

AM AHLATHI MUNICIPALITY



DRAFT

ANNUAL REPORT
2008/2009

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3. HUMAN RESOURCES AND ORGANIZATIONAL MANAGEMENT

3.1 A Break Down of Posts per Department and Divisions

DEPARTMENT	NO. OF POTS PER DIVISION	TOTAL	FILLED
Office of the Mayor Office of the Speaker	Secretary	1	1
	Secretary	1	1
Executive Services	Municipal Manager	1	1
	Secretary: Municipal Manager	1	1
	Strategic Manager	1	1
	Local Economic Development	1	1
	Special Programme Officer	1	1
	Communication Officer	1	0
	Assistant Municipal Manager	1	0
	Cleaner Messenger	5	5
Administration	Administration Manager	1	1
	Assistant Administrative Manager	1	0
	Senior Administrative Officer	1	1
	Administrative Officer	3	0
	Typist	2	2
	Receptionist	1	0
	Archives and Filing Clerk	1	1
	Duty Driver	2	1
	Assistant Manager Land use Planning	1	0
	Project Housing and Admin. Officer	1	0
	Senior Housing Clerk	2	2
	Housing Clerk	1	1
Human Resources	General Manager	1	1
	Skill Development Facilitator	1	0
	Human Resource Officer	1	1
	Personnel Officer	1	0
	Training Officer	1	0
	Typist/Clerk	1	0
Finance	Chief Financial Officer	1	1
	Secretary	1	0
	Assistant Manager	1	1
	Expenditure Accountant	1	1
	Principal Clerk	1	0
	Salaries Clerk	1	1
	Store man/ Buyer	1	0
	Creditors Clerk	1	1

	Project Clerk	1	0
	Budget Clerk	1	1
	Income Accountant	1	1
	Senior Clerk Debtor	1	1
	Credit Controller/ Debt Collector	1	1
	Data Clerk	1	0
	Enquiries Clerk	2	2
	Finance Clerk	2	2
	Cashier	3	2
	Senior Meter Reader	1	0
	Meter Reader	0	0
	Assistant Meter Reader	1	1
Engineering	Engineering Manager	1	1
	Secretary	1	0
	Assistant Engineering Manager	1	0
	Town Planner	1	0
	CAD Operator	1	0
	Project Clerk	1	0
	Supervisor Road and Storm Water	1	0
	Division Roads: Construction Operator & Storm Water	5	5
	Truck Drivers	2	2
	Tractor Drivers	2	1
	Workers	12	6
	Division Storm Water: Machine Tar Operator (Bomag)	1	1
	Tractor Driver	1	1
	Workers	6	4
	Division Park and Gardens: Supervisor	1	1
	Tractor Drivers	2	2
	Machine Operators	9	9
	Workers	6	3
	Division Building: Supervisor	1	0
	Handy man	1	1
	Workers	4	3
	Division Water: Senior Mechanic	1	0
	Mechanic Assistant	1	1
	Worker/Cleaner	1	1
Cathcart Unit	Division Public Works: Supervisor	1	1
	Caretaker	2	2
	Workers	8	7

Keiskammahoek Unit	Supervisor	1	0
	Workers	4	3
	Tractor Driver	2	1
	Workers	8	2
Kei Road Unit	Tractor Driver	1	0
	Workers	5	2
Electricity	General Manager	1	1
	Secretary/Clients Relations Officer	1	0
	Electrical Superintendent	1	1
	Senior Electrician	1	0
	Electrician	1	0
	Handyman Street Lights Maintenance	1	1
	Linesman	1	0
	Assistant	1	0
Protection Services	Assistant Manager	1	1
	Secretary	1	0
	Division Traffic: Traffic Chief	1	0
	Superintendent		
	Senior Traffic Officer	1	0
	Traffic Safety Officer	1	0
	Traffic Officer Grade 11	1	1
	Traffic Officer Grade 111	2	2
	Traffic Officers	6	0
	Traffic Warders	4	0
	Supervisor	1	1
	General Workers	2	1
	Supervisor Clerk	1	1
	Motor Vehicle Reg. Clerk	1	1
	Drivers Licence Clerk	1	0
	Enquiries Clerk	1	1
	Cleaner	1	1
	Division Disaster Management:		
	Disaster Management Officer	1	0
	Division Fire: Fire Rescue Officer	1	0
Fire Attendants		0	
Community Services	Assistant Manager	1	1
	Secretary	1	1
	Division Health: Senior Professional Nurse	1	1
	Professional Nurses	10	7
	Community Health Workers	3	3
	Senior Clinic Workers	3	3

	Division Library: Librarian	1	1
	Assistant Librarians	5	4
	Library Assistant / Cleaners	6	3
	Division Commonage: Senior Commonage Ranger	1	1
	Ranger	1	1
	Pound Master	1	1
	Workers	3	3
	Division Museum: Museum Curator	1	1
	Division Sport and Recreation: Sport Officer	1	1
	Division Cleansing: Superintendent	1	0
	Toilet Cleaners	4	2
	Refuse Tractor Drivers	3	1
	Supervisors	1	0
	Refuse Truck Driver	1	3
	Refuse Workers	23	23
	Street Sweepers	10	10
	Operator Solid Waste	1	1
	Solid Waste Site Worker	1	1
	TOTAL		189

The following training programmes were implemented for this financial year:

- Vending Machine Training, 5 staff members - R23 050.98
- PDP, 2 staff members– R492
- Examiner of Driver's Licence – R25 761.61
- IRP 5 Training – Pay Day – R3 400.00
- Administration- MSC College – R475.00

3.2. Municipal Manager and Section 57 Manager's Positions

	Position	Number of approved and budgeted post per position	Filled posts	Vacant posts
1.	Municipal manager	1	1	0
2.	Corporate service manager	1	1	0
3.	Finance manager	1	1	0
4.	Service delivery manager	1	1	0
5.	Strategic community and protection service manager	1	1	0

3.3 Technical staff registered with professional bodies

Technical Services	Total number of technical service Manager	Total number registered in the accredited professional body	Total number pending registration confirmation in the accredited professional body	Total number not yet registered in the accredited professional body
Service delivery	1	0	0	0
Electricity	1	2	0	0
Project Management	1	0	0	0

3.4. Pension and medical aids to which employees belong

Names of Pension Fund	Number of members	Names of Medical Aids	Number of members
Cape Joint Retirement Fund	17	Bonitas	36 and 1 Pensioner
SALA Pension Fund	52	Key Health	9 and 3 Pensioners
SAMWU Provident Fund	114	L.A Health	17and 10 Pensioners
		SAMWU Med	11

Grant Details	Amount received and spent each quarter									
	July 2008 to Sept 2008		Oct 2008 to Dec 2008		Jan 2009 to Mar 2009		Apr 2009 to June 2009		Total	
Grant name	Rec	Exp	Rec	Exp	Rec	Exp	Rec	Exp	Rec	Exp
Municipal Infrastructre Grant	1,809,000	3,409,926	5,739,000	3,174,262		1,836,560	8,352,136	3,894,933	15,900,136	12,315,681
Finance Management Grant	500,000	37,279		51,866		64,173		46,706	500,000	200,024
Equitable Share	13,247,597	10,485,150	10,000,384	10,485,150	18,692,618	10,485,149		10,485,150	41,940,599	41,940,599
Municipal Systems Improvement Grant		284,000		249,123	735,000	214,246		413,205	735,000	1,160,574

AM AHLATHI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2009

AM AHLATHI MUNICIPALITY

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GENERAL INFORMATION

MEMBERS OF THE EXECUTIVE COMMITTEE

Mayor : TC Jonas	<i>Chair of the Executive Committee</i>
Councillor : SL Ntshoza	<i>Chair of the Community Services Committee</i>
Councillor : GB Zuma	<i>Chair of the Community Empowerment and Job Creation Committee</i>
Councillor : BC Mekuto	<i>Chair of the Finance Committee</i>
Councillor : MM Dyani	<i>Chair of the Service Delivery Committee</i>
Councillor : DT Manyika	<i>Chair of the Local Economic Development Committee</i>
Councillor : NP Qwenga	<i>Chair of the Human Resources and Administration Committee</i>

GRADING OF THE LOCAL AUTHORITY

Grade 5

AUDITORS

EXTERNAL - Auditor-General

INTERNAL - Shared function provided by Amathole District Municipality

BANKERS

First National Bank - Stutterheim

REGISTERED OFFICE

<i>Maclean Street</i>	<i>PO Box 2</i>	<i>Telephone : 043 - 6831100</i>
<i>Stutterheim</i>	<i>Stutterheim</i>	<i>Fax: 043 - 6831127</i>
	<i>4930</i>	

MUNICIPAL MANAGER

FM Shoba

CHIEF FINANCIAL OFFICER

GP Hill

MEMBERS OF THE AMAHLATHI MUNICIPALITY

COUNCILLOR/ALDERMAN	Ward
Councillor : GB Zuma	1
Councillor : NE Zozi	2
Councillor : MG Gatya	3
Councillor : NV Mjandana	4
Councillor : LL Dinala	5
Councillor : LXC Nteto	6
Councillor : ZJ Yalezo	7
Councillor : A Hobo	8
Councillor : M Peter	9
Councillor : NR Magwaxaza	10
Councillor : N Jara	11
Councillor : M Skotana	12
Councillor : F Mdutunlwa	13
Councillor : SM Mtsitsi	14
Councillor : B Sobe	15
Councillor : A Mpambani	16
Councillor : E Rala	17
Councillor : B Siko	18
Councillor : MM Ngwendu	19
Councillor : N Mkosana	20
MAYOR : TC Jonas	*
SPEAKER : E Cossie	*
Councillor : DT Manyika	*
Councillor : NP Qwenga	*
Councillor : MM Dyani	*
Councillor : KA Mhambi	*
Councillor : TA Mawisa	*
Councillor : SL Ntshoza	*
Councillor : N Manqina	*
Councillor : TE Nonkewuse	*
Councillor : N Msoki	*
Councillor : MC Mambu	*
Councillor : SW Sorasi	*
Councillor : CV Tete	*
Councillor : SA Mbane	*
Councillor : T Ndungu	*
Councillor : PN Mahlali	*
Councillor : LE Matshikwe	*
Councillor : BC Mekuto	*
Councillor : Z Kweleta	*

* *Councillors without wards (Party Rep.)*

MAYOR

Councillor : TC Jonas

FOREWORD

It is with greatest pleasure that I am afforded the opportunity to write this foreword on behalf of the Amahlathi Municipality. As a committed peoples' municipality we are proud to produce a well managed and calculated financial report of Amahlathi Municipality.

