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ANNUAL REPORT 2008/09



**ADVANCING TOGETHER
IN DEVELOPMENT**



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CHAPTER 1: INTRODUCTION & MUNICIPAL OVERVIEW

CHAPTER 1: INTRODUCTION AND MUNICIPAL OVERVIEW

1.1 MAYOR'S FOREWORD



One of the chief cornerstones for a developmental local government, revolves around the principle of transparency. Building and maintaining an informed public, is necessary to ensure our developmental agenda as a council is widely embraced and co-owned with our stakeholders. Now, through constant consultative processes council seeks to ensure that our developmental agenda is co-authored through public participation. This report re-affirms our commitment as the council of Inkwanca and through its administration to inform, share views on service delivery challenges for the financial year 2008/2009. This annual report has been compiled with a view to invite our stakeholders, the various publics and the community, accord them an opportunity to evaluate the quality of our achievements.

This council has sought to breathe life in the notion of public participation and thus committed itself to involve our community, through the creation of different platforms, the Integrated Development Planning (IDP) review forum, the annual budget review processes, and the local economic development review process, including the mayors out-reach programme. All of these efforts are deliberate and are geared towards ensuring that we take our publics along on the journey to building a developmental local government.

Our desire through this report is not to hide our shortcomings and challenges, but instead we seek to create a better understanding of the challenges of developmental local government through building an informed public. Through this report, the council of Inkwanca is once more opening a platform for public interaction for our stakeholders and the broad community of Inkwanca, to come forward air their views and evaluate the quality of service delivery. To help us identify areas of service delivery concern, so that these can be incorporated in our developmental agenda as it unfolds. This council is convinced and has confidence that our stakeholders poses the wherewithal and capacity to interact with this report and give this municipality a constructive feedback, to help us build a better future for our children and the community of Inkwanca.

In presenting this report, I am confident as the mayor of this council, our stakeholders will invest time and mind to interact with this document, gain a better understanding of the intents of this council. It is our way for inviting constructive comments, and suggestions towards a way forward, the building blocks for the future of the community of Inkwanca.

I take this opportunity to express my sincere gratitude and appreciation to the leadership in all spheres of our government and trust that our inter-governmental relations can only grow from strength to strength through their support, guidance and co-operation. I thank my fellow councilors, the management and the entire municipal staff, with a reminder and call for duty “So little done, So much to do”. To our communities, our resolve remains unchanged, that of commitment to serve the political mandate with energy and purpose.

Last but not least, many thanks to my Wife and family for their support during the trying year.

Thanking You

CLLR MZUNZIMA YEKANI

MAYOR: Inkwanca Local Municipality

1.2 MUNICIPAL MANAGER'S FOREWORD & INTRODUCTION

1.2.1 Foreword



I trust that this Annual Report will give meaningful insight into the operations and performance of Inkwanca Local Municipality for the period 1st July 2008 to 30th June 2009. It is always advisable to read the Annual of a particular period in conjunction with the IDP of the same period. The IDP spells out the development objectives, strategies and projects while the Annual report makes an attempt to report back on the performance of the institution. The report therefore outlines the details of the various programmes managed by the municipality and how we have performed towards meeting the specific targets we have set.

The year under review has been one full of progress and yet it presented us with many challenges, locally, nationally and globally. The financial meltdown affected most sectors and to a large extent our poor households. In order for us to realize our vision and succeed in our mission we have articulated our goals in terms of the following five strategic objectives:

- The provision of quality basic services and develop infrastructure;
- Advance shared economic growth and development;
- Fostering participatory democracy and application of Batho Pele principles through provision of accessible and accountable governance;
- Good governance, financial viability and institutional transformation; and
- Fighting poverty and building viable safe human settlements

During the period under review the Municipality had under difficult circumstances accomplished significant achievements such as being adjudged as the Cleanest Municipality in the Chris Hani District and coming second

in the Eastern Cape Cleanest Town, as well as representing the province in the national Cleanest Town Competition 2008/09.

For first time in municipality's existence, we received our first MIG allocation of R3,5 million, which we used to extend our infrastructure, starting with regravelling of Molteno town roads. The provision of infrastructure is becoming more difficult and very costly more especially to the very small municipalities like us.

