, 2001

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

3.4 SAFETY AND SECURITY

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

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

3.5 HIV/AIDS

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

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

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

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

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

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

- 20 percent of pregnant women in the Eastern Cape are infected

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

The epidemic will:

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

(Source: HIV/Aids Toolkit for Local Government)

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

3.6 ENVIRONMENTAL OVERVIEW

The IDP process highlights environmental issues as a priority/key issue in the formulation of strategies and projects. However, it is recognised that effective Environmental Management is critical to the survival of Tourism and Agriculture which are the backbone of the municipal economy. The Great Kei Municipality lacks adequate capacity to manage and monitor the various activities and development projects from an environmental point of view. It is anticipated that the District municipality will assist in monitoring new projects and existing operations where detrimental environmental impacts can result. Examples include the establishment of

cemeteries in flood plains, dumping of hazardous waste and effluent, burning of waste material and exploitation of natural resources.

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

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

Quality in environmental decision-making

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

Co-operative governance in the environmental sector

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

may affect the environment, or whose powers and duties are aimed at managing the environment.

Role of civil society in environmental governance

- The National Environmental Advisory Forum, which advises the Minister, among others, on appropriate methods of monitoring compliance with the principles in section 2 of the Act;
- The Environmental Management Co-operation Agreements, that provide a mechanism for the Minister, every MEC and municipality to enter into an agreement with any person or community for the purpose of promoting compliance with the principles in section 2 of the act;
- The provisions on protection of whistle-blowers that protect the public from prejudice or harassment for disclosing information of environmental risk, in good faith, and using the required procedures;
- The provision that relax legal standing and enable any person or group of persons, in the public interest or in the interest of protecting the environment to seek appropriate relief for a breach or threatened breach of a provision of NEMA; and
- The provision that facilitate private prosecutions of environmental offenders.

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

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

3.7 CLIMATE CHANGE

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

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

- Greenhouse gases are thought to contribute to global climate change, and these gases include carbon dioxide, carbon monoxide and methane. Carbon dioxide and carbon monoxide are released form inter alia vehicle tailpipes and during the burning of fuel-wood. Methane is released by domestic livestock and waste disposal sites. However, it is important to note that the subtropical thicket found within the GKM is very efficient at capturing carbon and hence at offsetting the effects of the greenhouse gas emissions.
- Therefore the SDF further proposes that the protection of biodiversity is the primary motivation for the protection of the subtropical thicket, it nevertheless has additional value as inter alia a potential means to slow down, or buffer the rate of climate change.

- The Spatial perspective advances that the areas covered by the thicket vegetation should therefore be targeted for conservation. This may take the form of spatially gazetted conservation areas or the promulgation of By Laws to protect pristine, highly sensitive or endangered categories of subtropical thicket vegetation.
- Similarly, areas covered by indigenous forest should be excluded from destructive developments that would involve inter alia the clearing of vegetation. The clearing of vegetation would entail a loss of biomass and hence store carbon. Limited action would be required from GKM in this regard as indigenous forests are protected under the National Forests Act, 1998. Clearly indigenous forests, indigenous dune forests, are unsuitable for residential development of any sort.

3.8 AIR QUALITY

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

3.9 WATER QUALITY

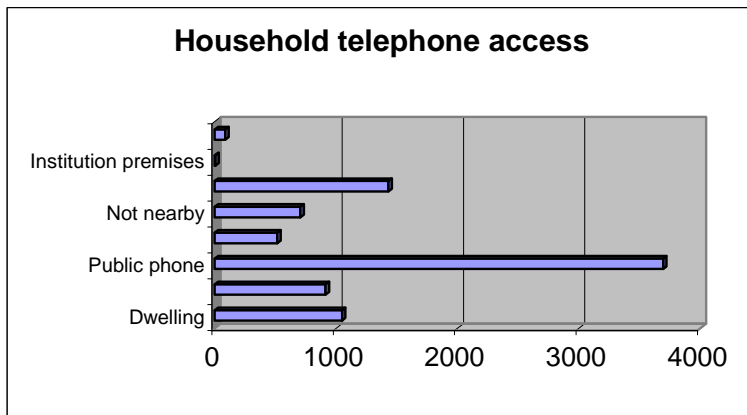
GKM SDF indicated that Eutrophication is considered to be a problem at a number of localities in GKM. It is a direct result of nutrient enrichment in water systems. The main nutrients causing eutrophication are phosphorus and nitrogen. Nutrient-enriched systems exhibit significant water quality, toxin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

GKM SDF cautions us that very little water quality monitoring has been carried out in the Great Kei River drainage region. However, it is likely that microbial

concentrations, total phosphorus and suspended solids in the run-off from unserviced settlements are high, resulting in elevated levels of these variables in receiving water bodies.

3.10 TELEPHONES

Figure 16: Household Telephone Access



Source: PIMSS, 2001

**Table 17:
Household
Telephone Access**

Dwellin g	Neighbour s	Publi c phon e	Other nearb y	Not nearb y	No access	Telephone unspecifie d
12%	11%	44%	6%	8%	17%	1

Figure 17: Solid Waste Collection Services

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

Vodacom has applied for installation of high masts in Kwelerha and Kei Mouth areas to improve network coverage.

Most households within the Great Kei area have access to either a public phone or a phone in their dwellings (refer to Figure 16 and Table 17). Some 17 percent do not have any form of telephone access. It is not clear what the access rate for cell phones is.

3.11 PUBLIC TRANSPORT

Integrated Spatial Development Framework in terms of transportation

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

The provision of formal public transport is lacking between the major travel destinations within the area. There are few registered taxi routes and no formal bus routes. Formal bus terminals do not exist. We have a taxi rank at Icwili near Kei Mouth, one formal taxi rank at Tuba village which is not operating. It is the function of the District to have these facilities in place so far.

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

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

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

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

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

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

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

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

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

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

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

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

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

4 EXECUTIVE SUMMARY

1. To stimulate economic growth by 2%
2. To create an environment of security and cooperative arrangement between enterprises to attain mutual benefits
3. To create a vibrant commercial and subsistence agricultural industry
4. To market GKM as a tourist destination
5. To create an effective and efficient management of environmental resource for improvement of sustainable development
6. Ensure that the Municipality complies with environmental prescripts
7. To revitalize and commercialize agricultural sector.
8. Promote optimum use of forestry resources to benefit GKM communities
9. Ensure economic beneficiation of Great Kei through mining sector and enhance potential mining areas
10. Facilitation of access to appropriate housing
11. To ensure a fully integrated system to meet the needs and to increase the mobility of people and freight in GKM
12. To develop a properly functioning solid waste management system
13. To enhance effective management of disaster within GKM
14. To ensure that our access roads are in good and acceptable conditions at all times
15. Link the existing WSP to IDP objectives and PMS
16. To achieve compliance with respect to Employment Equity Act
17. Ensure mainstreaming of designated groups in all municipal programs
18. Link the organizational structure to IDP and municipal powers and functions
19. To increase municipal revenue by at least 5% of current revenue by 2008/2009
20. To maintain general expenditure within 20% of the operating expenditure
21. To ensure compliance to Procurement regulation & targets
22. To have an effective inter-governmental relations
23. To obtain a positive unqualified auditor general's report or at least qualification
24. To vigorously drive public participation and transformation
25. To engage the services of a registered Property Valuer
26. To develop and implement Property Rates Policy
27. To establish Project Management Unit (PMU)
28. To rehabilitate Nyarha Access Road
29. To rehabilitate Belekumntwana Access Road

Main challenges faced by the municipality

- Revenue collection
- Implementation of Free Basic Services (FBS's)

- Supply Chain Management Unit
- Risk assessment and controls
- No Grap/Gamap compliant Financial System
- No Vending Machines – which may be used to enforce the Credit Control Policy
- Electricity Tempering
- No disaster management strategies/Policies
- No proper security measures in place on both the municipal system and otherwise.

PART 2: KPA ACHIEVEMENT REPORT

5 CHAPTER 1: HUMAN RESOURCE AND OTHER ORGANIZATION MANAGEMENT – KPA 1

5.1 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
108	60	6	42

5.2 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		23 286 049	10 154 226	43.6%
2007-2008		19 946 253	9 890 174	49%
2008-2009	108	11 005 487	11 359 059	1.49%

5.3 LIST OF PENSION AND MEDICAL AIDS TO WHOM EMPLOYEES BELONG (PLEASE ADD IF NECESSARY)

Names of pension fund	Number of members	Names of medical Aids	Number of members
Cape joint retirement fund	9	Bonitas Medical Aid	4
SALA	1	L.A Health	19
SAMWU National Provident Fund	59	SAMWU Med	33
		Muni Med	2
		Hos Med	1

5.4 SENIOR OFFICIALS' WAGES AND BENEFITS (EVEN IF INCLUDED IN THE FINANCIAL STATEMENTS);

2006-2007	R1 958 537.10
2007-2008	R2 120 762.00
2008-2009	R2 613 902.00

5.5 IMPLEMENTATION OF THE PERFORMANCE MANAGEMENT SYSTEM (PMS):

In 1997 the white paper on local government introduced the concept of performance management systems as a mechanism to improve accountability and enhance public trust on local government. The white paper further suggests that by involving communities in setting key performance indicators and reporting back to communities on performance, accountability is increased, and public trust in the local government system is also enhanced.

In 1998 we adopted our PMS Framework but we never get to use it, we are now beginning to implement PMS in the current financial year.

5.6 MAJOR CHALLENGES AND REMEDIAL ACTIONS IN REGARD TO HUMAN RESOURCE AND ORGANIZATIONAL MANAGEMENT

- Municipal revenue base and municipal grading system
- Staff turn-over
- Filling of vacant positions

5.7 GREAT KEI MUNICIPALITY ORGANOGRAM 01 JULY 2008 TO 30 JUNE 2009

OFFICE	NO. OF	VACAN	FILLED	RAC		GEND	
	POSTS	T	POSTS	B	W	F	M
SPEARKERS /MAYOR'S OFFICE							
Office Manager	1	1	-	-	-	-	-
Admin Secretary	2	1	1		W	F	-
Driver	1		1	B	-	-	M
Messenger/Tea Maker	1	0	1	B	-	F	-
Special Programmes Officer	1	0	1	B	-	-	M
Communications Officer	1	1	0		-	-	-
MUNICIPAL MANAGERS' OFFICE							
Municipal Manager	1	-	1	B	-	-	M
Admin Secretary	1	-	1	B	-	F	-
Legal Officer	1	1	-	-	-	-	-
Messenger/Tea Maker	1	-	1	B	-	F	
Internal Auditor	1	1	0	-	-	-	-
Strategic, IDPO, LED Manager	1	-	1	B	-	F	-
Typist/Clerk	1	-	1	B	-	F	-
LED Officer	1	-	1	B	-	F	-
Agricultural Officer	1	1	0	-	-	-	-
BUDGET AND TREASURY OFFICE							
Chief Financial Officer – S.57	1	0	1	B	-	F	-
Secretary	1	0	1	B	-	F	-
Messenger/Tea Maker	1	0	1	B	-	F	-
Supply Chain Management	1	1	0	-	-	-	-

Supply Chain Management Officer	1	1	0	-	-	-	-
Expenditure Accountant	1	-	1	-	W		M
Assets/Liability Officer	1	1	0	-	-	-	-
Budget and Projects Officer	1	1	0	-	-	-	-
Income Accountant	1	-	1		W	F	-
Stores Controller	1	0	1	-	-	-	-
Senior Creditors	1	0	1	-	W	F	-
Chief Clerk Debtors	1	0	1	B	-	-	M
Senior Clerk Debtors: (Valuations, Rates Clearance)	1	0	1	B	-	-	M
Senior Clerk Debtors:(Accounts)	1	0	1	B	W	F	-
Cashier	1	0	1	B	-	F	-
CORPORATE SERVICES DEPARTMENT							
Corporate Services Director S.57	1	1	0	-	-	-	-
Secretary	1	1	0	-	-	-	-
IT Officer	1	1	0	-	-	-	-
Senior Admin Officer	1	1	0	-	-	-	-
Committee Clerk (Council Support)	1	0	1	B	-	-	M
Committee Clerk (Ward Committee Clerk)	1	0	1	B	-	F	-
Administrator/Cashier (Kei Mouth)	1	0	1	-	W	F	-
Typist/Clerk Komga	1	1	0	-		-	-
Archives Officer	1	0	1	-	-	F	-
Telephonist/Receptionist	1	1	0	-	-	-	-
Human Resources Manager	1	0	1	B	-	-	M
Senior HR Officer/SDF	1	0	1	B	-	F	-
Payroll/Personnel Officer	1	0	1	B	-	F	M
Typist/Clerk	1	0	1	B	-	F	-
Tea/Maker/Messenger	1	0	1	B	-	F	-
COMMUNITY/SOCIAL SERVICES							
Manager: Community/Social Services	1	1	0	-	-	-	-
Secretary	1	1	0	-	-	-	-
Chief Traffic Officer	1	0	1	-	W	-	M
Senior Traffic Officer	1	0	1	-	W	-	M
Traffic Officer	1	1	0	-	-	-	-
Vehicle Licencing Clerk	1	0	1	B	-	F	-
Librarian	1	0	1	B	-	-	M
Library Assistant	1	0	1	B	-	F	-
Assistant Librarian Mooiplaas	1	0	1	-	W	F	-
Assistant Librarian Kei Mouth	1	0	1	B	-	-	M

Assistant Librarian Haga-Haga	1	0	1	-	W	F	-
Komga Supervisor: Refuse, Amenities & Veg Control	1	0	1	B	-	F	-
Komga: Foreman/Driver Refuse, Amenities & Veg Control	1	0	1	B	-	-	M
Chintsa: Foreman/Driver Refuse, Amenities & Veg Control	1	0	1	B	-	-	M
Kei Mouth: Foreman/Driver Refuse, Amenities & Veg Control	1	1	0	-	-	-	-
Haga-Haga: Foreman/Driver Refuse, Amenities & Veg Control	1	1	0	-	-	-	-
Morgan Bay: Foreman/Driver Refuse, Amenities & Veg Control	1	1	0	-	-	-	-
TECHNICAL SERVICES DEPARTMENT							
Technical Services Director s.57	1	0	1	B	-	-	M
Office Admin Assistant	1	0	1	-	W	F	-
Operations Control Officer	1	1	0	-	-	-	-
Project Management Officer	1	1	0	-	-	-	-
Building Control Officer	1	1	0	-	-	-	-
Town Planning Officer	1	1	0	-	-	-	-
Inspector: Building	1	1	0	-	-	-	-
Assistant Electrician	1	1	0	-	-	-	-
Forman Roads	1	0	1	B	-	-	M
Handy Man	1	0	1	B	-	-	M
Grader/Operator Koma	1	0	1	B	-	-	M
Driver/Operator Chintsa	1	0	1	B	-	-	M
Driver/Operator Kei Mouth	1	1	0		-	-	-
General Workers-Komga	22	0	22	B	-	14 F	8 M
General Workers-Chintsa	7	0	7	B	-	3 F	4 M
General Workers-Kei Mouth,	12	0	12	B	-	3 F	9 M
General Workers-Morgans Bay	6	0	6	B	-	1 F	5 M
General Workers-Haga Haga							
TOTALS	123	29	94	78	11	48	46

6 CHAPTER 2: BASIC SERVICE DELIVERY PERFORMANCE HIGHLIGHTS (KPA 2)

6.1 WATER SERVICES

Water services delivery strategy and main role-players and Levels and standards in water services:

ADM is water service Authority (WSA). This function includes Great Kei Municipality as area of jurisdiction. ADM WSA population is estimated at 962,370 people based on data from Statistics South Africa. Affordability levels are low with an estimated 68,5% of households in 2004 classified as living in poverty, against 52,6% in 1996. (Source: Global insight 2005). ADM was engaged in registering indigent consumers and was also engaged in data cleansing exercise.

As at July 2008, approximately 83,04% of people living within the district had access to RDP level of services (25 litre per person per day, with a maximum of 200 m walking distance).

The monitoring of water quality and availability, including mapping of water sources, continued during 2007/2008. The aim was to ensure that drinking water is accessible and safe. The analysis of water covers bacteriology and chemical parameters.

The compliance for the year was 85,5%; remedial resources were taken for the 14,5% non-complying sites, the Amathole District Municipality's water quality monitoring programme is linked with Department of Water and Forest electronic water quality monitoring reporting system on website (e-wqms). This is to facilitate the provision of information on the status of water quality to a wide range of stakeholders. (Source: ADM Annual Report 2007/2008).

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

Regional schemes in the area include the:

- Mooiplaas Regional Water Supply Scheme

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

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

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

Table 14: Water

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

Source: PIMSS, 2001

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

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

The coastal towns within the municipal area are considered to have major tourism potential. The only hindrance to this potential being maximised is that there is insufficient bulk infrastructure. The existing water supply already cannot handle the present demand in certain areas, nonetheless providing for resort facilities. The current system is a combination of conservancy tanks and waterborne into oxidation

ponds. These systems are inadequate and completely unable to cope in peak holiday periods. Ninham Shand was tasked to investigating options for irrigation of grey water from the sewage treatment works.

It was generally felt that from a water and sanitation perspective, the Great Kei area has enormous tourism potential and it was felt the pollution resulting from poor sanitation systems in the area may be problematic. There is a need to do an Environmental study for the Great Kei area with a specific focus on the impact of seasonal loading (very high peaks over Christmas) on the coastal infrastructure. There is also a need to address the collection of revenue in the Great Kei and the Water Services Authority functions have been clarified which promises to be an advantage for the municipality (the ADM) to ascertain how they impact on the Local Municipality. There is an influx of people from Mnyama and this will need to be addressed through Land Use Management Planning and land settlement zones.

Storm water

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

The provision of storm water drainage within the Kei Mouth and Morgan Bay and Haga-Haga areas is poor to non-existent and requires upgrading. The rehabilitation project at Icwili settlement, near Kei Mouth has been completed but routine maintenance program needs to be put in place.

6.2 ELECTRICITY SERVICES

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

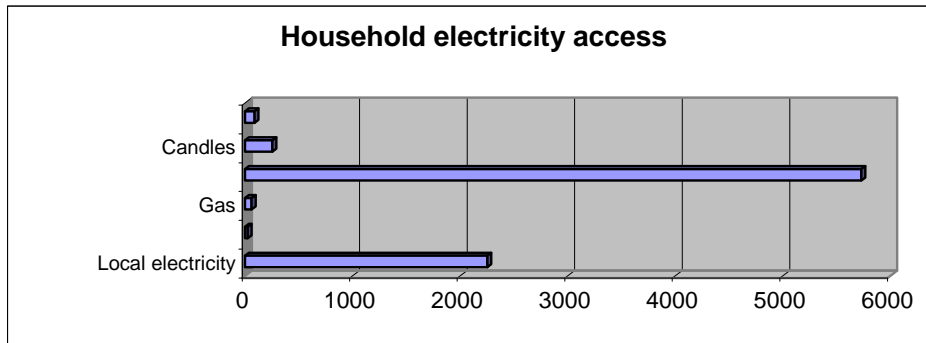


Figure 15: Household Electricity Access

Table 16: Lighting Type

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

Source: PIMSS, 2001

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

Great Kei Local Municipality has a licence to distribute electricity in Komga both town and the township while ESKOM distribute electricity in Cintsa, Cefane, Haga-haga, Margon Bay, Kei Mouth, 15 Mooiplaas and 7 Kwelera Villages.

Annual performance as per key performance indicators in Electricity services -

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review (actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households with access to electricity services	2708 in Komga 2332 Other Areas TOTAL = 5040	none	100%	5040	40%
2	Percentage of indigent households with access to basic electricity services	956	81%	100%	956	19%
4	Percentage of indigent households with access to free alternative energy sources	None	None	None	None	None

Kindly note that the above table could not be properly completed as we have battled to get figures from Eskom.

Major challenges in electricity services and remedial actions

- In an endeavour to address the tampering, we are currently upgrading our electricity infrastructure, which involve;
 - Changing of electricity metering system to split meters – place on poles
 - Purchasing of vending machines for easy access
- Very soon we will be implementing our credit control and Debt management policies to embark on disconnections – those with conventional meters and those tampering – the latter to be followed by litigation, however, residents will be given enough warning.

6.3 SANITATION

ADM is also dealing with sanitation services; we touched on some issues while we were dealing with water services. As at July 2008, approximately 29,14 % of people living within Amathole District had access to an RDP level of service (waterborne sewerage or ventilated improved pit latrine).

Figure 14: Household Sanitation Access

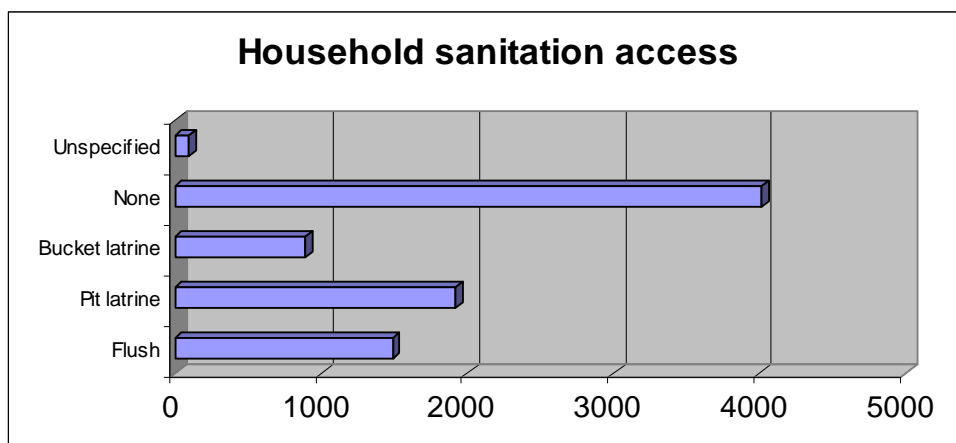


Table 15: Toilet Type

Up to basic	None

level	
12.45%	87.55%

Source: GKM IDP 2009/10

The majority of households with sanitation services are concentrated in the towns of Komga, Kei Mouth, Morgans Bay and Haga Haga. The town centre operates on a system of septic tanks, the full water borne system with effluent treatment. The outlying areas are serviced by VIPs. Provision of sanitation services is in the hands of the sanitation authority which is the District Municipality.

6.4 ROAD MAINTENANCE

Road construction and improvement was considered as the prime infrastructural component to the municipality that would assist in bringing about improved access for tourism, health facilities and agricultural developments. Roads leading to coastal areas are being tarred by Roads & Transport.

All of these growing centers will contribute to the growth in the economy, creation of jobs and increase the rates revenue to Great Kei Municipality. Growth and development however needs to be matched by improved infrastructure and institutional arrangement.

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

The responsibility for capital expenditure and maintenance rests with various authorities including the Great Kei Municipality. Table 12 below schedules the various categories of road, the length of road and the authority responsible for capital expenditure and maintenance.

Table 12: Categories of Road

Road Classification	Lengths (km)		Responsible Authority
	Paved	Unpaved	
National	48,97	0	SANRAL
Trunk	23,45	0	Provincial Department of Roads and Transport
Main	4,27	41,11	
District	32,45	71,82	Provincial Department of Roads and Transport
Access	21.30	486.18	
			Provincial Department of Roads and Transport
			Great Kei Municipality
TOTAL	130,44	599,11	

The Great Kei Municipality is thus directly responsible for 21,30 kilometres of surfaced and 486,18 kilometres of unpaved road. An updated and consolidated list is in the process of being compiled with the assistance of stakeholders through the Transport Forum. Although no detailed inspection has been done, the vehicles, plant and equipment are generally in poor condition due to age and lack of maintenance. Available records indicate that, of the unpaved minor and access roads approximately 258 kilometers have gravel surfacing i.e. some betterment, drainage work and regravelling has taken place previously while approximately 228 kilometers can be classified as ungravelled roads or tracks i.e. no improvement has taken place and roads have only been identified but are in use. It is also important to note that located on the unpaved minor and access roads a total of approximately 41 structures i.e. stream crossings with minor structures and causeways (not pipes) have been identified and a total of approximately 56 stream crossings requiring minor structures have been identified. The status of unpaved minor and access roads in terms of upgrading and structures is given below (Table 13).

Table 13: Road Status

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

Note: differentiation between gravel and ungravelled track in text.

Structures exclude all pipe culverts.

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

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

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

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

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

A holistic approach must include for:-

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

Annual performance as per key performance indicators in road maintenance services –

	Indicator name	Total number of household /customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review (Actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage	40	4545	1355	700	52

	of households without access to gravel or graded roads					
2	Percentage of road infrastructure requiring upgrade	46	5227	314	3000	57
4	Percentage of planned new road infrastructure actually constructed	14	1591	0	0	0
5	Percentage of capital budget reserved for road upgrading and maintenance effectively used.	80	5681	1355	678	100

Major challenges in road maintenance services and remedial actions

- Most access roads are in a bad state of repair, as such have potholes
- Only access roads from the provincial roads to villages were considered, not internal access roads. Therefore the backlogs still remain unaddressed even though roads are constructed/rehabilitated.

Project Number	MIS FORM ID	Project Name	Status	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Total
mig/ec/0701/cf/105/07	121781	Chintsa Satellite Office	Completed						97							97
mig/ec/0711/R,2ST/06/07	154870	Icwili Ixarha Access Road	Completed								36					36
3	147502	Zozo Access Road	Completed									63				63
mig/ec/1138/R,4ST/07/09	148781	Nyarah Access Road	Completed	202	321		19		352					115		1 009
mig/ec/1193/r,s5t/07/10	150005	Belekumntwana Access Road	Completed	545	26	253	309		319		59				36	1 548
R/EC/2621/07/609	184090	Siviwe Township access road	Construction stage		- 79	133	376	479	311		258			285	151	2 071
R/EC/2955/09/710	184103	Silatsha Access Road	Construction stage			91	307	279					24 37	4 7	300	195 1 793
R/EC/6428/09/810	184091	Mpetu Access Road	Tender stage				227	158					23	4	300	155 1 074
9		Gwaba access road	Design stage				95	155					18	4	226	106 766
10	8852	132487 PMU	Admin. Fund											65	26	55 147
Totals				747	426	477	1 333	1 070	1 079		354	49	67	1	252	698 8 604

- Low revenue base as the municipality is semi-rural making it difficult to carry out maintenance. Rehabilitation/construction budget comes only from MIG
- Expertise lost in Technical Services Department due to high staff turnover.
- Slow spending on MIG due to delays in the procurement processes.

The cash-flow projection for 2009/10 projects is given below:

6.5 WASTE MANAGEMENT

The Municipality provides solid waste management services to the urban centres of Komga, Kei Mouth, Haga Haga, Morgan Bay and Chintsa. None is provided to the rural areas. Collection and disposal of solid waste from the urban areas has been improving, especially with the Municipality's acquisition of two trucks. However, the unit cost of refuse collection and disposal is still very high due to the distances to which the refuse has to be transported.

There is only one small non licensed landfill in Komga, to which all solid waste is disposed off. The unofficial disposal sites that used to exist in Kei Mouth, and Chintsa have been closed.

While the Municipality cannot claim that it is there yet, it has made great strides in improving the solid waste management, especially on the collection side. Two trucks have been purchased (07/08) for refuse collection. The collection is being carried out as planned. The community is aware of the dates that the refuse is collected from each area. Occasionally, there may be a day, when the vehicle breaks down, and has to be fixed, so the refuse is not collected on that particular day.

Disposal is still a challenge. There is a landfill in Komga, which is yet to be permitted, The ADM is assisting with this. Also, there are no equipment to manage the landfill properly. The Municipality has budgeted to construct transfer station in Chintsa, and Kei Mouth in the 2010/11 financial year, and to rehabilitate the Landfill in Komga in 2011/12, on the event that the Plan for the ADM to assist does not materialise. There is also a plan to construct one transfer station in Haga Haga, but funds for this are yet to be sourced.

Table 19: Waste Collection Services

	LA Weekly	LA Less Often	Communal Dump	Own Dump	No Dump	Other	Unspecified
Farmland	119	2	181	1198	495	4	21
Scattered	0	1	0	47	58	1	0
Urban	895	4	0	9	16	0	31
Villages	955	10	77	2957	1096	41	147
TOTAL	1969	17	258	4211	1665	46	199

Source Local Municipalities MDB Information, 2001

Two regional solid waste sites are currently being planned within neighbouring Local Municipalities. The first site (between Fort Jackson and Berlin) is being planned and

funded by Buffalo City and it is the intention that this site will replace Buffalo City's existing (7) unlicensed sites.

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

Annual performance as per key performance indicators in waste management services –

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
1	Percentage of households with access to refuse removal services	11 363	9 204	3500	2 159	19 %

d. Major challenges in waste management services and remedial actions

Apart from the high unit cost referred to above, there is no licensed disposal site at Great Kei. Amathole constructed the Landfill site but has not completed to the point of licensing. Plans for licensing have been allowed for in the ADM IDP. Great Kei has allowed for it in the capital projects budget 2011/2012 financial year.

There are no equipment to operate the existing landfill properly. There is no likelihood of getting it licensed without the equipment to operate it in the required manner. There are also staffing challenges in that there is no knowledgeable and experience person to oversee the solid waste management function. The location of the site is not strategic as it is next to R63.

6.6 HOUSING AND TOWN PLANNING

Town Planning & Building control

Currently there are no staff members employed by the Municipality to deal with town planning and building control services.

Scrutiny of Building plans has been carried out by a service provider appointed by the municipality to provide building control services. Inspection and enforcing adherence to requirements needs to be addressed better.

Town planning related issues are being carried out by the staff seconded by DBSA, before this deployment the service was being carried out by the asset and administration manager. There was a backlog of applications that were awaiting consideration by council (dating as far back as 2004). We are currently dealing with the backlog of 2007 and the new applications. Systems still need to be developed. Previously, a service provider was appointed through the Amathole District Municipality but they provided a static, closed system which can only be used for viewing. A GIS system is required, which shall be linked to the valuation role and updated continuously.

An application for funding for Town Planning renewal (Great Kei Zoning Scheme) has been submitted to DBSA of which an outcome is awaited. A Spatial Development Framework has been prepared in 2004 and adopted by council. We are busy working on unblocking the finalization of the Kei Mouth Local Spatial Development Framework. Nevertheless the municipality has made provision on the organogram for the appointment of a Town Planner during 2010/11 financial year.

Human Settlement Planning

Due to lack of oversight on the part of Great Kei Municipality, the contractor that was appointed to build the houses at Icwili Township ran into financial problems, and this led to the blocking of the project by the department in 2006. The process of unblocking the project started in June 2009, it has been telephonically

communicated to the municipality that the unblocking has been approved and the Provincial Department of Housing are on tendering stage.

The Municipality is in the process of formalising Chintsa East Township. A business plan to solicit funding was submitted to the Provincial Department of Housing, we have received communication accepting receipt of application and that it will be submitted to their monthly meeting for consideration.