The vision that this municipality has set for itself is one of being a Developmental Local Government based on the principles of the People Oriented Public Administration which maximises the efficient use of resources. We are addressing the challenges facing us towards a better life for all our people by providing quality services for all.

The relationship between councilors and officials has been fundamental to sound, efficient and effective administration.

We use both internal and external resources to fund our projects. People based budgeting methods have been implemented to a level where we are able to say that the community has really been involved in determining the allocation of resources leaving the council with a responsibility of implementing and monitoring thereof.

I appreciate the work done by all those who are committed to the efficient and effective running of Amahlathi Municipality.

.....
TC Jonas
Mayor - Amahlathi Municipality

TREASURER'S REPORT

1) INTRODUCTION

Appropriate legislation was complied with in order to provide statements for the period ending 30 June 2009. To the best of my knowledge these financial statements fairly present the financial position of the Council as at the above mentioned date and the results of its operations for the year then ended.

Although expenditure was below budget this had no impact on service delivery targets set. The income exceeded the budget by R3 740 270. The resultant operating surplus of R9 170 692 and appropriation of (R4 511 083) have resulted in an accumulated surplus of R14 287 977.

We were also, within budget, able to expend R17 132 904 on fixed assets.

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 R	Actual 2009 R	Variance 2008/2009 %	Budget 2009 R	Variance Actual/ Budget %
Opening Surplus	12,004,939	9,628,368			
Operating Income for the Year	61,672,441	72,782,487	18.01%	69,042,217	5.42%
	73,677,380	82,410,855		69,042,217	
EXPENDITURE					
Operating Expenditure	56,634,418	63,611,795	12.32%	69,042,217	-7.87%
Sundry Transfers	7,414,594	4,511,083			
Closing Surplus	9,628,368	14,287,977	48.39%		
	73,677,380	82,410,855		69,042,217	

Operating income is higher than 2008 because of the increase in equitable share.

2.1) RATE AND GENERAL SERVICES

	Actual 2008 R	Actual 2009 R	Variance 2008/2009 %	Budget 2009 R	Variance Actual/ Budget %
Income	50,126,475	59,416,332	18.53%	55,280,608	7.48%
Expenditure	45,708,059	51,015,434	11.61%	55,723,576	-8.45%
<i>(Deficit) / Surplus</i>	4,418,416	8,400,898	90.13%	(442,968)	
Surplus (Deficit) as % of Total Income	8.81%	14.14%		-0.80%	

Actual income for 2009 is higher than 2008 due to the the increase in equitable share.

2.2) HOUSING SERVICES

	Actual 2008 R	Actual 2009 R	Variance 2008/2009 %	Budget 2009 R	Variance Actual/ Budget %
Income	56,514	31,882	-43.59%	61,830	-48.44%
Expenditure	584,947	630,703	7.82%	846,200	-25.47%
<i>(Deficit) / Surplus</i>	(528,433)	(598,821)	13.32%	(784,370)	
Surplus (Deficit) as % of Total Income	-935.05%	-1878.24%		-1268.59%	

Actual income for 2009 is lower than 2008 due to a decrease in housing installments.

2.3) TRADING SERVICES : ELECTRICITY

	Actual 2008 R	Actual 2009 R	Variance 2008/2009 %	Budget 2009 R	Variance Actual/ Budget %
Income	11,489,452	13,334,273	16.06%	12,977,739	2.75%
Expenditure	10,341,412	11,965,658	15.71%	12,472,441	-4.06%
<i>(Deficit) / Surplus</i>	1,148,040	1,368,615	19.21%	505,298	170.85%
Surplus (Deficit) as % of Total Income	9.99%	10.26%		3.89%	

The increase in income and expenditure is due to the increase in the cost of electricity purchases and sales.

3) CAPITAL EXPENDITURE AND FINANCING

<i>CAPITAL EXPENDITURE</i>	Actual 2008/2009		Budget 2008/2009	Actual 2007/2008
Rate and General Services	15,933,103		16,271,000	9,253,254
Electricity Service	1,199,801		1,600,060	2,495,410
	17,132,904		17,871,060	11,748,664
<i>FINANCING OF THE FIXED ASSETS</i>				
Revolving Fund	4,758,998		5,533,360	3,476,411
Contributions from Operating Income	58,225		259,931	125,517
Grants and Subsidies	12,315,681		12,337,700	8,146,736
External Loans				
	17,132,904		18,130,991	11,748,664

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

4) EXTERNAL LOANS, INVESTMENTS AND CASH

External Loans outstanding on 30 June 2009 amounted to R 860 873 as set out in appendix B. No new loans were taken up during the year. Loans totaling R 203 557 were repaid. Investments and cash on hand amounted to R 56 166 988 on 30 June 2009.

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

5) FUNDS AND RESERVES

The Revolving Fund has increased by R 5 154 007 to R 32 042 384. Advances amounting to R 4 758 998 have been granted to borrowing services while R 3 885 029 has been repaid. The total advances to borrowing services amounted to R 12 180 912 as at 30 June 2009.

More information regarding funds and reserves is disclosed in notes 1 to 3, 12 and appendix A to F of the financial statements.

6) POST BALANCE SHEET EVENTS

I am unaware of any material post balance sheet event that will affect the financial position of the municipality.

EXPRESSION OF APPRECIATION

I am grateful to the Mayor, Councilor's, the Municipal Manager and Heads of Departments for their support during the past year. A special word of thanks to the staff of the Budget and Treasury Office for their support and loyalty.

GP Hill (LIMFO)
TOWN TREASURER

DATE :.....

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 Finance Officers in its Code of Practice for Local Government Accounting (2nd edition 1996) and the Published Annual Financial Statements (2nd edition 1996).
- 1.2 The Financial Statements are prepared on the Historical Cost Basis, adjusted for fixed assets as more fully detailed in note 3.
The Accounting Policies are consistent with those applied in the previous year, except if otherwise indicated.
- 1.3 The Financial Statements are prepared on the accrual basis :
- Income is accrued when collectable and measurable. Certain direct income is recognised when received, such as Traffic Fines and certain Licenses.
 - Expenditure is accrued in the year it is incurred.

2) CONSOLIDATION

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

3) FIXED ASSETS

- 3.1 *Fixed assets are stated :*
- at historical cost; or
 - at valuation (based on 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. Apart from Advances from the various Council Funds, assets may also be acquired through :
- appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income and therefore it is unnecessary to make any further provision for depreciation
 - grants and donations, where the amount representing the value of such grant or donation is immediately credited to the " Loans Redeemed and Other Capital Receipts" account.
- 3.3 All net proceeds from the sale of fixed assets are credited to the Revolving Fund.
- 3.4 Capital Assets are financed from different sources, including external loans, 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 service concerned at the ruling interest rate applicable at the time the advance is made.

4) STOCK

Stock is reflected in the Balance Sheet at the weighted average cost.

5) FUNDS AND RESERVES**5.1 *Revolving Fund***

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.

5.2 *Dog Tax Fund*

The Dog Tax Ordinance No.19 of 1978 section 4(1) determines that all the dog tax received be credited to this account.

5.3 *Community Facilities Fund*

Contributions to this Fund are made in accordance with the policy of the Department of Housing and is utilized according to their instruction.

5.4 *RESERVES*

Reserve Funds are utilized for purposes unknown and which may occur in the future and contributions are made from the operating account.

5.5 *PROVISIONS*

Provisions are utilized for the specific purposes and contributions are made from the operating account.

5.6 *TRUST FUNDS*

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

6) RETIREMENT BENEFITS

The employees of the Amahlathi Municipality contribute to the Cape Joint Pension Fund, the South African Local Authorities Pension Fund, the Cape Joint Retirement Fund and the SAMWU Provident Fund.

Current contributions are charged against the operating account at the rate of a fixed percentage of the basic salary paid to employees.

7) SURPLUSES AND DEFICITS

Any surpluses or deficits arising from the operation of the Electricity Service is transferred to the Rate and General Services.

8) TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

Administration charges are allocated to each department.
Interdepartmental users are charged at actual cost and debited to each user department.

9) INVESTMENTS

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred, and are invested per Circular No. C/46/1994 issued by the Provincial Administration, Community Services Branch.

10) INCOME RECOGNITION

10.1 Electricity Billing

All electricity meters are read and invoiced on a monthly basis. If a reading cannot be obtained an estimated reading, based on the average consumption is made.
Income is recognised on the date when invoicing is done.

10.2 Assessment Rates

Assessment Rates are levied at the same tariff for the land and improvements. Rebates are granted according to Council's Policy. Income is recognized when the annual and monthly levies are done.