The revenue generation and collection from services that we provide has not been optimum, in order to enable reinvestment in operations and maintenance. This has been consistently echoed in the prior reports. Unless the municipality expands its revenue base, unless those who can afford to pay start paying for services rendered, and unless the municipality's collections section start collection what is due, we can just forget about extending services to the poorest sections of our communities and maintaining all what we have built in the past. There is an urgent to all of us to focus on revenue enhancement and collections, customer care, operations and maintenance, financial management and financial discipline.

The skills shortage and inappropriate recruitment of skills has been placing a huge pressure on our service delivery capacity. During the year under review we have not only recruited two managers and two assistant managers but have ensured that employee development and training becomes an important area of our work. Similarly, the greater part of our organizational restructuring took place during this period. Restructuring is a painful process even at the best times, yet our staff must be commended on their open-mindedness during these trying times.

The Management and staff of the municipality will continue to put in every effort to ensure that this institution implements its mandate effectively and that we, individually and collectively are able to make a difference in our communities.

Thanking You All

Nkosini Ncube
MUNICIPAL MANAGER

1.2.2 Introduction

The Inkwanca Local Municipal is a category B municipality established in terms of Section 12 of the Municipal Structures Act 117 of 1998. The municipality is approximately 3583²km, situated 60km north-west of Queenstown. It comprises of the towns of Moltano and Sterkstroom and the surrounding farming (rural) areas, with Moltano being the administrative seat of the municipality. The residential component of the municipality is mainly concentrated in the two urban nodes:

- Moltano, including Nomonde, Moltano Town, Nkululeko and Dennekruijn
- Sterkstroom, including Masakhe, Sterkstroom Town, Sonwabile & Hoffmansville

The rural surroundings (farm areas) comprise a small portion of the total population in the municipality.

The municipality falls within the Chris Hani District Municipality and is bounded by the Tsolwana, Gariep, Maletswai, Emalahleni and Lukhanji Municipalities. The N6 national road between Bloemfontein and East London play an important link through the municipality. In addition, the R56 route from Petermaritzburg runs through Moltano towards Middelburg, is a further important roadlink. The area has a rich historical background dating back to the 18th century with a number of monuments and key places of interest. Commercial agriculture is the main economic activity in the municipality.

Queenstown urban area plays an important role of being the economic hub of the district; and a number of services for Inkwanca residents are obtained from Queenstown and areas further afield like Bloemfontein and East London.

1.3 DEMOGRAPHIC INFORMATION

Settlement dynamics in these areas are characterized by high residential densities in the township areas with the business activity and lower residential densities in the old town areas.

Demographic Data obtained from the Central Statistical Services (Census 2001).

→It is noted that the accuracy of these figures can be debated. However, these figures are used based on consistency and the fact that Government use these figures for grants and subsidy purposes.

□ Population/Age

Age	Rural	Moltano Town	Nomonde+Nkululeko	Masakhe+Sonwabile	Sterkstroom Town	Total
0-9	813	277	1786	1131	119	4127
10-19	552	400	2437	1542	219	5151
20-64	1908	803	4030	2422	417	9580
56+	135	177	563	430	85	1389
Total	3408	1657	8817	5525	840	20247

- Approximately 50% of the population is within the economic active group, aged 20 – 64.
- 17% of the population live in the rural area, indicating high level of urbanization.
- Moltano has the greatest population concentration, comprising approximately 50% of the total population or 10474.

□ Family **Composition**

	Families	Population
Rural	1148	3408
Molteno	2569	10474
Sterkstroom	1758	6365
Total	5475	20247

- Total of 5475 families reside in the municipality.
- This constitutes an average family size of approximately 4 persons.
- Molteno represents the highest family sizes in the municipality with the rural area the lowest at approximately 3 persons per household.
- Population distribution between the urban and rural area clearly demonstrates high level of urbanization and high level of commercial farming activities.

ECONOMIC PROFILE

Employment

	Total
Employment	3057
Unemployment	4242
Home-maker or housewife	316
Unable to work due to illness or disability	731
Does not choose to work	543
Not applicable (younger than 15 and older than 65)	11357
Total	20245

Economic Sector

	Total
Agriculture, hunting; forestry and fishing	39.2
Manufacturing	4.4
Construction	5.3
Wholesale and retail trade	11.2
Transport, storage and communication	1,4
Financial, insurance, real estate and business services	3.6
Community, social and personal services	17,9
Other	2,0
Private households	15,0
Total	100

- Agriculture and hunting represents by far the biggest sector and employer in the study area.
- Community, social and personal services second highest employer.
- High level of employment in agriculture industry demonstrates vulnerability of the study area's economy, with specific reference to droughts and impacts on the commercial farming industry.