Amathole District Municipality are busy with the provision of infrastructure at the Zone 10 Settlement, Komga to provide housing for the communities displaced from the surrounding farms. ADM has prepared and submitted a business plan for top structure funding to the Provincial Department of Housing and they are still waiting for consideration.

Provincial Department of Housing has embarked on a pilot project to capacitate municipalities in terms of establishing sustainable housing units. For the current financial year the Department is targeting three municipalities, one of which is Great Kei Municipality.

While it is perceived as Provincial department of Housing's responsibility to provide housing, the local municipality has to participate both in the strategic planning, operational planning, and implementation of the housing provision.

Housing needs within the Municipality have been assessed by Great Kei, as per the beneficiary list that is held within the Municipality, the Amathole District Municipality, and the Provincial housing Department, and included in the Housing Sector plan, that has been prepared.

A provision has been made for this 2009/2010 financial year to at least employ one officer and a clerk to establish the unit.

Few housing projects have been implemented in the Municipality with various degrees of success, namely:

- **Icwili Housing project** comprising of 285 houses of which 15 were pilot houses, 15 are public amenities, leaving 255 for residential settlement 178 were completed before stoppage due to contractor problems in 2006. The contractor that was appointed to build the houses at Icwili Township ran into financial problems, and this led to the blocking of the project by the department in 2006. There are concerted efforts to unblock this project, and complete the remaining 75 houses. It has been communicated to the municipality that the unblocking has been approved.
- **Igxarha Morgan Bay housing Project:** Comprising of 90 houses, and was completed successfully.

- **Zone 10 housing project, Komga:** houses are at initial stages, currently working on infrastructure provision (ADM). ADM has prepared and submitted a business plan for top structure funding to the Provincial Department of Housing and they are still waiting for consideration for 2009/2010, 2010/2011.

- **Chintsa Housing Project**

The Township was developed with 80 RDP houses that were completed approximately 3 years ago. Since then the Township has been expanding informally and the existing area has become overcrowded. Also the area or land where this expansion is taking place is not suitable for housing people due to the following reasons:

- (a) The Cintsa River is polluted, especially in the rainy season as the land slopes towards the Cintsa River thus the water runs off into the river with all its affluent including human waste.
- (b) The settlement is unplanned and informal and therefore illegal.
- (c) The services in the settlement are large by large, not available, the few that are there – such as water stand pipes - are grossly inadequate
- (d) Some of the houses are built on steep slopes that are unsuitable for housing

With these reasons it became apparent to the municipality that formalisation of the township is required. Hence a business plan to solicit funding was submitted to the Provincial Department of Housing, we have received communication accepting receipt of application and that it will be submitted to their monthly meeting for consideration.

- **Haga Haga Housing project:** 250 houses are planned; the process of land expropriation is still ongoing.
- **Byllets Housing Project:** Land has been donated by one of the land owners, for resettlement. The Municipality has appointed surveyors and town planners, to plan and carry out a housing project to settle people there; the application has been submitted to the department of housing for consideration. ADM and ESKOM are working on the infrastructure.
- **Mpetu Housing Project.** Land has purportedly been purchased from the land owners, and a housing project is planned. The exact nature and degree of planning is yet to be established.
- **In-Fill Housing Project:** 1000 houses in each of the six wards within the Municipality, to be build with the existing villages. Is in the IDP (2007), but no known plans to start the project.

Informal Housing

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

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

Formal planning of the villages

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

d. Major challenges in housing and town planning services and remedial actions

Due to budgetary and staff constraints, within the Municipality, and the perception that this is a provincial function, there is no unit, or individual dedicated to housing provision is accommodated in the Municipality.

Activities related to housing are thus carried out in an ad-hoc basis when there is a pressing need to address it, e.g. when the Provincial Department, or the ADM requires some action on a housing related issue. It is also apparent that the individual who addresses a particular issue will not necessary be the one to continue with it, hence lacking continuity.

Great Kei Municipality has not yet established a housing unit that can manage and implement housing projects; however a provision has been made for this current financial year to at least employ one officer and a clerk to establish the unit.

6.7 SPATIAL PLANNING

Preparation and approval process of SDF:

SDF has been developed, but still a draft pending the consultation process. Once the consultation process is complete the SDF will be forwarded to Council for approval.

Land use management:

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

Table 2: Land Use

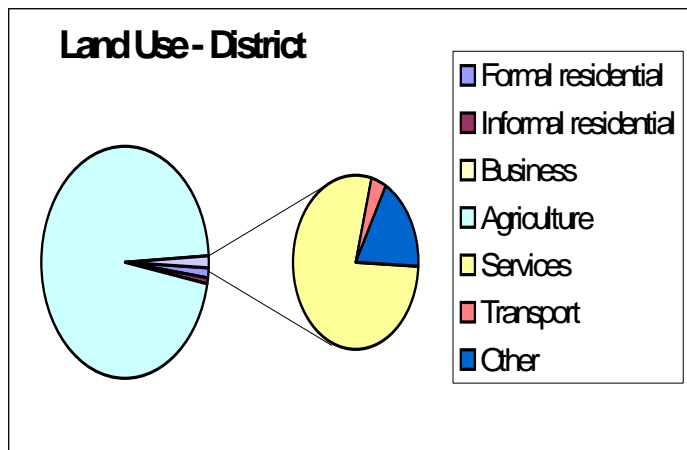
Land Use		Urban	Great Kei Municipality
	in km ²	Areas	Agglomeration
1	Residential	57.00	1,421.00
1a	Formal residential	20.00	20.00
1b	Informal residential	10.00	10.00
2	Business	1.00	0.50
3	Agriculture	1.00	1,364.00
4	Services	3.00	20.00
5	Transport	1.00	1.00
6	Other	21.00	4.50
7	Total	57.00	1,421.00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

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

Of the 1 421km² municipal area, some 57km² is taken up by the urban service centers of Komga and Kei Mouth which represents 4% of the total district area (refer to Table 2 and Figure 2). Komga functions as the predominant rural service centre to the surrounding agricultural areas as well as adjacent parts of Mnquma. It also

serves as an urban communications link and small commercial centre between the Buffalo City and Butterworth urban areas. Komga is given the lowest rank (19th out of 19) of Level 1 District Centers within the sub region in terms of the Amatole District Council LDO's and Integrated Development Plan 1999 - 2000. The coastal settlements of Kei Mouth, Morgans Bay, Haga Haga and Cintsa, whilst having a small number of permanent residents, have over many years provided a tourism and holiday destination for both local and national visitors who regularly spend their holiday in the area. Approximately 0.5% of the area, mostly within the coastal forest reserve, is protected for environmental conservation purposes.

Figure 2: Land Use – District



Applications received and processed are as follows:

	March 09	May 09
• Rezoning,	1	1
• Sub-division,		7
• Consent use,		
• Removal of restrictive conditions	1	1
• Township establishments	2	9

c. Major challenges in spatial planning services and remedial actions

None at this stage as the SDF is still a draft pending the consultation process. Once the consultation process is complete the SDF will be forwarded to Council for approval.

6.8 INDIGENT POLICY IMPLEMENTATION

The municipality's Indigent Policy has been prepared and approval process is underway.

6.9 OVERALL SERVICE DELIVERY BACKLOGS

Basic service delivery area	30 July 2008			30 June 2009		
	Required	Budgeted	Actual	required	budgeted	Actual
Water backlogs (6KL/month)						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)	3154	0	0	3532	0	0
Backlogs to be eliminated (%: total	27	13	13	31	24	24

HH identified as backlog/total number of HH in the municipality						
Spending on new infrastructure to eliminate backlogs (R000)	0	0	0	0	0	0
Spending on renewal of existing infrastructure to eliminate backlog (R000)	0	0	0	0	0	0
Total spending to eliminate backlogs (R000)	0	0	0	0	0	0
Spending on maintenance to ensure no new backlogs (R000)	0	0	0	0	0	0
Electricity backlogs (30KWH/month)						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)	3520	4000	2700	4000	4000	4000
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)	31	35	24	35	35	35

Spending on new infrastructure to eliminate backlogs (R000)	0	0	0	0	0	0
Spending on renewal of existing infrastructure to eliminate backlog (R000)	0	0	0	R5m	0	0
Total spending to eliminate backlogs (R000)	0	0	0	R5m	R4,4m	R1,5m
Spending on maintenance to ensure no new backlogs (R000)	0	0	0	R0,25m	0	0
Sanitation backlogs						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)	6696	0	0	7499	0	0
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)	59	0	0	66	0	0
Spending on new infrastructure to eliminate backlogs (R000)	0	0	0	0	0	0
Spending on renewal of existing	0	0	0	0	0	0

infrastructure to eliminate backlog (R000)						
Total spending to eliminate backlogs (R000)	0	0	0	0	0	0
Spending on maintenance to ensure no new backlogs (R000)	0	0	0	0	0	0
Road maintenance backlogs						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)	5227	314	179	5854	352	200
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)	46	3	57	52	3.1	64
Spending on new infrastructure to eliminate backlogs (R000)	14	0	0	16	0	0
Spending on renewal of existing infrastructure to eliminate backlog (R000)	R2,83m	R2,83m	R2,83m	R5,7m	R5,7m	R5,7m
Total spending to eliminate backlogs	R67m	R2,83m	R2,83m	R75m	R5,7m	R4,5m

(R000)						
Spending on maintenance to ensure no new backlogs (R000)	R6,7m	0	0	R8m	0	0
Refuse removal						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)	7363	2628	2628	8246	4000	4000
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)	65	23	23	73	35	35
Spending on new infrastructure to eliminate backlogs (R000)	R2,9m	0	0	R3,3m	0	0
Spending on renewal of existing infrastructure to eliminate backlog (R000)	R0,5m	0	0	R0,5	0	0
Total spending to eliminate backlogs (R000)	R6,3m	0	R1,84m	R5,04m	0	0
Spending on maintenance to ensure no new backlogs (R000)	R0,5m	0	0	R0,6m	0	0

Annual performance as per key performance indicators in housing and town planning services-

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (Actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
1	Percentage of households living in informal settlements	2000	2000	2000	Nil	Nil
2	Percentage of informal settlements that have been provided with basic services	Nil	Nil	2000	Nil	Nil
3	Percentage of households in formal housing that conforms to the minimum building standards for residential houses	2000	2000	2000	Nil	Nil

Spending on new infrastructure to eliminate backlogs (R000)						
Spending on renewal of existing infrastructure to eliminate backlog (R000)						
Total spending to eliminate backlogs (R000)						
Spending on maintenance to ensure no new backlogs (R000)						
Housing and town planning						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)	R3.5m	Nil	Nil	R3,5m	Nil	Nil
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)	R40m	Nil	Nil	R40m	Nil	Nil
Spending on new infrastructure to eliminate backlogs (R000)	R30m	Nil	Nil	R30m	Nil	Nil
Spending on renewal of existing infrastructure to eliminate backlog (R000)	R13m	Nil	Nil	R13m	Nil	Nil
Total spending to eliminate backlogs	R86,5m	Nil	Nil	R86,5m	Nil	Nil

(R000)						
Spending on maintenance to ensure no new backlogs (R000)	R10m	Nil	Nil	R10m	Nil	Nil

7 CHAPTER 3: MUNICIPAL LOCAL ECONOMIC DEVELOPMENT FRAMEWORK- (KPA 3)

7.1 BRIEF PRESENTATION OF LED STRATEGY/PLAN

- Status on developing the LED strategy/plan
 There is a document available that is composed of inputs from various meetings with stakeholders. An LED policy is in the process of being developed by GKM. A consultation process will be in the form of an LED Indaba, where local and Investor stakeholders are expected to attend and make recommendations on improving our current LED state of affairs.

- Setting up a LED unit;
 The current organogram only accommodates two posts, LED Officer and Agricultural Officer.

- LED stakeholder forum functionality (number of meetings held);
 The last LED forum meeting held in GKM was in 2007. Stakeholders voiced concern over the powers and function of the structure and its ability to ensure implementation of resolution taken. When informed that the forum is an advisory committee, stakeholders withdrew from participating.

- Funding opportunities of LED activities (indicative figures on Donors/funders and types of program)
 Dept. of Social Development and the Dept. of Agriculture are the main funder but mostly for poverty alleviation projects. DEDEA funds communities directly after assessing a business plan lodged with them. In GKM they have funded a Brick Manufacturing project. SEDA & Afesis Coplan have funded programmes of training for co-operatives & SMME's.

7.2 PROGRESS TOWARDS ACHIEVING THE LED KEY OBJECTIVES

a. Improve public and market confidence

The SDF of Kei Mouth was developed by UMHLABA Consulting but due to community dissatisfaction with service delivery in the municipality they decided to stop participating in the process. Plans are underway to address this.

b. Exploit comparative and competitive advantage for industrial activities

We are in the process of developing an LED strategy after the LED Indaba. We hope that this Indaba will put forward clear strategies or areas of focus as articulated by the Stakeholders. From this intervention we will be able to obtain the competitive and comparative advantages of our municipal area and focus on the opportunities.

c. Intensify Enterprise support and business development

- None of business development services provided SMME'S
- None but Business plans and proposals are being looked at.
- Business Plans and proposals are being looked at for Private & Public Partnerships. 40 jobs created through EPWP. Others are being planned for the next financial year.

d. Support Social investment program

Socio-Economic Characteristics

Poverty Indicators

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

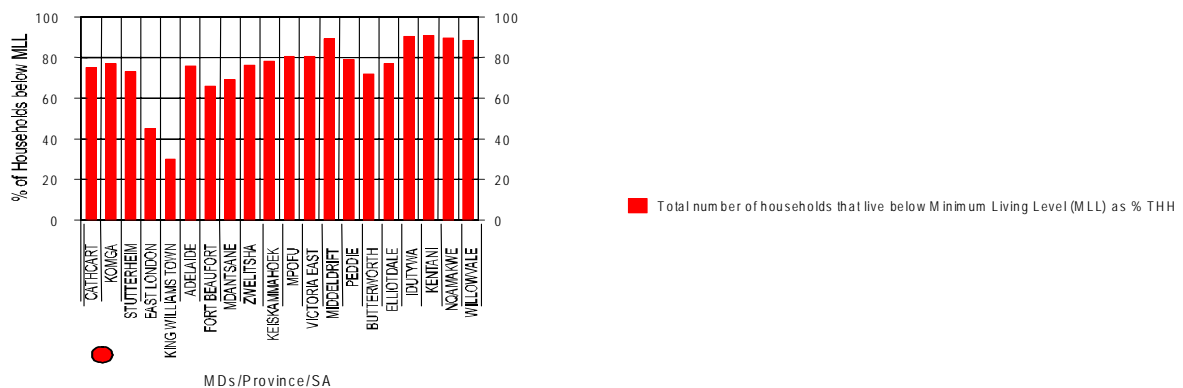
Table 8: Households below Poverty Line

Households below Poverty line	Percentage of households in the district situated below the poverty-line.		
	Great Kei Municipality	Total Number	% of households
1	Households	8,352	100.0%
2	Poor Households	6,598	79.0%
3	Woman-headed h/holds	3,257	39.4%
	Poverty line in R per month:		
4	One person	R 740.00	R/month
5	Two persons	R 800.00	R/month
6	Average households	R 770.00	R/month

Source: MDs/Provinces SA

Figure 8: Households Living Below the Minimum Living Level

Proportion of all households living below the minimum living level (MLL)

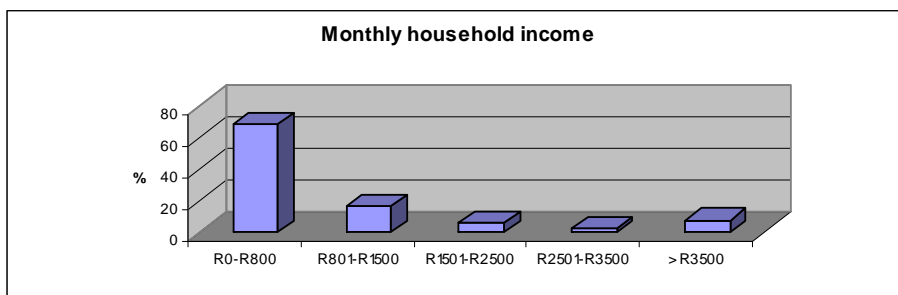


What proportion of all households lives below the minimum living level (MLL)? [IDEA ©CSIR, 2001] information compiled from StatsSA (Census 1996).

Monthly Household Income

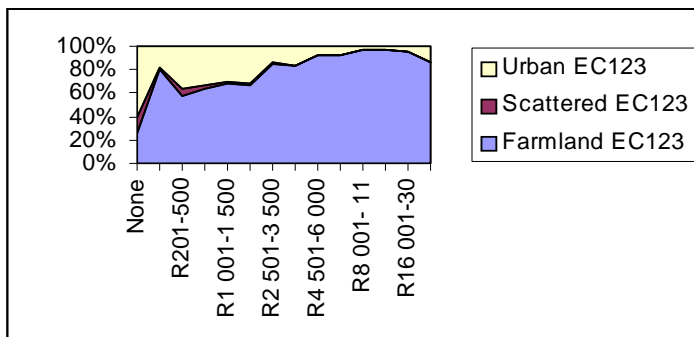
Most households are very poor. Some 68 percent of households earn less than R800 per month (refer to Figure 9). Given the fact that Great Kei Municipality does not have lots of money, decisions around service levels will have to take these constraints into account when planning new services.

Figure 9: Monthly Household Income



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

Figure 10: Rural Household Economy



Source: Local Municipalities **MDB Information, 2001**

Income and Poverty

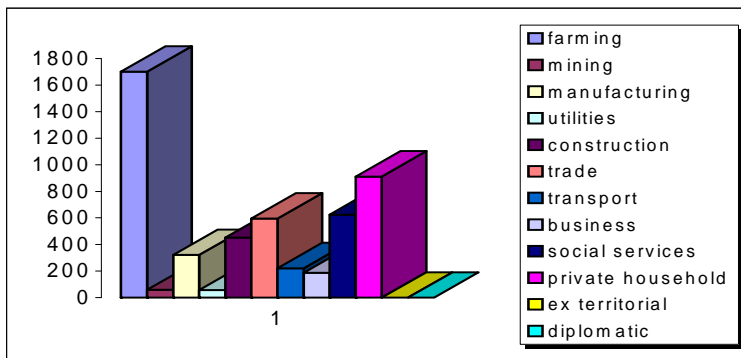
One of the indicators of poverty is the total income of persons in the area. The above table Figure 10. Provides the significance of rural household income in the

economy. It highlights the fact that there is a considerable number of households who earn income as reflected in the 2001 census.

Economic Characteristics

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

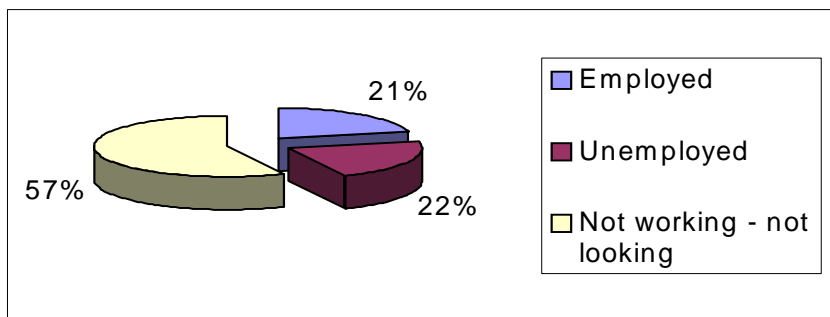
Figure 11: Employment Activities



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

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

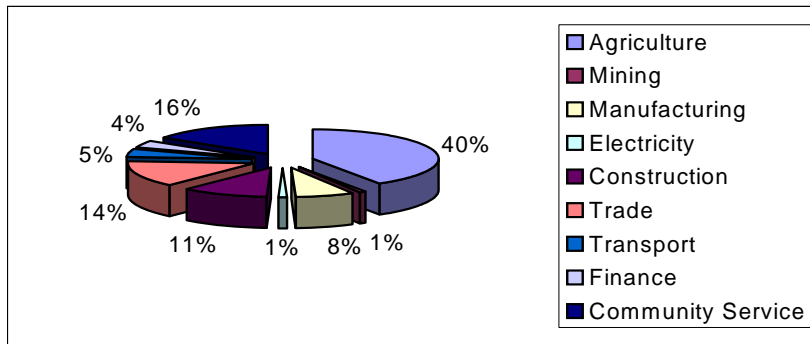
Figure 12: Unemployment



Source: Institute for Socio-Economic Research, 2003

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

Figure 13 shows the employment per sector and employment percentage.



Source: Institute for Socio-Economic Research, 2003

Agriculture

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

“Apart from some relatively small areas, the potential for crop production in the municipal area is limited because the soil base is a poor one. In contrast the veld is comparatively sweet due to a significant component of winter rain. The agricultural potential of the municipality lies therefore in livestock production. In the past higher production has come from dairy farming. Dairying had been made more difficult by increased crime and by the changing attitudes of labour while the profitability of dairy farming has been eroded over a period of years but it was significantly damaged when multinational dairying came to South Africa and demanded farmers produce at lower prices.

Small stock farming has been made very difficult by the crime factor. Beef farming is also increasingly being affected by crime. Game farming, particularly allied to eco-

tourism on the other hand is booming and the price of live game, sold to potential farmers to start new ventures reflects this.

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

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

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

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

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

Small, Medium and Micro Enterprises

A report commissioned by the ADM on SMME’s indicates that Great Kei Municipality has one of the most sophisticated but not necessarily the ideal support system for small enterprises in all of the Great Kei, however Strategic Planning and Local Economic Development Unit has established partnership with Afesis Corplan, SEDA and the Youth Commission in order ensure formation of business networks, registration of Cooperatives, product improvements, business skills, career guidance etc.. The Great Kei Municipality has to improve its links with bodies that are membership-driven and provide a series of services to their own members. These including membership magazines, information and advice, trade facilitation, black economic empowerment, bulk discounts, lobbying and capacity building programmes.

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

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

Sector	Activity
Agriculture	Chicken farming Vegetables

	Stock farming Crop farming Milk production
Services sector	Phone shops Shoe repairs Hair salons Car washes Tyre repairs Panel beaters Cleaning services Crèches HIV/AIDS Home based care
Retail	Street vendors Catering Spaza shops
Manufacturing	Brick and blocks Wood related manufacturing e.g. Furniture Clothing and dress making Bead making Bread making and bakery Builders and construction Recycling
Forestry	Bee keeping Mushroom growing Forest related adventure tourism Firewood

Hydroponic tunnels

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

Emerging farmers

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

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

Subsistence farming

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

Tourism

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

These products include:-

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

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

The spatial distribution of the tourism industry tends to be situated mainly along the coastal belt and to a certain extent along the Kubusi/Great Kei Rivers (game farms).

Key issues which have been identified include:-

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

encompass promotion of the Xhosa Culture for the benefit of the community and community involvement need to be expanded to harness the heritage and culture of the area.

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

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

The LED Forum is envisaged to have the following

Guiding principles.

- creating favourable location factors i.e. qualities which make your place a good place to do business. This includes obvious elements such as improving the infrastructure and training workers, but also less obvious elements such as business mindedness and efficiency of local administration.
- promoting business - this can be existing business, start-ups or external companies coming into your location. It is also important to link things, promote and support spin-offs and subcontracting, attracting investors which fit nicely into the local economic structure, and consider franchises as a source of new local business.
- making local markets work better. - aims at creating places and opportunities to match supply and demand as well as discover, propagate and promote new business opportunities.
- making better use of locally available resources, instead of complaining about the difficulties of finding adequate advisors for local business service centre. It advocates for involvement of experienced business people and managers in coaching both entrepreneurs and advisors

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

Governance structure important

A step-by-step philosophy is proposed:-

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

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

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

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

Plotting of options for management structure

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

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

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

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

7.3 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
1	Percentage of LED Budget spent on LED related activities.	R78 000	R78 000	
2	Number of LED stakeholder forum held	0		
3	Percentage of SMME that have benefited from a SMME support program	0		
4	Number of job opportunities created through EPWP	0	54	
5	Number of job opportunities created through PPP	0		

7.4 CHALLENGES REGARDING LED STRATEGY IMPLEMENTATION

The LED strategy is in the draft stage, implementation will be effected in the next financial year.

Name of programme	implementing agent	No. people employed	location	year
Coast care	Nolla Project	81 youth	Kei, Cintsa, Morgan Bay	2006 to date
WB Contractor development programme	DORT	54 women & 4 youth	Mooiplaas	2008 to date
Electricity	GKM – Balledon & Robb	30 youth	Komga	08/09
Internships	GKM	10 youth	GKM	2008
Poverty valuations	Kula Consultants	80 women	GKM	2008/09
Zone 10 settlement	ADM	100 women & youth	Komga	2007/09
Poverty relieve	Imalusi based org	100 women youth	Komga	2007 -2009
Establishment of coops	GKM	10	Great Kei	2008/09
N2 upgrade	National road	240 woman	N2 Komga-Mooiplaas area	2009

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

8.1 BUDGET TO ACTUAL COMPARISON

GREAT KEI MUNICIPALITY APPENDIX D ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2009				
Actual 2008	INCOME	Actual 2009	Budget 2009	
R		R	R	
15,335,803	Grants and Subsidies	27,840,952	27,671,000	
3,598,556	Assessment Rates	4,178,398	3,647,959	
2,399,680	Electricity Charges	2,754,534	652,490	
2,707,403	Other Service Charges	8,675,048	2,996,445	
<u>278,377.50</u>	Interest received	<u>216,817</u>	<u>-</u>	
<u>24,317,820</u>	Total Income	<u>43,665,749</u>	<u>34,967,894.00</u>	
EXPENDITURE				
9,890,174	Salaries, wages and allowances	11,359,059	11,005,487	
7,478,617	General expenses	10,802,049	9,003,993	
313,744	Repairs and maintenance	452,059	1,806,503	
1,164,566	Capital charges	809,706	360,000	
271,327	Contributions to fixed assets	384,208	-	
<u>827,836</u>	Contributions to approved funds	<u>799,288</u>	<u>927,111</u>	
19,946,254	Gross Expenditure	<u>24,606,369</u>	<u>23,103,094</u>	
<u>4,371,566</u>	Net Surplus/ (deficit)	<u>19,059,380</u>	<u>11,864,800</u>	

8.2 GRANTS AND TRANSFERS' SPENDING

1. Municipal Infrastructure Grant:

In the year 2005/06, the Municipality had no allocation of MIG funds, however, an amount of R 84 613.31 was spent on roads. In 06/07, allocations received amounted to R 2 521 000, of this an amount of R 1, 186 232.39 was spent by the Municipal financial year. The balance of R1 250 154 was spent in the year 07/08 as projects were only finalized in the following year. The year 07/08 indicates an over expenditure of allocations as R 2 833 000 was allocated, however, an amount of R 4 940 639.20 was spent by the end of the financial year. This indicates that the balance available from the previous year was utilized for projects in the year 07/08. However, these do not include expenditure for the Project Management Office that was established by the Municipality which would accelerate expenditure of allocations further. The year 08/09, allocations amount to R 5 721 000 of which R 5 719 496.65 was spent by the end of the financial year.

2. Municipal Systems Improvement Grant:

The Municipality started receiving funding in 2006/07 and R 150 000 was allocated. The funds were utilized towards the preparation of Annual Financial Statements and IT expenses which costs the Municipality R 226 889.69. The balance of the over expenditure was defrayed from the next year`s allocation. In the year 2007/08 an amount of R 734 000 was allocated, where in R 749 347.89 was utilized. In 2008/09 amount of R 1 200 000 was allocated from which R 910 000 was for the implementation of the Municipal Property Rates Act. An amount of R 673 705 has been spent and the balance of R 434 057.42 has been committed for the interim valuation roll project schedule to commence in March 2010, and the conversion of asset register conversion onto Grap whereby a portion of 09/10 funds will be utilized. The valuation roll project was also funded by the Development Bank of Southern Africa and as such both funds were utilized for the project. Service provider was appointed and therefore funds have been committed. The asset register tender has been awarded to Grant Thornton of East London.

3. Local Government Financial Management Grant:

In the year 2005/06 the municipality was allocated an amount of R 250 000 from which R 527 625.13 was spent during the year. In the year 2006/07 amount of R 500 000 was allocated wherein R 380 422.49 was spent. In 2007/08 allocation amounted to R 1, 500 000 from which R 1 513 433.05 was spent. In 2008/09 allocation was R 1,500 000 and amount of R 1 551 227.30 was spent during the year. In all the

financial years there has been over expenditure on the Grant allocated because the municipality knew that on a yearly they will be getting the grant to cover the over expenditure. In the next financial year (09/10), allocation amounts to R 1 000 000 and an amount of R 124 643.77 will be spent. Taking into account the over expenditure in the previous years, the unspent funds left from the date of allocation to date amount to R 652 648.26. From the balance of the funds, salaries for 5 interns to be recruited in January 2010, causing the funds to be committed.

8.3 LONG TERM CONTRACTS ENTERED INTO BY THE MUNICIPALITY

Kula Valuations, Nashua

8.4 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	15 248	12 765	83.7%
		Target set for the year 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	11 005	10 500	47.3%
		Target set for the year 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	23 103	34 967	66%
		Target set for the year 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	7 296	16 917	43%
		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	10 405	18 729	
6	Percentage of MIG budget appropriately spent	100%	5,044	88%

8.5 THE AUDIT COMMITTEE FUNCTIONALITY

The municipality did not have Internal Audit Committee for the year under review, invites / advertisement for the committee members were advertised twice, but only two candidates were suitable. Since then the municipality (GKM) has requested Amathole District Municipality (ADM) for shared services.

8.6 ARREARS IN PROPERTY RATES AND SERVICE CHARGES

Some consumers claim that the municipality does not bill them
Property rates – National & Provincial Public Works still a

Unregistered properties Provincial Public Works responsible – verification
 Interests raised – non payments (arrears)
 Section 21 schools

8.7 ANTI CORRUPTION STRATEGY

For the year under review the municipality did not have fraud prevention policy, but for the year 2009/2010, the municipality will develop fraud prevention policy and fraud prevention plan. Both the fraud prevention policy and fraud prevention plan will be adopted by council; A workshop will be held wherein Councillors, management, unions will discuss key policy and plan imperatives; also two awareness workshops will be conducted. The current system of reporting fraud does not function as it should, thus act as deterrent.

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

9.1 PUBLIC PARTICIPATION AND CONSULTATION;

The municipality has met its constitutional mandate during the year under review. The period has been characterised by a commitment to engage communities in the decision making processes of the municipality. A Memorandum of Understanding was signed with Afessis – Corplan where capacity building for Ward Committees was identified. Issues relating to Ward Governance, Ward profiling and planning formed part of that capacity building.