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STATUTORY FUNDS, TRUST FUNDS, PROVISIONS AND RESERVES

	Balance at 2008-06-30	Contributions during the Year	Interest on Investments	Other Income	Expenditure during the Year	Balance at 2009-06-30
STATUTORY FUNDS						
Revolving Fund	26,888,377	440,456	5,218,026	148,171	652,646	32,042,384
Community Facilities	46,581		2,383			48,964
Dog Tax Fund	24,852				24,852	-
Kati-Kati Accumulated Funds	762,470					762,470
Total	27,722,280	440,456	5,220,409	148,171	677,498	32,853,818
RESERVES						
Repairs and Maintenance	234,328	10,000	12,264			256,592
Repairs and Maintenance (Electricity)	-					-
Repairs and Maintenance (Quarry)	164,543	10,000	8,693			183,236
Total	398,871	20,000	20,957	-	-	439,828
TRUST FUNDS						
Integrated Development Plan	(78,910)			74,097	112,220	(117,033)
Revolving Job Creation	124,597					124,597
Transitional Grant	423,872		21,211		11,200	433,883
Survey of Mlungisi	27,150		1,389			28,539
Zoning Scheme - Stutterheim	27,512		1,408			28,920
Survey of Kologha	130,094		6,656			136,750
Planning of Kologha	10,126		518			10,644
Land Survey - Ndakana	17,968		919			18,887
Town Planning - Ndakana	28,793		1,473			30,266
Management Support Programme	1,001,530		50,875		37,919	1,014,486
Sub-Division of Farms - Sandile	7,890		404			8,294
Performance Management System	46,502		1,158		47,660	-
Development Fund - Rural	8,148		417			8,565
Survey of Stanhope	94,034		4,811			98,845
Survey of Freshwater	8,146		417			8,563
Heckel Disaster Fund	15,692		337		13,765	2,264
Spatial Development Framework	140,638		3,889		60,000	84,527
Finance Management Programme	1,168,192		75,999	500,000	200,025	1,544,166
Staff Training	164,945		11,059	163,094	69,486	269,612
Survey/Plan Upper Zeleni	144,140		7,375			151,515
Drought Relief	78,830		3,955		2,313	80,472
Survey of Mxhalanga	132,796		6,794			139,590
Survey of Tembeni	220,799		10,442		68,050	163,191
Survey of Ndakana - Phase 2	44,483		2,276			46,759
Survey of Cwengcwe	200,830		10,275			211,105
Quizini Agricultural Project	243,774		11,140		31,906	223,008
Establish Ward Committees	32,451		1,660			34,111
Vuna Awards	211,988		6,195		136,483	81,700
Kologha Electrification	48,903			69,118	118,021	-
Vuna Awards Phase 2	254,069		12,999			267,068
Municipal Systems Improvement Grant	730,589		24,942	735,000	1,160,574	329,957
Keep Amathole Clean Award	100,000					100,000
Performance Enhancement	118,858		5,955		83,083	41,730
Essential Services	11,483		588			12,071
Sporting Facilities	18,688		956			19,644
Tourism	8,134		416			8,550
Crafters				36,000		36,000
Total	5,967,734	-	288,908	1,577,309	2,152,705	5,681,246

Appendix A

STATUTORY FUNDS, TRUST FUNDS, PROVISIONS AND RESERVES

	Balance at 2008-06-30	Contributions during the Year	Interest on Investments	Other Income	Expenditure during the Year	Balance at 2009-06-30
PROVISIONS						
Provision for Bad Debts	23,718,012	1,289,269		38,316		25,045,597
Provision for Audit Fees	-	630,000			630,000	-
Provision for Accumulated Leave	2,048,863	161,858			199,827	2,010,894
Provision for Bonuses	1,275,601	621,887				1,897,488
Provision for Wastesite Rehabilitation		500,000				500,000
	27,042,476	3,203,014	-	38,316	829,827	29,453,979
						68,428,871

Amounts spent in respect of the Integrated Development Plan will be refunded by the Amathole District Municipality.

Appendix B

EXTERNAL LOANS AND INTERNAL ADVANCES

EXTERNAL LOANS	Balance 2008-06-30	Received during the Year	Redeemed, written off during the Year	Balance 2009-06-30
Local Authorities Loan Fund	1,064,430		203,557	860,873
	1,064,430	-	203,557	860,873

INTERNAL ADVANCES TO BORROWING SERVICES	Balance 2008-06-30	Received during the Year	Redeemed, written off during the Year	Balance 2009-06-30
Revolving Fund	11,306,943	4,758,998	3,885,029	12,180,912
	11,306,943	4,758,998	3,885,029	12,180,912

ANALYSIS OF FIXED ASSETS

Expended 2008	SERVICE	Budget 2009	Balance at 2008-06-30	Expended 2009	Written off, transferred, redeemed or disposed of during the Year	Balance at 2009-06-30
R		R	R	R	R	R
9,253,254	RATE AND GENERAL SERVICES	16,271,000	80,680,993	15,933,103	-	96,614,096
4,563	Housing - Survey of sites		3,741,430			3,741,430
530,662	Public Health		1,111,235	2,894		1,114,129
62,869	Refuse Removal	100,000	3,129,094	85,599		3,214,693
149,220	Cemetery	208,358	1,069,950			1,069,950
5,301	Commonage	50,000	931,744	20,047		951,791
6,177,055	Housing		12,794			12,794
942,488	Public Works	12,384,936	29,438,494	14,603,444		44,041,938
19,819	Town Hall and Buildings	1,324,882	6,971,229	303,909		7,275,138
12,559	Town Treasurer	10,000	2,148,211	30,020		2,178,231
162,191	LED/SPU		490,450			490,450
1,990	Council's General	90,700	798,272	75,228		873,500
39,914	Library		229,285			229,285
732,121	Traffic	143,600	3,206,723	78,962		3,285,685
10,259	Parks and Gardens	313,000	3,586,787	90,200		3,676,987
8,792	Fire		1,735,199	12,192		1,747,391
8,053	Environmental Health		87,018			87,018
365,061	Executive Services	48,000	307,893	29,705		337,598
7,542	Town Engineer - Administration		74,354			74,354
12,795	Health and Social Services	1,272,524	559,842	398,436		958,278
	Human Resources		59,715			59,715
	Administration	325,000	175,640	201,502		377,142
	Project Management Unit		138,787	965		139,752
	Land		65,306			65,306
	Buildings		495,730			495,730
	General Improvements		293,461			293,461
	Streets and Drains		221,171			221,171
	Office Equipment		61,711			61,711
	Tools and Equipment		165,184			165,184
	Vehicles		224,396			224,396
	Library		82,620			82,620
	Swimming Bath		18,799			18,799
	Street Tarring Scheme		2,139			2,139
	Trout Hatchery		37,032			37,032
	Daliwe Upgrading		2,745,836			2,745,836
	Sewerage Works		-			-
	Property and Permanent Works		15,104,575			15,104,575
	Computers		5,219			5,219
	Services		1,153,668			1,153,668
-	HOUSING SERVICE	-	5,305,683	-	-	5,305,683
	Amatolaville 58 Houses & Survey		2,151,628			2,151,628
	Self Help 1 (40 Houses)		559,498			559,498
	Self Help 2 (40 Houses)		550,234			550,234
	Cumukala		1,678,971			1,678,971
	Housing Scheme (Cathcart)		1,197			1,197
	Self Help Scheme (Cathcart)		281,294			281,294
	Housing (Kei Road)		82,861			82,861
2,495,410	TRADING SERVICES	1,600,060	11,746,035	1,199,801	-	12,945,836
2,495,410	Electricity	1,600,060	11,746,035	1,199,801		12,945,836
	Water		-			-
	Plant and Stock		-			-
11,748,664	TOTAL FIXED ASSETS	17,871,060	97,732,711	17,132,904	-	114,865,615
	LESS : LOANS REDEEMED AND OTHER CAPITAL RECEIPTS		85,361,340	16,452,282	-	101,813,622
	Loans Redeemed		41,094,701	4,078,376		45,173,077
	Contributions from Current Income		11,283,626	58,225		11,341,851
	Grants and Subsidies		32,983,013	12,315,681		45,298,694
	NET FIXED ASSETS		12,371,371	680,622	-	13,051,993
	Amount transferred to Long-Term Debtors		(491,570)	27,198		(464,372)
			<u>11,879,801</u>			<u>12,587,621</u>

Appendix D

**ANALYSIS OF OPERATING INCOME AND EXPENDITURE
FOR THE YEAR ENDED 30 JUNE 2009**

<i>Actual '2008</i>		<i>Actual '2009</i>	<i>Budget '2009</i>
R		R	R
61,672,441	INCOME	72,782,487	69,042,217
34,600,652	- <i>Government and Provincial Grants and Subsidies</i>	43,585,422	43,632,724
5,872,748	- <i>Income from Assessment Rates</i>	5,369,390	5,302,414
21,199,041	- <i>Income from Tariffs, Services Charges etc.</i>	23,827,675	20,107,079
59,353,642	GROSS EXPENDITURE	66,603,531	72,033,954
30,715,366	- <i>Salaries, Wages and Allowances</i>	33,394,416	36,748,082
19,164,332	- <i>General Expenses</i>	22,536,884	24,347,415
3,391,151	- <i>Repairs and Maintenance</i>	2,904,879	3,266,630
4,472,976	- <i>Capital Charges</i>	4,652,397	4,869,468
147,861	- <i>Contribution to Fixed Assets</i>	73,372	259,931
1,461,956	- <i>Contributions</i>	3,041,583	2,542,428
2,719,224	- LESS : <i>Amounts charged out</i>	2,991,736	2,991,737
56,634,418	NET EXPENDITURE	63,611,795	69,042,217