Income (Annual/Household)

No Income	R1 – R9 600	R9 601 – R38 400	> R38 401	Grand Total
1,127	2,324	1,518	508	5,477

- 20% of families have no income.
- 62% of families have no income or an income below R10 000 per annum.
- The economic analysis indicates high levels of dependency on subsidies and possible subsistence farming initiatives.
- Low economic growth and high levels of unemployment increase dependants on state funded projects, with specific reference to housing.



Number of Households	Total Population	African	Coloured	Indian	White
(6622 Municipal Data)	20 245	18060	861	3	1322

1.4 MUNICIPAL CHALLENGES

CHALLENGES	ACTIONS TO ADDRESS
Employment and job creation	
<ul style="list-style-type: none"> ▪ Very high levels of unemployment (as much as 60%). ▪ 69,9% of population living within poverty bracket ▪ Declining economic profile which is evident throughout the municipal 	<ul style="list-style-type: none"> - 340 Job opportunities created through LED programme. - Land acquisition through LRAD programme six trusts established with an average of 4 households per trust. -

area.	
Infrastructure and backlogs	
- Only 214 kms of 1675 km of roads within the municipal area are tarred. The rest is either graveled or just scrapped dirt.	- Municipal Roads Regravelling Programme : 6 Kms of roads in Molteno town and sealing of 4.5kms in Masakhe.
- Dilapidated Stormwater system - Stormwater system design: capacity constraints.	- Stormwater Building Programme: new stormwater channels in Nomonde from Nkululeko through Joe Slovo School to the Methodist Church; Phumlani Section
- Lack of Educational facilities	- 3 schools were built (Nolitha Primary, Edelweis Primary and Eluthuthu Primary schools)
Housing	
- Poor workmanship: Low Cost Houses built	- Rectification Programme: All houses badly constructed identified. Application to the Province made.
- Long waiting housing list both in Molteno and Sterkstroom.	- 1127 Units will be built in Molteno Airstrip in 2009/2010.
- People in the old Masakhe living on edge of Hex River below flood line.	- Application for removal and relocation of 164 households from old Masakhe.

1.5 POLITICAL GOVERNANCE STRUCTURES

The Council comprises of only 6 elected Councillors, all come from Proportional Representation (PR). Due to the size of the council and number of councilors, there are no portfolio committees or any section 79 committee for that matter. The party and gender representation in the Council is represented the table below:

Council:

Name of councillor	Capacity	Gender	Political Party	Ward/ PR	Constituency
MZUNZIMA YEKANI	MAYOR	MALE	ANC	PR	Molteno
NANDIPHA TAMARA FOLOSE	COMMUNITY SERVICES & LED	FEMALE	ANC	PR	Molteno
KHOLEKA KIDO-MANGALISO	Special Programmes	FEMALE	ANC	PR	Sterkstroom
SYLVIA NOYI	Infrastructure (Roads +Stormwater, and Housing)	FEMALE	ANC	PR	Molteno
PATRICK PARKER	Administration	MALE	ANC	PR	Sterkstroom
STRETTON	Infrastructure(Electricity and Water+Sanitation)	MALE	DA	PR	Rural (Farming Area)

1.6 ADMINISTRATIVE GOVERNANCE STRUCTURES

Please also provide copy of organogram

Name of sec 57 Official	Department	Performance agreement signed (Yes/No)
NKOSINI NCUBE	MUNICIPAL MANAGER'S OFFICE	YES
ZANELE FOLOSE	FINANCE	YES
MZIWOXOLO DINGANI	COMMUNITY SERVICES	YES
SIMPHIWE DYANTYI	CORPORATE SERVICES	YES
ANELE KOOS	TECHNICAL SERVICES	YES

Other technical committees (Insert more tables if needed)

Name of committee: IDP Steering Committee

Name of representative	Capacity	Terms of reference of committee	Meeting dates
NCUBE NA	MUNICIPAL MANAGER	Process Plan adopted by Council on 14 th October 2008	17/09/2008
DINGANI ME	MANAGER: COMMUNITY		28/10/2008
DYANTYI SS	MANAGER : CORPORATE		08/01/2009
FOLOSE Z	CFO		11/02/2009
KOOS A	MANAGER: TECHNICAL		12/03/2009
MANI NG	STRATEGIC MANAGER		