- **Mayoral Imbizos:** Izimbizos are held annually by the Mayor. In this financial year, the Mayor has visited all the Wards where the community raised issues of service delivery. Issues raised are forwarded to the respective departments so that they could be addressed. New projects identified are addressed through the IDP process.
- **Public hearings:** Municipal public hearings relate to new policies and Acts. Most of the time, GKM facilitates and mobilise communities for the Provincial and National Parliaments
- **Customer satisfaction surveys:** Indications are that there is a lot that the municipality can improve on

9.2 WARD COMMITTEES' ESTABLISHMENT AND FUNCTIONALITY

Ward Committees were elected in 2006 in five wards. In ward 5 challenges of non cooperation were encountered. The issue was referred to the Provincial Department of Local Government for intervention. This hampered service delivery in ward 5. Challenges are around issues relating to stipends and travelling of ward Committees

- Members attendance to meetings: Ward Committee meetings are attended by members in five wards.
- Availability of minutes of ward meetings: Minutes of the meetings that are attended are always recorded and kept at the municipality
- Written proof of tabling resolutions to Councils: Through Ward Councillors and Standing Committees, Ward Committee resolutions are submitted to Council
- Availability of minutes of feedback meetings with communities: Ward Councillors and Ward Committees have a programme for community meetings that is being submitted through the office of the Speaker
- Availability of Ward committee activity reports: Afessis – Corplan has agreed to a capacitate Ward Committees to be able to write reports

9.3 COMMUNITY DEVELOPMENT WORKERS PERFORMANCE MONITORING

The municipality has six Community Development Workers. During the year under review, CDW's have worked very well. Reports are submitted to the office of the Speaker by the CDW Coordinator monthly. Monthly programmes are submitted and have been verified. Relationship between Ward Councillors, Ward Committees have improved in this financial year.

A greater impact on service delivery has been seen during the year under review. Sector departments have worked closely with CDWs to address issues that have been reported to them.

9.4 COMMUNICATION STRATEGY

- Development stage of the communication strategy: The municipal Communication strategy is part of its Public Participation policy. The policy was crafted in 2008/2009 financial year the assistance of ADM. Workshops were conducted for Ward Committees and Councillors in the same financial year.
- Adoption of the strategy by the council: The policy will be adopted by Council in the next financial year (2009/2010).
- Human resource available to lead the communication activities: A Public Participation Unit will be established composed of officials from SPU, ICT, GCIS and CDW Coordinator
- Infrastructural resource available for communication activities: Equipment is needed to improve communication. News letters PA system are some of the effective tools that are need to improve communication.

9.5 INTERGOVERNMENTAL RELATIONS

The Municipality has forged relations with Afesis Corplan and our Provincial Housing Department. Afesis Corplan promotes a concept known to be LAND first in an attempt to discourage expansion of shacks. The approach emphasises the notion of being pro-active as government of the people by providing surveyed sites to all home seekers, provide basic servicers and guarantee the occupant to be the owner of that portion of land through certificate of ownership. We have identified Kei Mouth –Icwili as a pilot for the next financial year. We have consulted the immediate community and agreed to the program/project.

We held two IGR meetings for IDP engagement and number of meeting with the above mentioned institution.

9.6 LEGAL MATTERS

9.6.1 Setting up of Legal Units

The municipality is outsourcing legal services

9.6.2 Management of litigation

1. Case Load Management with specific reference to:

a. Favourable cases

Case name	Recovery (yes/No)	Reasons for non recovery
GKM/Danmist Properties	Yes	Not applicable
GKM/M Elliot ELs N.Thompson,C. Greyling,J.Renton	No	Settlement agreement signed by both parties

b. Unfavourable cases

Case name	Compliance with judgement (yes/No)	Reasons for non compliance with judgement
None		
GKM/M Elliot ELs N.Thompson,C. Greyling,J.Renton	Yes	Not applicable

2. Case age analysis,

Case name	Nature of the case	Date of commencement	Cases of 2 years or below	Cases beyond 2 years	Reasons for extensive duration
GKM/Danmist Properties	Illegal sale of land	2001	N/A	1	High Court litigation
GKM/M Elliot ELs N.Thompson,C. Greyling,J.Renton	Fire claim	Sept 2003	N/A	1	High Court litigation

3. Default judgements

Case name	Reasons for default judgement
N/A	N/A
N/A	N/A

4. Prevention mechanisms of current litigations:

The municipality makes use of a private firm of lawyers to advice, guide council.

5. Criminal matters emanating from corruption and fraud
There are none known for the year under review.

9.7 MANAGEMENT OF RISKS

On 8 December 2008, the Council of the municipality adopted a risk management policy.

The adopted risk management policy addresses key elements of the risk management framework to be implemented and maintained by the municipality, which will allow for the management of risks within defined risk/return parameters, risk appetite and tolerances as well as risk management standards. As such, it provides a framework for the effective identification, evaluation, management, measurement and reporting of the Municipality's risks.

The objectives of the adopted policy are to ensure that a strategic plan is developed that should address the following:

- An effective risk management architecture;
- A reporting system to facilitate risk reporting; and
- An effective culture of risk assessment.

While this policy was adopted, the policy has not been implemented, as risk assessments were not performed during the year and no reports on the management of existing and emerging risks are available.

10 PART 3- FUNCTIONAL AREAS REPORTING AND ANNEXURE

10.1 FUNCTIONAL AREA SERVICE DELIVERY REPORTING

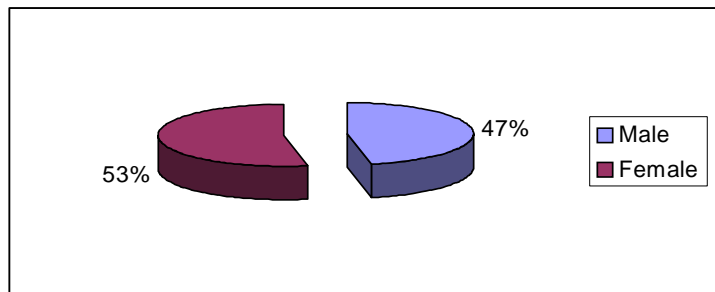
10.1.1 GENERAL INFORMATION (POPULATION STATISTICS)

Table 3: Population by Sex

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

Source: Statistics SA (2001)

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



**Figure 3:
Male/Female Ratio**

Source: Statistic SA, 2001; Figure 4: Age According to Gender

GKM currently has an estimated population of just 44 469 that make an approximate total of 11 363 households. Over 81 percent of the population of

Great Kei lives in rural areas, villages and on farms. The population is spread amongst 6 wards with between 4 430 people (835 households) and 10 052 people (1 897 households) resident in each ward. This provides an average of 6 686 people per ward. The average household consists of 4.8 people.

Table 4: Population by Age

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

Source: Statistics SA, 2001

Table 5: Population by Age

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

Source: Statistic SA, 2001

It can be observed in the Table 4 (Data World Statistics, 2001) that half the population (46 percent) of Great Kei are children between the ages of 0 to 19 years. Some 21 percent of the population are youths (between 20 - 34 years), 25 percent middle aged (35 to 65 years) with 8 percent over 65 years of age (elderly). However, information supplied by Local Municipalities MDB Information, 2001, demonstrate a

disproportionate (low) number of children under the age of 4 years old (refer to Table 5). Given that 74,81% of the population is under the age of 15 years (MDB Information, 2001) this data requires further investigation, concerning the possible high incidences of child mortality;

Only 21% of the population fall within the 20 to 34 year age group (refer to Figure 5). This may be ascribed to the fact that (1) many of the economically active have left the municipality for further education, training and work; or (2) a distortion of the population pyramid through the possible impact of HIV/AIDS within this age group. In addition to the above, the high number of economically active (43% of the total population) has implications for the kinds of job opportunities and facilities that will be required in future.

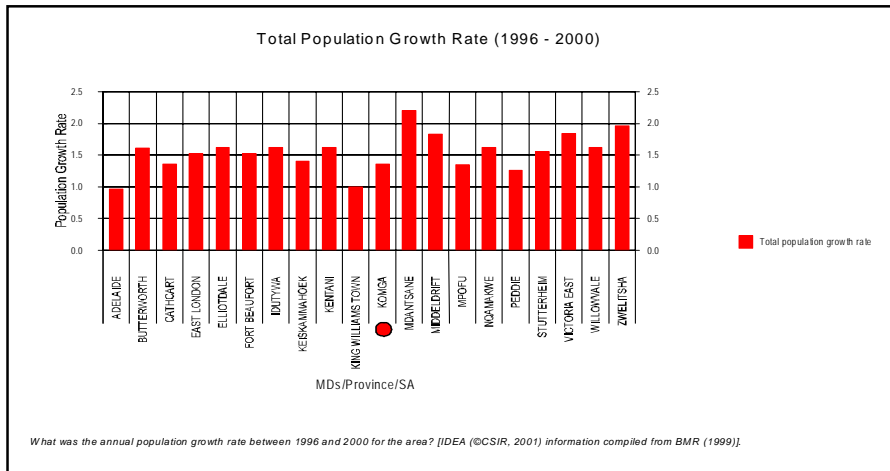
Table 6: Population Density

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

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

families and individuals (particularly women), as opposed to moving to larger urban environments such as Buffalo City, Port Elizabeth and Cape Town (DBSA 2001).

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



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

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

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

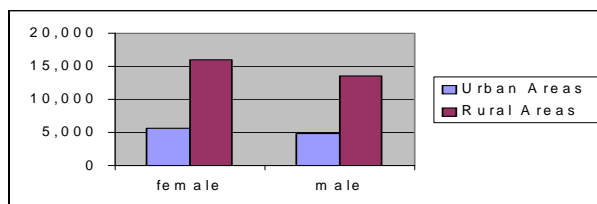


Table 7: Average Household Size

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

Source: Statistics SA, 2001

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

10.1.2 FINANCE AND ADMINISTRATION FUNCTION'S PERFORMANCE

Function : Finance and Administration	
Sub Function: Finance	

Reporting Level	Detail	Total
Overview:	The Great Kei Municipality has a low revenue base and therefore depends mostly on grant funding. Municipal budget of 35m, grant funding amounted to R 29m. Only 6 m was own revenue.	Total Budget R 35 million
Description of the Activity:	The function of finance within the municipality is administered as follows and includes: <i>Revenue</i> -this is for all revenue collecting, billing rates, refuse, electricity sales, etc. <i>Expenditure</i> -this is where all payments to creditors are processed. Loan repayments, other	

	<p><i>municipal commitments are administered.</i> Supply Chain-all procurement of goods and services has been centralised into this single unit. Unit is operating with only a single qualified officer and is assisted by 2 Municipal Interns.</p> <p>The municipality has a mandate to:</p> <p><i>Provide free basic services to communities</i> <i>Collect all amounts due to the municipality</i> <i>Pay all obligations due</i> <i>Provide billing data to communities</i> <i>Support SMME development</i> <i>Create job opportunities</i> <i>Service the communities</i> <i>Collect refuse removal</i> <i>Distribute electricity to communities</i></p> <p>These services extend to include <i>provisioning of free basic electricity to indigent communities</i>, but do not take account of distribution to other municipal areas. All areas except Komga where the municipality is a distributor of electricity, which resides within the jurisdiction of Eskom.</p> <p>The strategic objectives of this function are to: <i>To ensure the municipality is financially viable</i></p> <p>The key issues for 2008/09 are: <i>Increase in municipal revenue</i> <i>Conduct of valuation for all properties</i></p>														
<p>Analysis of the Function:</p>	<p>1 Debtor billings: number and value of monthly billings:</p> <table border="1"> <tr> <td data-bbox="423 1577 1130 1646">Electricity</td> <td data-bbox="1130 1577 1273 1646">1560 464</td> <td data-bbox="1273 1577 1510 1646">R 1 560 464</td> </tr> <tr> <td colspan="3" data-bbox="423 1646 1130 1703">- see annexure attached. Revenue receipts</td> </tr> </table> <p>2 Debtor collections: value of amount received and interest:</p> <table border="1"> <tr> <td data-bbox="423 1824 1130 1860">Electricity</td> <td data-bbox="1130 1824 1273 1860"></td> <td data-bbox="1273 1824 1510 1860">R 1 840 442</td> </tr> <tr> <td data-bbox="423 1860 1130 1890">Refuse</td> <td data-bbox="1130 1860 1273 1890"></td> <td data-bbox="1273 1860 1510 1890">R 2 093 647</td> </tr> </table>	Electricity	1560 464	R 1 560 464	- see annexure attached. Revenue receipts			Electricity		R 1 840 442	Refuse		R 2 093 647		
Electricity	1560 464	R 1 560 464													
- see annexure attached. Revenue receipts															
Electricity		R 1 840 442													
Refuse		R 2 093 647													

	Rates		R 3 125 868										
	See annexure attached: revenue receipts												
3	Debtor analysis: amount outstanding over 30, 60, 90 and 120 plus days: Electricity Refuse Rates												
	<table border="1"> <thead> <tr> <th>Curr ent</th> <th>30</th> <th>60</th> <th>90</th> <th>120</th> </tr> </thead> <tbody> <tr> <td>R475 546. 33</td> <td>R226413 0.20</td> <td>R191587 3.56</td> <td>R76032 6.29</td> <td>R14 078892. 35</td> </tr> </tbody> </table>	Curr ent	30	60	90	120	R475 546. 33	R226413 0.20	R191587 3.56	R76032 6.29	R14 078892. 35		
Curr ent	30	60	90	120									
R475 546. 33	R226413 0.20	R191587 3.56	R76032 6.29	R14 078892. 35									
4	Write off of debts: number and value of debts written off: - no debtors written off during the reporting year. no debtors written off during the reporting year	0	R0										
5	Property rates (Residential): - Number and value of properties rated - Number and value of properties not rated - Number and value of rate exemptions - Rates collectible for the current year	3911 2575 18 <i>These are Public Benefits Organisations (i.e.) Churches</i>	R218,9193.10 <i>To be confirmed during the Supplementary Valuation 2009/2010</i> R1,914,720 <i>Rates collectable are</i>										

		<i>Combined both Residential and Commercial properties: Total- R3,592,004.46</i>	
Reporting Level	Detail	Total	
6	Property rates (Commercial): - Number and value of properties rated	55	R12'944.630.0
	- Number and value of properties not rated	0	R 0
	- Number and value of rate exemptions	0	R 0
	- Rates collectible for the current year		
8	Property valuation:		R12'944.630.0
	- Year of last valuation	2009	0
	- Regularity of valuation	4 Years	
9	Indigent Policy:		
	- Quantity (number of households affected)	1618/	
	- Quantum (total value across municipality)	<i>Not provided yet</i>	
10	Creditor Payments:		
	Eskom bulk electricity		88 008
	ADM Water		103 455
	Auditor General		1 311 940
	Telkom		94 013
11	Credit Rating:		
	Municipality is not currently rated		
12	External Loans:		
	- Total loans received and paid during the year		R 3 676 824
	No new loans entered into, only existing loans were rescheduled.		
	DBSA loan for Municipal Building and a portion of Cintsa Sewerage Works.		
	Balance of loan which related to the sewerage works has been transferred to ADM.		
13	Delayed and Default Payments:		

	Payment are not always processed within a 30 day period		

10.1.3 PLANNING AND DEVELOPMENT FUNCTION'S PERFORMANCE

Function:	Planning and Development		
Sub Function:	Economic Development		
Reporting Level	Detail	Total	
Overview:	Includes all activities associated with economic development initiatives		
Description of the Activity:	The function of economic planning / development within the municipality is administered as follows and includes:		
	<i>The Director/Manager has a responsibility of coordinating, monitor and takes full responsibility of the department. The department has a responsibility to create an atmosphere that will encourage businesses to invest in Great Kei, develop strategies to lobby investors to feel safe doing business there. To promote the area as a tourist destination to all. To take advantage of the fact that, our Municipality is Agricultural in nature</i>		
	The municipality has a mandate to:		
	<i>Facilitate housing development, municipal roads, local amenities, local sport facilities, cleansing, control of public nuisances, control of undertaking that sell liquor to the public, noise pollution, pound, solid waste management, street trading, street lighting, cemeteries and funeral parlours, building regulations, electricity and gas reticulation, traffic and parking, provision of electricity to certain areas and co-ordination of other role</i>		

		<i>players for the development of the area.</i>		
		The strategic objectives of this function are to:		
		<i>Have sound Inter-governmental Relations with other departments, Representative forums etc,</i>		
		The key issues for 2008/2009 are:		
		<i>Credible IDP</i>		
		Tourism		
		Agriculture and programmes for the previously disadvantaged groups including youth ,women and the disabled		
Analysis of the Function:	1	Local Economic Development Department		
		- One Director/Manager	1	R 450 000 - 00
		- One Clerical & Two Officers	3	R446 307-72
		- No Temporal employee	Nil	Nil
		- No Contractual employee	nil	R0
	2	Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package		R R896 307-72
	3	Detail and cost of incentives for business investment: nil		R 0
		<i>NONE</i>		R 0
	4	Note: list incentives by project, with total actual cost to municipality for year: none		R 0
	5	Detail and cost of other urban renewal strategies:		R 0
		<i>NONE</i>		R 0
		Note: list strategies by project, with total actual cost to municipality for year		
	6	Detail and cost of other rural development strategies:		R 0
		<i>NONE</i>		R 0
		Note: list strategies by project, with total actual cost to municipality for year		R 0
	6	Number of people employed through job creation schemes:		
		- Short-term employment	110	
	- Long-term employment	301		
	Note: total number to be calculated on full-time equivalent (FTE) basis, and should only be based on direct employment as a result of municipal initiatives	411 jobs were created of which		

		301 continued more than a year and as well as 110 has work six months and less.	
	Number and cost to employer of all Building Inspectors employed: ONE		
	- Number of Building Inspectors:		R 0
	- Temporary: None		R 0
	- Contract: One	1	R268136-00
	Note: total number to be calculated on a full-time equivalent (FTE) basis, total cost to include total salary package		R268 136-00
	Details of building plans:		
	- Number of building plans approved	109	
	- Value of building plans approved		R176 859 000 -00
Reporting Level	Detail		Total
	Building plan approvals only	109	R176859000-00

10.1.4 COMMUNITY AND SOCIAL SERVICES FUNCTION'S PERFORMANCE

Function:	Community and Social Services
Sub Function:	All inclusive

Reporting Level	Detail	Total	
Overview:	Includes all activities associated with the provision of community and social services		R'000
Description of the Activity:	The function of provision of various community and social services within the municipality is administered as follows and includes:		

	<p>community halls, sport and recreational facilities, bathhouses and toilets, libraries, arts and culture, resorts, beaches and pools, child care, old age homes, cemeteries and crematoria</p> <p>The municipality has a mandate to:</p> <p>Build & maintain community halls, sport and recreational facilities, bathhouses and toilets, libraries, arts and culture, resorts, beaches and pools, child care, old age homes, cemeteries and crematoria</p> <p>The strategic objectives of this function are to:</p> <ul style="list-style-type: none"> - To Licence landfill site through Amathole District Municipality. - To construct transfer stations <p>The key issues for 2008/09Y are:</p> <ul style="list-style-type: none"> Licencing of landfill site through Amathole District Municipality. -Construct transfer stations 	<p>1</p> <p>0</p>	<p>500</p> <p>0</p>
<p>Analysis of the Function:</p>	<p>1 Nature and extent of facilities provided:</p> <ul style="list-style-type: none"> - Library services - Museums and art galleries - Other community halls/facilities - Cemeteries and crematoriums - Child care (including creches etc) - Aged care (including aged homes, home help) - Schools - Sporting facilities (specify) - Parks <p>Note: the facilities figure should agree with the assets register</p>	<p><i>no of facilities:</i></p> <p>4</p> <p>2</p> <p>11</p> <p>5</p> <p>1</p> <p>1</p> <p>42</p> <p>8</p> <p>3</p>	<p><i>no of users:</i></p> <p>17960</p> <p>760</p> <p>8225</p> <p>44000</p> <p>35</p> <p>13</p> <p>35920</p> <p>5984</p> <p>2560</p>

2	Number and cost to employer of all personnel associated with each community services function: - Library services - Museums and art galleries - Other community halls/facilities - Cemeteries and crematoriums - Child care - Aged care - Schools - Sporting facilities - Parks Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package	4	410
	- Library services	1	63
	- Museums and art galleries	0	0
	- Other community halls/facilities	0	0
	- Cemeteries and crematoriums	0	0
	- Child care	0	0
	- Aged care	0	0
	- Schools	0	0
	- Sporting facilities	0	0
	- Parks	0	0
6	Total operating cost of community and social services function		973

Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current	Target
<ul style="list-style-type: none"> • <i>Approved HIV/AIDS strategy;</i> • <i>Approved Disaster management policy frameworks and plans (Metro and DM)</i> 	<ul style="list-style-type: none"> - <i>None for the year under review</i> - <i>District function (ADM)</i> 		

10.1.5 HOUSING FUNCTION'S PERFORMANCE

Function:	Housing
Sub Function:	N/A

Reporting Level	Detail	Total

Overview:	Includes all activities associated with provision of housing		
Description of the Activity:	<p>The function of provision of housing within the municipality is administered as follows and includes:</p> <p><i>Provincial and District functions</i></p> <p>The municipality has a mandate to:</p> <p><i>ADM & DOH functions</i></p> <p>The strategic objectives of this function are to:</p> <p><i>ADM & DOH functions</i></p> <p>The key issues for 2008/09 are:</p> <p><i>None</i></p>		
Analysis of the Function:			
1	<p>Number and cost of all personnel associated with provision of municipal housing:</p> <ul style="list-style-type: none"> - Professional (Architects/Consultants) - Field (Supervisors/Foremen) - Office (Clerical/Administration) - Non-professional (blue collar, outside workforce) - Temporary - Contract <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package. Professional includes project design, Field includes all tradespersons.</p>	1	R323633 0 R 95 000
2	<p>Number and total value of housing projects planned and current:</p> <ul style="list-style-type: none"> - Current (financial year after year reported on) - Planned (future years) <p>Note: provide total project and project value as per initial or revised budget</p>	6000	R162000000
3	<p>Total type, number and value of housing provided:</p> <p><i>RDP Houses</i></p> <p>Note: total number and total value of housing provided during financial year</p>	1525	R41175000
4	Total number and value of rent received from municipal owned rental units	5	

5	Estimated backlog in number of (and costs to build) housing:	0	0
	Note: total number should appear in IDP, and cost in future budgeted capital housing programmes		
6	Type of habitat breakdown:		
	- number of people living in a house or brick structure	5	
	- number of people living in a traditional dwelling	8	
	- number of people living in a flat in a block of flats	2	
	- number of people living in a town/cluster/semi-detached group dwelling	3	
	- number of people living in an informal dwelling or shack	4	
	- number of people living in a room/flatlet	1	
Reporting Level	Detail	Total	
7	Type and number of grants and subsidies received:		
	<i>None</i>		
	Note: total value of specific housing grants actually received during year to be recorded over the five quarters - Apr to Jun last year, Jul to Sep, Oct to Dec, Jan to Mar, Apr to Jun this year.		
8	Total operating cost of housing function		R203593633.00

Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current	Target
<List at least five key performance areas relative to the above function as articulated in the 200X/0Y budget here>	<i>None; only to be done next year.</i>		

10.1.6 WASTE MANAGEMENT FUNCTION'S PERFORMANCE

Function:	Waste Management
Sub Function:	Solid Waste

Reporting Level	Detail	Total	
Overview:	Includes refuse removal, solid waste disposal and landfill, street cleaning and recycling		
Description of the Activity:	<p>The refuse collection functions of the municipality are administered as follows and include:</p> <ul style="list-style-type: none"> -Refuse removal under Great Kei Municipality -Landfill site that is not licensed. -Recycle -Keep the area clean <p>The municipality has a mandate to:</p> <ul style="list-style-type: none"> -Refuse removal under Great Kei Municipality -Recycle -Keep the area clean <p>The strategic objectives of this function are to:</p> <ul style="list-style-type: none"> -Educate community about environment issues. -Educate community about recycling, create jobs & eliminate poverty <p>The key issues for 2008/09 Y are:</p> <ul style="list-style-type: none"> Refuse removal Licensing the landfill site Keep the area clean 		
Analysis of the Function:			
1	Number and cost to employer of all personnel associated with refuse removal:	43	<i>R 307090</i>
	- Professional (Engineers/Consultants)		<i>0</i>
	- Field (Supervisors/Foremen)	6	<i>R935401</i>
	- Office (Clerical/Administration)	6	<i>R94452</i>
	- Non-professional (blue collar, outside workforce)		<i>0</i>
	- Temporary		<i>0</i>

	- Contract Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package		0
2	Number of households receiving regular refuse removal services, and frequency and cost of service: - Removed by municipality at least once a week - Removed by municipality less often - Communal refuse dump used - Own refuse dump - No rubbish disposal Note: if other intervals of services are available, please provide details	3450 80 250 220 4246	R296000 R7000 R22000 R19 000 0
3	Total and projected tonnage of all refuse disposed: - Domestic/Commercial - Garden Note: provide total tonnage for current and future years activity		
4	Total number, capacity and life expectancy of refuse disposal sites: - Domestic/Commercial (number) - Garden (number) Note: provide the number of tip sites, their total current capacity and the expected lifespan as at end of reporting period.		
Reporting Level	Detail	Total	
5	Anticipated expansion of refuse removal service: - Domestic/Commercial - Garden Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality	HH 6817/ 4545	
6	Free Basic Service Provision: - Quantity (number of households affected) - Quantum (value to each household) Note: Provide details of how many households receive the FBS provision, and the average value it means per household. Describe in detail the level of Free Basic Services provided.		
7	Total operating cost of solid waste management		R1,680,943

	function	
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10.1.7 WASTE WATER MANAGEMENT

Function:	Waste Water Management
Sub Function:	Sewerage etc

Reporting Level	Detail	Total	Cost
Overview:	Includes provision of sewerage services not including infrastructure and water purification, also includes toilet facilities		R'000
Description of the Activity:	<p>The sewerage functions of the municipality are administered as follows and include: ADM function</p> <ul style="list-style-type: none"> - Provide sanitations services - Provide medium to longer term needs. <p>The municipality has a mandate to:</p> <p>Function is administered by the District Municipality. (ADM)</p> <p>The strategic objectives of this function are to:</p> <ul style="list-style-type: none"> -Ensure access to basic services by 2014. -Eliminate unacceptable services <p>The key issues for 2008/09 Y are:</p> <ul style="list-style-type: none"> -Insufficient funding 		
Analysis of the Function:	<p><i>ADM function</i></p> <p>1 Number and cost to employer of all personnel associated with sewerage functions:</p> <ul style="list-style-type: none"> - Professional (Engineers/Consultants) - Field (Supervisors/Foremen) - Office (Clerical/Administration) 		

	<ul style="list-style-type: none"> - Non-professional (blue collar, outside workforce) - Temporary - Contract <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package.</p>		
2	<p>Number of households with sewerage services, and type and cost of service:</p> <ul style="list-style-type: none"> - Flush toilet (connected to sewerage system) 1019 - Flush toilet (with septic tank) 1208 - Chemical toilet 322 - Pit latrine with ventilation 450 - Pit latrine without ventilation 336 - Bucket latrine 1022 - No toilet provision 6696 <p>Note: if other types of services are available, please provide details</p>		R9000000
3	<p>Anticipated expansion of sewerage: ADM function</p> <ul style="list-style-type: none"> - Flush/chemical toilet - Pit latrine - Bucket latrine - No toilet provision <p>Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality</p>		
4	<p>Free Basic Service Provision:</p> <ul style="list-style-type: none"> - Quantity (number of households affected) - Quantum (value to each household) 		
Reporting Level	Detail	Total	Cost
	Note: Provide details of how many households receive the FBS provision, and the average value it means per household. Describe in detail the level of Free Basic Services provided.		
5	Total operating cost of sewerage function		R9000000

10.1.8 ROAD MAINTENANCE'S FUNCTION'S PERFORMANCE

Function:	Road Transport
Sub Function:	Roads

Reporting	Detail	Total	Cost
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Level			
Overview:	Construction and maintenance of roads within the municipality's jurisdiction.		
Description of the Activity:	<p>The road maintenance and construction responsibilities of the municipality are administered as follows and include:</p> <ul style="list-style-type: none"> - Construction & Rehabilitation of Roads and Stormwater Igxarha & Icwili - Ngxingxolo Access Road - Belekumntwana Access Road Rehabilitation - Rehabilitation of Zozo access road - Nyara Access Road <p>The municipality has a mandate to:</p> <ul style="list-style-type: none"> To provide access to the villages and towns by means of new road construction and maintenance <p>The strategic objectives of this function are to:</p> <ul style="list-style-type: none"> To provide access to the villages and towns by means of Constructing roads <p>The key issues for 2008/09 are:</p> <ul style="list-style-type: none"> New road construction and maintenance 		
Analysis of the Function:	<p>1 Number and cost of employer of all personnel associated with road maintenance and construction:</p> <ul style="list-style-type: none"> - Professional (Engineers/Consultants) - Field (Supervisors/Foremen) - Office (Clerical/Administration) - Non-professional (blue collar, outside workforce) - Temporary - Contract <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include</p>	<p>2</p> <p>2</p> <p>1</p> <p>1</p> <p>0</p> <p>1</p>	<p>R233000</p>

	total salary package		
2	Total number, kilometres and total value of road projects planned and current: - New bitumenised (number) - Existing re-tarred (number) - New gravel (number) - Existing re-sheeted (number) Note: if other types of road projects, please provide details	3.5 22,9 16	R3,500,000 R400,000 R8,000,000
3	Total kilometres and maintenance cost associated with existing roads provided - Tar - Gravel Note: if other types of road provided, please provide details	0	0
4	Average frequency and cost of re-tarring, re-sheeting roads - Tar - Gravel Note: based on maintenance records	0 0	0 0
5	Estimated backlog in number of roads, showing kilometres and capital cost - Tar - Gravel	250000	R75,000,000
Reporting Level	Detail	Total	Cost
6	Note: total number should appear in IDP, and cost in future budgeted road construction programme Type and number of grants and subsidies received: Note: total value of specific road grants actually received during year to be recorded over the five quarters - Apr to Jun this year, Jul to Sep, Oct to Dec, Jan to Mar, Apr to Jun this year.	MIG 20	R6,000,000
7	Total operating cost of road construction and maintenance function		R92,773,000

10.1.9 WATER DISTRIBUTION FUNCTION'S PERFORMANCE

Function:	Water
Sub	Water Distribution

Function:

Reporting Level	Detail	Total	Cost
Overview:	Includes the bulk purchase and distribution of water		R'000
Description of the Activity:	<p>The water purchase and distribution functions of the municipality are administered as follows and include:</p> <p style="text-align: center;"><i>ADM function</i></p> <p>The municipality has a mandate to:</p> <p style="text-align: center;"><i>ADM function</i></p> <p>The strategic objectives of this function are to:</p> <p style="text-align: center;"><i>ADM function</i></p> <p>The key issues for 2008/09 are:</p> <p style="text-align: center;"><i>ADM function</i></p>		
1	<p>Number and cost to employer of all personnel associated with the water distribution function:</p> <ul style="list-style-type: none"> - Professional (Engineers/Consultants) - Field (Supervisors/Foremen) - Office (Clerical/Administration) - Non-professional (blue collar, outside workforce) - Temporary - Contract <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package.</p>		
2	<p>Percentage of total water usage per month</p> <p>Note: this will therefore highlight percentage of total water stock used per month</p>		
3	<p>Total volume and cost of bulk water purchases in kilolitres and rand, by category of consumer</p> <ul style="list-style-type: none"> - Category 1 <insert here> - Category 2 <insert here> - Category 3 <insert here> 		

		- Category 4 <insert here>		
4		Total volume and receipts for bulk water sales in kilolitres and rand, by category of consumer: - Category 1 <insert here> (total number of households) - Category 2 <insert here> (total number of households) - Category 3 <insert here> (total number of households) - Category 4 <insert here> (total number of households)		
5		Total year-to-date water losses in kilolitres and rand		
	Reporting Level	Detail	Total	Cost
6		Number of households with water service, and type and cost of service: - Piped water inside dwelling - Piped water inside yard - Piped water on community stand: distance < 200m from dwelling - Piped water on community stand: distance > 200m from dwelling - Borehole - Spring - Rain-water tank Note: if other types of services are available, please provide details	7112 16562 16562 26111 26111	
7		Number and cost of new connections:		
8		Number and cost of disconnections and reconnections:		
9		Number and total value of water projects planned and current:Komga Commonage phase 1 - Current (financial year after year reported on) - Planned (future years) Great kei River basin Note: provide total project and project value as per initial or revised budget		R10,800,000 R448,000,000
10		Anticipated expansion of water service: - Piped water inside dwelling - Piped water inside yard - Piped water on community stand: distance < 200m from dwelling		

	<ul style="list-style-type: none"> - Piped water on community stand: distance > 200m from dwelling - Borehole - Spring - Rain-water tank <p>Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality</p>		
11	<p>Estimated backlog in number (and cost to provide) water connection:</p> <ul style="list-style-type: none"> - Piped water inside dwelling - Piped water inside yard - Piped water on community stand: distance < 200m from dwelling - Piped water on community stand: distance > 200m from dwelling - Borehole - Spring - Rain-water tank <p>Note: total number should appear in IDP, and cost in future budgeted capital housing programmes</p>	471	R10,000,000
12	<p>Free Basic Service Provision:</p> <ul style="list-style-type: none"> - Quantity (number of households affected) - Quantum (value to each household) <p>Note: Provide details of how many households receive the FBS provision, and the average value it means per household. Describe in detail the level of Free Basic Services provided.</p>		
13	<p>Type and number of grants and subsidies received:</p>	MIG - ADM	
	<p>Note: total value of specific water grants actually received during year to be recorded over the five quarters - Apr to Jun last year, Jul to Sep, Oct to Dec, Jan to Mar, Apr to Jun this year.</p>		
14	Total operating cost of water distribution function		R468,000,000

10.1.10 ELECTRICITY DISTRIBUTION FUNCTION'S PERFORMANCE

Function:	Electricity
Sub	Electricity Distribution

Function:

Reporting Level	Detail	Total	Cost
Overview:	Includes the bulk purchase and distribution of electricity in Great Kei Municipal area		
Description of the Activity:	The electricity purchase and distribution functions of the municipality are administered as follows and include:	5040	
	These services extend to include < include the surrounding farms <i>function/area</i> >, but do not take account < of the Rural Areas <i>function/area</i> > which resides within the jurisdiction < of Great Kei Municipality <i>national/provincial/other private sector</i> > government. The municipality has a mandate to:	1011	
	The strategic objectives of this function are to:		
	The key issues for 2008/09 are: To submit application for funding to upgrade the Komga Electrical Power Lines during 2008. To start the electricity upgrading by 2009.		
Analysis of the Function:			
	1 Number and cost to employer of all personnel associated with the electricity distribution function:		
	- Professional (Engineers/Consultants)	0	
	- Field (Supervisors/Foremen)	2	
	- Office (Clerical/Administration)	0	
	- Non-professional (blue collar, outside workforce)	1	
	- Temporary	0	
	- Contract	0	
	Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package.		