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

2007/2008 Actual Income <i>R</i>	2007/2008 Actual Expenditure <i>R</i>	2007/2008 Actual Surplus/ (Deficit) <i>R</i>		2008/2009 Actual Income <i>R</i>	2008/2009 Actual Expenditure <i>R</i>	2008/2009 Actual Surplus/ (Deficit) <i>R</i>	2008/2009 Budgeted Surplus/ (Deficit) <i>R</i>
50,126,475	45,708,059	4,418,416	RATE AND GENERAL SERVICES	59,416,332	51,015,434	8,400,898	367,520
46,135,315	38,380,949	7,754,366	Community Services	54,678,327	43,385,870	11,292,457	4,075,529
5,872,748		5,872,748	Assessment Rates	5,369,390		5,369,390	5,199,755
1,976,361	2,279,023	(302,662)	Health Services	1,988,613	2,688,328	(699,715)	-
83,541	88,515	(4,974)	Cemetery	95,809	78,383	17,426	(63,444)
1,221,992	8,610,476	(7,388,484)	Public Works	576,651	9,166,332	(8,589,681)	(7,645,877)
72,059	707,646	(635,587)	Town Hall and Mun. Buildings	72,511	835,903	(763,392)	(634,849)
112,389	2,127,976	(2,015,587)	Town Treasurer	50,642	2,144,218	(2,093,576)	(2,370,334)
34,485,687	13,810,258	20,675,429	Council General	44,174,339	16,405,042	27,769,297	19,088,760
1,880,188	2,309,645	(429,457)	Traffic Services	1,702,072	2,406,291	(704,219)	(884,606)
	1,326,502	(1,326,502)	Management Services		1,606,135	(1,606,135)	(1,434,274)
	953,186	(953,186)	Town Engineer - Administration		1,520,810	(1,520,810)	(994,772)
	1,170,754	(1,170,754)	Health and Social Services		1,642,386	(1,642,386)	(1,312,199)
	1,024,551	(1,024,551)	Human Resources		694,582	(694,582)	(1,054,093)
	1,628,332	(1,628,332)	Administration		2,342,290	(2,342,290)	(1,630,807)
	114,679	(114,679)	Protection Services - Administration			-	(119,341)
	1,541,535	(1,541,535)	LED/SPU		972,052	(972,052)	(1,728,394)
	687,871	(257,521)	Project Management Unit	648,300	687,152	(38,852)	(339,996)
430,350			Internal Audit		195,966	(195,966)	
			Information Systems				
270,317	3,950,476	(3,680,159)	Subsidised Services	453,938	4,134,743	(3,680,805)	(4,010,942)
2,166	418,117	(415,951)	Fire Services		456,542	(456,542)	(529,277)
11,762	1,412,292	(1,400,530)	Library	32,333	1,462,303	(1,429,970)	(1,397,155)
2,020	1,447,128	(1,445,108)	Parks and Gardens	715	1,486,210	(1,485,495)	(1,519,492)
254,369	643,291	(388,922)	Commonage	420,890	708,235	(287,345)	(533,662)
	29,648	(29,648)	Museum		21,453	(21,453)	(31,356)
3,720,843	3,376,634	344,209	Economic Services	4,284,067	3,494,821	789,246	302,933
3,720,843	3,376,634	344,209	Refuse	4,284,067	3,494,821	789,246	302,933
		-				-	-
56,514	584,947	(528,433)	HOUSING SERVICE	31,882	630,703	(598,821)	(561,190)
56,514	584,947	(528,433)	Housing	31,882	630,703	(598,821)	(561,190)
		-				-	-
11,489,452	10,341,412	1,148,040	TRADING SERVICES	13,334,273	11,965,658	1,368,615	193,670
11,489,452	10,341,412	1,148,040	Electricity	13,334,273	11,965,658	1,368,615	193,670
		-				-	-
61,672,441	56,634,418	5,038,023	TOTAL	72,782,487	63,611,795	9,170,692	-
		(7,414,594)	Appropriation for this Year			(4,511,083)	
		(2,376,571)	Net Surplus/(deficit) for the Year			4,659,609	
		12,004,939	Accumulated Surplus/(Deficit) beginning of the year			9,628,368	
		9,628,368	ACCUMULATED SURPLUS/ (DEFICIT) END OF THE YEAR			14,287,977	

STATISTICAL INFORMATION

	2008/2009	2007/2008
1) GENERAL STATISTICS		
<i>Population</i>	142,525	142,525
<i>Registered Voters</i>	76,000	76,000
<i>Area Ha</i>	25,532	25,532
<i>Valuation of Rateable Property (R million)</i>	510	488
<i>Valuation of Non Rateable Property (R million)</i>	70	73
<i>Valuation Date</i>	2,004	2,004
<i>Assessment Rates - Basic per Rand</i>	2.10	1.98
<i>Rebate - Residential</i>	Various	Various
<i>Rebate - Pensioners</i>	Various	Various
<i>Number of employees of the Local Authority</i>	186	235
2) CLEANSING		
<i>Km Travelled</i>	35,052	27,700
<i>Refuse Removed (Cubic metre)</i>	51,250	49,110
<i>Cost per Cubic metre removed</i>	68.19	68.76
<i>Income per Cubic metre removed</i>	83.59	75.77
3) ELECTRICITY		
<i>Units (Kwh) purchased ('000)</i>	23,637	23,507
<i>Cost per unit bought</i>	0.33	0.24
<i>Units (Kwh) sold ('000)</i>	20,090	18,619
<i>Units (Kwh) lost in distribution</i>	3,547	4,888
<i>Units (Kwh) lost in distribution as a percentage</i>	15%	21%
<i>Cost per unit sold</i>	0.60	0.59
<i>Income per unit sold</i>	0.66	0.62

BALANCE SHEET AS AT 30 JUNE 2009

	<i>Notes</i>	2008/2009 <i>R</i>	2007/2008 <i>R</i>
CAPITAL EMPLOYED			
FUNDS AND RESERVES			
		33,293,646	28,121,151
Accumulated Funds	1	32,853,818	27,722,280
Reserves	3	439,828	398,871
(ACCUMULATED DEFICIT)/RETAINED SURPLUS	20	14,287,977	9,628,368
		47,581,623	37,749,519
TRUST FUNDS			
	2	5,681,246	5,967,734
LONG-TERM LIABILITIES			
	4	644,047	879,762
CONSUMER DEPOSITS : SERVICES			
	5	343,844	334,308
		54,250,760	44,931,323
EMPLOYMENT OF CAPITAL			
FIXED ASSETS			
	6	12,587,621	11,879,801
LONG-TERM INVESTMENTS			
	7	-	313,834
LONG-TERM DEBTORS			
	9	744,732	1,702,578
		13,332,353	13,896,213
NET CURRENT ASSETS/LIABILITIES			
		40,918,407	31,035,110
CURRENT ASSETS			
		63,442,391	48,007,734
Stock	10	158,121	212,235
Debtors	11	7,113,646	7,998,671
Cash		5,016	4,816
Bank	8	5,050,718	4,570,566
Short-term Investments	7	51,111,254	35,217,790
Short-term portion of Long-term Debtors	9	3,636	3,656
CURRENT LIABILITIES			
		22,523,984	16,972,624
Provisions	12	4,408,382	3,324,464
Creditors	13	17,898,776	13,463,492
Short-term portion of Long-term Liabilities	4	216,826	184,668
		54,250,760	44,931,323

.....
FM SHOBA
MUNICIPAL MANAGER

DATE :

.....
CERTIFIED AS CORRECT
GP HILL
CHIEF FINANCIAL OFFICER

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

2007/2008 Actual Income	2007/2008 Actual Expenditure	2007/2008 Actual Surplus/ (Deficit)		2008/2009 Actual Income	2008/2009 Actual Expenditure	2008/2009 Actual Surplus/ (Deficit)	2008/2009 Budgeted Surplus/ (Deficit)
R	R	R		R	R	R	R
50,126,475	45,708,059	4,418,416	RATE AND GENERAL SERVICES	59,416,332	51,015,434	8,400,898	367,520
46,135,315	38,380,949	7,754,366	<i>Community Services</i>	54,678,327	43,385,870	11,292,457	4,075,529
270,317	3,950,476	(3,680,159)	<i>Subsidised Services</i>	453,938	4,134,743	(3,680,805)	(4,010,942)
3,720,843	3,376,634	344,209	<i>Economic Services</i>	4,284,067	3,494,821	789,246	302,933
56,514	584,947	(528,433)	HOUSING SERVICE	31,882	630,703	(598,821)	(561,190)
11,489,452	10,341,412	1,148,040	TRADING SERVICES	13,334,273	11,965,658	1,368,615	193,670
61,672,441	56,634,418	5,038,023	TOTAL	72,782,487	63,611,795	9,170,692	-
		(7,414,594)	Appropriation for this Year (Refer working papers)			(4,511,083)	
		(2,376,571)	Net Surplus/(deficit) for the Year			4,659,609	
		12,004,939	Accumulated Surplus/(Deficit) beginning of the year			9,628,368	
		9,628,368	ACCUMULATED SURPLUS/ (DEFICIT) END OF THE YEAR			14,287,977	

**CASH FLOW STATEMENT FOR THE YEAR ENDED
30 JUNE 2009**

	2009	2008
	R	R
CASH RETAINED FROM OPERATING ACTIVITIES	33,423,640	22,479,005
Cash generated by operations	21 9,685,918	(2,496,625)
Investment income	22 4,803,743	3,743,694
(Increase)/decrease in working capital	23 5,014,240	4,941,513
	19,503,901	6,188,582
<u>Less</u> : External Interest Paid	(159,737)	(188,114)
Cash available from operations	19,344,164	6,000,468
Cash contributions from the public and the state	14,079,476	16,478,537
Net proceeds on disposal of fixed assets	-	
CASH UTILISED IN INVESTING ACTIVITIES	(17,160,102)	(11,769,154)
Investments in Fixed assets	(17,160,102)	(11,769,154)
NET CASH FLOW	16,263,538	10,709,851
Cash effects of financing activities		
(Decrease)/increase in long-term borrowings	24 (203,557)	(175,181)
Decrease/(increase) in cash on hand	25 (480,352)	(1,923,857)
Decrease/(increase) in cash investments	26 (15,579,630)	(8,610,813)
	(16,263,539)	(10,709,851)

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2009

1) **Accumulated Funds**

Revolving Fund
Dog Tax Fund
Community Facilities
Kati-Kati Accumulated Funds

AMOUNT TO THE BALANCE SHEET

2008/2009	2007/2008
32,042,384	26,888,377
-	24,852
48,964	46,581
762,470	762,470
32,853,818	27,722,280

(Refer to appendix A for more detail on Accumulated Funds)

2) **Trust Funds**

Integrated Development Plan
 Transitional Grant
 Survey of Mlungisi
 Zoning Scheme - Stutterheim
 Survey of Kologha
 Planning of Kologha
 Land Survey - Ndakana
 Town Planning - Ndakana
 Management Support Programme
 Sub-Division of Farms - Sandile
 Performance Management System
 Development Fund - Rural
 Survey of Stanhope
 Survey of Freshwater
 Revolving Job Creation
 Heckel Disaster Fund
 Spatial Development Framework
 Finance Management Programme
 Staff Training
 Survey/Plan Upper Zeleni
 Drought Relief
 Survey of Mxhalanga
 Survey of Tembeni
 Survey of Ndakana - Phase 2
 Survey of Cwengcwe
 Quizini Agricultural project
 Establish Ward Committees
 Vuna Awards
 Kologha Electification
 Vuna Awards Phase 2
 Municipal Systems Improvement Grant
 Keep Amathole Clean Award
 Performance Enhancement
 Essential Services
 Sporting Facilities
 Tourism
 Crafters