Name of committee: TURNAROUND STEERING COMMITTEE

Name of representative	Capacity/ entity representing	Terms of reference of committee	Meeting dates
Clr ME Yekani	Mayor	1. FINANCIAL TURN AROUND PLAN adopted by Council July 2008 2. AUDIT ACTION PLAN adopted by Council 19 th January 2009	15/08/2008
Clr P Parker	Councillor		12/09/2008
Mr T Ngqaleni	Technical		17/10/2008
Mr N A Ncube	Municipal Manager		14/11/2008
Ms Z Folose	CFO		26/01/2009
Mr ME Dingani	Manager		23/02/2009
Mr A Koos	Manager		20/03/2009
Mr S Dyantyi	Manager		03/04/2009
Mrs N Fetsha	Provincial Treasury EC		08/05/2009
Mr Smouse	Provincial Treasury EC		09/06/2009
			15/06/2009
			22/06/2009

1.9 PUBLIC ACCOUNTABILITY

Area committees

Area 1 : Molteno Old Location

Name of representative	Capacity/ entity representing	Meeting dates
MRS GLADYS MTHAKATHI		
MS NOMSA STRATO		
MR VUYANI ADAM		
MR MANDILAKHE NDIBI		
MR THEMBINKOSI YEKANI		

AREA 2 : PHELANDABA, PHUMLANI, NCEDULUNTU & J-SECTION

Name of representative	Capacity/ entity representing	Meeting dates
MRS CYNTHIA BUSHULA		
MRS NOKHANYO LUFELE		
MR ZOLANI FYN		
MR ANDA JAMEKWANA		

AREA 3 KHAYELITSHA & MDANTSANE

Name of representative	Capacity/ entity representing	Meeting dates
MS FEZEKA TSHIZA		
MR BONGA LUFELE		
MRS NOBULUMKO GOBA		
MS NOTHENDE GWAMPI		
MS SINDISWA SIHLANGU		

AREA 4: NKULULEKO

Name of representative	Capacity/ entity representing	Meeting dates
MR NTSUKUMBINI MAMANI		
MS AGNES YEKANI		
MS NOLUTHANDO NGAMBI		

AREA 5: ZOLA & MQESHI

Name of representative	Capacity/ entity representing	Meeting dates
MR NKOSINATHI BISIWE		
MS BONGIWE NDENGANE		
MS NOMTHANDAZO GADENI		
MR SANDILE MBOSO		

AREA 6: STERKSTROOM OLD MASAKHE & TOWN

Name of representative	Capacity/ entity representing	Meeting dates
MS VUYISWA NKABI		
MS MONICA BLANDILE		
MS NOMBULELO YALIWE		
MS YOLISWA MATHEBE		
MS NOTHETHI DOROTHY MALGAS		

AREA 7: NEW MASAKHE

Name of representative	Capacity/ entity representing	Meeting dates
MS ESTER NOZIMBO KLAAS		
MS NOZAME MLONYENI		
MR MXOLISI ZOLANI		
MR NCEBA DAYI		

AREA 8 : SONWABILE

Name of representative	Capacity/ entity representing	Meeting dates
MR LUNGISA MATYALANA		
MR NQABISILE BISIWE		
MS LULEKA ULUWA		
MR AM OLIVIER		

IIMBIZO

Area in which Imbizo were held: Masakhe (Sterkstroom).

Date of Imbizo: .09th September 2008

Main issued raised by community	Issue addressed (Yes/No)	Feedback provided (Yes/No)
Shortage of Water in entire Masakhe	Yes	Yes
Water from Carnavon Estates is of poor quality	Yes	Yes
Houses at Sonwabile with no occupants	No	Yes
7 Households in Zola area never had access to electricity	Partly	Yes
High mast light in Zwelitsha section has been out of order for some time	Yes	Yes
Livestock roaming around in residential areas	No	Yes
Roads at Sonwabile – (very bad)	No	Yes
All streets in Old Masakhe - very bad condition	No	Yes
People rearing pigs in high density residential areas	Yes	Yes
Home Affairs offices – Far (IDs, Birth and Death Certificates)	Partly	Yes
Promise of youth centre not yet fulfilled.	No	Yes
Majority of youth unemployed	No	Yes

Area in which Imbizo were held: Nomonde (Molteno)