2	Total quantity and cost of bulk electricity purchases in kilowatt hours and rand, by category of consumer		
	- Residential		
	- Commercial		
	- Industrial		
	- Mining		
	- Agriculture		
	- Other	4448245.5	R293,000
		0	
3	Total quantity and receipts for bulk electricity sales in kilowatt hours and rand, by category of consumer:		
	- Household		
	- Commercial		
	- Industrial		
	- Mining		
	- Agriculture		
	- Other	867966.27	R338,000
4	Total year-to-date electricity losses in kilowatt hours and rand	Not known	
		0	R0
5	Number of households with electricity access, and type and cost of service:	5040	R (871775.76s)
Reporting Level	Detail	Total	Cost
	- Electrified areas		
	- Municipal	2708	R1, 012,000
	- Eskom	2332	R872,000
	- Alternate energy source		
	- Gas		
	- Paraffin		
	- Solar		
	- Wood		
	- Non electrified	3409	
	Note: if other types of services are available, please provide details		
6	Number and cost of new connections:	17	R20,000
		0	0
7	Number and cost of disconnections and reconnections	17	R 20118
		0	0
8	Number and total value of electrification projects planned and current:	No plans for the current year.	

	- Current (financial year after year reported on) - Planned (future years) Note: provide total project and project value as per initial or revised budget		
9	Anticipated expansion of electricity service: Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality	none	
10	Estimated backlog in number (and cost to provide) water connection: <detail total> Note: total number should appear in IDP, and cost in future budgeted capital housing programmes	3409	0
11	Free Basic Service Provision: - Quantity (number of households affected) - Quantum (value to each household) Note: Provide details of how many households receive the FBS provision, and the average value it means per household. Describe in detail the level of Free Basic Services provided.	350 78120	
12	Type and number of grants and subsidies received: Total value of specific electricity grants actually received during year to be recorded over the five quarters - Apr to Jun last year, Jul to Sep, Oct to Dec, Jan to Mar, Apr to Jun this year.		0 April -Jun July-Sep Oct-Dec Jan-Mar Apr-Jun 3 500 000.00 1 500 000.00 (Phase 1 Completed)
13	Total operating cost of electricity distribution function		R7,555,118

11 ANNEXURE

11.1 Audited Annual Financial Statements year ended 30 June 2009

MAYOR'S FOREWORD

I have great pleasure in presenting the annual financial statement which are subject to audit for the year ended 30 June 2009.

Local Government Reform in South Africa poses a challenge to all municipalities and indeed the Great Kei Municipality and as such we have set our targets to comply with the accounting reforms as envisaged in the Municipal Finance Management Act and other pieces of legislation. The economic viability of the region remains a priority for our municipality.

Every effort has been made to stimulate investment in the Great Kei Municipality with the available resources.

The Council as an institution is faced with numerous challenges. The greatest challenge is the inability of customers to pay for rates and services on a regular basis. Due to this challenge the municipality has become increasingly reliant on the equitable share received from national government and this is imperative in order to improve the quality of services delivery to the population of Great Kei Region. The high unemployment rate in the region has become the major contributing factor towards the inability of customers to service their accounts.

We have also been faced with the growing rate of electricity tempering. Despite the numerous challenges facing the municipal council we are confident for the future of Great Kei Municipality and we remain committed to building a financially sound and prosperous municipality.

In conclusion I wish to express my appreciation to my fellow Councilors, Municipal Manager, Chief Financial Officer and staff members of the Budget and Treasury Office for their support and hard work during the year under review.

N.W TEKILE
SPEAKER / MAYOR

**GREAT KEI MUNICIPALITY
GENERAL INFORMATION**

MEMBERS OF THE COUNCIL

MAYOR : N. Tekile

Councillor : M. Mali

Councillor : N. Pan

Councillor : Z. Mpondo

Councillor : W. Hollington

Councillor : N. George

Councillor : N. Moli

Councillor : N. Dyani

Councillor : M. Kema

Councillor : W. Ndoro

Councillor : Z. Blom

Councillor : F. Lewis (appointed on the 25th August 2009)

GRADING OF THE LOCAL AUTHORITY

Grade 2

AUDITORS

Auditor General - Eastern Cape

BANKERS

*The Standard Bank of South Africa
CHR Main and Station Sreet
Komga*

REGISTERED OFFICE

*Private Bag X2
Komga
Main Street, Komga
4950*

*Tel: 043 831 1028
Facsimile: 043 831 1306*

ACTING MUNICIPAL MANAGER

Mr. N. M. Mkhokhail

CHIEF FINANCIAL OFFICER

Mrs. P Gwana

**GREAT KEI MUNICIPALITY
TREASURER'S REPORT
YEAR ENDED 30 JUNE 2009**

1) INTRODUCTION

Appropriate legislation was complied with in order to provide statements for the year ending 30 June 2009. To the best of my knowledge, these financial statements are a fair presentation of the Council at the above mentioned date and the results of its operation for the year then ended.

2) OPERATING RESULTS

Details of the results per department, classification and object of expenditure are included in appendices D and E. The applicable statistics are shown in appendix F. The overall operating results for the year ended 30 June 2009 are as follows :

INCOME	Actual 2008/09 R	Actual 2007/08 R	Variance Actual 07/08 vs Actual 08/09 %	Budget 2008/09 R	Variance Actual/Budget %
Accumulated deficit brought forward	(9,982,048)	(13,776,814)	38.02%	-	100.00%
Operating Income for the Year	43,665,749	26,908,415	-38.38%	34,967,894	-29.95%
	33,683,701	13,131,601	-61.01%		
EXPENDITURE					
Appropriation for the year	(10,995,024)	(629,766)	100.00%	-	100.00%
Operating Expenditure	24,606,368	19,946,254	-18.94%	23,103,094	-15.83%
	13,611,344	19,316,488	41.91%		
Surplus/(Deficit) at year end	(1,917,691)	(7,444,419)	81.08%		-100.00%

2.1 Rates and General Services

	Actual 2008/09 R	Actual 2007/08 R	Variance 2008/09	Budget 2009	Variance Actual/Budget %
Income	43,665,749	24,463,154	78.50%	34,967,894	24.87%
Expenditure	24,606,368	19,946,253	23.38%	23,103,094	6.51%
Surplus	19,059,380	4,516,901	921.96%	11,864,800	60.64%

2.2 Electricity Services

	Actual 2008/09 R	Actual 2007/08 R	Variance 2008/09	Budget 2009	Variance Actual/Budget %
Income	2,754,534	2,399,680	14.79%	-	-
Expenditure	2,147,557	1,969,811	9.03%	-	-
Surplus	606,977	430,009	41.13%	-	-

GREAT KEI MUNICIPALITY
TREASURER'S REPORT
YEAR ENDED 30 JUNE 2009

GREAT KEI MUNICIPALITY
TREASURER'S REPORT
YEAR ENDED 30 JUNE 2009

3) CAPITAL EXPENDITURE AND FINANCING

	Actual 2008/09 R	Budget 2008/09 R	Actual 2007/2008
Capital Expenditure			
Land and buildings		132,500	225,936
Infrastructure Assets	4,425,101	9,947,323	2,751,872
Community Assets			
Other Assets	3,966,083	5,048,907	3,338,697
	6,391,184	15,128,730	6,316,505
Financing of Fixed Assets			
Contribution from Current Income	384,208	1,059,911	271,327
Loans redeemed			
Grants and Subsidies	8,015,194	14,188,100	5,905,499
Net assets	8,399,402	15,248,011	6,176,826

The significant increase in expenditure on capital projects during the year results from our objectives to accelerate the delivery of basic services and construction of infrastructure.

(Refer to Appendix C for further details)

**GREAT KEI MUNICIPALITY
ACCOUNTING POLICIES**

ACCOUNTING POLICIES

1) BASIS OF PRESENTATION

- 1.1 These Financial Statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants in its Code of Practice (1997) and Report on the Standardisation of the Financial Statements of Local Authorities (2nd Edition, January 1996).
- 1.2 The Financial Statements are prepared on the Historical Cost Basis, adjusted for Capital Expenditure. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.
- 1.3 The Financial Statements are prepared on the accrual basis as stated :
 - Income is accrued when collectable and measurable. Certain direct income is accrued when received, such as Traffic Fines and business Licenses.
 - Expenditure is accrued in the year that it is incurred.
- 1.4 The Financial Statements are prepared on the accrual basis as stated.
This means the municipality anticipates carrying on it's business for the foreseeable future. It is noted that the municipality relies heavily on grants for it's income (On average over 90%). If grant income was not received, the going concern assumption is not likely to be appropriate. The existence and adequacy of the allocation of Grants and Subsidies for the following financial year has been confirmed per the Division of Revenue Act.

2) CONSOLIDATION

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

3) FIXED ASSETS

- 3.1 **FIXED ASSETS ARE STATED :**
 - at historical cost, or
 - at valuation (based on market price at date of acquisition), where assets have been acquired by Grant or Donation, while they are in existence and fit for use.
- 3.2 **Depreciation**

The balance shown against the heading "loans redeemed and other capital receipts" in the notes to the balance sheet is tantamount to a provision for depreciation; however, certain structural differences do exist. By way of this "provision" assets are written down over their estimated useful life. Apart from advances from various Council funds, assets may also be acquired through:

 - 3.2.1 Appropriations from income, where the full cost of the asset forms an immediate and direct charge against operating income and it is therefore unnecessary to make any further provision for depreciation.
 - 3.2.2 External contributions, grants and subsidies, where the amount representing the value received is immediately credited to the "loans redeemed and other capital receipts" account.
- 3.3 All proceeds from the sale of fixed property are credited to the Revolving Fund. Net proceeds from the sale of all other assets are credited either to the relevant department in which the asset was purchased or to the Capital Development Fund.
- 3.4 Capital assets are financed from different sources, including external loans and contributions, operating income and internal advances.
These loans and advances are repaid within the estimated lives of the assets acquired from such loans and advances. Interest is charged to the services concerned at the ruling rate applicable at the time the advance is made.

**GREAT KEI MUNICIPALITY
ACCOUNTING POLICIES**

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**GREAT KEI MUNICIPALITY
ACCOUNTING POLICIES**

4) FUNDS AND RESERVES

4.1 STATUTORY FUNDS

The Revolving Fund Ordinance No. 20 of 1974 requires a minimum contribution of seven and a half percent of the product of assessment rates in respect of the Financial Year immediately preceding the Financial Year for which such contribution is required to be made.

4.2 RESERVES

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

4.3 TRUST FUNDS

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

4.4 PROJECT FUNDS

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

5) RETIREMENT BENEFITS

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

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

Full actuarial valuations are performed at least every three years.

6) SURPLUSES AND DEFICITS

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

7) INVESTMENTS

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

8) INVENTORIES

No stock is kept. Purchases are debited directly to the expense account.

**GREAT KEI MUNICIPALITY
ACCOUNTING POLICIES**

9) INCOME RECOGNITION

9.1 *Assessment Rates*

The local authority applies a uniform system of rating. In terms of this system the assessment rates are levied on the land value of property and improvements, at the same rate. Rebates of 20% are granted on state-owned properties. Income is recognised when such levies are raised and debited to the respective ratepayer account.

9.2 *Other income*

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

10) PROVISIONS

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

11) LEASES

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

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

**GREAT KEI MUNICIPALITY
BALANCE SHEET AT 30 JUNE 2009**

	Note	2009 R	2008 R
CAPITAL EMPLOYED		4,861,673	4,482,452
FUNDS AND RESERVES		4,858,393	4,479,405
Statutory Funds	1		
Reserves	2	3,280	3,047
ACCUMULATED SURPLUS/ (DEFICIT)		(1,917,692)	(9,889,680)
		2,943,981	(5,407,228)
TRUST FUNDS		1,619,285	4,228,344
LONG TERM LIABILITIES	3		
CONSUMER DEPOSITS: SERVICES	4	3,444,884	3,334,095
	5	107,026	100,239
		8,115,176	2,255,450
EMPLOYMENT OF CAPITAL		13,210,513	13,622,942
FIXED ASSETS	6	3,891,027	4,046,028
INVESTMENTS	7	9,295,516	9,558,969
LONG TERM DEBTORS	8	23,970	17,946
NET CURRENT ASSETS/ (LIABILITIES)		(5,095,337)	(11,367,492)
CURRENT ASSETS		21,650,231	12,195,101
Inventory	9	-	223,165
Debtors	10	18,443,823	10,405,286
Bank and Cash	11	3,206,408	1,566,650
CURRENT LIABILITIES		26,745,568	23,562,592
Creditors	13	25,552,742	22,576,779
Short term portion of long-term liabilities	4	199,895	362,173
Provisions	12	992,931	623,640
		8,115,176	2,255,450

**GREAT KEI MUNICIPALITY
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009**

	2008/2009 Actual		2008/2009 Restated Actual		2008/2009 Budgeted		2007/2008 Actual		2007/2008 Restated Actual		2007/2008 Budgeted	
	R	R	R	R	R	R	R	R	R	R	R	R
RATE AND GENERAL SERVICES												
Community services	43,665,749	24,606,389	19,059,380	11,864,800	26,908,415	19,946,254	5,962,161	(1,604,581)				
Subsidised services	-	-	-	-	-	-	-	-	-	-	-	-
Economic services	-	-	-	-	-	-	-	-	-	-	-	-
Accounting Officer	33,864,128	21,468,285	12,394,843	-	2	3,396,001	(3,385,989)	(2,598,884)				
Budget and Treasury	172,750	-	172,750	-	680,368	3,775,590	17,922,687	4,719,371				
Community Services	3,005,440	200,000	2,805,440	-	182,499	1,507,595	(847,212)	865,369				
Corporate Services	-	789,527	(789,527)	-	-	3,651,287	(3,468,848)	-				
Council	6,620,431	2,147,557	4,472,875	-	4,367,304	2,293,100	(2,293,100)	(3,133,494)				
Technical Services	-	-	-	-	-	5,332,871	(865,367)	(1,477,943)				
TRADING SERVICES												
TOTAL	43,665,749	24,606,368	19,059,380	11,864,800	26,908,415	19,946,754	5,962,161	(1,604,581)				
Appropriation for this year												
(Refer working papers)												
Net (deficit) Surplus for the year												
Accumulated Surplus beginning of the year												
ACCUMULATED SURPLUS AT END OF THE YEAR												

**GREAT KEI MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009**

	Note	2009	2008
CASH RETAINED FROM OPERATING ACTIVITIES			
Cash generated by operations	17	(12,797,756)	(15,648,034)
Investment income		216,817	541,089
(Increase)/ decrease in working capital		(5,368,955)	(767,842)
		(17,949,894)	(15,874,787)
Less: External interest paid		(356,340)	(746,756)
CASH AVAILABLE FROM OPERATIONS		(18,306,234)	(16,621,543)
Cash Contributions from the Public and State		27,840,952	30,373,840
Net Proceeds on Disposal of Fixed Assets		130,200	-
CASH UTILISED IN INVESTING ACTIVITIES		27,971,152	30,373,840
Investment in Fixed Assets		(8,399,402)	(6,316,505)
NET CASH FLOW		1,265,517	7,435,792
CASH EFFECTS FROM FINANCING ACTIVITIES			
Increase (decrease) in long-term liabilities	18	110,788	(227,393)
(Increase)/ decrease in cash investments	19	263,453	(5,940,254)
(Increase)/ decrease in cash	20	(1,639,758)	(1,268,143)
Increase/(decrease) in funds		-	-
Net Cash (Utilised)/ Generated		(1,265,517)	(7,435,790)

GREAT KEI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008 Restated
1) Statutory Funds		
Revolving Fund	4,856,071	4,476,891
Dog Tax Fund	2,322	2,514
	<u>4,858,393</u>	<u>4,479,405</u>
2) Reserves (Invested as per note 7)	3,280	3,047
3) Trust Funds Refer to Note 7 and Appendix A for more details)	1,619,285	4,228,344
4) Long Term Liabilities		
Development Bank of South Africa	3,644,779	3,584,821
Nashua	-	11,447
Less: Current portion of long term loan	(199,895)	(362,173)
	<u>3,444,884</u>	<u>3,334,095</u>
Refer to Appendix B for more details on long term liabilities		
5) Consumer deposits Service Deposits	107,026	100,239
6) Fixed Assets		
Fixed Assets at the beginning of the year	32,749,965	26,547,480
Capital expenditure during the year	8,399,402	6,316,505
Less: Written-off Assets	(155,000)	(114,000)
Total Fixed Assets	40,994,367	32,749,965
Less: Loans Redeemed and other capital receipts	37,103,340	28,703,837
	<u>3,891,027</u>	<u>4,046,028</u>
(Refer to Appendix C for more details)		
7) Investments		
Project Investments	2,724,087	4,085,231
Reserve Investments	3,290	3,047
Dog Tax Investment	2,346	2,514
Revolving Fund Investments	1,596,193	1,471,604
Operating Account Investments	4,979,609	4,016,573
	<u>9,295,516</u>	<u>9,558,969</u>
8) Long Term Debtors		
Squash Club Loan	-	5,454
Bowling Green Club Loan	23,970	12,492
	<u>23,970</u>	<u>17,946</u>
9) Inventory		
Consumables	-	-
Stationery	-	223,165
Stock	-	223,165
	<u>-</u>	<u>446,330</u>
10) Debtors	16,741	
Consumers and others	14,925,697	8,929,568
Other Debtors	2,860,145	-
VAT	3,778,169	3,862,034
Sundry Debtors	-	260,711
Irregular Expenditure - Councillors allowances	935,018	878,631
	<u>22,498,027</u>	<u>13,930,944</u>
Less: Provision for doubtful debts	(4,055,204)	(3,525,658)
	<u>18,443,823</u>	<u>10,405,286</u>

GREAT KEI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

11) Bank and Cash			
Operating Account Standard Bank 28 072 096 3		3,731,965	83,339
Operating Account ABSA 7 0014 6707		(2,377)	532,783
Petty cash		6,613	1,000
Traffic Services Account Standard Bank 28 597 345 2 & 28 5946 11		1,213,603	949,527
Interbank transfers		(1,743,396)	-
		<u>3,206,408</u>	<u>1,566,649</u>
12) Provisions			
Leave Pay Provision		700,574	361,136
Bonus Provision		292,357	262,504
		<u>992,931</u>	<u>623,640</u>
13) Creditors			
Trade creditors and accruals		11,311,019	9,602,854
Project Creditors		9,529,586	10,637,688
DBSA Arrears Account		4,712,137	2,336,237
		<u>25,552,742</u>	<u>22,576,779</u>
14) Assessment Rates			
	Valuations as at 30 June 2009	Actual income of 2009	Actual income of 2008
Total	50,082,160	4,178,398	3,596,556
Valuations on land and improvements are performed every 4 years and the last general valuation was performed on 1 July 1997. The basic rate was 0.02115 per rand on land and improvements. A 20% rebate was granted to government departments.			
15) Finance transactions			
Total interest earned or paid		139,523	495,372
- Interest earned		(216,817)	(278,378)
- Interest paid		356,340	773,750
Capital charges debited to operating account:			
- Interest paid on external loans		747,383	746,756
- Interest paid on internal loans		23,282	26,593
- Redemption of external loans		-	338,841
- Redemption of internal loans		38,397	51,965
		<u>809,062</u>	<u>1,164,555</u>
16) Appropriations			
Accumulated deficit at the beginning of the year		(9,982,048)	(13,776,814)
Operating (deficit)/surplus for the year		19,059,380	4,516,901
Less: Appropriations for the year:		(723,189)	(623,786)
Opening balance adjustment		(10,271,835)	(92,369)
Accumulated Surplus/ (deficit) at the end of year		<u>(1,917,692)</u>	<u>(9,962,048)</u>
Contributions to:			
Fixed assets		384,208	271,327
Revolving Fund		269,742	261,426
		<u>653,949</u>	<u>532,753</u>

GREAT KEI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
17) Cash generated from operations	19,059,380	6,332,395
Surplus/ (Deficit) for the year		
<u>Adjustments in respect of:</u>		
- Prior Year's Operating Transactions	(2,441,762)	(629,766)
- Appropriations charged against income:	1,183,495	1,099,162
Revolving Fund	289,742	261,426
Provisions	529,546	566,409
Fixed Assets	384,208	271,327
Investment income (operating account)	(216,817)	(569,457)
Long term loans written off	(1,381,215)	-
Capital charges	809,706	1,164,555
Interest Paid on External Loans	747,383	746,756
Interest Paid on Internal Loans	23,926	26,393
Redemption of External Loans	-	338,841
Redemption of Internal Loans	38,397	51,955
Grants and Subsidies Received from the State	(27,840,952)	(15,335,803)
<u>Non Operating Expenditure</u>	8,521,103	(6,026,473)
Expenditure charged against funds	-	398,322
Expenditure charged against provisions	(10,490,695)	762,611
<u>Non Operating Income</u>	(12,057,695)	(456,253)
Transfers to funds and reserves	1,587,000	278,582
Income Credited to funds and reserves	-	940,282
Income Credited to assets	-	-
	<u>(12,797,756)</u>	<u>(13,202,776)</u>
18) Decrease in working capital	223,165	-
- (Increase)/ decrease in inventory	(8,568,083)	(1,458,150)
- (Increase)/ decrease in accounts receivable	2,975,963	690,308
- Increase/ (decrease) in accounts payable and provisions	<u>(5,368,955)</u>	<u>(767,842)</u>
19) Increase in cash investments comprise:	-263,453	555,764
- Investment made	<u>-263,453</u>	<u>555,764</u>
20) Increase in cash and cash equivalents	1,639,758	1,268,144
- Increase in cash balances	<u>1,639,758</u>	<u>1,268,144</u>
21) CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS		
Currently there are no outstanding litigations or claims against the Municipality.		
22) RETIREMENT BENEFITS		
<u>20.1 Contribution towards medical aids of retired employees:</u>		
The following payments were made in respect of medical aid contributions of retired employees:		
	Employee %	Employer %
<u>Retired Employees:</u>		
L.A Health	30%	70%
Munimed	30%	70%
<u>20.2 Contributions to employees:</u>		
The employees of the municipality and the municipality contribute to various pensions, provident and retirement funds. The main funds being listed below: -		
	Employee	Employer
SALA Pension fund	30%	70%
Cape Joint Retirement Fund	33%	67%
SAMWU Provident Fund	30%	70%
Councillors Pension Fund	68%	32%
MCPF	100%	0%
Retirement Annuity	100%	0%
	2009	2008
The total employee contribution to the funds is:	<u>636,935</u>	<u>557,997</u>
Balance outstanding in respect of pension payments:		

GREAT KEI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

23) Capital Commitments		
Commitments in respect of capital expenditure		11,990,312
Approved and not contracted	2,868,700	3,328,075
Approved and contracted for:	<u>2,868,700</u>	<u>15,318,387</u>
This expenditure will be financed from:		
Internal sources	2,868,700	15,318,387
External sources		
Other Sources	2,868,700	15,318,387
Government Grants		
24) Finance Leases		
Office Equipment	205,851	-
Not Later than 1 year	412,341	-
Later than 1 year & not later than 5 years	-	-
Later than 5 years	<u>618,192</u>	<u>-</u>
25) ADDITIONAL DISCLOSURES IN TERMS OF MFMA	2009	2008
25.1) Audit fees	<u>604,953</u>	<u>445,303</u>
Amount owing in respect of audit fee's at year end	-	1,239,014
25.3) Remuneration of councillors and managers		
Mayor	449,248	175,813
Councillor's remuneration	<u>2,373,848</u>	<u>1,636,682</u>
	<u>2,823,096</u>	<u>1,812,495</u>
Municipal Manager	661,592	514,836
Senior Managers	<u>1,952,310</u>	<u>795,617</u>
	<u>2,613,902</u>	<u>1,310,453</u>
25.4) Contributions to organised local government		
Opening balance	-	-
Council subscriptions	-	-
Amount paid- current year	-	-
Amount paid- previous years	-	-
Balance unpaid (included in the creditors)	<u>-</u>	<u>-</u>

GREAT KEI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

26) Post Balance Sheet Events

No material post balance sheet events have been identified.

27) Unauthorised Expenditure

The municipalities council authorised all expenditure in excess of the budgeted amount made during the current and previous financial years.

28) Irregular Expenditure

	2009	2008	2007	2006 and before
Supply Chain Management not follow	442,343	1,370,000	2,170,410	25,174,950
Payments not correctly approved	-	-	3,000,000	6,170,000
Councillors not paid according to Bet	75,385	405,210	454,421	-
Non Compliance with requirements o	-	574,000	1,803,842	8,000,000
Irregular performance bonuses	-	-	-	200,143
Irregular staff appointments	-	-	-	1,253,287
	517,728	2,349,210	7,428,673	46,798,380

29) Fruitless and wasteful expenditure

	2009	2008	2007	2006 and before
Overseas trips	-	-	-	81,890
Salary overpayments	-	-	-	172,630
Expenditure on testing station	-	520,891	-	-
Excessive overtime	-	-	-	1,145,789
Incorrect leave payments	-	-	57,108	242,297
Interest and penalties paid to SARS	-	354,743	-	-
Printing and posting statements	-	-	-	113,861
Interest on arrear DBSA loans	-	-	223,123	-
Interest on repayments of	-	148,069	330,851	-
proceeds of irregular land sale	-	-	-	-
Interest on overdue accounts	21,840	-	-	-
Expenditure incurred on developing	1,227,287	-	-	-
	1,249,127	1,023,703	611,082	1,756,457

30.1) Thefts and Losses

	2009	2008
Thefts and losses due to theft	264,472	-
	264,472	-

Unauthorised electronic transactions were identified from the municipality's primary account. The municipality has instituted criminal charges against the suspected officials and the matter is also currently under investigation.

30.2) Criminal or Disciplinary step taken

The municipality has instituted criminal charges against the suspected officials.