AMOUNT TO THE BALANCE SHEET

(117,033)	(78,910)
433,883	423,872
28,539	27,150
28,920	27,512
136,750	130,094
10,644	10,126
18,887	17,968
30,266	28,793
1,014,486	1,001,530
8,294	7,890
-	46,502
8,565	8,148
98,845	94,034
8,563	8,146
124,597	124,597
2,264	15,692
84,527	140,638
1,544,166	1,168,192
269,612	164,945
151,515	144,140
80,472	78,830
139,590	132,796
163,191	220,799
46,759	44,483
211,105	200,830
223,008	243,774
34,111	32,451
81,700	211,988
-	48,903
267,068	254,069
329,957	730,589
100,000	100,000
41,730	118,858
12,071	11,483
19,644	18,688
8,550	8,134
36,000	
5,681,246	5,967,734

(Refer to appendix A for more detail on Trust Funds)

3) **Reserves**

Repairs and Maintenance (General)
Repairs and Maintenance (Quarry)

AMOUNT TO THE BALANCE SHEET

256,592	234,328
183,236	164,543
439,828	398,871

(Refer to appendix A for more detail on Reserves)

2008/2009 2007/2008

4) **Long Term Liabilities**

Annuity Loans

860,873

1,064,430

860,873**1,064,430****Less : Short-term portion transferred to Current Liabilities****216,826****184,668**

Annuity Loans

216,826

184,668

AMOUNT TO THE BALANCE SHEET**644,047****879,762***(Refer to appendix B for more detail on Long-term Liabilities)***ANNUITY LOANS**

Loans held by the Development Bank of South Africa bear an interest between 10.25% and 16.033% per annum and are repayable over periods between five and thirty years. All loans will be repaid by 2025.

5) **Consumer Deposits : Services**

Electricity

343,844**334,308**6) **Fixed Assets***Fixed assets at the beginning of the year*

97,732,711

85,984,047

Capital Expenditure during the year

17,132,904

11,748,664

Less : Assets written off, transferred or disposed of during the year

-

-

Long-term Debtors

(464,372)

(491,570)

Total Fixed Assets**114,401,243****97,241,141***Less : Loans Redeemed and Other Capital Receipts***(101,813,622)****(85,361,340)****NET FIXED ASSETS****12,587,621****11,879,801***(Refer to Appendix C for more details)*7) **Investments***Unlisted*

Fixed Deposit

20,391,088

25,238,668

Call Account

30,720,166

10,292,956

51,111,254**35,531,624****Short Term Investments**

FNB 74171204510

804,920

FNB 74056635161

1,042,028

FNB 74171390666

12,540,375

FNB 62063171351

193,903

179,698

FNB 61381739619

30,720,166

10,292,956

FNB 74213214708

16,640,065

FNB 74100629770

885,324

FNB 74188016669

2,355,874

FNB 74193195797

315,922

ABSA 9185471309

10,357,813

AMOUNT TO THE BALANCE SHEET**51,111,254****35,217,790**

	2008/2009	2007/2008
Long Term Investments		
RMB 1746635 <i>AMOUNT TO THE BALANCE SHEET</i>	-	313,834
Managements Valuations of Unlisted investments	51,111,254	35,531,624
Average Rate of Return on Investments	10.50%	9%

Funds are invested according to Circular No C/46/1994 issued by the Provincial Administration Community Services Branch with approved Banking Institutions.

The Investment held at Rand Merchant Bank was pledged as security for a loan.

No investments have been written off during the year.

8) **Bank Accounts**

Current Account (Primary Bank Account) First National Bank Account no 53813535227	267,288	249,178
Current Account - Bank statement balance First National Bank Account No 62116156987	838,631	3,124,550
Call Account - Bank statement balance First National Bank Account No 62135193770	4,268,133	2,538,891
Cashbook Balance	5,050,718	4,570,566

9) **Long Term Debtors**

Loans to :		
Sporting Bodies, etc	3,636	3,636
Housing Loans	464,372	491,570
Survey Fees	(7,980)	7,728
Land Cost	288,340	288,340
Amathole District Municipality	-	914,960
	748,368	1,706,234
Less : Short-term portion transferred to Current Assets	3,636	3,656
Loans to Sporting Bodies, etc.	3,636	3,656
Vehicle Loans	-	-
Computer Loans	-	-
	744,732	1,702,578
<i>AMOUNT TO THE BALANCE SHEET</i>		

Housing loans were granted to beneficiaries of housing schemes and bear interest between 2% and 11,25% per annum and are repayable over a period of 30 years.

Survey Fees and Land Cost will be recovered from purchases of developed municipal land on sale of the land.

Internal and external loans in respect of water and sanitation services are payable by Amahtole Distrcit Municipality with effect from 1 July 2007. These loans bear interest at 4% in respect of internal loans and between 10,05% and 16,033% in respect of external loans. Amathole District Municipality repaid these loans in full during the year.

2008/2009 2007/2008

10) Stock*Stock represents consumable stores, raw materials and finished goods.*

Water
Electricity
Rate and General

Stock to the value of R11 778 was written off during the year.

5,937	5,937
122,807	127,382
29,377	78,916
158,121	212,235

11) Debtors*Current Debtors**Less : Provision for bad debts*

No debts were written off as bad during the year.

The ageing of debtors is as follows:

Current
30 Days
60 Days
+ 90 Days

32,159,243	31,716,683
32,159,243	31,716,683
(25,045,597)	(23,718,012)
7,113,646	7,998,671

2,323,637	7,188,759
872,524	1,148,573
738,841	388,380
28,224,241	22,990,971
32,159,243	31,716,683

12) Provisions

Audit Fees
Leave Gratuity
Bonuses
Wastesite Rehabilitation

-	-
2,010,894	2,048,863
1,897,488	1,275,601
500,000	
4,408,382	3,324,464

13) Creditors

Trade Creditors
Municipal Infrastructure Grant
Housing Projects
Deposits - Other
Consumer Debtors paid in Advance

AMOUNT TO THE BALANCE SHEET

5,061,715	3,978,572
9,023,615	5,588,023
3,240,993	3,197,907
47,467	141,128
524,986	557,862
17,898,776	13,463,492

Government grants in respect of Municipal Infrastructure Grant and Housing Projects are received in advance and are held in suspense as unspent government grants until they are expended.

14) Assessment Rates

Assessment Rates

Valuations as at 30 June 2009
580,080,790

Actual Income	Actual Income
2,009	2,008
5,369,390	5,872,748

The Valuation Roll does not differentiate between categories of properties, Valuations on land and improvements are performed every four years and the last general valuation came into effect in 2004. The basic rate was 2,10c per Rand on Land and Improvements. Rebates are applied according to Councils policy. Rebates amounting to R1 422 167 were granted during 2008/2009.

15) Employee Related Costs

Salaries and Wages	17,248,322	15,873,761
Car Allowance	994,839	984,699
Bonus	2,004,193	1,687,725
Overtime	265,909	242,145
Housing Subsidy/Allowance	36,551	36,876
Any other type of benefit or allowance	210,631	308,671
Contributions to Medical and Pension Funds	4,546,669	4,186,312
	25,307,114	23,320,189

No amount was outstanding at the end of the year in respect of pension and medical aid contributions.

Remuneration of the Municipal Manager

Annual Remuneration	453,828	388,484
Car Allowance	181,846	160,407
Performance Bonuses		59,300
Cell Phone Allowance	12,000	12,000
Contributions to Medical and Pension Funds	89,135	80,727
Total Employee Related Costs	736,809	700,918

Remuneration of the Administration Manager

Annual Remuneration	430,961	354,548
Car Allowance	102,720	91,922
Performance Bonuses		72,247
Leave Pay		115,802
Long Service Bonus	50,425	
Cell Phone Allowance	7,600	6,000
Contributions to Medical and Pension Funds	104,445	90,218
Total Employee Related Costs	696,151	730,737

Remuneration of the Social Services Manager

Annual Remuneration		253,440
Car Allowance		67,412
Performance Bonuses		69,285
Leave Pay		20,372
Severance Pay		139,254
Cell Phone Allowance		4,500
Contributions to Medical and Pension Funds		52,063
Total Employee Related Costs	-	606,326

The contract of the Social Services Manager was terminated on 30 April 2008.

Remuneration of the Electrical Services Manager

Annual Remuneration		330,690
Standby		21,979
Car Allowance		91,494
Performance Bonuses		47,341
Cell Phone Allowance		6,000
Contributions to Medical and Pension Funds		95,826
Total Employee Related Costs	-	593,330

The Section 57 contract of the Electrical Services Manager was terminated on 1 April 2008

2008/2009 2007/2008

Remuneration of the Protection Services Manager

Annual Remuneration
Car Allowance
Performance Bonuses
Cell Phone Allowance
Contributions to Medical and Pension Funds
Total Employee Related Costs

	30,439
-	30,439

The Protection Services Manager left the employ of the municipality on 31 March 2007.

Remuneration of the Chief Financial Officer

Annual Remuneration
Car Allowance
Performance Bonuses
Long Service Bonus
Leave Pay
Cell Phone Allowance
Contributions to Medical and Pension Funds
Total Employee Related Costs

487,542	389,521
108,944	101,816
	104,386
	14,285
	101,627
7,600	6,000
105,470	88,603
709,556	806,238

Remuneration of the Engineering Services Manager

Annual Remuneration
Car Allowance
Performance Bonuses
Leave Pay
Cell Phone Allowance
Contributions to Medical and Pension Funds
Total Employee Related Costs

451,871	373,008
110,668	103,428
	52,193
	31,538
7,600	6,000
108,441	94,389
678,580	660,556

Remuneration of the Human Resources Manager

Annual Remuneration
Car Allowance
Performance Bonuses
Cell Phone Allowance
Contributions to Medical and Pension Funds
Total Employee Related Costs

	337,920
	89,882
	48,165
	6,000
	75,240
-	557,207

The Section 57 contract of the Human Resources Manager was terminated on 1 April 2008

Remuneration of the Strategic Manager

Annual Remuneration
Car Allowance
Performance Bonuses
Leave Pay
Cell Phone Allowance
Contributions to Medical and Pension Funds
Total Employee Related Costs

434,659	329,243
96,174	92,382
	22,840
	34,276
7,600	6,000
107,757	88,134
646,190	572,875

Performance Bonuses payable during 2008/09 were not paid and have been included in the Provision for Bonuses.