Date of Imbizo: .11 September 2008

Main issued raised by community	Issue addressed (Yes/No)	Feedback provided (Yes/No)
Sewage spill at Phumlani – 6 households serious affected.	Partly	Yes
Roads & all streets very bad condition	No	Yes
Stormwater problems Phelandaba and Phumlani	Partly	Yes
Street lights at Nkululeko that are not working	Partly	Yes
Street lights in all areas of Nomonde	Partly	Yes
Houses built 1965-1968 that are falling apart	No	Yes
RDP Houses with occupants living in	No	Yes
People selling RDP Houses		Yes
Shoddy workmanship in most of RDP housing projects	No	Yes
Favouritism when hiring municipal workers – casual workers in particular	Yes	Yes
People rearing livestock (cattle, goats and pigs) in residential areas	Yes	Yes
Sport field used by 14 teams – very bad condition	No	Yes

Area in which Imbizo were held: Masakhe (Sterkstroom).

Date of Imbizo: .12 May 2009

Main issued raised by community	Issue addressed (Yes/No)	Feedback provided (Yes/No)
Municipal workers – who drink on duty	Yes	Yes
Employment of people whose names are not on the list.	Yes	Yes
Municipal employment procedures	Yes	Yes
Disaster occurrences – relief to the victims	No	Yes
Dirty water in Masakhe	Yes	Yes
Poor workmanship on Bus route – Masakhe main access road	No	Yes
People living on the banks of Hex River	Yes	Yes
Lights at Masakhe Sportfields	No	Yes
Refuse is not collected as per schedule	Yes	Yes
No Fences on municipal commonage camps	No	Yes
Community Hall require renovations	No	Yes
Municipal restructuring process	Yes	Yes

Area in which Imbizo were held: Nomonde Community Hall (Molteno)

Date of Imbizo: .13 May 2009

Main issued raised by community	Issue addressed (Yes/No)	Feedback provided (Yes/No)
Old dilapidated unused buildings		Yes
Street Lights entire Nomonde		Yes
Condition of roads in both Nomonde and Nkululeko		Yes
New Sport field as was promised not realized.		Yes
Houses built in 1965-1968 condition very bad		Yes
RDP Houses with no occupants		Yes
Title Deeds for Mdantsane & Khayelitsha areas		Yes
Lazy municipal employees not collecting refuse		Yes

Audit committee

Name of representative	Qualifications	Terms of reference of committee	Meeting dates
Rev IRION	<ul style="list-style-type: none"> •Diploma in Theology (UWC); •Lic Theology (UWC); •Local Govt Finance Certificate (SMMF); •Dev Management Certificate (MANCOSA); •MBA : MANCOSA 		16/03/2009 02/04/2009 18/06/2009
MR ANDRE' DAVID PRETORIUS	<ul style="list-style-type: none"> •B Compt. Hons (UNISA), •Chartered Accountant (SA) 1998. •Registered Auditor & Accountant 1998. 		
MRS ANNIE ELIZABETH de WET	<ul style="list-style-type: none"> •BA (Psychology) •BProc (University of Pretoria) 		

CHAPTER 2: PERFORMANCE HIGHLIGHTS

CHAPTER 2: PERFORMANCE HIGHLIGHTS

2.1 PERFORMANCE IN TERMS OF THE NATIONAL KEY PERFORMANCE INDICATORS

KPA & INDICATORS	MUNICIPAL ACHIEVEMENT
Basic Service Delivery	100 %
(a) The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal	
(b) The percentage of households earning less than R1100 per month with access to free basic services	40 %

2.2.1 DEVELOPMENT PRIORITY AREAS

Development Priorities	Challenges
Human Settlements	Poor quality built structures, provincial government taking time to respond on beneficiaries approved and this leads to project being delayed eg. Molteno 136 IDT Housing units, there are only 29 beneficiaries approved to date.

2.2.2 BASIC SERVICES DELIVERY

2.2.2.1 Provision of free basic services

Electricity:

Indigent Households			Non-indigent households			Households in Eskom areas		
Nr of households	Unit per household (kwh)	Value R,000	Nr of households	Unit per household (kwh)	Value R	Nr of households	Unit per household (kwh)	Value R
891	50	39776.78	1626	0	0	4105	50	21385.14

Water:

Indigent Households			Non-indigent households		
Number of households	Unit per household (kl)	Value R,000	Number of households	Unit per household	Value R,000
2270	6	127	4352	6	240

Sanitation:

Indigent Households			Non-indigent households		
Number of households	Unit per household per month	Value R,000	Number of households	Unit per household per month	Value R,000
2270	1	154	4352	1	295

Refuse removal:

Indigent Households			Non-indigent households		
Number of households	Unit per household per month	Value R'000	Number of households	Unit per household per month	Value R'000
2270	4 times	79	4352	4 times	152

2.2.2.2 Access to basic municipal services

Households gained access to basic services during the 2008/09 financial year

Type of service	2007/08	2008/09
Housing	400	400
Water	6569	6622
Sanitation	6569	6622
Refuse removal	6569	6622
Electricity	6569	6622

2.2.2.3 Summary of backlogs that must still be addressed

Area	Total nr of households affected	Timeframe to be addressed	Cost to address R,000
Housing	6300	By 2014	340000
Water (on site)	0	N/A	0
Sanitation	15	2010	150

Refuse removal (at least once a week at site)	0	N/A	0
Electricity (in house)	2	By 2010	7000
Streets and storm water	6182	By 2040	2 100 000

2.2.2.4 Capital budget spent on municipal services

The percentage (%) of the approved budget spent of each municipal service respectively for the 2006/7 2007/8 and 2008/09 financial years respectively are as follows:

Financial Year	Housing	Water	Sanitation	Refuse Removal	Electricity	Streets & Storm Water
2006/ 2007	50%	100%	99%	100%	98.8	100%
2007/ 2008	50%	100%	99%	100%	99%	100%
2008/09	0%	100%	99%	100%	99%	100%

2.2.2.5 Spending on capital budget

Fin year	% of Capital budget spent	Reasons for under spending
2006/ 2007	100%	
2007/ 2008	100%	
2008/09	100%	

2.2.2.6 Housing

There are currently approximately 6300 housing units on the waiting list. A total amount of R 60 million was allocated to build houses during the financial year under review. A summary of houses built, includes:

Fin year	Allocation R,000	Amount spent R,000	% spent	Number of houses built	Number of sites serviced
2006/ 2007	12800000	6400	50	400	0

2007/ 2008	12800000	14400	100	400	0
2008/09	R 60000000	R 11400	19	0	478

2.2.2.7 Municipal infrastructure and other grants

The Municipality received grants totaling R 3.5 million for infrastructure and other capital projects from National and Provincial Government during the 2008/9 financial year. The performance in spending these grants can be summarized as follows:

Municipal Infrastructure Grant (MIG)

Description of project	Available funding 2008/09 R	Amount spent R	% spent
Sterkstroom Roads & Storm water	267338.69	267338.69	100 %
Completion of Masakhe Community Hall	583596.38	583596.38	100 %
Re gravelling of access road to the resort	82519.8	82519.8	100%
Re gravelling internal streets in Molteno town phase 2	192067.14	192067.14	100 %
Renovation of Sports field in Sterkstroom	746458.11	746458.11	100 %
Masakhe sokoyi Bridge	275182.78	275182.78	100 %
Upgrading of Molteno dam Resort	200000	200000	100 %
Re gravelling of Internal Street phase 1	1152837.13	1152837.13	100 %

2.2.2.8 Summary of Capital Projects

Description of the project	Ward nr/ Area	Available funding 2008/09 R	Amount spent R	% spent	Project completed Yes/No
Design: Sterkstroom Roads & Storm water	Sterkstroom	267338.69	267338.69	100	Yes
Design: Masakhe Community Hall	Sterkstroom	583596.38	583596.38	100	Yes
Re gravelling of access road to the resort	Molteno	82519.8	82519.8	100	Yes

Design: Re gravelling internal streets in Molteno town phase 2	Molteno	192067.14	192067.14	100	Yes
Design: Renovation of Sports field in Sterkstroom	Sterkstroom	746458.11	746458.11	100	Yes
Design: Masakhe sokoyi Bridge	Sterkstroom	275182.70	275182.78	100	Yes
Design: Upgrading of Molteno dam Resort	Molteno	200000	200000	100	Yes
Design: Re gravelling of Internal Street phase 1	Molteno	1152837.13	1152837.13	100	Yes

2.3 LOCAL ECONOMIC DEVELOPMENT

Description of the project	Number of jobs created	Available funding 2007/08 R'000	Amount spent R'000	% spent
UCOCEKO DRY CLEANERS	10	500	500	100
SIYOKHANA HEN & POULTRY	22	250	250	100
INYIBIBA DAIRY	8	200	200	100
MOLTENO COMM GARDEN	8	0	0	0
MASIZAKHE GAME LODGE	8	160	160	100
IMPUMELELO YETHU APPLES	10	215	20	10
SINETHEMBA MUTTON & WOOL	9	0	0	
MASAKHE SPICES & HERBS	15	215	50	23

The number of temporary jobs created by the Municipality during the 2008/2009 budget year amounts to 90

CHAPTER 3: ORGANISATIONAL DEVELOPMENT

CHAPTER 3: ORGANISATIONAL DEVELOPMENT

3.1 Introducing the municipal workforce

Introduction

The Corporate Services Department derives its mandate from the council's key development objectives, that is, the institutional development. The primary function of this department, is therefore among others to facilitate institutional development, including staffing and staff development.