31) Going Concern

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

GREAT KEMUNICIPALITY
APPENDIX A
STATUTORY FUNDS, RESERVES AND TRUST FUNDS
FOR THE YEAR ENDED 30 JUNE 2009

	Balance at 30 June 2008	Contributions during the year	Interest on Investments	Other Income	Expenditure during the year		Balance 30 June 2009
					Operational	Capital	
STATUTORY FUNDS							
Revolving Fund - ABSA	2,463	-	169	-	-	-	2,672
Revolving Fund - Sri Bank	4,471,961	269,742	109,062	-	-	-	4,850,764
Kel Mouth Revolving Fund ABSA	2,446	-	187	-	-	-	2,633
Dog Tax	2,514	-	192	-	-	-	2,705
	4,479,404	269,742	109,629	-	-	-	4,858,776
TRUST FUNDS							
Pilot Housing	1,333	-	36	-	-	-	1,369
Shilve Housing Project	1,375	-	68	-	-	-	1,443
Township Register	1,088	-	28	-	-	-	1,126
Kel Mouth Peoples Housing Project	10,385	-	683	-	-	-	11,068
Electricity Fund	3,840	-	209,994	12,000,000	-	10,717,000	1,496,833
MIG	2,410,394	-	126,985	3,897,776	5,074,381	-	1,182,774
Town Planning	3,220	-	252	-	-	-	3,472
MSP Fund / Stabilisation Fund	2,132,602	-	61,091	499,000	2,136,711	-	555,962
FMS Fund	(4,280)	-	29,286	1,500,000	239,026	1,340,695	(74,725)
MSIG Fund	665,368	-	101,005	1,587,000	1,050,965	-	1,285,408
	5,226,344	-	531,425	19,263,776	8,521,103	12,057,695	4,644,749
RESERVES							
Scheme Regulation Funds	3,047	-	233	-	-	-	3,280
	3,047	-	233	-	-	-	3,280

GREAT KEMMUNICIPALITY
APPENDIX B
EXTERNAL LOANS AND INTERNAL SOURCES
FOR THE YEAR ENDED 30 JUNE 2009

	Rate	Repayment	Termination	Balance at 1 June 2008	Received during the year	Redeemed/ Transferred	Written off during the year	Balance at 30 June 2009
External Loans Capital								
Development Bank of South Africa (10078)	15% Bi annually		30 June 2019	2,413,485	288,483,45	491,002	2,192,585	18,352
Development Bank of South Africa (100782)	10.41% Bi annually		31 March 2019	2,183,882	292,545	2,476,226	-	-
Development Bank of South Africa (12446)	14.27% Bi annually		30 June 2019	404,815	47,206	458,044	-	4,022
Development Bank of South Africa (103473)	13% Bi annually		31 March 2019	-	3,795,995	155,654	-	3,630,341
				5,001,982	4,424,209	3,685,926	2,192,585	3,852,725
Internal Loans								
Total Internal loans			Various Loans (Schedules in working paper)	348,750	-	38,397	-	311,353

Note that the above redemption represents amounts transferred to the DBSA account number 103473 and amounts that are transferred to the DBSA arrears account. No physical repayment has been made.

GREAT NEEL MUNICIPALITY
APPENDIX C
ANALYSIS OF FIXED ASSETS
FOR THE YEAR ENDED 30 JUNE 2009

	2008 Expenditure R	Balance at 30 June 2008 R	Expenditure during year R	Redeemed, transferred or written off during the year R	Transfer to ADM R	Balance as at 30 June 2009 R
Rates & General Services	6,316,565	32,749,965	6,399,402	-155,000		40,994,367
Community services	5,922,394	28,350,107	6,187,559	-155,000		32,322,659
Land and Buildings	225,336	12,150,700	-	-		12,150,700
General Improvements	2,751,872	4,688,813	4,425,101	-155,000		1,398,639
Streets & Stormwater	43,350	2,582,576	1,782,452	-		4,150,028
Plant, Vehicles and Equipment	1,280,121	2,037,963	-	-		842,439
Chairs Assets	1,501,115	2,320,736	-	-		2,037,563
Transport		439,890	-	-		2,320,736
Traffic Services		1,140,351	-	-		436,890
Rescue Equipment		1,885,297	-	-		1,140,351
Library	4,423	332,870	-	-		1,885,297
Plant, Vehicles and Equipment	4,423	1,552,427	-	-		332,870
Parks & Recreation		610,305	-	-		1,552,427
Economic Services	409,688	170,621	-	-		610,305
Sewerage & Sanitation	409,688	439,688	-	-		170,621
Plant, Vehicles and Equipment		3,904,252	2,211,850	-		439,688
Refuse Services		3,904,252	2,211,850	-		6,116,102
Trading Services		3,904,252	-	-		6,116,102
Energy Services		3,904,252	-	-		6,116,102
Water Services		3,904,252	-	-		6,116,102
TOTAL FIXED ASSETS	8,316,565	32,749,965	8,399,402	-155,000		40,994,367
LESS: LOANS RECEIVED AND OTHER CAPITAL RECEIPTS	5,176,626	28,703,939	8,399,402			37,103,340
Loans redeemed and advances paid	271,327	924,501	-	-		924,501
Contributions from operating income	5,905,499	9,201,069	394,208	-		9,895,274
Grants and subsidies		18,478,271	8,015,194	-		26,493,465
NET FIXED ASSETS	139,679	4,046,027		-155,000		3,891,027

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GREAT KEMMUNICIPALITY APPENDIX E DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009							
2007/2008	2007/2008	2007/2008	2008/2009	2008/2009	2008/2009	2008/2009	2008/2009
Actual Income R	Actual Expenditure R	Restated Actual Surplus/ (Deficit) R	Actual Income R	Actual Expenditure R	Actual Surplus/ (Deficit) R	Budgeted Surplus/ (Deficit) R	
24,317,820	19,946,254	4,371,566	43,665,749	24,606,369	19,059,380	11,864,800	
24,317,820	19,946,254	(965,367)	43,665,749	24,606,369	19,059,380	11,864,800	
4,367,304	5,332,671	430,069	6,395,259	2,398,106	3,997,153		
2,398,880	1,989,611	1,876,719	2,764,534	2,147,557	606,977		
1,876,901	(182)	182,837	3,640,725	199,797	3,440,929		
	182,837	182,837	-	32,994	(32,994)		
				17,759	(17,759)		
19,950,516	14,613,563	5,336,933	37,270,490	22,208,263	15,062,227		
19,950,516	14,613,563	5,336,933	37,270,490	22,208,263	15,062,227		
24,463,154	19,946,254	4,516,900	43,665,749	24,606,369	19,059,380	11,864,800	
TOTAL							
		4,516,900			19,059,380		
		(13,776,614)			(9,982,046)		
		(629,766)			(723,189)		
		(9,889,680)			(10,271,835)		
					(1,917,692)		

GREAT KEI MUNICIPALITY
APPENDIX F
STATISTICAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2009

GENERAL STATISTICS	2007	2008	2009
1) POPULATION	40037	40037	40037
Registered voters	18486	18486	18486
Total valuation	499604485	499604485	499604485
Taxable	352551150	352551150	352551150
Non-taxable	119134630	119134630	119134630
Residential			
Commercial			
Valuation date	2004	2004	2004
No of Properties			
Residential			
Commercial			
2) ASSESSMENT RATES			
<u>Composite</u>			
Komga	0.0154	-	-
<u>Residential</u>			
Komga	-	0.02115	0.02115
Kei Mouth	0.0394	0.02115	0.02115
Morgan Bay	0.0394	0.02115	0.02115
Cintsa East	0.0394	0.02115	0.02115
Haga Haga	0.0394	0.02115	0.02115
<u>Business</u>			
Komga	-	0.02472	0.02472
Kei Mouth	0.04950	0.02472	0.02472
Morgan Bay	0.04950	0.02472	0.02472
Cintsa East	-	0.02472	0.02472
Haga Haga	-	0.02472	0.02472
<u>State</u>			
Kei Mouth	0.03940	0.02472	0.02472
Morgan Bay	0.35510	0.02472	0.02472
Cintsa East	0	0.02472	0.02472
Haga Haga	0.02880	0.02472	0.02472
<u>Township</u>			
Kei Mouth	0.01830	0.02115	0.02115
<u>Building Clauses</u>			
Kei Mouth	0.00000	0.00260	0.00260
Morgan Bay	0.00000	0.00260	0.00260
3) ELECTRICITY STATISTICS	2007	2008	2009
Units bought/generated	-	10,997,685	7,207,548
Units sold	-	1,791,686	2,293,334
Units lost in distribution	-	-9,206,019	-4,914,215
% lost in distribution	-	-83.71%	-68.18%
Cost per units purchased	-	0.18	0.30
Income per units sold	-	1.34	1.20

11.2 Full AG reports

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

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of Great Kei Municipality which comprise the statement of financial position as at 30 June 2009, 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 3 to 22.

The 's responsibility for the financial statements

2. The is responsible for the preparation and fair presentation of these financial statements in accordance with the entity-specific basis of accounting as set out in accounting policy note 1 and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal controls as the 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) (PAA) and section 126(3) of the MFMA, 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

Accumulated surplus







4. The accumulated surplus for the year ending 30 June 2009 is disclosed at R1,9 million (2008: R9,9 million) on the face of the balance sheet and the income statement. Amounts disclosed for 2008 and 2009 that related to debtors, creditors, accumulated

surplus, and property, plant and equipment, were not adjusted to correct and address the misstatements and limitations that caused me not to express an opinion on the financial statements for the year ended 30 June 2008. (EX.242) [E.1.4](#)




5. The balance of the accumulated surplus per the general ledger of the municipality as at 30 June 2009, exceeded the accumulated surplus disclosed in the financial statements by R11,2 million. (EX.265) [E.1.4](#)
6. The comparative balance of accumulated surplus per the annual financial statements furthermore exceeded the opening balance of accumulated surplus per the trial balance by R203,815, (EX.35) [E.1.4](#) , while the current year opening balance per the general ledger exceeded the closing balance of the accumulated surplus in the general ledger accounts of the prior year by R880,054. (EX.241) [E.1.4](#)
7. I was unable to gather sufficient, appropriate evidence to confirm the correct treatment and suitability of journal entries amounting to R111,447. Due to limitations placed on the scope of my work and municipal records not permitting the application of alternative audit procedures, the impact of these matters could not be assessed. (EX.293) [E.1.4](#)
8. By inspection of the income statement appropriations amounting to R10, 995,024 were disclosed. The amounts however do not agree to the movement within the accumulated surplus for the financial year that only amounted to R111,447. No supporting documentation could be obtained for the amount disclosed in the financial statements.(EX.291). [E.1.4](#)

Property, plant and equipment

9. Fixed assets is disclosed at R3,8 million (2008: R4,0 million) on the face of the balance sheet and note 6 to the financial statements. As reported in paragraph 4 misstatements identified in my prior year audit were not corrected.
10. Due to the deficiencies in the fixed asset register set out below and due to municipal records not permitting the application of alternative audit procedures, I could not confirm that all assets were included in the financial statements at appropriate amounts, that the municipality owned the disclosed assets and that assets recorded in the financial statements actually existed. The fixed asset register did not include sufficient information on: the source of funding of assets, details relating to the disposal or withdrawal of assets, unique identification numbers, detailed asset descriptions, dates of acquisition, physical locations, department or vote details and in certain instances did not include the cost of the individual asset.(EX.105, EX.106, Ex.114 & EX.138) [E.1.4](#)
11. Additions to fixed assets that were incorrectly recorded in the fixed asset register repeated values which inappropriately inflated the total cost price of assets included in the asset register by R19,1 million. (EX.138) [E.1.4](#) The cost price of fixed assets in the fixed asset register amounting to R23,0 million, that includes the additions repeated as reported above was however still R18,0 million less than the cost price of assets included in note 6 to the financial statements, which is disclosed at R41,0 million.(EX.107) [E.1.4](#)

12. Contract registers of fixed assets constructed and maintenance records on fixed assets could not be obtained. In the absence of the mentioned information and due to municipal records not permitting the application of alternative audit procedures, I could not confirm that all assets were correctly allocated and recorded while assets that may have been impaired could not be identified. (EX.136)  [E.1.4](#) (EX.132).  [E.1.4](#)
13. The fixed asset register did not include any additions for the financial year ending 30 June 2009. Additions to fixed assets amounting to R8,4 million are however disclosed in note 6 to the financial statements, while schedules in support of commitments indicated capital project costs amounting to R11,4 million incurred during the financial year. The conflicting information and limitations placed on the scope of my work prohibits the quantification of misstatement. Accordingly, I was not able to determine whether any adjustments might have been necessary to the amounts shown in the financial statements for creditors, expenditure and value added tax included under debtors. (EX.110 & EX.111)  [E.1.4](#)
14. No leased fixed assets could be identified in the accounting records of the municipality while no other schedules indicating leased assets were obtained. Note 24 to the financial statements however discloses finance lease obligations amounting to R618,192. Due to limitations placed on the scope of my work and municipal records not permitting the application of alternative audit procedures, I could not gather sufficient appropriate evidence to determine whether or not leased assets were appropriately accounted for. (EX.112)  [E.1.4](#)
15. Grant expenditure amounting to R3,0 million recorded in the grant register could not be agreed to the relevant entries included in the general ledger. In the absence of control accounts, schedules and explanations for differences noted the appropriate recording of grant expenditure could not be confirmed. The limitation referred to above also impacted on my ability to determine whether any adjustments might have been necessary to the amounts shown in the financial statements for accounts payable and grant income.  [E.1.4](#)
16. Operating expenditure incurred by the municipality amounting to R907, 132 that were funded from the Municipal Support Programme Grant and recorded in schedules which supported the grant movement could not be identified within the accounting records. Due to limitations placed on the scope of my work and municipal records not permitting the application of alternative audit procedures, I could not gather sufficient appropriate evidence to determine whether capital expenditure were recorded in the accounting records of the municipality. (EX.189)  [E.1.4](#)

Debtors

17. Debtors, after the provision for doubtful debts are disclosed at R18,4 million (2008: R10,4 million) on the face of the balance sheet and note 10 to the financial statements. As reported in paragraph 4 misstatements identified in my prior year audit were not corrected. Total debtors per the general ledger furthermore exceeded Debtors, after the provision for doubtful debts, as disclosed on the face of the balance sheet and note 10 to the financial statements by R5,5 million. (EX.265)  [E.1.4](#)
18. The comparative amount noted above similarly exceeded debtors per the audited financial statements of the prior year by R4,6 million. (EX.236)  [E.1.4](#) The debtors age analysis exceeded debtors reflected in the financial statements by R5,4 million (EX.248)  [E.1.4](#) and included instances where debtors, in the age analyses obtained







from the municipal system, were duplicated. Duplicated debtors totalled R5,3 million. (EX.272) [E.1.4](#) Management explanations for inconsistencies and movement in the debtors balance could not be obtained.(EX.264) [E.1.4](#)

19. The provision for doubtful debts amounting to R4,1 million is disclosed in note 10 to the annual financial statements. From available accounting records this provision may be understated by R4,3 million. The reliability of this estimate is however questionable taking into account the inconsistencies and errors noted in the debtors balances included in the accounting records of the municipality (EX.300) [E.1.4](#)
20. Irregular expenditure amounting to R935,016 is included under debtors and disclosed in note 10 to the financial statements. It could not be confirmed that these debtors were in actual fact raised as the general ledger accounts supporting the balance disclosed in note 10 could not be identified.(EX.267) [E.1.4](#)
21. Scrutiny of the debtors age analysis identified debtors with credit balances amounting to R687,584 that were inappropriately included under debtors. This amount included unidentified deposits to the value of R239,551. In the absence of adequate documentation schedules and explanations to the balance the nature of the credit balances and the correct allocation of these balances could not be determined.(EX.283) [E.1.4](#)
22. Interest was not charged on overdue accounts as required by section 97(1)(e) of the Local Government Municipal System Act, Act No.32 of 2000. Due to limitations placed on the scope of my work as noted in the paragraphs above, I could not reliably estimate the impact interest charges not levied had on income and debtors if interest were to be charged in line with legislation.(EX.148) [E.1.4](#)


Income



23. Total actual income disclosed at R43,7 million on the face of the income statement exceeds the total income per general ledger accounts by R9,4 million.(EX.265) [E.1.4](#)
24. The accuracy and appropriate recognition of all grant income could not be confirmed as the income could not be compared against total grant expenditure. Grant expenditure is not recorded in the grant register and not separately reconciled from specific general ledger accounts. I was therefore unable to gather sufficient appropriate evidence to confirm the accuracy and completeness of grant income amounting to R27,8 million included under income disclosed on the face of the income statement. Grant receipts amounting to R8,1 million according to the schedule of grant receipts could not be agreed to bank statements. Grants receipts amounting to R1,8 million were not recorded in the grants register while unspent grants amounting to R4,8 million identified in general ledger accounts could not be agreed to the unspent grants included in the grant register that amounted to R1,7 million. The difference amounting to R3,1 million was not reconciled and could not be explained by management. (EX.81) [E.1.4](#) (EX.263) [E.1.4](#) (EX.269) [E.1.4](#) (EX.270) [E.1.4](#) (EX.192) [E.1.4](#)

Due to the differences noted and the absence of alternative procedures, I was unable to determine the impact of the differences noted above on unspent conditional grants, grant receipts, property plant and equipment and grants income.






25. Grant income amounting to R27,8 million is incorporated under income in the income statement. Disclosure of how grant allocations were spent, per vote as contemplated in terms of section 123(1) and 123(2) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), were however not included in the financial statements.(EX.173)  [E.1.4](#)
26. The municipality did not maintain registers for direct and other income. Originating source documents and supporting documentation for transactions processed amounting to R9,3 million could not be obtained. In the absence of the information noted above it could not be confirmed that all revenue from the mentioned revenue sources were accurately and appropriately accounted for. Further the municipality did not maintain listings or schedules of rental income and property leased out. (EX.286, EX.44 & EX.73)  [E.1.4](#)
27. Interest earned according to the investments register exceeded the interest income amounting to R216,817 that is included under income disclosed on the face of the income statement by R635,922. (EX.288)  [E.1.4](#)
28. Property rates amounting to R4,2 million were included under income disclosed on the face of the income statement. The mentioned rates were levied based on a general valuation performed in 1994. No evidence could be obtained of a supplementary or interim valuation being performed. A single valuation roll for the entire Great Kei Municipal area does not exist. The assessment rates for Haga Haga, Chintsa, Morgan's Bay and Kei Mouth are based on property values maintained in excel registers could not be substantiated to approve original valuation rolls. In the absence of the mentioned documentation I could quantify assessment rate income which was not included in the financial statements. It could also not be confirmed that assessment rates were accounted for at appropriate amounts. (EX.289 & EX.243)  [E.1.4](#)
29. Electricity income amounting to R2,8 million is included under income disclosed in the income statement Recalculations of estimated electricity income based on electricity purchases, taking into account maximum electricity losses allowed by the National Electricity Regulator indicates a loss of electricity income in excess of R3 million due to unbilled usage. (EX.276)  [E.1.4](#)
30. The Municipality had not applied to the National Electricity Regulator for approval of its electricity tariff since 2000. The electricity tariff applied to consumers in Komga has therefore not been approved by the National Electricity Regulator of South Africa. This resulted in both electricity revenue and debtors exceeding the permitted income levels by R528,880 (EX.311)  [E.1.4](#)

Operating expenditure





31. Actual total expenditure is disclosed at R24,6 million on the face of the income statement. Included in expenditure is operating expenditure amounting to R13,3 million. Operating expenditure per the general ledger exceeded operating expenditure included in total expenditure by R1,0 million.(EX.265)  [E.1.4](#)

32. Due to limitations placed on the scope of my work and municipal records not permitting the application of alternative audit procedures, I could not gather sufficient appropriate evidence on operating expenditure amounting to R13,3 million that was included under actual total expenditure.
33. It could not be confirmed whether payments made to suppliers, to the value of R2,2 million were recorded in the accounting records of the municipality. Documentation not available prohibited confirmation of fraud similar to that which was under investigation as referred to in paragraph 110 below (EX.307)  [E.1.4](#)
34. Expenditure documentation amounting to R4,1 million could not be obtained. Sufficient appropriate evidence to determine the validity of tenders awarded by the municipality amounting to R599,000 could furthermore not be confirmed due to the non-submission of tender documents. The limitations experienced prohibited the identification of irregular expenditure and fruitless and wasteful expenditure. (EX.195)  [E.1.4](#)
35. Full and proper supporting documentation was not available for expenditure vouchers that amounted to R3,0 million. Documentation not maintained resulted in irregular expenditure being incurred as compliance to the municipal supply chain management policies could not be confirmed. Documentation not received included quotes, orders and delivery notes. It could not be confirmed that the mentioned goods procured were received by the municipality. (EX.196)
36. The recording of expenditure totalling R2,9 million could not be identified in the accounting records of the municipality after specific selections were made from the relevant bank statements to confirm or evaluate transactions similar to the fraud identified and reported on in paragraph below.(EX.306)

Long term liabilities

37. The short term portion of long term liabilities and long term liabilities disclosed at R199,895 and R3,4 million respectively on the face of the balance sheet, amounting to R3,6 million, exceeded the total of long term liability general ledger accounts which amounted to R1,8 million by R1,9 million. (EX.265)  [E.1.4](#)  [E.1.4](#)
38. No register was maintained for internal loans, while no other alternative procedures could be performed to confirm internal loan balances amounting to R311,363. Internal loan balances were in contradiction with IMFO standards, as these were not disclosed in the notes to the financial statements. (EX.98)  [E.1.4](#)
39. Advances received per Appendix B amounting to R628,214 of the financial statements do not agree to the advances per the statements received from the Development Bank of South Africa which indicated an amount of R22,384. (EX.118)  [E.1.4](#) Differences on amounts redeemed were also noted. Amounts redeemed according to Appendix B amounted to R3,5 million, while supporting schedules indicated R3,2 million. DBSA statements indicated amounts redeemed at R2,7 million (EX.119)  [E.1.4](#) The differences between individual accounts within the accounting system and the conflicting information included in appendix B combined with the fact that no loan register were maintained resulted in an inability to verify how the movement in loans were accounted.



Bank and cash

40. Bank and cash per the general ledger exceeded bank and cash disclosed at R3,2 million on the face of balance sheet and note 4 to the financial statements by, R7,6 million.(EX.265)  [E.1.4](#)
41. Interbank transfers, which reduced bank and cash by R1,7 million in note 11 to the financial statements, was inappropriately set off against bank and cash balances. No schedule or documentation in support of the mentioned transactions could be presented. (EX.61)  [E.1.4](#)
42. Bank and cash balances as at 30 June 2009 per the applicable bank statements, exceeded the balance of bank and cash disclosed in the financial statements by R229,063. (EX.298)  [E.1.4](#) The year-end bank reconciliation reflected reconciling items amounting to R413,462. Details of the reconciling items were however not available for review. In the absence explanations or other appropriate documentation, the impact of the noted discrepancies on revenue and expenditure could not be quantified. (EX.139)  [E.1.4](#)



Cash flow statement

43. The cash flow statement included figures which did not agree to figures included in the notes to the financial statements. (EX.1)
44. I was unable to obtain the representations considered necessary from the management of the Municipality with respect to these differences on the cash flow statement amounts. Consequently, we were unable to satisfy ourselves as to the accuracy of cash flow statement. (EX.1)


Commitments

45. Capital commitments are disclosed at R2,8 million in note 23 to the financial statements. Capital commitments included in the commitments listing exceeded the commitments recorded in expenditure reports by R1,2 million. The commitments listing, conversely, did not include contracts to the value of R1,4 million which were included in the tenders register and R4,4 million (EX.182)  [E.1.4](#) identified from the uncompleted project listing. The amount at which commitments should be disclosed could not be confirmed due to conflicting information contained in accounting records. (EX.122) (EX.123)  [E.1.4](#)



Employee Costs


46. Municipal employees, appointed during the year, who did not appear on the payroll system, were identified. From the information available, remuneration paid to these employees could not be quantified.(EX.143)  [E.1.4](#) Salary control accounts amounting to R290,989 was identified that were incorporated under creditors. In the absence of reconciliations and schedules as reported in paragraph 57 below, the impact of salary suspense accounts on employee cost could not be quantified (EX.313)
47. Evidence to support the calculation of leave gratuities amounting to R339,438 could not be obtained. I was unable to obtain the explanations and representations considered necessary with respect to the expenditure incurred, while municipal records did not permit the application of alternative audit procedures. (EX.170)  [E.1.4](#)


Inventory

48. Due to limitations placed on the scope of my work and municipal records not permitting the application of alternative audit procedures, I could not gather sufficient appropriate evidence to confirm that inventory amounting to R223,165 were appropriately written off to the accumulated surplus. As reported in paragraph 8 appropriations were not adequately disclosed in the financial statements.(EX.59)  [E.1.4](#)

Investments


49. Investments amounting to R9,2 million, as disclosed on the face of the balance sheet and note 7 to the financial statements, exceeded investments per the general ledger by R13,8 million. EX.265)  [E.1.4](#) Investments balances per investment statements exceeded the investment balances disclosed in the financial statements by R2,8 million. (EX.284)  [E.1.4](#)


50. I could not gather sufficient appropriate evidence to confirm the applicability of journal entries processed in investment accounts that amounted to R2,0 million. (EX.181)  [E.1.4](#)


51. Investments balances per bank statements exceeded the investment balances disclosed in the financial statements by R2,8 million. Interest earned that were confirmed to bank statements furthermore exceeded the interest amounting to R216,817 included in the income statement and separately disclosed in the cash flow statement by R643,669 (EX.308)  [E.1.4](#)

52. Due to limitations placed on the scope of my work, and municipal records not permitting the application of alternative audit procedure and due to the absence of reconciliations, the impact of required adjustments could not be determined.




Irregular expenditure

53. Irregular expenditure amounting to R331,917 was identified in an instance where the municipal manager did not approve the expenditure incurred. As reported in paragraph 100 below an appropriate system of delegation was not implemented.(EX.187)  [E.1.4](#)



54. As reported in paragraph 28 above the completeness of irregular expenditure could not be confirmed due to the lack of supporting documentaiton that could not be obtained. In addition to these matters a contract for a project amounting to R1,6 million could not be obtained.(EX.182)  [E.1.4](#)

55. Irregular expenditure for the 2008 year as disclosed in note 28 to the financial statements amounting to R979,210 do not agree to the amounts disclosed in the prior year audited financial statements which amounted to 7,3 million. The amount disclosed in the financial statements for the 2007 financial year amounting to R5,3 did not agree to the amounts disclosed in the prior year audited financial statements amounting to R4,8 million The reasons for differences noted was not disclosed in the financial statements. (EX.312)  [E.1.4](#)




Creditors

56. Creditors disclosed at R25,6 million (2008:R22,6 million) on the face of the balance sheet and note 13 to the financial statements exceeded total creditors reflected in the general ledger accounts by R1,6 million.(EX.265)  [E.1.4](#) As reported in paragraph 4 entries to correct misstatements identified in my report on the financial statements for the year ending 30 June 2008 were not processed.
57. Schedules and documentation in support of creditors disclosed at R25,6 million on the face of the balance sheet and note 13 to the financial statements could not be obtained. Due to limitations placed on the scope of my work and municipal records not permitting the application of alternative audit procedures, I could not confirm that all creditors that should have been accounted for were accounted for at appropriate amounts. The existence of the municipality's obligations relating to the disclosed amounts and adjustments that may have been necessary to the amounts shown in the financial statements expenditure could not be confirmed. (EX.52) (EX.299)  [E.1.4](#)
58. It could not be confirmed that unspent conditional grants amounting to R5,2 million were appropriately accounted for. Due to limitations placed on the scope of my work as reported in paragraph 15 and municipal records not permitting the application of alternative audit procedures, I could not determine the impact on the grant income and fixed assets. (EX.182)  [E.1.4](#)





Provisions

59. The annual financial statements do not include a provision for the rehabilitation of the communal Great Kei landfill site. Information to quantify the impact on provisions and expenditure could not be obtained.(EX.115)  [E.1.4](#)
60. The assumptions and basis for the calculation of provision disclosed at R992,931 on the face of the balance sheet and note 12 to the financial statements are not disclosed in the financial statements. (EX.56)  [E.1.4](#)




Funds and Reserves

61. The total trust funds per the general ledger exceeded trust funds disclosed on the face of the balance sheet and note 3 to the financial statements by R2,3 million.(EX.265)  [E.1.4](#)
62. The accounting policy for funds and reserves in the annual financial statements do not indicate the purpose of the various funds and reserves as required by the standards laid down by the Institute of Municipal Treasurers and accountants in its Code of Practice, 1992, (IMFO). The policies also do not indicate how contributions will be made and how funds should be utilised. (EX.244)  [E.1.4](#) In the absence of alternative information to verify the regularity of movements in funds and reserves the possible misstatement in these balances could not be quantified.
63. Statutory funds are disclosed at R4,9 million on the face of the balance sheet and note 1 to the financial statements. Investments that serves as concomitant assets to the these funds however only amounted to R1,59 million leaving a shortfall of R3,3 million.(EX.176)  [E.1.4](#)


Taxes

64. A Value Added Tax (VAT) account with a credit balance was incorrectly accounted for under creditors. Had this account been correctly set off against VAT accounts with debit balances that amounted to R3,8 million, debtors and creditors would have decreased by R2,8 million. (EX.164)  [E.1.4](#)
65. Net VAT receivable included in the financial statements amounted to R1,0 million at year end. Vat receivable per confirmations received from the South African Revenue Services (SARS) however only amounted to R777,548. The R777,548 however do not take into account VAT due on Debtor balances outstanding which will decrease the amount receivable. The VAT on debtor balances outstanding could not be calculated due to the fact that the accounting system cannot differentiate between different revenue types.VAT receivable as included under debtors and creditors in the financial statements are therefore in excess of amount due according to the SARS. The exact error can however not be quantified due to the limitation of the accounting system. (EX.165)  [E.1.4](#)
66. Amounts to be included in VAT returns were calculated outside the accounting system on a separate schedule. A comparison of the VAT input per the VAT schedules to amounts actually recorded in the VAT general ledger account noted a difference R746,477. VAT claimed from SARS therefore exceeded VAT inputs processed in the general ledger. VAT receivable would have increased had input VAT been recorded in the general ledger in line with VAT calculations(EX.310)  [E.1.4](#)
67. Due to limitations placed on the scope of my work and municipal records not permitting the application of alternative audit procedures, I could not gather sufficient appropriate evidence to confirm that journal entries decreasing VAT by R962,884, decreasing trust funds by R193,049 and decreasing debtors by R1,2 million were valid. (EX.199)  [E.1.4](#)

Unauthorised expenditure

68. Unauthorised expenditure amounting to R13,4 million was incurred by the municipality due to overspending of the total amount appropriated in the Municipality's approved budget and also the overspending of the total amount for a votes in the approved budget. (EX.24)  [E.1.4](#)
69. Unauthorised expenditure was incurred amounting to R331,917 due to the Finance Management Grant being used for purposes other than in accordance with the conditions of the allocation. (EX.188)  [E.1.4](#)
70. Unauthorised expenditure was incurred amounting to R942,680 due to the expenditure on Municipal Infrastructure Grant projects that exceeded the total amount included in the approved budget. (EX.191)  [E.1.4](#)

Events after the reporting date

71. The municipal manager resigned from the Municipality subsequent to the reporting date. The details, of this material non-adjusting event after the reporting date, were not disclosed in the annual financial statements. (EX.224)  [E.1.4](#)

Disclaimer of opinion

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


Emphasis of matters

I draw attention to the following matters on which I do not express a disclaimer of opinion:

Basis of accounting

73. The municipality's policy is to prepare financial statements on the entity specific basis of accounting as set out in accounting policy note 1.1

Going concern

74. The municipality is largely dependent on the financial support received from government. In the absence of grants and subsidies the municipality will not generate sufficient internal revenue to fund expenditure. This material uncertainty that may cast significant doubt on the municipality's ability to continue as a going concern was disclosed in accounting policy 1.4 to the financial statements. (EX.6)  [E.1.4](#)

Unauthorised, irregular or fruitless and wasteful expenditure as well as material losses through criminal conduct

75. Note 27 to the annual financial statements indicate that council authorised all unauthorised expenditure as council authorized all expenditure in excess of the budgeted amount made during the current and previous financial years.