16) Councillor's Remuneration

Mayor's Allowance
Speaker's Allowance
Councillor's Allowance
Contributions to Medical and Pension Funds

471,048	425,472
381,313	344,874
6,314,229	5,799,284
920,712	825,547
8,087,302	7,395,177

Councillors Salaries, Allowances and benefits are within the prescribed upper limits.

2008/2009 2007/2008

17) Arrear Rates and Services Owed by Councillors

-	-

Arrear Rates and Services charges owed by Councillors and which were outstanding for more than 90 days.

18) Auditor's Remuneration

Audit Fees

748,019	592,336
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No amount was outstanding at the end of the year in respect of audit fees.

19) Finance Transactions

Total external interest earned or paid :

*Interest earned**Interest paid*

4,803,743	3,743,694
159,737	188,114
4,963,480	3,931,808

Capital Charges debited to operating account :

*Interest :**External**Internal**Redemption :**External**Internal*

574,020	612,702
159,737	188,114
414,283	424,588
4,078,376	3,860,275
203,557	175,181
3,874,819	3,685,094
4,652,396	4,472,977

20) Appropriations*Appropriation account :**Accumulated surplus at the beginning of the year**Operating surplus for the year**Appropriations for the year*

9,628,368	12,004,939
9,170,692	5,038,023
(4,511,083)	(7,414,594)
14,287,977	9,628,368

*Operating account**Capital Expenditure*

73,372	147,861
---------------	----------------

Contributions to :

Revolving fund

Repairs and Maintenance

Provision for Bad Debts

Provision for audit Fees

Leave Gratuity

Provision for Wastesite Rehabilitation

440,456	392,837
20,000	20,000
1,289,269	396,000
630,000	570,000
161,858	83,119
500,000	
3,041,583	1,461,956

Appropriations include the following:

Provision for Bad Debts

Provision for Bonuses

Provision for Accumulated Leave

Pension Benefits on Severance

Severance Settlement Payment

Correction of prior year vat accruals

Other prior year adjustments

	4,338,920
	1,275,601
	393,768
	926,361
195,005	
4,131,023	
187,055	479,944
4,513,083	7,414,594

21) Cash generated by operations*(Deficit)/Surplus for the year**Adjustments for :*

Previous year's operating transactions

Appropriations charged against income :

- *Revolving Fund*- *Provisions and Reserves*- *Interest on Temporary Advances*- *Capital Outlay*

Capital Charges

* *Interest paid*

- To internal funds

- On external Loans

* *Redemption*

- On internal advance

- On external Loans

Expenditure charged against Provisions and Reserves

Surplus on Dog Tax account

AMOUNT TO CASHFLOW STATEMENT

9,170,692	5,038,023
(4,511,083)	(7,414,594)
3,721,695	1,587,473
440,456	392,837
3,223,014	1,069,119
58,225	125,517
4,964,644	4,762,998
886,268	902,723
726,531	714,609
159,737	188,114
4,078,376	3,860,275
3,874,819	3,685,094
203,557	175,181
(3,635,178)	(6,471,735)
(24,852)	1,210
9,685,918	(2,496,625)

22) Investment income :- *Interest received on external investments*- *Interest on loans to sporting bodies, etc*- *Interest received on car loans***AMOUNT TO CASHFLOW STATEMENT**

4,803,743	3,742,041
-	-
-	1,653
4,803,743	3,743,694

23) (Increase)/Decrease in working capital*Increase/(Decrease) in Stores**Increase/(Decrease) in Debtors**(Increase)/Decrease in Creditors**(Increase)/Decrease in Deposits***AMOUNT TO CASHFLOW STATEMENT**

(54,114)	11,082
(515,306)	2,134,791
(4,435,284)	(7,077,850)
(9,536)	(9,536)
(5,014,240)	(4,941,513)

24) (Decrease)/Increase in Long term loans (external)- *Loans raised*- *Loans repaid***AMOUNT TO CASHFLOW STATEMENT**

-	-
(203,557)	(175,181)
(203,557)	(175,181)

25) Decrease/(Increase) in cash on hand- *Cash Balance: beginning of the year*- *Less: Cash Balance: end of the year***AMOUNT TO CASHFLOW STATEMENT**

4,575,382	2,651,525
5,055,734	4,575,382
(480,352)	(1,923,857)

	2008/2009	2007/2008
26) Decrease/(increase) in cash investments comprises :		
- Investments realised	(15,579,630)	(8,610,813)
AMOUNT TO CASHFLOW STATEMENT	(15,579,630)	(8,610,813)
27) Contingent Liabilities and Contractual Obligations		
Litigation against Amahlathi Municipality is in progress. The contingent liability includes possible legal expenses.	249,000	
28) Capital Commitments		
Commitments in respect of capital expenditure		
Approved and contracted for	10,814,368	6,462,061
Approved but not yet contracted for	11,446,032	11,408,999
	22,260,400	17,871,060
29) Revolving Fund		
Outstanding Advances to Borrowing Services		
Accumulated funds	32,042,384	30,969,136
Less:	19,861,472	15,581,434
Temporary Advances	(31,533,778)	(21,164,854)
Debtors	283,996	1,214,664
External Investments	51,111,254	35,531,624
<i>(refer to appendix A and B for more detail)</i>	12,180,912	15,387,702
30) Taxes, Levies and Duties		
There were no payments in respect of taxes levies and duties for the financial year and no amount was outstanding at the end of the year.		
31) Allocations Received from National or Provincial Government		
Equitable Share	41,940,599	32,635,691
Finance Management Grant	500,000	500,000
Municipal Systems Improvement Grant	735,000	734,000
Municipal Infrastructure Grant	15,900,136	10,922,877
Total Allocations Received	59,075,735	44,792,568
The Finance Management Grant was utilised towards a Financial Management Reform Programme under the guidelines of National Treasury.		
The Municipal Systems Improvement Grant is allocated towards the compilation of a General Valuation Roll.		
The Municipal Infrastructure Grant is utilised for capital projects particularly servicing the poorer section of the community.		
Details of amounts spent are included in Appendix A and Appendix C.		
The municipality has complied with the conditions of allocations received and no funds destined for the municipality in terms of the Division of Revenue Act were delayed or withheld.		
No allocations have been made to a municipal entity, another municipality or any other organ of state.		

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

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Amahlathi Local Municipality which comprise the balance sheet as at 30 June 2009, the income statement, 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 32 to 56.

The accounting officer's responsibility for the financial statements

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

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for qualified opinion

Debtors

7. The debtors age analysis and the ageing thereof differed by R1,4 million from the financial statements. Management is of the opinion that the difference was system related and arose as a result of the change of the operating system from Abakus to Venus. However, they were not able to provide an adequately supported explanation for the difference and it was not possible to perform alternative procedures. As a result, there is significant uncertainty concerning debtors of R30,1 million included in the balance of R32,2 million disclosed in note 11 to the financial statements as well as the corresponding revenue related thereto. As a result, I was unable to confirm whether all debtors were recorded and shown at the correct value and whether all related revenue was correctly recorded.

No reliance could be placed on the calculation of the provision for bad debts disclosed as R25 million in note 11 to the financial statements as it is based on the debtors age analysis. As a result, I was unable to confirm whether the provision was recorded at the correct amount.

The net value-added tax (VAT) balance of R44 000, included in debtors of R32.2 million disclosed in note 11 to the financial statements, is made up of a VAT debtor and VAT creditor in the amounts of R5.18 million and R5.14 million respectively. A journal passed to the VAT creditor of R4.1 million could not be verified as the transaction was based on the debtors age analysis upon which no reliance was placed. I was therefore unable to confirm whether all transactions relating to the VAT creditor were recorded at the correct amount.

Revenue

8. Included in revenue of R72.8 million as disclosed in the income statement is an amount of R1.6 million which relates to traffic income. I was unable to verify the completeness of such revenue as there were missing receipt numbers that could not be explained.

Qualified opinion

9. In my opinion, except for the effects of the matters described in the Basis for qualified opinion paragraphs, the financial statements of the Amahlathi Local Municipality have been prepared, in all material respects, in accordance with the basis of accounting as set out in accounting policy note 1 and in the manner required by the MFMA.

Emphasis of matter

I draw attention to the following matter:

Basis of accounting

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

Other matters

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

Unaudited supplementary schedules

11. The supplementary information set out on pages 57 to 63 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

Division of Revenue Act

12. The municipality received R15,9 million as a municipal infrastructure grant (MIG) despite the Division of Revenue Act (DoRA) allocation only being for R13 million. The excess funds were not transferred back to the transferring body as required by section 36 of DoRA.

Municipal Finance Management Act

13. Fixed assets disclosed in the balance sheet and note 6 to the financial statements are stated at cost less loans redeemed and other capital receipts. Although the cost of the fixed assets amounting to R114,4 million was supported by a fixed asset register, a proper fixed asset register in terms of section 63(2)(c) of the MFMA was not maintained as fixed assets were not marked with unique identification numbers that are appropriately cross-referenced to the asset register. As a result, assets selected from the asset register could not be physically verified and it could not be confirmed whether all assets were recorded on the asset register.

14. The municipality did not make all payments to creditors within 30 days of receipt of the invoice, as required by section 65(2) (e) of the MFMA.

15. The municipality did not comply with section 127(2) of the MFMA as the annual report was not tabled seven months after year-end.

Municipal Systems Act

16. Not all members of the council have disclosed their direct and indirect business interests as required by section 54 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) read with paragraph 5(a) and (b) of schedule 1 of the code of conduct for councillors of the same act.