Our commitment as an internal service provider and facilitator is to ensure the municipality is strategically positioned and resources to meet and maximise on client needs, the various publics. It is important to mentioned herein that to date our greatest challenge remains, staff retention. Due to the size of our budget, we have found ourselves in an untenable position, where we struggle to firstly entice skilled personnel and retain staff. As a consequence our staff development programme has been greatly compromised, in that even though we have invested time and resources in developing skills and competencies in key functional areas, these have come to not where we have in one fell swop lost three highly skilled managers.

3.1.1 Approved and vacant posts on post levels

The Management team is supported by staff employed by the municipality to deliver on municipal services and political priorities. The approved structure for the Administration has 172.

The actual positions filled are indicated in the tables below

PER POST LEVEL		
Post level	Approved	Vacant
MM & MSA section 57	5	0
Middle management	18	10
Admin Officers	35	11
General Workers	114	29
Total	172	50
PER FUNCTIONAL LEVEL		
Functional area	Approved	Vacant

Municipal manager's office	12	5
Corporate Services	16	4
Financial Services	20	4
Technical Services	39	11
Water & Sanitation Services	25	9
Community Services	60	17
Total	172	50

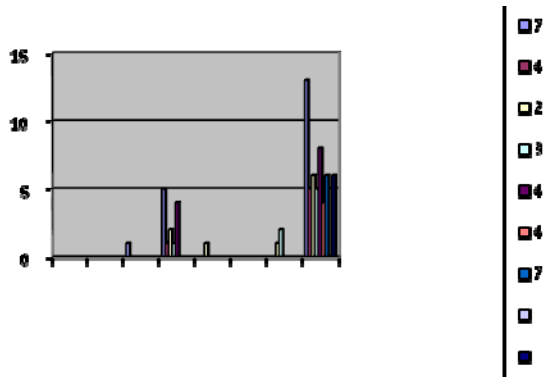
3.1.2 Details on posts filled

Posts filled									
Occupational Categories	Male				Female				Total
	A	C	I	W	A	C	I	W	
Legislators, senior officials and managers	7			1	5				13
Professionals									
Technicians and associate professionals	6				3	1		1	11
Clerks	5				9			2	16
Service and sales workers					3				3
Craft and related trades workers									
Plant and machine operators and assemblers	7								7
Elementary occupations	78								78
Total permanent	103			1	20	1		3	128
Non- permanent	17				5				22
Grand total	120			1	25	1		3	150

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Senior management	5				2				7

Professionally qualified and experienced specialists and mid-management	6				3	1		1	11
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	5				12			2	19
Semi-skilled and discretionary decision making	7								7
Unskilled and defined decision making	78								78
Total permanent	101				17	1		3	122
Non-permanent	17				5				22
Grand total	118				22	1		3	144

Key function (Department)	Male				Female				Total
	A	C	I	W	A	C	I	W	
Municipal manager's office	2				2				4
Corporate Services	4				5	1		1	11
Financial Services	7			1	4			2	14
Technical Services	32				1				33
Community Services	34				4				38
Water & Sanitation Services	22								22
Total permanent	101			1	16	1		3	122
Non-permanent	17				5				22
Grand total	118			1	21	1		3	144



3.1.3 Employment equity

Description	African	Coloured	Indian	White	Male	Female	Disability
Target	135	5	0	32	86	86	9
Actual	117	1	0	4	82	21	1

During the 2008/09 financial year, the Municipality appointed **10** employees in various departments. All of these appointments were based on both the service delivery needs and the Employment Equity Plan. The biggest challenge for the municipality remains the staff turnover.