76. As disclosed in note 28 to the financial statements, irregular expenditure totalling R51,1 million was incurred by the Municipality during the recent past.

77. Fruitless and wasteful expenditure relating to various expenditure incurred totalling R4,6 million is disclosed in note 29 to the financial statements.

78. Note 30 furthermore disclose losses and losses due to theft, amounting to R264,472 incurred as a result of unauthorised electronic transactions processed from the municipality's primary bank account.

Other matters

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

Material inconsistencies in other information included in the annual report

79. The following differences were noted between amounts included in Appendices and amounts disclosed in the annual financial statements:

(EX.94 & EX.99)

Description	Note 3 of the financial statements	Appendix A of Financial statements	Difference
Trust Funds	R1,619,285.00	R4,444,748.64	R2,825,463.64-

80. As also indicated in paragraph 124 below, I have not obtained other information included in the annual report and have not been able to identify any material inconsistencies with the financial statements.

Unaudited supplementary schedules

81. The supplementary information set out on pages 5-108 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

Non-compliance with applicable legislation

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

- 82. A draft service delivery and budget implementation plan for the budget year; and drafts of the annual performance agreements were not submitted to the mayor as required by section 69 (3) of the MFMA. (EX.88)
- 83. Evidence could not be obtained that the adjustment budget was accompanied by the explanations and motivations as required by section 28 (2) of the MFMA. (EX.89)
- 84. Evidence could not be obtained that the municipal council considered and responded to the submissions made by the local community, National Treasury and the relevant provincial treasury as required in terms of section 23 of the MFMA.(Ex.103)
- 85. It could not be confirmed that the took all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems as required by section 62 of the MFMA as it was established that the Municipal Supply Chain Management Policy do not include risk management, performance management or disposal management. (EX.10)
- 86. Evidence could not be obtained that the for a municipality immediately informed National Treasury of any payments due by an organ of state as required by section 62(3) of the MFMA. (EX.45)
- 87. No evidence could be obtained that the submitted electronic returns on their conditional grant spending to the National Treasury and Provincial treasury as contemplated in section 76 of the MFMA.(EX.82)

88. A service delivery and budget implementation plan were not developed by the municipality. The mayor therefore did not consider monthly budget reports as required by section 54(1) of the MFMA. Budget reports were not evaluated and revised as required and appropriate instructions were not issued to ensure implementation of the budget in accordance with the service delivery and budget implementation plan. Mid-year budget and performance assessments were not submitted to council by 31 January as required by legislation. (EX.83)
89. The did not submit a draft service delivery and budget implementation plan for the budget year and drafts of the annual performance agreements for the municipal manager and all section 57 managers as required by section 69 (3) of the MFMA. (EX.88)
90. Evidence to demonstrate that the took all reasonable steps to ensure that all monies owing by the municipality was paid within 30 days of receiving the relevant invoice or statement as required by section 65 (2) of the MFMA could not be obtained. (EX.7 & EX.208)
91. All revenue received by the municipality including revenue received by any collecting agent on its behalf were not reconciled on, at least, a weekly basis as required by Section 62(2)(g) of the MFMA.(EX.46)

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

92. The municipality did not exercise its legislative and executive authority by development and adoption of policies, plans, strategies and programmes, including setting targets for delivery as contemplated in section 11(3)(a) of the Municipal Systems Act No. 32 of 2000. Policies not developed include policies on: unauthorised, Irregular, Fruitless & Wasteful Expenditure, disclosure in the financial statements, controls over activities of service organizations, revenue management; long outstanding debtors.(EX.48)
93. The municipal council did not adopt by-laws to give effect to the implementation and enforcement of its tariff policy, credit control and debt collection policy as contemplated in section 75(1) and 98 of the MSA respectively. (EX.48)
94. Evidence could not be obtained that the municipal manager, within a policy framework determined by the municipal council and subject to any applicable legislation provided a job description for each post on the staff establishment as required by section 66 (1) (b) of the MSA. (EX.78)
95. The institutional framework required section 26 of the MSA, which must include an organogram, required for the implementation of the integrated development plan and address the municipality's internal transformation needs, was not identified in the municipality's integrated development plan.(EX.114)

Governance framework

96. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below.

Internal control deficiencies

97. Section 62(1)(c)(i) of the MFMA states that the must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the deficiencies in the system of internal control, which led to the disclaimer of opinion. The root causes are categorised according to the five components of an effective system of internal control (the number listed per component can be followed with the legend below the table.) In some instances deficiencies exist in more than one internal control component.

Par No.	Basis for disclaimer of opinion	CE	RA	CA	IC	M
4-8	Accumulated surplus(Ex.20)	2				
4-8	Accumulated surplus(EX.21& Ex.292)	5				
9-16	Property, plant and equipment (Ex.39 & Ex.109)	5				
9-16	Property, plant and equipment (Ex.113)				1	
17-22	Debtors (Ex.43)					1
17-22	Debtors (Ex.247)			4		
17-22	Debtors (Ex.282)	5				
23-30	Revenue (Ex.13)					5
23-30	Revenue (Ex.42)					1
23- 30	Revenue (Ex.200)	5				
23-30	Revenue (Ex.237)			2		
31-36	Operating expenditure (Ex.25)			4		
37-39	Long term liabilities(Ex.40)			6		
40-42	Cash and cash equivalents(Ex.47)			1		
43-44	Cash flow statement (EX.49)			5		
45	Commitments(EX.49)			5		
46-47	Employee cost(Ex,146 & Ex.154)	5				
48	Inventory(EX.49)			5		
49-52	Investments(Ex.18)	6				
49-52	Investments(Ex.285)	5				
53-55	Irregular expenditure (EX.49)			5		
56-58	Payables/ accruals(Ex.55)	5				
56-58	Prepayments (Ex.41)					1
59-60	Provisions (Ex.234)	5				
61-63	Reserves					
64-67	VAT (Ex.134)			5		
68-70	Unauthorised expenditure (Ex.49)			5		
71	Events after the reporting date (Ex.15)	6				
71	Events after the reporting date (Ex.226)	5				

98. The control environment was mostly affected by the inadequacy of control activities. The effectiveness and functioning of internal controls were adversely affected by the lack of approved written policies and procedures and the failure to implement control activities that will address the risks, written policies and procedures that were not in place and failure to implement control activities that will address risks.
99. Insufficient staff resources, limited management oversight, a lack of monitoring processes and inadequate supporting documentation for financial transactions contributed to an environment susceptible to undetected fraud and error.

Legend	
CE = Control environment	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The /accounting authority does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
RA = Risk assessment	
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3
The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5
CA = Control activities	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7
IC = Information and communication	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3
M = Monitoring	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Neither reviews by internal audit or the audit committee nor self-assessments are evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3

Key governance responsibilities

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

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		✓
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.	✓	
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.		✓
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines (section 126 of the MFMA).		✓
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.		✓
Development of and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	<ul style="list-style-type: none"> The municipality had an audit committee in operation throughout the financial year. 		✓
	<ul style="list-style-type: none"> The audit committee operates in accordance with approved, written terms of reference. 		✓
	<ul style="list-style-type: none"> The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA. 		✓
7.	Internal audit		
	<ul style="list-style-type: none"> The municipality had an internal audit function in operation throughout the financial year. 		✓
	<ul style="list-style-type: none"> The internal audit function operates in terms of an approved internal audit plan. 		✓
	<ul style="list-style-type: none"> The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA. 		✓
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		✓
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		✓
10.	The information systems were appropriate to facilitate the preparation of the financial statements.		✓
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(c)(i) of the MFMA.		✓
12.	Delegations of responsibility are in place, as set out in section 79 of the MFMA.		✓
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.		✓
14.	Oversight resolutions have been substantially implemented.		✓
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		✓
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		✓
17.	A strategic plan was prepared and approved for the financial year under review for		✓

No.	Matter	Y	N
	purposes of monitoring the performance in relation to the budget and delivery by the municipality against its mandate, predetermined objectives, outputs, indicators and targets (section 68 of the MFMA).		
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.		✓

101. Section 53 of the Municipal Systems Act, (MSA, No 32 of 2000), requires the municipality to define the specific role and area of responsibility of each political structure and political office bearer of the municipality and the municipal manager. The respective roles and responsibilities must be defined by specific terms of reference and should be in writing. Section 59 of the Municipal Systems Act No 32 of 2000 and Section 79(1)(a) of the Municipal Finance Management Act, No 56 of 2003 (MFMA) require an to develop an appropriate system of delegation that will maximise administrative and operational efficiency, and provide adequate checks and balances in the municipality's financial administration. Section 79(3) also requires that such delegations must be in writing and may either be to a specific individual or to the holder of a specific post in the municipality

The delegations should be from the Council, to the Mayor, to the Municipal Manager and to the section 57 managers. Such appropriately written, approved policy on delegations is not in place. We could not obtain evidence about signed delegations of power and authority from the Council to the Mayor except for the financial delegations from the Municipal Manager to the Chief Financial Officer (EX.187)

102. Delays were experienced during the execution of our audit as a result of the Municipality not providing some of the documentation and explanations timeously. These were only submitted after the agreed due date of submission. This was due to inadequate systems, monitoring and supervision in place throughout the financial year.

103. The Municipality did not submit their annual financial statements on the due date as required by IMFO. The reason for the late submission was the inability of managements failure to implement adequate processes to prepare these financial statements timeously.

104. The municipality did not have a functional internal audit and audit committee during the year. The audit committee therefore did not meet prior to the submission of the financial statements for the year ended 30 June 2009 to review their adequacy, reliability and accuracy.

105. The significant deficiencies in the design and implementation of internal control in respect of financial and risk management were attributed to a lack of approved and implemented policies being in place for the whole year under review and to key internal controls and processes that were either not in place or not functioning as intended.

106. The significant deficiencies in the design and implementation of internal control in respect of the compliance with applicable laws and regulations were attributed to a lack of implemented controls not being adhered to and a lack of monitoring and supervision by management.

107. The municipality does not have reliable information systems for recording and reporting of financial information. Significant difficulties were furthermore experienced during the audit to extract reliable accounting information from the system.

- 108. Management have not substantially addressed the prior year findings and the prior year findings were still recurring in the current year.
- 109. There are no documented and approved policies and procedures in place for the reporting of performance information.

Investigations

- 110. With reference to paragraph 35 above, payments without documentation in support of expenditure incurred were made from the primary bank account of the municipality. An investigation relating to this matter was still ongoing at the reporting date. (EX.74, EX.271)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

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

The 's responsibility for the performance information

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

The Auditor-General's responsibility

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

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

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

Audit findings (performance information)

Non-compliance with regulatory requirements

No reporting of performance information

115. The entity has not reported performance against predetermined objectives, as required by Section 121(3)(c) of the MFMA. (EX.22)

Content of integrated development plan

116. The IDP of Great Kei Municipality does not identify the institutional framework, which must include an organogram required for the implementation of the IDP and addressing the municipality's transformation needs, as required by section 26(a) of MSA and regulation 2(a) of Municipal Planning and Performance Management Regulations, 2001. (EX.144)

Existence and functioning of a performance audit committee

117. The Great Kei Municipality did not appoint and budget for a performance audit committee, nor was another audit committee utilised as the performance audit committee, as required by regulation 14(2) of the Municipal Planning and Performance Management Regulations, 2001.(EX.33)

Internal auditing of performance measurements

118. As indicated in paragraph 100 above no internal audit unit existed to perform audits on performance information.

Lack of adoption or implementation of a performance management system

119. The Great Kei Municipality did not implement a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players, as required in terms of regulations 7 and 8 of the Municipal Planning and Performance Management Regulations, 2001. (EX.5)

No mid-year budget and performance assessments

120. The of the Great Kei Municipality did not by the 25th of January 2009 assess the performance of the municipality during the first half of the financial year, taking into account the municipality's service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan, as required by section 72 of the MFMA. (EX.83)

Usefulness and reliability of reported performance information

121. The following criteria were used to assess the usefulness and reliability of the information on the municipality's performance with respect to the objectives in its integrated development plan:

- Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan?
- Relevance: Is the performance information as reflected in the indicators and targets clearly linked to the predetermined objectives and mandate. Is this specific and measurable, and is the time period or deadline for delivery specified?
- Reliability: Can the reported performance information be traced back to the source data or documentation and is the reported performance information accurate and complete in relation to the source data or documentation?

The following audit findings relate to the above criteria:

Inconsistency reported performance information

122. The municipality did not prepare an annual performance information report as required by section 46 of the Municipal Systems Act, No 32 of 2000.

Reported performance information not relevant

123. An assessment could not be performed on the reliability of the reported performance information, as set out on pages xx to xx of the annual report, since the information was not received in time for audit purposes.

APPRECIATION

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

East London

23 April 2010



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

11.3 Audit committee report

For the year under review (2008/2009) the institution advertised several times in order to attract suitable members to form an audit committee. Despite all attempts the institution did not manage to attract suitable members. Therefore for the financial year 2008/2009 Great Kei Municipality did not have audit committee.

11.4 Council resolutions adopting the Annual Report

ANNUAL REPORT 2008/09 [File No.5/1/1-2008/09]

Resolved

That the draft Annual Report for 2008/09 be noted.

11.5 Plan of action of the municipality to address findings of the AG report

ASSUMPTIONS

This action plan is based on the assumption stated below:

1. That a new financial accounting system will be in place on 01 July 2010.
2. That all personnel will be trained on the use of and relatively conversant with the new financial accounting system.
3. That all relevant personnel will be competent with the application of basic accounting principles
4. That system generated monthly budget vs expenditure reports will be available to the relevant managers.
5. That all efforts will be made that all relevant personnel are conversant with the legislative requirements governing municipal finance.
6. That all vacant funded posts on the organogram will be filled.
7. That there will be isolation of responsibility in terms of persons' responsibilities (cashiering, banking, bank accounting, debtors, expenditure, creditors, payments, etc.).

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
Accumulated surplus	The accumulated surplus for the year ending 30 June 2009 is disclosed at R1,9 million (2008: R9,9 million) on the face of the balance sheet and the income statement. Amounts disclosed for 2008 and 2009 that related to debtors, creditors, accumulated surplus, and property, plant and equipment, were not adjusted to correct and address the misstatements and limitations that caused me not to express an opinion on the financial statements for the year ended 30 June 2008.	No follow-up was made on the previous year audit findings.	<p>Changes to the AFS will be informed by the adjustments made in all the other accounts that affect the accumulated surplus.</p> <p>The municipality has an option to either:</p> <ul style="list-style-type: none"> • restate the comparative amounts for the prior period(s) presented in which the error occurred; or • if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior 	30 June 2010	Chief Finance Officer	<p>Prior year adjustments will alter opening balances. See journals prepared to effect on Pastel to correct as per exceptions raised.</p> <p>Option 1 selected.</p>

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
			<p>period presented.</p> <p>However, it does not appear to be practicable to determine the period-specific effects of the errors on comparative information for one or more prior periods presented.</p> <p>In this case the municipality must restate the opening balances of assets, liabilities, and equity for the earliest period for which retrospective restatement is practicable (which may be the current period).</p>			
	The balance of the accumulated surplus per the general ledger of the municipality as at 30 June 2009, exceeded the accumulated	No comparison of the amount disclosed on the face of the AFS, the TB, and the GL	The final pre-audited TB and GL will be generated from the system and printed	31 July 2010	Chief Finance Officer	Adjustments on GL to be effected

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	<p>surplus disclosed in the financial statements by R11,2 million.</p> <p>The comparative balance of accumulated surplus per the annual financial statements furthermore exceeded the opening balance of accumulated surplus per the trial balance by R203, 815, while the current year opening balance per the general ledger exceeded the closing balance of the accumulated surplus in the general ledger accounts of the prior year by R880,054.</p>	<p>was performed prior to the submission of the AFS for audit.</p> <p>Accounting for municipal transactions is not performed timely and on an accrual basis.</p>	<p>(Refer to NT's Circular 36 and 49 guidance on municipal accounting / audit files/GL & TB).</p> <p>Management at the qzsBTO will ensure that municipal accounting for transactions is performed on a timely basis.</p> <p>Training on GRAP / GAMAP principles (accrual accounting) has been scheduled for end of May 2010.</p>			<p>Grap Training still to be conducted.</p>
	<p>I was unable to gather sufficient, appropriate evidence to confirm the correct treatment and suitability of journal entries amounting to R111,447. Due to limitations placed on the scope of my work and municipal</p>	<p>Journal entries are not supported by evidence of the originating event or transaction.</p>	<p>All journal entries will be supported with valid audit evidence. Supporting work papers will be prepared in addition to the evidence where</p>	31 August 2010	Chief Finance Officer	<p>Jnl form has been drawn for all audit journals to be effected. Provision has been made for</p>

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	records not permitting the application of alternative audit procedures, the impact of these matters could not be assessed.		necessary. All journal entries will be approved by the CFO.			compiler, reviewer and approval of journals. Separate file for all audit journals.
	By inspection of the income statement appropriations amounting to R10,995,024 were disclosed. The amounts however do not agree to the movement within the accumulated surplus for the financial year that only amounted to R111,447. No supporting documentation could be obtained for the amount disclosed in the financial statements	Inability to support assertions with evidence.	Prepare a comprehensive audit / accounting file.	31 August 2010	Chief Finance Officer	Schedule for preparation of audit file allocating tasks to various individuals has been circulated. Items are submitted to update file.
Property, plant and equipment	Fixed assets is disclosed at R3,8 million (2008: R4,0 million) on the face of the balance sheet and note 6 to the financial statements. As reported in paragraph 4 misstatements identified in my prior year audit were not corrected.	The misstatements as identified by the AG in the prior management letter were not followed up to determine the cause for such misstatements.	Asset Register currently being prepared and will be finalised by 31 July 2010. Movable & Immovable assets and AR will be Grap compliant. Identifying	Ongoing	Chief Finance Officer	Fixed asset register has been compiled and is complete. Asset lists have been circulated. Roads identified and measured

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
			<p>tags will be allocated to all assets. Asset lists attached at back of door. Project has commenced.</p> <p>Work papers will be prepared and evidence supplied to support adjustments to the opening balances for the current year.</p>			<p>for completeness of the register.</p>
	<p>Due to the deficiencies in the fixed asset register set out below and due to municipal records not permitting the application of alternative audit procedures, I could not confirm that all assets were included in the financial statements at appropriate amounts, that the municipality owned the disclosed assets and that assets recorded in the financial statements actually existed. The fixed asset register did not include sufficient information on: the source of funding of assets, details</p>	<p>The municipality did not have a comprehensive fixed asset register that will include the details referred to in the previous column.</p>	<p>A service provider has been appointed to develop an GRAP/GAMAP compliant asset register. Identifying numbers to be allocated. Asset lists to be placed at the back of doors.</p> <p>Municipal personnel will be allocated to the project to ensure transfer of skills and verification of the</p>	<p>In progress</p>	<p>Chief Finance Officer</p>	<p>Asset controllers to be appointed in all departments. To date, only BTO and CS have identified reps. A reminder has been sent to all Managers. Asset lists have been placed in each location or office. Master list to be</p>

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	relating to the disposal or withdrawal of assets, unique identification numbers, detailed asset descriptions, dates of acquisition, physical locations, department or vote details and in certain instances did not include the cost of the individual asset.		assets that are included in the asset register. All entries to the asset register will be supported with evidence.			provided for all staff to confirm assets and sign for them.
	Additions to fixed assets that were incorrectly recorded in the fixed asset register repeated values which inappropriately inflated the total cost price of assets included in the asset register by R19,1 million. Cost price of fixed assets in the fixed asset register amounting to R23,0 million, that includes the additions repeated as reported above was however still R18,0 million less than the cost price of assets included in note 6 to the financial statements, which is disclosed at R41,0 million.	The municipality did not have a financial accounting system that allowed for timeous recording of transactions. The AFS were not reviewed by a person independent of the preparation prior to submission to the AG.	During the preparation of the asset register project, personnel allocated to the project will be trained on how to capture additions to the asset register. Exception reports on additions will be drawn on a regular basis and followed up by the CFO. All disclosures made on the face of the AFS will be reconciled to the corresponding	Throughout the year	Chief Finance Officer	Asset controllers to be appointed in all departments. Asset lists have been placed in each location or office. Master list to be provided for all staff to confirm assets and sign for them. Audit com to review AFS as advert has been placed.

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
			<p>disclosure notes.</p> <p>The AFS will be reviewed by a person independent of the preparation prior to submission to the AG.</p>			
	<p>Contract registers of fixed assets constructed and maintenance records on fixed assets could not be obtained. In the absence of the mentioned information and due to municipal records not permitting the application of alternative audit procedures, I could not confirm that all assets were correctly allocated and recorded while assets that may have been impaired could not be identified.</p>	<p>Registers of construction contracts was not maintained.</p> <p>Asset maintenance plans were not developed.</p> <p>Inadequate communication between the CFO (as finance manager responsible for AFS reporting) and the Project Manager (as the person responsible for the management of construction</p>	<p>Registers of contracts indicating expenditure on each project will be maintained throughout the year.</p> <p>Maintenance records, including repairs and service records and service plans, for assets will be maintained.</p> <p>These transactions will be recorded as such in the general ledger.</p>	<p>Throughout the year</p>	<p>Chief Finance Officer / Project Manager</p> <p>Chief Finance Officer / Project Manager</p> <p>Chief Finance Officer / Admin Manager</p>	<p>Tender register is maintained at SC unit. PM to develop asset maintenance plans and maintain register of contracts utilizing POP used for reporting per project.</p>

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
		contracts) Repairs and maintenance schedules (per asset if possible) were not maintained.				
	The fixed asset register did not include any additions for the financial year ending 30 June 2009. Additions to fixed assets amounting to R8,4 million are however disclosed in note 6 to the financial statements, while schedules in support of commitments indicated capital project costs amounting to R11,4 million incurred during the financial year. The conflicting information and limitations placed on the scope of my work prohibits the quantification of misstatement. Accordingly, I was not able to determine whether any adjustments might have been necessary to the amounts shown in the financial statements for creditors,	The municipality did not have a financial accounting system that allowed for timeous recording of transactions. The AFS were not reviewed by a person independent of the preparation prior to submission to the AG.	Asset controllers per department to be appointed to assist in asset tracking and the compilation of asset transfer forms for all movements. New additions will be updated at Supply Chain Unit. All disclosures made on the face of the AFS will be reconciled to the corresponding	Throughout the year	Chief Finance Officer/ Director Strategic Project Manager Human Resources Manager / Admin Manager	Asset transfer form has been developed. Asset controllers appointed, T & CS as well as SS to appoint. Additions for 0910 included in FAR completed.

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	expenditure and value added tax included under debtors.		disclosure notes. The AFS will be reviewed by a person independent of the preparation prior to submission to the AG.			
	No leased fixed assets could be identified in the accounting records of the municipality while no other schedules indicating leased assets were obtained. Note 24 to the financial statements however discloses finance lease obligations amounting to R618,192. Due to limitations placed on the scope of my work and municipal records not permitting the application of alternative audit procedures, I could not gather sufficient appropriate evidence to determine whether or not leased assets were appropriately accounted for.	A register of leased assets was not maintained.	A register of leased assets should be maintained taking care to ensure that finance lease are capitalised while operating leases are expensed in line with the prescripts of the applicable financial reporting framework. Such register will be supported by the contracts entered into with the leasing supplier. The locations of the leased assets will be	31 August 2010	Chief Finance Officer / Admin Manager	Lease register has been compiled for accurate recording.

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
			included in the register of leased assets.			
	Grant expenditure amounting to R3,0 million recorded in the grant register could not be agreed to the relevant entries included in the general ledger. In the absence of control accounts, schedules and explanations for differences noted the appropriate recording of grant expenditure could not be confirmed. The limitation referred to above also impacted on my ability determine whether any adjustments might have been necessary to the amounts shown in the financial statements for accounts payable and grant income.	Inadequacy of the current financial accounting system accompanied by a lack of manual transaction records.	All grants received are transferred into an individual account. A manual register incoming funds (including interest earned) and transfers from the grant account to the primary bank account will be maintained. Currently, a transfer letter is made for the exact grant expense to be paid. Funds are transferred from the grant account into the primary bank account for payment. Once payment has been made to the supplier, the manual grant register will be updated by the	Throughout the year	Chief Finance Officer	Manual grant register is in place, but was concentrating on incoming funds. Audit year, movement captured. Audit journals to be passed to update the GL. Jnls prepared.

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June
2009

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
			<p>inclusion of the payment voucher number and reconciled into the manual reconciliation.</p> <p>Year-end procedure – the grant funds received will be matched with the DoRA or other allocation schedule. Explanations will be provided for any differences identified, e.g. grant withholding.</p> <p>It is anticipated that the new financial accounting system will allow the relevant personnel to record the funding source of expenditure.</p>			
	<p>Operating expenditure incurred by the municipality amounting to R907,132 that were funded from the Municipal Support</p>	<p>There is no proper system of ensuring that all events and transactions are</p>	<p>The Creditor's Clerk shall be strictly responsible for payment of creditors</p>	<p>Throughout the year</p>	<p>Chief Finance Officer</p>	<p>The GL to be adjusted with supporting schedules. All</p>

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	Programme Grant and recorded in schedules which supported the grant movement could not be identified within the accounting records. Due to limitations placed on the scope of my work and municipal records not permitting the application of alternative audit procedures, I could not gather sufficient appropriate evidence to determine whether capital expenditure were recorded in the accounting records of the municipality.	recorded on the financial system. No segregation of duties between the payment, and recording of expenditure.	and suppliers, while the Expenditure Accountant shall be responsible for the recording of expenditure and confirming the validity of such expenditure. The CFO should regularly review the bank accounting records to ensure that all payments are recorded on the expenditure accounting records.			expenditure is currently captured on both manual cashbook as well as on Pastel to update ledger. A temp to be appointed to allow for segregation of duties. new FMS to assist in ensuring accuracy of information.
Debtors	Debtors, after the provision for doubtful debts are disclosed at R18,4 million (2008: R10,4 million) on the face of the balance sheet and note 10 to the financial statements. As reported in paragraph 4 misstatements identified in my prior year audit were not corrected.	The misstatements as identified by the AG in the prior management letter were not followed up to determine the cause for such misstatements.	The schedule of identified misstatements will be used as a basis for the correction of errors. Work papers will be prepared and evidence supplied to support adjustments to the opening balances for	31 August 2010	Chief Finance Officer	Jnls drawn, not yet processed. Final trial balance for June to be utilized.

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	Total debtors per the general ledger furthermore exceeded Debtors, after the provision for doubtful debts, as disclosed on the face of the balance sheet and note 10 to the financial statements by R5,5 million.	Reconciliation of the difference between the general ledger and the amount included on the face of the AFS was not performed.	the current year. Reconciliation of the difference between the general ledger and the amount included on the face of the AFS will be performed.			
	The comparative amount noted above similarly exceeded debtors per the audited financial statements of the prior year by R4,6 million. The debtors age analysis exceeded debtors reflected in the financial statements by R5,4 million (EX.248) and included instances where debtors, in the age analyses obtained from the municipal system, were duplicated. Duplicated debtors totalled R5,3 million. (EX.272) Management explanations for inconsistencies and movement in the debtors balance could not be obtained.	No pre-audit review was performed on the AFS. The accuracy of schedules supporting disclosures was not tested.	Adjustments to the opening balances will be supported by work papers and supporting evidence. Duplications on the debtors' age analysis will be followed up and adjusted accordingly.	31 August 2010	Chief Finance Officer	JNIs still to be passed.

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	The provision for doubtful debts amounting to R4,1 million is disclosed in note 10 to the annual financial statements. From available accounting records this provision may be understated by R4,3 million. The reliability of this estimate is however questionable taking into account the inconsistencies and errors noted in the debtors balances included in the accounting records of the municipality.	The accuracy of the balance of debtors was not confirmed before the provision was calculated. Duplications on the age analysis, the opening balances,	Data cleansing is necessary to confirm the balances of individual debtors, indigent debtors, and debt that is unlikely to be recovered. Use of valuation roll to provide some assurance on the existence of the service debtors.		Chief Finance Officer	Project for data cleansing will be advertised for 7 days, service provider to be appointed in August.
	Irregular expenditure amounting to R935,016 is included under debtors and disclosed in note 10 to the financial statements. It could not be confirmed that these debtors were in actual fact raised as the general ledger accounts supporting the balance disclosed in note 10 could not be identified.	No proper accounting for events and transactions	Individual debtors arising as a result of irregular expenditure incurred should be raised and debtors sent statements of account in relation to the said debt. Section 32 of the MFMA also applies in this case.	Throughout the year	Chief Finance Officer	AG to assist on the matter.