Environment Conservation Act

17. The Environment Conservation Act, 1989 (Act No. 73 of 1989), section 20(1)(a) states that "no person shall establish, provide or operate any disposal site without a permit issued by the Minister of Water Affairs and that the Minister may issue a permit subject to such conditions as he may deem fit."

A permit was not issued for the municipality's landfill site located in Cathcart.

Governance framework

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

Internal control deficiencies

19. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the deficiencies in the system of internal control, which led to the qualified 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 qualified opinion	CE	RA	CA	IC	M
7	Debtors			3		
8	Revenue			2		

Control activities

20. Basic control activities for debtors such as regular reconciliations, isolating responsibilities and the performance of data integrity checks were found to be either ineffective or non-existent. In addition, the level of reliance placed on consultants without adequate oversight by management impacted on the accurate processing of debtor transactions.

21. General information technology controls have not been designed to maintain the integrity of the information system and the security of the data relating to revenue. There were no controls in place and insufficient oversight of management to identify the risks associated with the completeness of transactions. In addition, the municipality did not prepare a risk assessment which should have identified the weaknesses identified.

Legend	
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

Key governance responsibilities

22. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of 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 in section 126 of the MFMA.	✓	
5.	Key officials were available throughout the audit process.	✓	
Development 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. 	✓	

No.	Matter	Y	N
	<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(1)(c)(i) of the MFMA.		✓
12.	Powers and duties have been assigned, as set out in section 79 of the MFMA.	✓	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.	✓	
Issues relating to the reporting of performance information			
14.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		✓
15.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		✓
16.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the municipality against its mandate, predetermined objectives, outputs, indicators and targets in section 68/87 of the MFMA.	✓	
17.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.		✓

23. Management's attention is specifically drawn to the following key governance responsibilities which, according to the above table, have not been effectively addressed:

24. The finance section of the municipality has adequate skills and competencies which have been utilised effectively. However, the manual systems in place to facilitate the preparation of the financial statements were not subject to adequate monitoring and oversight as a result material amendments had to be made to the financial statements after submission for auditing.

25. The weaknesses in the design and implementation of internal control in respect of financial and risk management were attributable to a lack of approved documented policies and procedures in respect of the various financial cycles.

26. The audit committee's term of office expired at the end of March 2009 and a new committee was not constituted owing to an inability to obtain council approval as a result of the suspension of certain councillors.
27. The municipality operates under a shared internal audit function which was not effective during the year since they operated without an updated audit plan.
28. The municipality did not perform a risk assessment during the year nor was there a fraud prevention plan in place. This is as a result of weak governance structures at the municipality.

Investigations

29. An investigation is currently being conducted by an independent body. The investigation was initiated based on an allegation of possible misappropriation of revenue by officials of the municipality.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

30. I have reviewed the performance information as set out on pages 9 to 22.

The accounting officer's responsibility for the performance information

31. 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

32. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.
33. 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.
34. 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

Existence and functioning of a performance audit committee

35. The term of the performance audit committee expired at the end of March 2009, resulting in the lack of an independent advisory body to advise the municipality on performance management issues. The municipality has since not appointed another performance audit committee, as required by regulation 14(2) of the Municipal Planning and Performance Management Regulations, 2001.

36. The performance audit committee was assessed as ineffective due to the following:

- Lack of evidence to indicate that the committee reviews the performance management system (PMS) and makes recommendations in this regard to the council. This review should focus on economy, efficiency, effectiveness and impact of the key performance indicators and performance targets.
- Lack of evidence to indicate that the committee submitted audit reports on performance management to the council at least twice during the financial year.

Internal auditing of performance measurements

37. The municipality did not develop and implement mechanisms, systems and processes for auditing the results of performance information as part of its internal audit processes, as required in terms of section 45(1)(c) of the MSA.

Lack of adoption or implementation of a performance management system

38. The municipality's Framework for Performance Management is dated January 2009 and there is no evidence to indicate that mechanisms to subsequently monitor and review its performance management system were established.

Non-compliance with regulatory requirements

39. The MFMA requires a municipality to set appropriate key performance indicators as a yardstick for measuring performance, including outcomes and impact, with regard to the municipality's development priorities and objectives set out in its integrated development plan. The municipality did not include outcome indicators for each of the development priorities and objectives as indicated in the integrated development plan for the 2008-09 financial year.

40. The municipality does not make use of the general key performance indicators as prescribed in terms of section 43 of the MFMA.

Mid-year budget and performance assessments

41. The mid-year budget and performance assessment report does not include information related to the municipality's service delivery performance and the service delivery targets and performance indicators set as required by section 72 of the MFMA.
42. Assessment of the mid-year budget and performance assessment report revealed that the following was not included therein:
- An explanation of any material variances from the municipality's projected revenue by source and from the municipality's expenditure projections per vote; any material variances from the service delivery and budget implementation plan; and any remedial or corrective steps taken to ensure that projected revenue and expenditure remain within the municipality's approved budget.
 - Only the engineering services and electrical engineering services sections were included as service delivery targets and performance indicators in the report. The following areas as per the Service Delivery and Budget Implementation (SDBIP) were not included as service delivery targets and performance indicators:
 - Administration services
 - Strategic management
 - Community services
 - Protection services
 - Human resources
 - Finance
 - Executive services
43. The prior year's annual report and progress on resolving problems identified in the annual report have not been included in the report.

Usefulness and reliability of reported performance information

44. 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?

Instances were identified where targets set for the 2008-09 financial year were not measurable (not easy to calculate from data that can be generated quickly, easily and at a reasonable cost) and reliable (clearly state what is to be measured without ambiguity). Furthermore, in certain instances the targets did not correspond with the key

performance indicators.

Inconsistently reported performance information

45. The municipality has not reported throughout the year on its performance with regard to its targets as per the approved integrated development plan.

46. According to Regulation 12(2)(c) of the Local Government: Municipal Planning and Performance Management Regulations, 2001, "A performance target set in terms of subregulation (1) must be commensurate with available resources and be commensurate with the municipality's capacity."

Instances were identified where targets per the performance information report could not be achieved as a result of capacity constraints.

Reported performance information not relevant

47. The targets with regard to all the objectives were not:

- specific in clearly identifying the nature and the required level of performance
- measurable in identifying the required performance
- time bound in specifying the time period or deadline for delivery.

Reported performance information not reliable

48. Lack of appropriate information systems generating performance information

Sufficient appropriate audit evidence with regard to the reported performance information of the objectives could not be obtained, as the information system used for generating performance information was not appropriate to facilitate the preparation of accurate and complete actual performance information.

49. Source information not accurate and complete

The source information or evidence provided to support the reported performance information with regard to the objectives did not adequately support the accuracy and completeness of the facts.

Measurable objectives not consistent

50. The municipality did not align the priorities, objectives and targets set in the integrated development plan to the annual budget as required by section 26(i) of the MSA.

APPRECIATION

51. The assistance rendered by the staff of the Amahlathi Local Municipality during the audit is sincerely appreciated.

East London

10 December 2009



A U D I T O R - G E N E R A L
S O U T H A F R I C A

Auditing to build public confidence

RESPONSES TO ISSUES RAISED IN THE AUDIT REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

7. Debtors

The difference in the debtors age analysis is system related and arose as a result of the change of the operating system from Abakus to Venus. The municipality has engaged the software providers to investigate and reconcile these differences. Once their findings and recommendations have been received adjusting entries will be passed if necessary.

8. Revenue

The receipt numbers are generated by the Natis System over which the municipality has no control. The issue of missing receipt numbers will be investigated with the Provincial Traffic Department and processes will be put into place to ensure that the receipt numbers issued are verified by the supervisor on a daily basis.

PLEASE READ THIS FIRST

PURPOSE OF THIS FORM

This form enables employers to comply with Section 21 of the Employment Equity Act 55 of 1998.

This form contains the format for employment equity reporting by employers to the Department of Labour. Both small employers (i.e. employers employing fewer than 150 employees) and large employers (i.e. employers employing 150 or more employees) are required to use this form. Those employers who are not designated, but wish to voluntarily comply, must also use this reporting form.

Although all sections of this form apply to large employers, only certain sections of this form should be completed by small employers. Employers who report for the first time are not required to complete the progress report section of this form.

WHO SHOULD COMPLETE THIS FORM?

All designated employers that have to submit a report in terms of the Employment Equity Act, 55 of 1998. Employers who wish to voluntarily comply with the reporting requirements of the Act are also required to complete this form.

WHEN SHOULD EMPLOYERS REPORT?

- Large employers must submit their first report within six months of being designated, and thereafter annually on the first working day of October; and
- Small employers must submit their first report within twelve months of being designated, and thereafter on the first working day of October of every year that ends with an even number.

ESSENTIAL REQUIREMENTS

Large employers, i.e. employers with 150 and more employees, must complete the entire EEA2 reporting form. Small employers, i.e. employers with fewer than 150 employees, must only complete areas of the EEA2 form that apply to them. Large employers, i.e. employers with 150 and more employees, must complete the entire EEA2 reporting form. Small employers, i.e. employers with fewer than 150 employees, must only complete areas of the EEA2 form that apply to them. All relevant areas of the form must be fully and accurately completed by employers. **Designated employers who fail to observe this provision will be deemed not to have reported.** Guidance to overcome difficulties on how to complete the form properly must be obtained from the Department prior to completing and submitting the report.