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	<p>Scrutiny of the debtors age analysis identified debtors with credit balances amounting to R687,584 that were inappropriately included under debtors. This amount included unidentified deposits to the value of R239,551. In the absence of adequate documentation schedules and explanations to the balance the nature of the credit balances and the correct allocation of these balances could not be determined.</p>	<p>No follow-up has been made on debtors with credit balances, that the reasons thereof.</p> <p>Register of direct deposits is not maintained and allocation of such deposits to debtors' accounts is not monitored.</p>	<p>All credit balances on debtor will be followed up to determine the reasons thereof.</p> <p>A register of direct deposits will be developed, updated on a weekly basis, and forwarded to the debtors' department for allocation of deposits to debtors' accounts.</p> <p>Where deposits can be traced to debtors' accounts, a follow-up will be made with the bank to communicate with the depositor.</p> <p>The Chief Finance Officer will monitor the allocation of direct deposits to debtor's accounts.</p>	<p>Throughout the year</p>	<p>Chief Finance Officer</p>	<p>Credit balances due to transfers to ADM to be sent to council for writing off.</p> <p>New system will assist in monitoring of debtor accounts and correct allocation as exception reports will be provided.</p>

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	Interest was not charged on overdue accounts as required by section 97(1)(e) of the Local Government Municipal System Act, Act No.32 of 2000. Due to limitations placed on the scope of my work as noted in the paragraphs above, I could not reliably estimate the impact interest charges not levied had on income and debtors if interest were to be charged in line with legislation.	The prescripts of the municipality's debt management policy were not followed.	A monthly review of the debtors' account will be performed to ensure that interest is charged on outstanding debt in terms of the municipality's approved credit control and debt management policy.	Throughout the year	Chief Finance Officer	Interest will be charged on all overdue accounts.
Income	Total actual income disclosed at R43,7 million on the face of the income statement exceeds the total income per general ledger accounts by R9,4 million.	Accounting transactions are not accounted for timeously. The AFS and the supporting schedules are not reviewed by persons independent	All income will be accounted for as it accrues. Reference will be made to the applicable accounting standards to ensure that income is accounted for correctly.	Throughout the year	Chief Finance Officer	Adjust ledger for year end journals. New system to assist on this as intergration will be done to all accounts.
	The accuracy and appropriate recognition of all grant income could not be confirmed as the	Income received from grants is not accounted for as	All funds received through direct deposits will be	Throughout the year	Chief Finance Officer	Register of direct deposits to be utilized for

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	<p>income could not be compared against total grant expenditure. Grant expenditure is not recorded in the grant register and not separately reconciled from specific general ledger accounts. I was therefore unable to gather sufficient appropriate evidence to confirm the accuracy and completeness of grant income amounting to R27,8 million included under income disclosed on the face of the income statement.</p> <p>Grant receipts amounting to R8,1 million according to the schedule of grant receipts could not be agreed to bank statements. Grants receipts amounting to R1,8 million were not recorded in the grants register while unspent grants amounting to R4,8 million identified in general ledger accounts could not be agreed to the unspent grants included in the grant register that amounted to R1,7 million. The difference</p>	<p>grants are being expended.</p> <p>Grant registers are not maintained adequately throughout the year.</p>	<p>received and allocated to the correct accounts.</p> <p>Grant income will only be recognised when there is corresponding expenditure to satisfy the processor that the grant has been used for the purposes for which it was allocated.</p>			<p>receipting. Register compiled.</p>

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	amounting to R3,1 million was not reconciled and could not be explained by management. Due to the differences noted and the absence of alternative procedures, I was unable to determine the impact of the differences noted above on unspent conditional grants, grant receipts, property plant and equipment and grants income.					
	Grant income amounting to R27,8 million is incorporated under income in the income statement. Disclosure of how grant allocations were spent, per vote as contemplated in terms of section 123(1) and 123(2) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), were however not included in the financial statements.	AFS compliance with the provisions of the MFMA was not ascertained before the submission of the AFS to the AG.	A schedule of AFS disclosures as required in terms of section 123 of the MFMA should be prepared and used to ensure that all required disclosures are included in the notes to the AFS.	31 August 2010	Chief Finance Officer	Reviewer of AFS to assist on this. Though, audit file has been prepared and is being updated regularly.
	The municipality did not maintain registers for direct and other income. Originating source	The register of direct deposits was not maintained.	A register of direct deposits will be developed, updated	Throughout the year	Income Accountant.	Register of direct deposits to be utilized for

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	documents and supporting documentation for transactions processed amounting to R9,3 million could not be obtained. In the absence of the information noted above it could not be confirmed that all revenue from the mentioned revenue sources were accurately and appropriately accounted for. Further the municipality did not maintain listings or schedules of rental income and property leased out.	The listing of all municipal properties leased out was not maintained.	on a weekly basis, and receipts allocated to the correct ledger accounts.			receipting. Register developed and updated with year transactions. To continue in the new year.
	Interest earned according to the investments register exceeded the interest income amounting to R216,817 that is included under income disclosed on the face of the income statement by R635,922.	Investment registers were not maintained throughout the year	Obtain confirmations at year end Maintain investment registers throughout the year	30 June 2010	Expenditure accountant	Confirmations will assist on reconciling manual investment register.
	Property rates amounting to R4,2 million were included under income disclosed on the face of the income statement. The mentioned rates were levied based on a general valuation	Property rates income is based on a non-compliant valuation roll. Supplementary and /	Valuation of the municipal properties was completed in June 2009. A supplementary	30 June 2010	Admin Manager	No supplementary valuation was conducted. Rates levied as per GV done in

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	performed in 1994. No evidence could be obtained of a supplementary or interim valuation being performed. A single valuation roll for the entire Great Kei Municipal area does not exist. The assessment rates for Haga Haga, Chintsa, Morgans Bay and Kei Mouth are based on property values maintained in excel registers could not be substantiated to approve original valuation rolls. In the absence of the mentioned documentation I could not quantify assessment rate income which was not included in the financial statements. It could also not be confirmed that assessment rates were accounted for at appropriate amounts.	or interim valuations have not been performed since 1994. A single valuation roll for the entire Great Kei Municipal area does not exist.	valuation is in the process of being compiled. A valuation roll that is inclusive of all municipal properties was developed and is being used for the purposes of property rates billing. A reconciliation of the rates bill to the value of the properties within the municipality will be performed.			2009.
	Electricity income amounting to R2,8 million is included under income disclosed in the income statement Recalculations of estimated electricity income based on electricity purchases, taking into account maximum	No reconciliations are performed between electricity purchases and units sold. The municipality does not have a revenue	Reconciliations between electricity units sold (including billed) will be performed on a monthly basis.	Monthly 30 June 2010	Income Accountant	Project to be re advertised

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	electricity losses allowed by the National Electricity Regulator indicates a loss of electricity income in excess of R3 million due to unbilled usage.	protection strategy in place.	The municipality will develop a revenue protection strategy			
	The Municipality had not applied to the National Electricity Regulator for approval of its electricity tariff since 2000. The electricity tariff applied to consumers in Khomga has therefore not been approved by the National Electricity Regulator of South Africa. This resulted in both electricity revenue and debtors exceeding the permitted income levels by R528,880	The Municipality had not applied to the National Electricity Regulator for approval of its electricity tariff since 2000.	The municipality will ensure that the application to NERSA to approve the current year's electricity tariffs is followed up and the necessary reports submitted to NERSA.	30 June 2010	Chief Finance Officer	Application submitted to Nersa for 2010/11
Operating expenditure	Actual total expenditure is disclosed at R24,6 million on the face of the income statement. Included in expenditure is operating expenditure amounting to R13,3 million. Operating expenditure per the general ledger exceeded operating expenditure included in total expenditure by R1,0	The pre-audited final GL and TB were not generated, compared with the AFS line items, printed, and filed on the accounting file	The final pre-audited general ledger and trial balance will be generated, compared to the AFS line items, printed, filed in the accounting file, and presented to the AG on submission of the AFS.	31 August 2010	Chief Finance Officer	The final pre-audited general ledger and trial balance will be generated, compared to the AFS line items, printed, filed in the accounting file,

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	million.					and presented to the AG on submission of the AFS.
	Due to limitations placed on the scope of my work and municipal records not permitting the application of alternative audit procedures, I could not gather sufficient appropriate evidence on operating expenditure amounting to R13,3 million that was included under actual total expenditure.	The municipality does not accounting for transactions on an accrual basis. Municipal accounting records are not updated timeously.	All invoices will be received at the records office and registered. All invoices will be recorded in the purchases journal.	Throughout the year	Chief Finance Officer	All payments are always supported by invoices and have always been included in the expenditure cash book.
	It could not be confirmed whether payments made to suppliers, to the value of R2,2 million were recorded in the accounting records of the municipality. Documentation not available prohibited confirmation of fraud similar to that which was under investigation as referred to in paragraph 110 below	Refer to the paragraph above. As a result of the manner in which transactions are accounted for, bank reconciliations cannot be performed (no bank accounting on the accounting system).	Refer to the paragraph above. Bank statements will be drawn on a daily basis. All payment transactions reflected on the bank statements will be agreed to payment vouchers and all	Throughout the year.	Chief Finance Officer	Update of ledger with manal cashbook.

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
		There is no segregation of duties in relation to accounting for expenditure and creditors.	exceptions reported to the CFO for a follow-up. Exceptions will be based on SCM policy breaches, payment transactions not supported by originating evidence (requisitions, orders, contracts), etc.			
	Expenditure documentation amounting to R4,1 million could not be obtained. Sufficient appropriate evidence to determine the validity of tenders awarded by the municipality amounting to R599,000 could furthermore not be confirmed due to the non-submission of tender documents. The limitations experienced prohibited the identification of irregular expenditure and fruitless and wasteful	Inadequate record keeping mechanisms	All departments should maintain document tracking records. The SCM unit should prepare a register of all requests for goods and services up to the point where goods are delivered to the municipality. All invoices should be	Throughout the year	Director: Corporate Services Chief Finance Officer	

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	expenditure.		<p>submitted to the municipality's records office for registration.</p> <p>Tenders</p> <p>All minutes of the bid committees, and tender documents should be filed at a place determined by the records office.</p> <p>Once a tender has been awarded, the responsible department should make a copy of the winning supplier's tender document for the purposes of reference, and the original document handed over to the records / registry.</p>			
	Full and proper supporting documentation was not available for expenditure vouchers that	Inadequate record maintenance mechanisms	A payment voucher checklist will be developed. The	Throughout the year	Chief Finance Officer	Assessment of current year cashbooks has

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	<p>amounted to R3,0 million. Documentation not maintained resulted in irregular expenditure being incurred as compliance to the municipal supply chain management policies could not be confirmed. Documentation not received included quotes, orders and delivery notes. It could not be confirmed that the mentioned goods procured were received by the municipality.</p>		<p>checklist should address issues such as:</p> <p>Requisition form signed by delegated person</p> <p>Specification form signed by the end-user</p> <p>Quotations in terms of SCM policy requirements</p> <p>Order signed by delegated person</p> <p>Original invoice</p> <p>Certification of work performed by the HOD or GRN signed by SCM Receiving Clerk</p> <p>Payment requisition signed by Creditors Clerk</p>			<p>been done by dplgta officials and normalities reported. Expenditure accountant is responsible for correcting all.</p>

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	The recording of expenditure totalling R2,9 million could not be identified in the accounting records of the municipality after specific selections were made from the relevant bank statements to confirm or evaluate transactions similar to the fraud identified and reported on in paragraph below.	The municipality does not account for transactions on an accrual basis Expenditure is not recorded timeously	Daily scrutiny of bank statements against the transactions recorded on the accounting system will be performed. This will be linked to the confirmation of the validity of expenditure by tracing bank transactions to the payment vouchers.	Throughout the year	Chief Finance Officer	Expenditure is captured on Pastel
Long term liabilities	The short term portion of long term liabilities and long term liabilities disclosed at R199,895 and R3,4 million respectively on the face of the balance sheet, amounting to R3,6 million, exceeded the total of long term liability general ledger accounts which amounted to R1,8 million by R1,9 million.	Transactions are not recorded on a continuous basis – recording on certain accounts is on performed during the preparation of the AFS.	Confirmation of the opening balance of the balance of the long-term liability and the related short-term portion will be obtained from the lender. The opening balance will be adjusted to match the confirmation from the	Throughout the year	Chief Finance Officer	Dbsa loan schedules to be utilized. Confirmation obtained from schedules.

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
			<p>lender.</p> <p>All transactions will be recorded in the general ledger as and when they occur.</p> <p>At year-end, a confirmation of the balance will be requested from the lender.</p> <p>Differences between the balance recorded on the accounting system and the</p>	31 August 2010		
	No register was maintained for internal loans, while no other alternative procedures could be performed to confirm internal loan balances amounting to R311, 363. Internal loan balances were in contradiction with IMFO standards, as these were not disclosed in the notes to the financial statements.		<p>Action to condone such loans to be found in conjunction with AG.</p> <p>Prospects of recovering the loans to be engaged with SIU.</p>	30 June 2010	<p>Chief Finance Officer</p> <p>Admin Manager</p> <p>Accounting Officer</p>	Item to next council to condone as these are not new to the municipality.

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	Advances received per Appendix B amounting to R628, 214 of the financial statements do not agree to the advances per the statements received from the Development Bank of South Africa which indicated an amount of R22,384. Differences on amounts redeemed were also noted. Amounts redeemed according to Appendix B amounted to R3,5 million, while supporting schedules indicated R3,2 million. DBSA statements indicated amounts redeemed at R2,7 million. The differences between individual accounts within the accounting system and the conflicting information included in appendix B combined with the fact that no loan register were maintained resulted in an inability to verify how the movement in loans were accounted.	Transactions are not accounted for in a timely manner.	The BTO should obtain confirmations of loans and agree the balance per the DBSA confirmation to the statements and GL. Differences will be investigated and / or followed up with DBSA.	30 June 2010	Chief Finance Officer	DBSA loans have been consolidated. Confirmations to indicate.
Bank and cash	Bank and cash per the general ledger exceeded bank and cash	This is a shortcoming that arises out of	During the year, all bank transactions will	Throughout the year	Chief Finance Officer	New system will assist in online

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	disclosed at R3,2 million on the face of balance sheet and note 4 to the financial statements by, R7,6 million.	untimely recording of transactions.	<p>be recorded.</p> <p>The CFO will ensure that all bank transactions are captured by reviewing the accounting record of bank.</p> <p>Bank reconciliations will be performed monthly.</p> <p>At end year, bank confirmations will be obtained.</p>			recording of transactions and use of exception reports.
	Interbank transfers, which reduced bank and cash by R1,7 million in note 11 to the financial statements, was inappropriately set off against bank and cash balances. No schedule or documentation in support of the mentioned transactions could be presented.	<p>Transactions are not accounted for throughout the year.</p> <p>AFS reporting is performed outside of the financial reporting system.</p>	<p>The interbank transfer set-off will be reversed.</p> <p>An effort will be made to ensure that all transactions that are reported on the AFS are supported with valid evidence.</p>	15 August 2010	Chief Finance Officer	Jnl to be passed.
	Bank and cash balances as at 30	No accounting for	Recording of	Throughout the	Chief Finance Officer	New system to

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	<p>June 2009 per the applicable bank statements, exceeded the balance of bank and cash disclosed in the financial statements by R229,063.</p> <p>The year-end bank reconciliation reflected reconciling items amounting to R413,462. Details of the reconciling items were however not available for review. In the absence explanations or other appropriate documentation, the impact of the noted discrepancies on revenue and expenditure could not be quantified.</p>	<p>bank as and when the transactions occur.</p>	<p>transactions will be performed as the transactions occur.</p> <p>Bank reconciliations will be performed on a weekly basis. Reconciling items will be investigated and reporting of such items on the monthly financial report will be performed.</p>	<p>year</p> <p>Weekly</p>		<p>be implemented will assist in online recording of transactions. Bank recons done for all munic accounts up to June.</p>
Cash flow statement	<p>The cash flow statement included figures which did not agree to figures included in the notes to the financial statements.</p> <p>I was unable to obtain the representations considered necessary from the management of the Municipality with respect</p>	<p>The AFS was not reviewed by a person independent of the preparation before the final submission was made to the AG.</p>	<p>The AFS will be reviewed by persons independent of preparation prior to submission to the AG.</p> <p>The balance of the cashflow statement should be tested against the total of the</p>	15 August 2010	Chief Finance Officer	Adjustments on prior year AFS to be effected, jnls have been drawn.

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	to these differences on the cash flow statement amounts. Consequently, we were unable to satisfy ourselves as to the accuracy of cash flow statement.		bank and cash, overdraft, and call deposits.			
Commitments	Capital commitments are disclosed at R2,8 million in note 23 to the financial statements. Capital commitments included in the commitments listing exceeded the commitments recorded in expenditure reports by R1,2 million. The commitments listing, conversely, did not include contracts to the value of R1,4 million which were included in the tenders register and R4,4 million identified from the uncompleted project listing. The amount at which commitments should be disclosed could not be confirmed due to conflicting information contained in accounting records.	Commitments are not raised in the accounting system and de-commitment processed as and when invoices are received and payments made.	For all orders processed, a commitment will be raised. For all contracts awarded, a register should be maintained. The register should be updated as and when payments are made to the affected service providers.	Throughout the year	Chief Finance Officer Project Manager	New system will effect all commitments and reports drawn month end. Manual system used allows for reports on expenditure for all projects.
Employee Costs	Municipal employees, appointed during the year, who did not appear on the payroll system,	The system generated employee costs schedule was not	All schedule submitted to the preparers of the AFS will be tested to	30 June 2010	Director: Corporate Services	

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	<p>were identified. From the information available, remuneration paid to these employees could not be quantified. Salary control accounts amounting to R290,989 was identified that were incorporated under creditors. In the absence of reconciliations and schedules as reported in paragraph 57 below, the impact of salary suspense accounts on employee cost could not be quantified</p>	<p>tested for completeness before the preparation of the AFS.</p>	<p>ascertain accuracy and completeness of the disclosures.</p>			
	<p>Evidence to support the calculation of leave gratuities amounting to R339,438 could not be obtained. I was unable to obtain the explanations and representations considered necessary with respect to the expenditure incurred, while municipal records did not permit the application of alternative audit procedures</p>	<p>Payroll transactions are not initiated by the HR Office. All non-routine transactions initiated on the payroll will be supported by valid evidence</p>	<p>All payroll transactions should be initiated by HR and signed off by HR after processing to certify accuracy thereof. All initiating documents and supporting documents for transactions should be filed in individual employee files.</p>	<p>Throughout the year</p>	<p>Chief Finance Officer / Director: Corporate Services</p>	

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
Inventory	Due to limitations placed on the scope of my work and municipal records not permitting the application of alternative audit procedures, I could not gather sufficient appropriate evidence to confirm that inventory amounting to R223,165 were appropriately written off to the accumulated surplus. As reported in paragraph 8 appropriations were not adequately disclosed in the financial statements.	Appropriations were not adequately disclosed in the financial statements and the accounting file did not have sufficient evidence to ascertain the appropriateness of the disclosures.	All transactions processed to the accumulated surplus should be supported by the supporting accounting policy and the necessary authorisation.	30 June 2010	Chief Finance Officer	Accounting policies have been drawn, item to Council has been written to write off inventory until proper systems are in place and will be re-introduced in 1011.
Investments	Investments amounting to R9,2 million, as disclosed on the face of the balance sheet and note 7 to the financial statements, exceeded investments per the general ledger by R13,8 million. Investments balances per investment statements exceeded the investment balances disclosed in the financial statements by R2,8 million.	Accounting transactions are not processed timeously. Investment registers are not maintained throughout the year. Year-end confirmations of closing balances are	Monthly statements of the investment accounts will be obtained and all movements (interest, bank charges, withdrawals, etc.) will be processed through the general ledger. Confirmations of year-	30 June 2010	Chief Finance Officer	Investment reconciliations have been done. All supporting documents have been included in the accounting file.

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
		not requested from the banks.	end balances of all investments (disclosed as call accounts if they are short-term) will be obtained and compared to the balances per the general ledger. Where differences are identified and there is reasonable cause to make corrections on the accounting system, journal entries will be processed and approved by the CFO			
	I could not gather sufficient appropriate evidence to confirm the applicability of journal entries processed in investment accounts that amounted to R2,0 million. Investments balances per bank statements exceeded the investment balances disclosed in the financial statements by R2,8	Journal entries are not supported with appropriate evidence.	All journal entries required during the AFS preparation process will be supported by work papers (where necessary) and appropriate supporting evidence. All journal entries will	15 August 2010	Chief Finance Officer	A separate file has been opened for all audit adjustments and will be authorized prior to processing.

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	<p>million. Interest earned that were confirmed to bank statements furthermore exceeded the interest amounting to R216,817 included in the income statement and separately disclosed in the cash flow statement by R643,669.</p> <p>Due to limitations placed on the scope of my work, and municipal records not permitting the application of alternative audit procedure and due to the absence of reconciliations, the impact of required adjustments could not be determined.</p>		be reviewed and approved by the CFO prior to processing.			
Irregular expenditure	Irregular expenditure amounting to R331,917 was identified in an instance where the municipal manager did not approve the expenditure incurred. As reported in paragraph 100 below an appropriate system of delegation was not implemented.	A system of delegations was not in place.	<p>A system of delegations will be developed. This will include both administrative and financial delegations.</p> <p>A committee of council will be formed to investigate the circumstances under</p>	30 June 2010		Delegations are still in a draft form, will be finalised and implemented in 1011 after approval by Council.

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
			which the irregular expenditure was incurred and make a recommendation to Council on what steps will be followed going forward.			
Creditors	<p>Creditors disclosed at R25,6 million (2008:R22,6 million) on the face of the balance sheet and note 13 to the financial statements exceeded total creditors reflected in the general ledger accounts by R1,6 million. As reported in paragraph 4 entries to correct misstatements identified in my report on the financial statements for the year ending 30 June 2008 were not processed</p> <p>Schedules and documentation in support of creditors disclosed at R25,6 million on the face of the balance sheet and note 13 to the financial statements could not be obtained. Due to limitations placed on the scope</p>	Accounting for expenditure is not performed on an accrual basis.	<p>Invoices received will be recorded as expenditure and / or assets and allocated to the correct account to be posted on the general ledger and creditors' ledger.</p> <p>Suppliers' reconciliations will be performed monthly.</p>	Throughout the year	Chief Finance Officer	Item has been sent to Council to consider writing off project creditors. The ledger will not be adjusted to include project creditors. Only trade creditors are included in the ledger. The balance is accumulative from the 0506 years.

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	<p>of my work and municipal records not permitting the application of alternative audit procedures, I could not confirm that all creditors that should have been accounted for were accounted for at appropriate amounts. The existence of the municipality's obligations relating to the disclosed amounts and adjustments that may have been necessary to the amounts shown in the financial statements expenditure could not be confirmed.</p>					
	<p>It could not be confirmed that unspent conditional grants amounting to R5,2 million were appropriately accounted for. Due to limitations placed on the scope of my work as reported in paragraph 15 and municipal records not permitting the application of alternative audit procedures, I could not determine the impact on the grant income and fixed assets.</p>	<p>Conditional grants not accounted for properly</p>	<p>Ring-fence conditional grants Raise a liability Recognise revenue when grant has been utilised for the purposes for which it was allocated</p>	<p>Throughout the year</p>	<p>Chief Finance Officer</p>	<p>Grant income is ring fenced and has always been since 2007. A FAR has been compiled indicating all MIG assets funded through grants.</p>

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
Provisions	The annual financial statements do not include a provision for the rehabilitation of the communal Great Kei landfill site. Information to quantify the impact on provisions and expenditure could not be obtained.	The condition of the landfill site has not been assessed by a professional and the related rehabilitation costs estimated scientifically.	A professional should be engaged to assess the condition of the communal Great Kei landfill site and quantify (cost) the provision that the municipality may require in order to ensure rehabilitation of the landfill site.	30 June 2010	Chief Finance Officer / Project Manager	ADM has made a budget provision for landfill site. Also, aurecon has been appointed to compile Infrastructure asset register and value all.
	The assumptions and basis for the calculation of provision disclosed at R992,931 on the face of the balance sheet and note 12 to the financial statements are not disclosed in the financial statements.	The assumptions and basis for the calculation of provision are not disclosed in the financial statements – as a result the auditors were unable to ascertain the reasonability of the disclosure.	The provision for leave should be based on the actual balances of leave due to the employees at year-end, and the remuneration payable to employees. The legislative requirements for leave utilisation and the conditions of service per the SALGBC agreements should also be factored into this calculation.	30 June 2010	Chief Finance Officer / Director: Corporate Services	

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
			<p>The provision for the 13th cheque should be based on the basic salary of each employee who is entitled to a 13th cheque, apportioned in terms of the appointment date where necessary.</p> <p>Work papers must be prepared to demonstrate the accuracy of the provisions.</p> <p>Leave days due for individual employees should be consistent with the leave records.</p>			
Funds and Reserves	The total trust funds per the general ledger exceeded trust funds disclosed on the face of the balance sheet and note 3 to the financial statements by R2,3 million.	Funds are not cash-backed	Reserves and Funds are not permissible in terms of GRAP. Identify all funds and reserves that have	Preparation of GRAP AFS	Chief Finance Officer	The unbundling of funds and reserves will be done during the compilation of GRAP AFS.

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	<p>The accounting policy for funds and reserves in the annual financial statements do not indicate the purpose of the various funds and reserves as required by the standards laid down by the Institute of Municipal Treasurers and accountants in its Code of Practice, 1992, (IMFO). The policies also do not indicate how contributions will be made and how funds should be utilised. In the absence of alternative information to verify the regularity of movements in funds and reserves the possible misstatement in these balances could not be quantified.</p> <p>Statutory funds are disclosed at R4,9 million on the face of the balance sheet and note 1 to the financial statements. Investments that serves as concomitant assets to the these funds however only amounted to R1,59 million leaving a shortfall</p>		<p>been established in terms of provincial ordinances and transfer the available cash backed portion of these funds into a CRR</p>			

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	of R3,3 million.					
Taxes	A Value Added Tax (VAT) account with a credit balance was incorrectly accounted for under creditors. Had this account been correctly set off against VAT accounts with debit balances that amounted to R3,8 million, debtors and creditors would have decreased by R2,8 million.	Incorrect interpretation of VAT accounting principles. The VAT debit and credit balances were not set off against each other.	The VAT balances should be set off against each in order to report a single VAT balance (debtor / creditor)	Preparation of the AFS	Chief Finance Officer	Review of AFS by independent individuals will assist.
	Net VAT receivable included in the financial statements amounted to R1,0 million at year end. Vat receivable per confirmations received from the South African Revenue Services (SARS) however only amounted to R777,548. The R777,548 however do not take into account VAT due on Debtor balances outstanding which will decrease the amount receivable. The VAT on debtor balances outstanding could not be calculated due to the fact that the accounting system cannot	No reconciliation was performed between VAT201 submissions by the municipality and VAT201 assessments by SARS	The municipality should agree the information on the VAT201 assessment done by SARS each month with the information filled in on the VAT201 return by the municipality. Unexplained differences or disagreements between the above mentioned VAT assessment and return	Monthly	Chief Finance Officer	A vat expect will be requested from SARS to assist on this. Monthly vat 201 are submitted, not returns are obtained at this stage.

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	differentiate between different revenue types.VAT receivable as included under debtors and creditors in the financial statements are therefore in excess of amount due according to the SARS. The exact error can however not be quantified due to the limitation of the accounting system.		should be taken up with SARS. A VAT reconciliation should be performed by the municipality as an accuracy and completeness test of the output VAT paid and input VAT claimed by the municipality for the financial year.			
	Amounts to be included in VAT returns were calculated outside the accounting system on a separate schedule. A comparison of the VAT input per the VAT schedules to amounts actually recorded in the VAT general ledger account noted a difference R746,477. VAT claimed from SARS therefore exceeded VAT inputs processed in the general ledger. VAT receivable would have increased had input VAT been recorded in the general ledger in line with VAT calculations	Accounting for VAT was not processed through the accounting system.	VAT transactions should be accounted for in the accounting system and should take into consideration the categorisation of supplies. General operational procedures will be put in place to ensure the effective and efficient working of VAT related administration.	Throughout the year	Chief Finance Officer	All accounting work and reporting is done manually. Venus is currently being implemented but will be fully functionally only in November 2010.

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	Due to limitations placed on the scope of my work and municipal records not permitting the application of alternative audit procedures, I could not gather sufficient appropriate evidence to confirm that journal entries decreasing VAT by R962,884, decreasing trust funds by R193,049 and decreasing debtors by R1,2 million were valid.	Adjusting entries passed during the preparation of the AFS were not approved by the CFO.	All adjusting entries to the general ledger during the preparation of the AFS should be documented, supported by work papers where necessary, definitely supported by audit evidence, and approved by the CFO	During the preparation of the AFS	Chief Finance Officer	Separate file opened for all journals and will be approved as recommended.
Unauthorised expenditure	Unauthorised expenditure amounting to R13,4 million was incurred by the municipality due to overspending of the total amount appropriated in the Municipality's approved budget and also the overspending of the total amount for a votes in the approved budget.	Ineffective budget monitoring. The provisions of section 32 of the MFMA are not applied, resulting in repeat offences by officials.	All managers responsible for votes should be responsible for the management (budget monitoring and reporting) of expenditure incurred by their votes. The BTO should provide monthly budget vs actual expenditure reports to all managers for scrutiny, reporting,	Monthly Monthly	All managers Chief Finance Officer / All managers	Monthly budget vs expenditure per department are submitted. All managers are to scrutinize their respective votes. Also, finance system is meant for issues like these.

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
			and development of corrective measures (virements, budget adjustment inputs, etc.) in respect of both under- and overspending.			
	Unauthorised expenditure was incurred amounting to R331,917 due to the Finance Management Grant being used for purposes other than in accordance with the conditions of the allocation.	Ineffective monitoring of expenditure on conditional grant allocations. The provisions of sections 32 and 171 of the MFMA are not applied, resulting in repeat offences by officials.	The conditions attached to conditional grant allocations should be evaluated prior to the approval of expenditure from these grants.	Ongoing	Chief Finance Officer	This was payment to AG using FMG. Will not be repeated. Grant is utilized to finance projects as identified in the DORA.
	Unauthorised expenditure was incurred amounting to R942,680 due to the expenditure on Municipal Infrastructure Grant projects that exceeded the total amount included in the approved budget.	Inadequate administration and monitoring of contractors. The provisions of section 32 of the MFMA are not applied,	Contract administration and expenditure monitoring, should be given priority by the responsible Manager. Monthly expenditure	Ongoing	Project Manager	

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
		resulting in repeat offences by officials.	reporting on individual contracts should be performed. A Council Committee should be constituted to follow up on the issues raised in the management letter, and act in terms of section 32 of the MFMA (recovery), section 32 of the MFMA (financial misconduct) and regulation 74 of the Municipal Budget and Reporting Regulation 2008.	30 June 2010	Councill	
Events after the reporting date	The municipal manager resigned from the Municipality subsequent to the reporting date. The details, of this material non-adjusting event after the reporting date, were not disclosed in the annual financial statements.	A register of significant events after reporting date is not maintained.	All significant events after reporting date (30 June until the issue of the audited AFS) should be noted and recorded on a register.	After submission of AFS to AG	All Managers	

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
Emphasis of matters						
Going concern	The municipality is largely dependent on the financial support received from government. In the absence of grants and subsidies the municipality will not generate sufficient internal revenue to fund expenditure. This material uncertainty that may cast significant doubt on the municipality's ability to continue as a going concern was disclosed in accounting policy 1.4 to the financial statements.	The municipality has not developed a revenue generation strategy -	<p>The municipality will develop a revenue generation strategy. Such strategy will be based on the realistic conditions of the municipality.</p> <p>Such plan should cover:</p> <p>Control measures to limit expenditure to budgeted expenditure.</p> <p>Measures to ensure that conditional grants are utilised for the purposes for which they have been allocated</p> <p>Budget monitoring mechanisms</p> <p>Other sources of</p>	30 June 2009	Chief Finance Officer	The project was advertised but no suitable service provider was identified at the time. Will be re-advertized.

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
			revenue			
OTHER MATTERS						
Material inconsistencies in other information included in the annual report	Differences were noted between amounts included in Appendices and amounts disclosed in the annual financial statements	The AFS was not reviewed by the persons independent of preparation prior to submission to the AG.	The AFS will be reviewed by a person independent of preparation prior to submission to the AG.	15 August 2010	Internal audit / Audit Committee	
Non-compliance with applicable legislation Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)	A draft service delivery and budget implementation plan for the budget year; and drafts of the annual performance agreements were not submitted to the mayor as required by section 69 (3) of the MFMA.	The process was not linked to the IDP and as a result not properly co-ordinated	Draft service delivery and budget implementation plan for the budget year; and drafts of the annual performance agreements will be submitted to the mayor as required by section 69 (3) of the MFMA	HOD's are in the process of drafting SDBIPs 14 days after the adoption of the IDP And By 31 July of each year re		
	Evidence could not be obtained that the adjustment budget was	No formal procedure were followed in the	Tabling of the adjustment budget will	January to March of every	Chief Finance Officer	Adjustment budget will only

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	accompanied by the explanations and motivations as required by section 28 (2) of the MFMA.	process	be performed in terms of the MBPRR	year		be done should there be requirements necessitating the adjustments,
	Evidence could not be obtained that the municipal council considered and responded to the submissions made by the local community, National Treasury and the relevant provincial treasury as required in terms of section 23 of the MFMA.	The municipality does not have a systematic way of ensuring that all informants of the budget process are filed and kept as supporting evidence of having thoroughly considered the inputs of all stakeholders in the budget process.	Management will ensure that a systematic way of ensuring that all informants of the budget process are filed and kept as supporting evidence of having thoroughly considered the inputs of all stakeholders in the budget process is developed.	Per the budget process calendar	Budget Steering Committee	
	It could not be confirmed that the took all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems as required by section 62 of the MFMA as it was established that the Municipal Supply Chain	The annual review of the SCM policy has not been performed.	The SCM policy will be reviewed and the AG findings will be factored in the impending review. Internal audit findings relating to the	30 June 2010	All Managers	Project was advertised during 0910 but could not commence due to procedural challenges experienced. A

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	Management Policy do not include risk management, performance management or disposal management.		<p>inadequacies noted in the SCM policy will be incorporated in the review of the SCM policy.</p> <p>Management will ensure that policies and procedure manuals are adopted where the need for such has been identified.</p> <p>Management will ensure that personnel adhere to the approved policies.</p>	Throughout the year		motivation will be sent to the Acting MM to either ratify the appointment or an alternative be considered whichever will be suitable.
	Evidence could not be obtained that the adjustment budget was accompanied by the explanations and motivations as required by section 28 (2) of the MFMA.		Management will ensure that the adjustment budget process is terms of the Municipal Budget and Performance Reporting regulations.	After mid-year		Duplicated paragraph.
	No evidence could be obtained that the submitted electronic	Evidence submission of	All electronic returns	Monthly		Email confirmation will

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	returns on their conditional grant spending to the National Treasury and Provincial treasury as contemplated in section 76 of the MFMA.	electronic returns on conditional grant to the National Treasury and Provincial spending was not maintained.	<p>on conditional grant spending to the National Treasury and Provincial Treasury will be submitted via e-mail.</p> <p>Personnel responsible for the submission of electronic returns on conditional grant spending to the National Treasury and Provincial Treasury will draw read/receipt reports from their mail and file such report with the hard copy return documents that are filed retained for filing purposes.</p>			be attached as proof.
	A service delivery and budget implementation plan were not developed by the municipality. The mayor therefore did not consider monthly budget reports	SDBIPs were not developed by the various departments Monthly reporting on	Management has developed a strategy that requires that all departments should report on progress	Quarterly	Chief Finance Officer / All Managers	Monthly reports are given to all Managers and reported to each Council.

REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	<p>as required by section 54(1) of the MFMA. Budget reports were not evaluated and revised as required and appropriate instructions were not issued to ensure implementation of the budget in accordance with the service delivery and budget implementation plan. Mid-year budget and performance assessments were not submitted to council by 31 January as required by legislation.</p>	<p>budget implementation was not performed by all managers</p>	<p>made in relation to the achievement of the targets set in the SDBIPs on a quarterly basis.</p> <p>In order to facilitate the process of consideration of monthly reports by the Mayor, the CFO will draw monthly budget vs actual reports for the various directorates to facilitate the reporting process by other managers.</p>	<p>Monthly</p>		
	<p>The did not submit a draft service delivery and budget implementation plan for the budget year and drafts of the annual performance agreements for the municipal manager and all section 57 managers as required by section 69 (3) of the MFMA.</p>	<p>There was no proper co-ordination of municipal activities in relation to the IDP processes.</p> <p>The development of the SDBIP was not a joint management effort, but was rather</p>	<p>The municipal officials have already embarked on the process of developing draft SDBIP documents which will be finalised after the adoption of the IDP.</p>	<p>Within twenty eight (28) days after the approval of the budget</p>		

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		left to the Strategic Planning office.				
	Evidence to demonstrate that the took all reasonable steps to ensure that all monies owing by the municipality was paid within 30 days of receiving the relevant invoice or statement as required by section 65 (2) of the MFMA could not be obtained.	There was no system in place to ensure tracking of invoices to ensure compliance with legislation and improve relations with service providers.	All invoices will be delivered to the central point – records office, and registered before they are forwarded to the payments section. A follow-up will be performed on a weekly basis to determine which invoices have not yet been processed for payment and the reason thereof.	Throughout the year	Chief Finance Officer	Efforts are made to pay within the required period. However, challenges still exist.
	All revenue received by the municipality including revenue received by any collecting agent on its behalf were not reconciled on, at least, a weekly basis as required by Section 62(2)(g) of the MFMA.	There was no co-ordination of effort between the main cash office, satellite offices, payroll, billing department.	The municipality will develop a system whereby all sales documentation (receipts, direct deposits, bills, payroll entries like commissions and employee payments	Throughout the year	Chief Finance Officer	New system is meant to address issues such as these. Current arrangement is that all revenue is collected and receipted at a

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			made through the payroll, vending machine transactions, etc) will be reconciled to the data processed in the accounting system on a weekly basis.			central point.
<p>Non-compliance with applicable legislation</p> <p>Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA)</p>	<p>The municipality did not exercise its legislative and executive authority by development and adoption of policies, plans, strategies and programmes, including setting targets for delivery as contemplated in section 11(3)(a) of the Municipal Systems Act No. 32 of 2000. Policies not developed include policies on: unauthorised, Irregular, Fruitless & Wasteful Expenditure, disclosure in the financial statements, controls over activities of service organizations, revenue management; long</p>		<p>Management recognises the need to develop these policies.</p>			

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	outstanding debtors.					
	The municipal council did not adopt by-laws to give effect to the implementation and enforcement of its tariff policy, credit control and debt collection policy as contemplated in section 75(1) and 98 of the MSA respectively.		Management will draft by-laws to give effect to the implementation and enforcement of its tariff policy, credit control and debt collection policy and present the document to Council for adoption.		Manager: Administration and Assets	
	Evidence could not be obtained that the municipal manager, within a policy framework determined by the municipal council and subject to any applicable legislation provided a job description for each post on the staff establishment as required by section 66 (1) (b) of the MSA.	The municipality did not have an organogram that defined the functions to be performed by the incumbent of each post on the organogram	The municipality is in the process of developing an organogram that will be informed by the powers and functions of the municipality and a description of each job placed on the structure	31 May 2010	Manager: Human Resources	
	The institutional framework required section 26 of the MSA, which must include an	The completeness and quality of the information as	The institutional framework has been included in the	Completed	Director: Strategic Planning	

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	organogram, required for the implementation of the integrated development plan and address the municipality's internal transformation needs, was not identified in the municipality's integrated development plan.	included in the IDP was not verified by persons independent of the IDP preparation.	2010/11 draft IDP.			
Key governance responsibilities	Section 53 of the Municipal Systems Act, (MSA, No 32 of 2000), requires the municipality to define the specific role and area of responsibility of each political structure and political office bearer of the municipality and the municipal manager. The respective roles and responsibilities must be defined by specific terms of reference and should be in writing. Section 59 of the Municipal Systems Act No 32 of 2000 and Section 79(1)(a) of the Municipal Finance Management Act, No 56 of 2003 (MFMA) require an to develop an appropriate system	The municipality has not developed and adopted a delegations policy.	The municipality's management is in the process of developing a delegations policy to guide the process of delegating roles and responsibilities.	30 June 2010		

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	<p>of delegation that will maximise administrative and operational efficiency, and provide adequate checks and balances in the municipality's financial administration. Section 79(3) also requires that such delegations must be in writing and may either be to a specific individual or to the holder of a specific post in the municipality</p> <p>The delegations should be from the Council, to the Mayor, to the Municipal Manager and to the section 57 managers. Such appropriately written, approved policy on delegations is not in place. We could not obtain evidence about signed delegations of power and authority from the Council to the Mayor except for the financial delegations from the Municipal Manager to the Chief Financial Officer (EX.187)</p>					
	Delays were experienced during the execution of our audit as a	A comprehensive accounting file was	Management is committed to giving	During the audit		

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	<p>result of the Municipality not providing some of the documentation and explanations timeously. These were only submitted after the agreed due date of submission. This was due to inadequate systems, monitoring and supervision in place throughout the financial year.</p>	<p>not prepared.</p> <p>Misunderstandings were not communicated with AG.</p> <p>The municipality's personnel did not respond where information could not be availed.</p>	<p>the AG staff the necessary support during the audit.</p> <p>Management will also ensure a proper accounting file is prepared to ensure that all audit matters that do not require sampling are readily available.</p> <p>Where the information is not available, the AG will be informed (audit fee considerations).</p>		<p>All Managers</p>	
	<p>The Municipality did not submit their annual financial statements on the due date as required by IMFO. The reason for the late submission was the inability of managements failure to implement adequate processes to prepare these financial statements timeously.</p>	<p>??</p>	<p>The municipality is in the process of preparing for the on-time submission of the AFS to the AG.</p> <p>IMFO's schedule of activities to be completed in order to assist timely</p>	<p>Ongoing</p>	<p>Chief Officer Finance</p>	

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			submission has been adopted and will be			
	The municipality did not have a functional internal audit and audit committee during the year. The audit committee therefore did not meet prior to the submission of the financial statements for the year ended 30 June 2009 to review their adequacy, reliability and accuracy.	AFS we re not prepared on time Municipality have did not AC	A review of the AFS has been included in the annual internal audit plan. The resultant report will inform the AC's review process where such has been appointed	15 August 2010	Manager: Internal Audit	
	The significant deficiencies in the design and implementation of internal control in respect of financial and risk management were attributed to a lack of approved and implemented policies being in place for the whole year under review and to key internal controls and processes that were either not in place or not functioning as intended.	Understaffing of the IAU	In development of internal audit work programs, the Manager: Internal Audit will confirm or dispute that municipal activities are guided by council approved policies and procedure manuals that have been communicated to the relevant users and affected stakeholders. Furthermore,	Throughout the year	Manager: Internal Audit	

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			<p>adherence to the prescripts of the approved policies will be tested by internal audit.</p> <p>Managers will intern respond to identified deficiencies and / or non-compliance in writing and commit themselves to effecting agreed on action plans.</p>			
	<p>The significant deficiencies in the design and implementation of internal control in respect of the compliance with applicable laws and regulations were attributed to a lack of implemented controls not being adhered to and a lack of monitoring and supervision by management.</p>	<p>The municipality did not have a strategy in place to ensure that in the performance of duties, compliance with laws and regulations is ensured by management.</p>	<p>Management has agreed on the use of the MFMA calendar to be used as a starting point for the implementation of internal control in respect of the compliance with applicable laws and regulations.</p> <p>All managers will be accountable for MFMA</p>	<p>Throughout the year</p>		

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			compliance. Integration of compliance with laws and regulations into the day to day operations of the municipality			
	The municipality does not have reliable information systems for recording and reporting of financial information. Significant difficulties were furthermore experienced during the audit to extract reliable accounting information from the system.	The municipality was utilising an inferior financial information recording and reporting system that did not support the financial management needs of the municipality.	The municipality has entered into an agreement with ADM, wherein the ADM will assist the municipality by providing a FMS (Venus) to assist the municipality with financial management and reporting.	01 July 2010	Chief Officer Finance	Implementation of FMS will only be finalized in November 2010.
	Management have not substantially addressed the prior year findings and the prior year findings were still recurring in the current year.	Addressing prior year audit findings has not been included in the annual performance plans of managers and oversight	Addressing prior year audit findings will be incorporated into the performance plans of senior managers and cascaded down to departmental scorecards through SDBIPs.	31 July 2010	Speaker/Mayor	

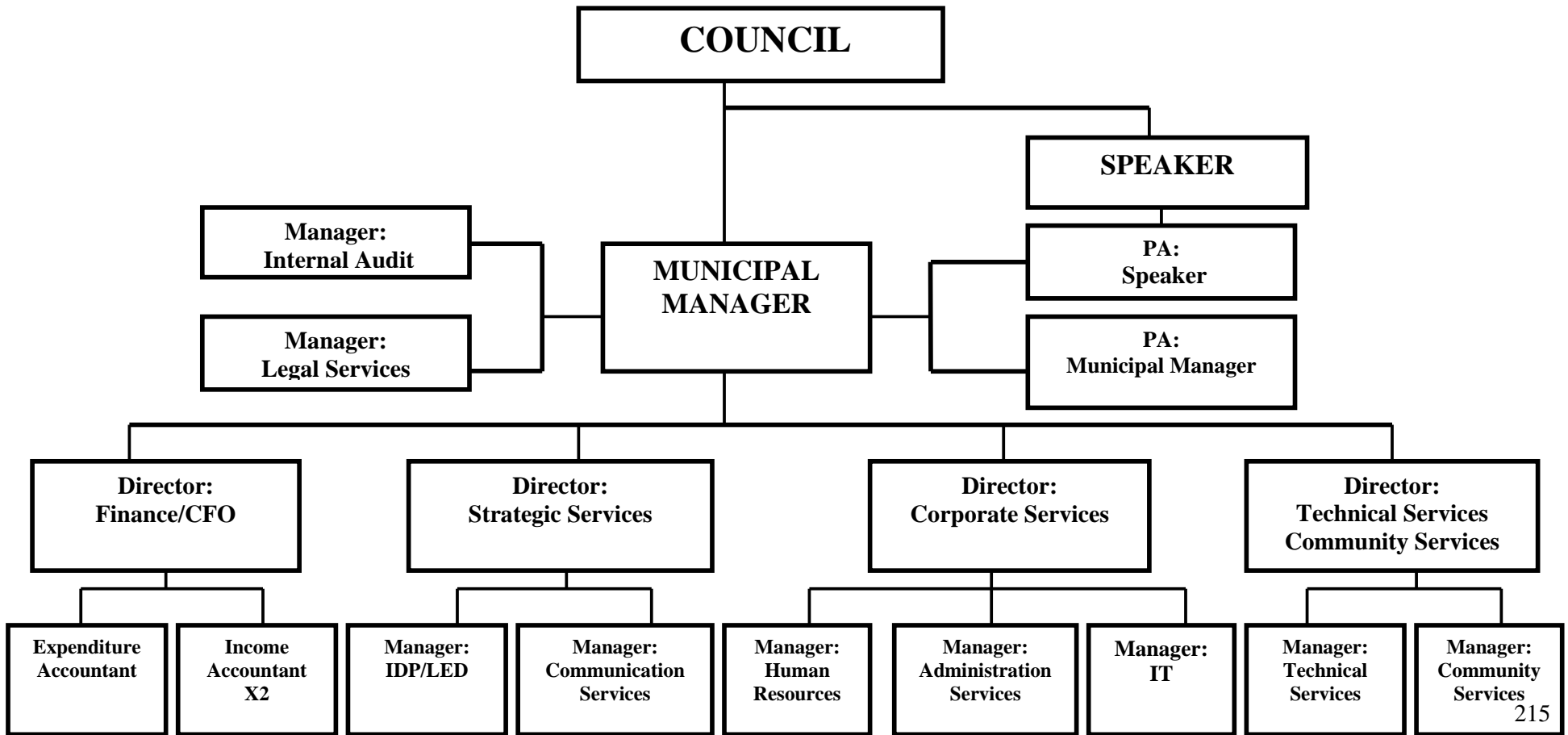
REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	There are no documented and approved policies and procedures in place for the reporting of performance information.	The PMS framework of the municipality was not functional – hence the inability to identify the need for the development of policies and procedures for reporting on performance information.	The municipality will develop, and adopt procedures to guide the process of reporting on performance information. The municipality's PMS framework will be used as a point of reference in developing the policy and procedure manual.	30 June 2010	Director: Corporate Services	
Audit findings (performance information) Non-compliance with regulatory requirements	No reporting of performance information The entity has not reported performance against predetermined objectives, as required by Section 121(3)(c) of the MFMA.	No reporting on performance information reporting was performed by the departments – to feed into the annual report on performance information.	All departments will report on performance against predetermined objectives quarterly	Quarterly Annually	Director: Strategic Services (for coordination) All Managers (for reporting)	
	Content of integrated	The completeness and	A checklist will be	IDP 2010/2011	Director: Strategic	

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	development plan The IDP of Great Kei Municipality does not identify the institutional framework, which must include an organogram required for the implementation of the IDP and addressing the municipality's transformation needs, as required by section 26(a) of MSA and regulation 2(a) of Municipal Planning and Performance Management Regulations, 2001.	quality review was not performed on the IDP, by persons independent of preparation, prior to the submission to Council	prepared, based on the legislative requirement of the format of the IDP, to ensure that all information as required by legislation is included in the IDP. A further review will be performed by internal Audit	review	Services	
	Existence and functioning of a performance audit committee The Great Kei Municipality did not appoint and budget for a performance audit committee, nor was another audit committee utilised as the performance audit committee, as required by regulation 14(2) of the Municipal Planning and Performance Management Regulations, 2001.(EX.33)	The municipality has not been able to appoint an audit committee, the terms of reference of which would include performance of functions of the performance audit committee.	???	30 June 2010	Speaker/Mayor	

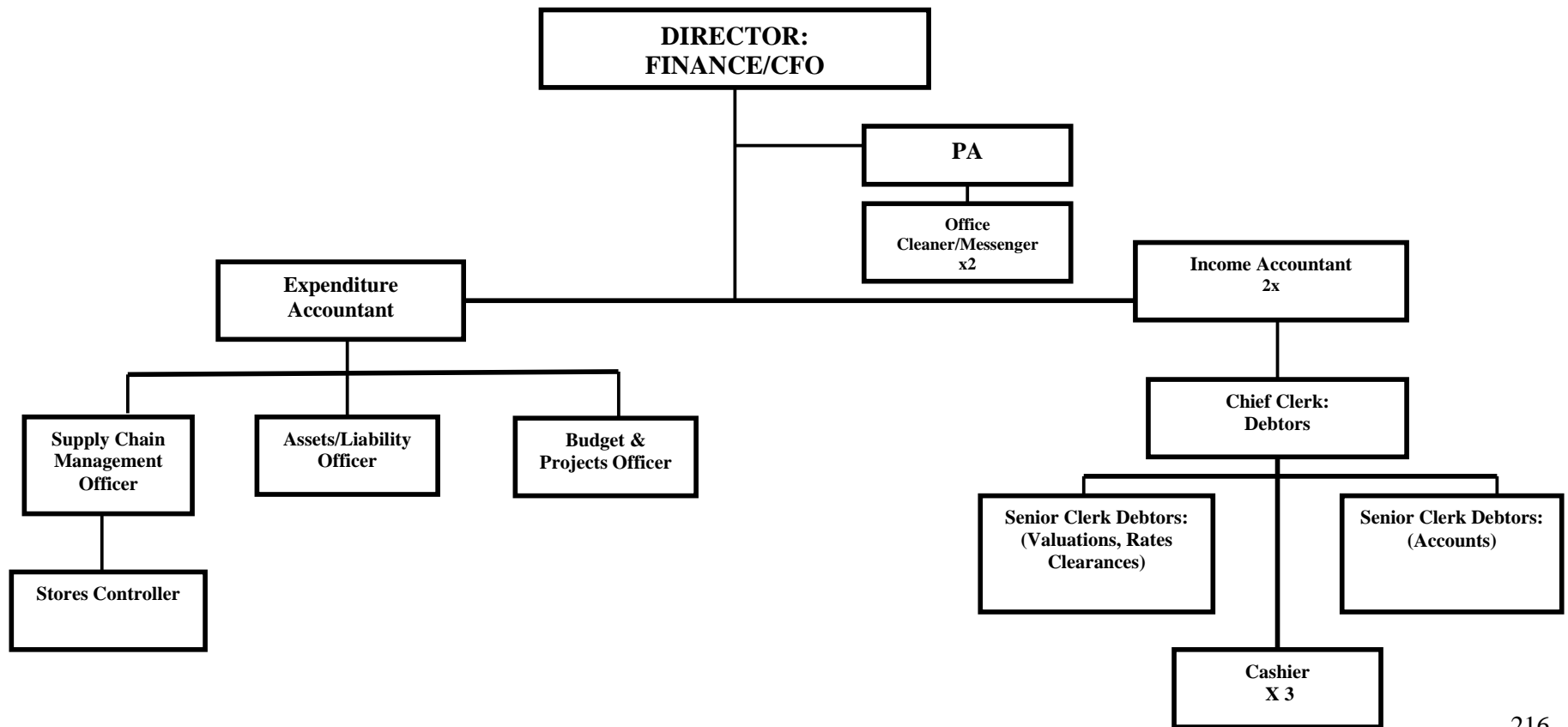
REPORTING MATTER	AUDIT PARAGRAPH	ROOT CAUSE	REMEDIAL ACTION	ACTION DATE	RESPONSIBLE PERSON / BODY	COMMENT
	<p>Internal auditing of performance measurements</p> <p>As indicated in paragraph 100 above no internal audit unit existed to perform audits on performance information.</p>	<p>The municipality did not have an internal audit unit throughout the year. As a result, no strategic and operational internal audit plan was developed.</p>	<p>The auditing of performance measurements on a quarterly basis by internal audit has been included in the annual internal audit plan.</p>	<p>Throughout the year</p>	<p>Manager: Internal Audit</p>	
	<p>Lack of adoption or implementation of a performance management system</p> <p>The Great Kei Municipality did not implement a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players, as required in terms of regulations 7 and 8 of the Municipal Planning and</p>	<p>The document that the municipality had was not understood by all</p> <p>The document was a generic document that was not customised for the municipality's realities</p>	<p>In March 2010, the municipality discussed its revised PMS framework.</p>	<p>Throughout the year</p>	<p>Director: Strategic Services</p>	

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	Performance Management Regulations, 2001.					
	<p>No mid-year budget and performance assessments</p> <p>The of the Great Kei Municipality did not by the 25th of January 2009 assess the performance of the municipality during the first half of the financial year, taking into account the municipality's service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan, as required by section 72 of the MFMA.</p>	<p>The mid-year budget and performance assessment report, which should be based on the departmental quarterly budget and performance assessment reports, was not prepared. Neither were the departmental quarterly budget and performance assessment reports.</p>	<p>The municipality, as part of it PMS implementation, has started a programme where departments are required to prepare monthly budget and performance assessment reports. These are expected to build up to the quarterly budget and performance assessment, culminating into the mid-year budget and performance assessment report.</p>	<p>Monthly Quarterly</p>	<p>Director: Strategic Services (for coordination)</p> <p>All Managers (for reporting)</p>	

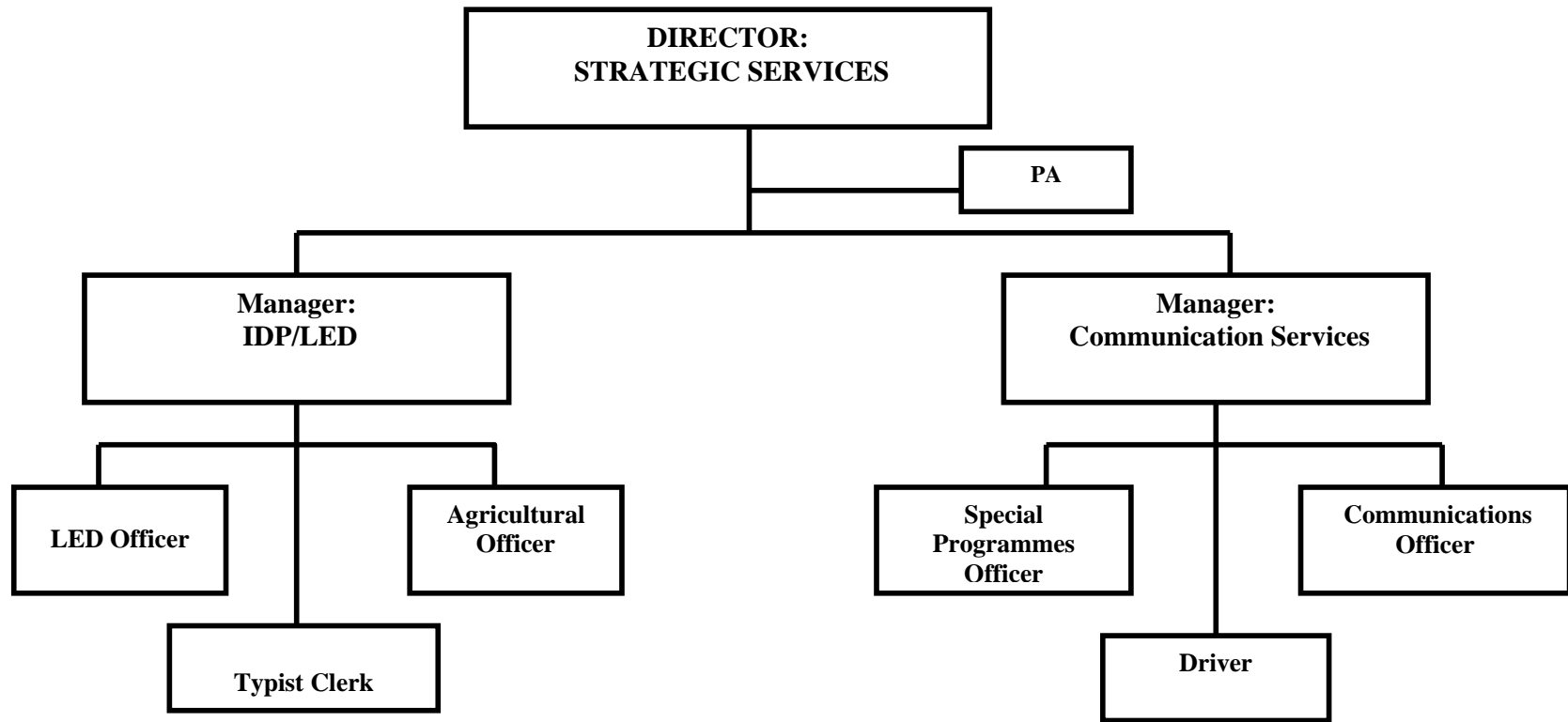
**GREAT KEI MUNICIPALITY
ORGANOGRAM
2008/09**



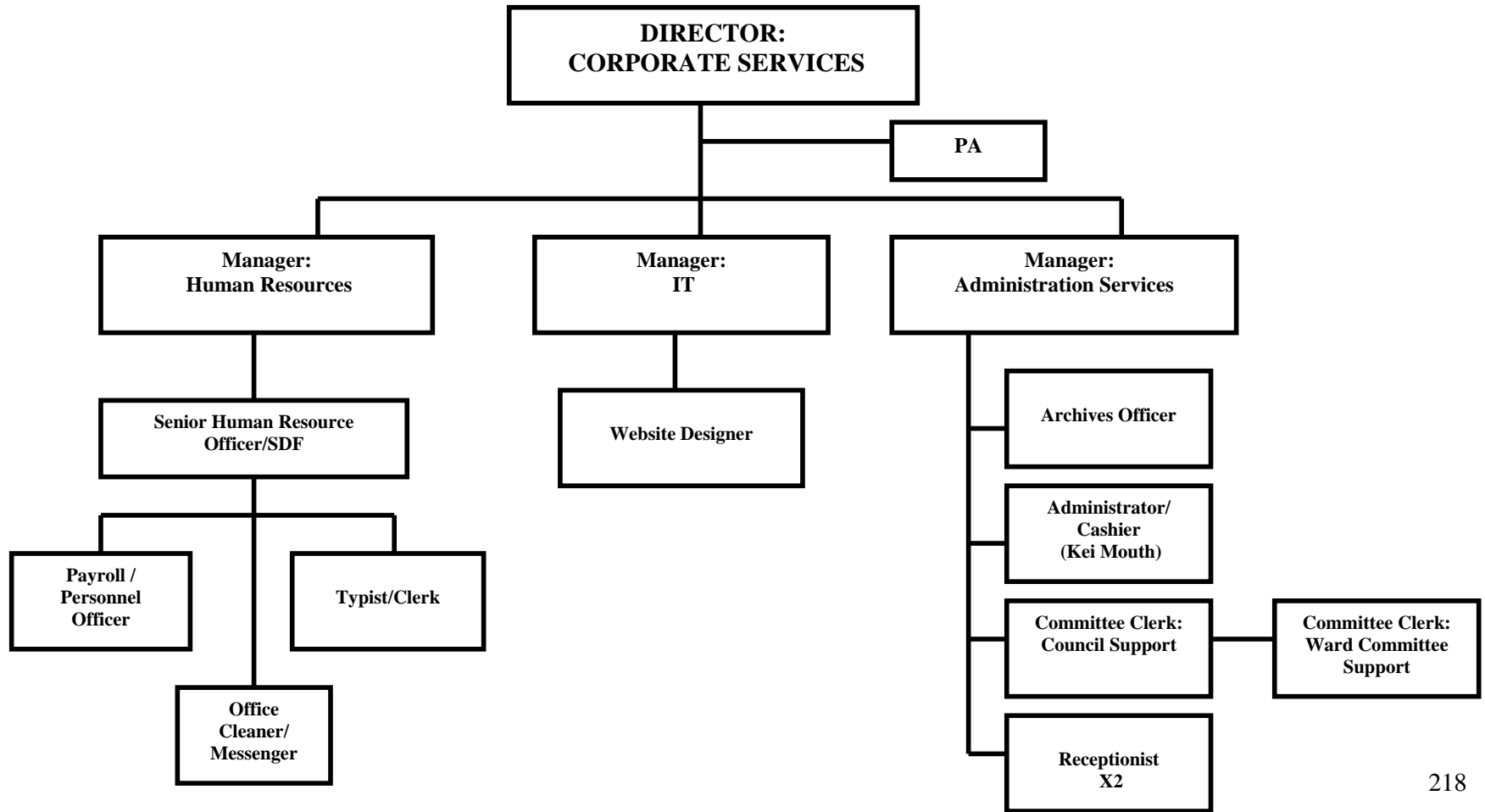
BUDGET AND TREASURY SECTION



STRATEGIC/IDP/LED DEPARTMENT



CORPORATE SERVICES DEPARTMENT



TECHNICAL AND COMMUNITY SERVICES