SEND TO:

Employment Equity Registry
The Department of Labour
Private Bag X117
Pretoria 0001
Telephone: 012 3094000
Facsimile: 012 3094737 / 3094188
e-mail: ee@labour.gov.za

SECTION A: EMPLOYER DETAILS

Trade name	Amahlathi Municipality
DTI registration name	
DTI registration number	
PAYE/SARS number	4390194381
UIF reference number	Stutterheim, Cathcart, KKHoek, Kei Road
EE reference number	
Industry/Sector	Local Authority
Seta classification	Local Government
Telephone number	043-683 1100
Fax number	043-683 1127
Email address	manager@amahlathi.co.za
Postal address	P/Bag X2 Stutterheim
Postal code	4930
City/Town	Stutterheim
Province	Eastern Cape
Physical address	No. 12 Corner Maclean & Hill Street Stutterheim
Postal code	4930
City/Town	Stutterheim
Province	Eastern Cape

Details of CEO at the time of submitting this report

Name and surname	F.M. Shoba
Telephone number	043-683 1100
Fax number	043-683 1127
Email address	fshoba@amahlathi.co.za

Details of Senior Manager for Employment Equity at the time of submitting this report

Name and Surname	M. Quma
Telephone number	043-683 1100
Fax number	043-683 1127
Email address	mquma@amahlathi.co.za

Business type

- | | |
|--|--|
| <input type="checkbox"/> Private Sector | <input type="checkbox"/> Parastatal |
| <input type="checkbox"/> National Government | <input type="checkbox"/> Provincial Government |
| <input checked="" type="checkbox"/> Local Government | <input type="checkbox"/> Educational Institution |
| <input type="checkbox"/> Non-profit Organization | |

Information about the organization at the time of submitting this report

Number of employees in the organization	<input type="checkbox"/> 0 to 49 <input type="checkbox"/> 50 to 149 <input checked="" type="checkbox"/> 150 or more
In terms of Section 14 of the Act, are you voluntarily complying?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is your organization an organ of State?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Date of submitting this report	

Please indicate the preceding twelve-month period (in the case of large employers) or twenty-four month period (in the case of small employers) covered by this report, except for first time reporting where this may not be possible:

From (date): 01-10-2007 To (date): 31-08-2008

Please indicate below the duration of your current employment equity plan:

From (date): _____ To (date): _____

Please read this first

- a. The preceding twelve-month period (in the case of large employers) or twenty-four month period (in the case of small employers) covered by employment equity employer reports must be the same for every reporting period.
- b. A summary providing guidelines on occupational categories and levels is provided in annexure 3 and annexure 4 of the regulations. Employers must complete the EEA2 form and the EEA4 form in accordance with Annexure 3 and Annexure 4.
- c. Non-permanent workers refer to those workers who are employed to work for less than 24 hours per month, or those workers engaged to work for not more than 3 continuous months.
- d. In Section B, the subtotals in terms of race and gender in the row dealing with **total permanent** employees in the table on occupational categories for **all employees**, which includes people with disabilities, must be exactly the same as the subtotals in the table on occupational levels for **all employees**. The same must apply to the subtotals in the **grand total** rows for occupational categories and levels as well.
- e. In Section B, the subtotals in terms of race and gender in the row dealing with **total permanent** employees in the table on occupational categories for **people with disabilities** must be exactly the same as the subtotals in the table on occupational levels for **people with disabilities**. The same must apply to the subtotals in the **grand total** rows for occupational categories and levels as well.
- f. Employers, from the second cycle of reporting onwards, must complete Section G that deals with progress reports.
- g. Employers must complete Section H that deals with **numerical goals** and **numerical targets**. **Numerical goals** are the workforce profile the employer is striving to achieve in the workplace at the end of the duration of the employer's current employment equity plan. The numerical goals of the employer must be the same for the entire duration of the employment equity plan. **Numerical targets** are the workforce profile the employer is striving to achieve at the end of the period following the period covered by the current report of the employer.
- h. Large employers, i.e. employers with 150 and more employees, must complete the entire EEA2 reporting form. Small employers, i.e. employers with fewer than 150 employees, must only complete areas of the EEA2 form that apply to them. Areas that only apply to small employers shall be made available by the Department in a separate form as well. All relevant areas of the form must be fully and accurately completed by employers.
- i. The alphabets "A", "C", "I" and "W" used in the tables have the following corresponding meanings and must be interpreted as "Africans", "Coloureds", "Indians" and "Whites" respectively.
- j. "**Designated groups**" means Black people (i.e. Africans, Coloureds and Indians), women and people with disabilities who are natural persons and are citizens of the Republic of South Africa by birth or descent; or are citizens of the Republic of South Africa by naturalization before the commencement date (i.e. 27 April 1994) of the Constitution of the Republic of South Africa Act of 1993; or became citizens of the Republic of South Africa from the commencement date of the Constitution of the Republic of South Africa Act of 1993, but who, not for Apartheid policy that had been in place prior to that date, would have been entitled to acquire citizenship by naturalization prior to that date.
- k. All population groupings who are not part of the Black group, but in substance fall within the definition described in paragraph (j) in terms of citizenship or descent, must be counted and included in the column of each table in the form that require data on the White group.
- l. Foreign nationals and South African citizens that fall outside the definition described in paragraphs (j) or (k) must be counted and included in the column of each table in the form that require data on foreign nationals.

2.3 Core operation functions and Support functions by occupational level

Job evaluation or grading systems, as illustrated in the EEA9, are used to measure a job in terms of content in order to establish its worth or value in relation to other jobs in an organization. The worth or value of a job is represented on a vertical axis as an occupational level. A job could either be a **Core operation** function or a **Support** function. **Core Operation Function** positions are those that directly relate to the core business of an organization and may lead to revenue generation, e.g. sales, production, etc. Whereas **Support Functions** positions provide infrastructure and other enabling conditions for revenue generation, e.g. human resources, corporate services, etc. Please indicate on table 2.3.1 the number of employees that are in **Core Operation Function** positions and in table 2.3.2 the number of employees that are in **Support Function** positions at each occupational level.

2.3.1 Please indicate the total number of employees (including people with disabilities), that are involved in **Core Operation Function** positions at each level in your organization. Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels	Male				Female				Foreign Nationals		TOTAL
	A	C	I	W	A	C	I	W	Male	Female	
	Top management										
Senior management	2			5							7
Professionally qualified and experienced specialists and mid-management	2							1			3
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	6	2		1	3			3			15
Semi-skilled and discretionary decision making	34				14						48
Unskilled and defined decision making	55	3			9	1					68
TOTAL PERMANENT											
Non – permanent employees											
GRAND TOTAL	99	5		6	27	1		4			141

2.3.2 Please indicate the total number of employees (including people with disabilities), that are involved in **Support Function** positions at each level in your organization. Note: A=Africans, C=Coloureds, I=Indians and W=Whites

Occupational Levels	Male				Female				Foreign Nationals		TOTAL
	A	C	I	W	A	C	I	W	Male	Female	
	Top management					1					
Senior management	2			1							3
Professionally qualified and experienced specialists and mid-management	2				10			1			13
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	9				15			4			28
Semi-skilled and discretionary decision making	3				13						16
Unskilled and defined decision making					4						4
TOTAL PERMANENT											
Non – permanent employees											
GRAND TOTAL	16			1	43			5			65

7.2 Please report the total number of **people with disabilities only**, and not the number of training courses attended, who received training in each occupational category.

7.4 Please report the total number of **people with disabilities only**, and not the number of training courses attended, who received training in each occupational level.

Section F: Qualitative Assessment (This section is *not applicable to small employers*)

8 Awareness of Employment Equity

8.1 Please indicate which of the following awareness measures were implemented by your organization:

	No. of Employees covered	Yes	No
Formal written communication	40		
Policy statement includes reference to employment equity	206		
Summary of the Act displayed	206		
Employment Equity training			x
Diversity management programmes			x
Discrimination awareness programmes			x
Other (please specify):			

9 Consultation

9.1 Please indicate which stakeholders were involved in the consultation process prior to the development of your employment equity plan and in preparing this Employment Equity Report:

	Yes	No	Please Explain
Workplace forum		x	
Consultative body or forum	x		Local Labour Forum Meetings
Registered trade union (s)	x		SAMWU & IMATU
Employees	x		
Other (Please specify):		x	

9.2 What was the level of agreement reached in the formulation of the plan? Please choose one.

Total	Sufficient x	Some	None
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9.3 How regularly do you meet with the stakeholders mentioned in 9.1? Please choose one.

Weekly	Monthly	Quarterly	Yearly x	Other
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11 Affirmative Action measures

11.1 Please indicate in which categories **affirmative action measures** have been implemented:

Categories	Yes	No	If yes, specify
Recruitment procedures	×		
Advertising positions	×		
Selection criteria	×		
Appointments	×		
Job classification and grading	×		
Remuneration and benefits	×		
Terms and conditions of employment	×		
Job assignments	×		
Work environment and facilities		×	
Training and development	×		
Performance and evaluation systems	×		
Setting numerical goals	×		
Promotions	×		
Transfers	×		
Demotions	×		
Succession and experience planning	×		
Disciplinary measures	×		
Diversity programme and sensitisation		×	
Community investment and bridging programme	×		
Retention measures		×	
Reasonable accommodation	×		
Other (please specify):			

12 Resources

- 12.1 Please indicate what resources have been allocated to the implementation of employment equity during the past year:

Allocation of Resources	Yes	No
Appointed a designated officer to manager/s the implementation	×	
Allocated a budget to support the implementation goals of employment equity	×	
Time off for employment equity consultative committee (or equivalent) to meet on a regular basis	×	
Other (Please specify)		

13 Monitoring and evaluation of implementation:

- 13.1 How regularly do you monitor progress on the implementation of the employment equity plan? Please choose one.

Weekly	Monthly	Quarterly	Yearly ×	Other
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Section G: Progress Report

(Section G to be completed from the second cycle of reporting onwards)

14 Reporting period: From 01st /10 /2007 to 31st /08 /2008

14.1 Did you achieve the numerical targets as set out in your employment equity plan for this period?

Yes	No
	x

14.2 Did you achieve the affirmative action objectives as set out in your employment equity plan for this period?

Yes	No
	x

14.3 If not, what were the obstacles you experienced:

What were the obstacles to reaching the employment equity goals and objectives during the past year?
Minmal applications from white and coloured communities

14.4 If yes, what factors promoted the accomplishment of your goals and objectives:

What were the factors that contributed to the accomplishment of the employment equity goals and objectives during the past year?

Section H: Signature of the Chief Executive Officer

Chief Executive Officer

I hereby declare that I have read, approved and authorized this report.

Signed on this _____ day of _____ year _____

At place: _____

Signature: Chief Executive Officer Full Name