The demographic information of the municipality compared to the workforce of the institution is as follows:

Description	Total	African	Coloured	Indian	White
Population numbers	20245	15725	670	0	3850
% Population	100%	78%	3%	0	19%
Number for positions filled	122	117	1	0	4
% for Positions filled	71%	96%	0.8%	0	3%

3.2. Capacitating the municipal workforce

The Work Place Skills Plan (WPSP) for 2008/09 financial year and the Implementation Report for the 2007/08 financial year was submitted to the Seta on 31 March 2009. The amount spent on training was R 82

364.72, which is **53,1%** of the salary spend of **R155 000,00** as at 30 June 2009. The training programmes that were completed by the municipal staff is summarised in the following table.

Municipal staff

Name of training programme	Short description	Number of officials							
		Gender		Race					
		Female	Male	AF	AM	CF	CM	WF	WM
Adult Basic Education and Training	ABET	1	23	1	23	0	0	0	0
Certificate Programme For management Development inMunicipal Finances	CPMDP-MF	1	3	1	3	0	0	0	0
Traffic Examiner's Course		2	1	2	1				
Finance Management and Development Programme		3	2	3	2				
Certificate in Local Government Law and Administration			1		1				
Total		7	30	7	30				

Councillors

Name of training programme	Short description	Number of councillors							
		Gender		Race					
		Fe-male	Male	AF	AM	CF	CM	WF	WM
Certificate in Local Government Law and Administration			1		1				
Masters Degree in Public Admin.			1		1				

3.3. Managing the municipal workforce

3.3.1 Injuries and sick leave

Department	Total nr of Injuries for the year	Total number of days sick leave taken during the year
Municipal manager's office	0	1
Corporate Services	0	36
Financial Services	1	42
Technical Services	0	41
Community Services	0	91
TOTALS	1	211

3.3.2 HR Policies and plans

Approved policy	
Name of policy	Date approved
INDIGENT POLICY	31 MARCH 2009
PETTY CASH POLICY	31 MARCH 2009
RATES POLICY	31 MARCH 2009
TARRIF POLICY	31 MARCH 2009
CUSTOMER CARE, CREDIT CONTROL, DEBIT COLLECTION POLICY AND DEBT COLLECTION STRATEGY	31 MARCH 2009
SUPPLY CHAIN MANAGEMENT POLICY	31 MARCH 2009
Policies still to be developed	
Name of policy	Proposed date of approval
Employment Equity Policy	29 October 2009
Staff Performance Management Policy	29 October 2009
Disaster Recovery Policy	29 October 2009
Risk Management	29 October 2009
Principles & Policy on writing off irrecoverable debt	29 October 2009

Computer and Internet Usage Policy	29 October 2009
Inkwanca Municipality: Bursary Policy	29 October 2009
Data Backup Policy	29 October 2009
Corporate Gifts Policy	29 October 2009
Fixed Asset Policy	29 October 2009
Code of Conduct	05 February 2010
Comprehensive Human Resource Policy	05 February 2010

3.4. Managing the Municipal Workforce Expenditure

3.4.1 Personnel expenditure compared to total operating expenditure

Financial year	Total Expenditure salary and allowances (R'000)	Total Operating Expenditure (R'000)	Percentage (%)
2005/06	5 993	10 480	57.18%
2006/07	7 441	12 582	59.14%
2007/08	9 214	14 649	62.90%
2008/09	10 220	25 504	40.07%
Average	32 867	63 217	52%

3.4.2 Promotions

Department	Gender		Race						Total
	Female	Male	AF	AM	CF	CM	WF	WM	
Municipal manager's office	0	0	0	0	0	0	0	0	0
Corporate Services	0	0	0	0	0	0	0	0	0
Financial Services	0	0	0	0	0	0	0	0	0
Technical	0	0	0	0	0	0	0	0	0

Services									
Strategic Services	0	0	0	0	0	0	0	0	0
Town Planning	0	0	0	0	0	0	0	0	0
Electro Technical Services	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0

3.4.3 Upgraded posts

Department	Gender		Race						Total
	Female	Male	AF	AM	CF	CM	WF	WM	
Municipal manager's office	0	0	0	0	0	0	0	0	0
Corporate Services	0	0	0	0	0	0	0	0	0
Financial Services	0	0	0	0	0	0	0	0	0
Technical Services	0	0	0	0	0	0	0	0	0
Strategic Services	0	0	0	0	0	0	0	0	0
Town Planning	0	0	0	0	0	0	0	0	0
Electro Technical Services	0	0	0	0	0	0	0	0	0
Total									

3.4.4 Salary level exceeding grades

Department	Gender		Race						Total
	Female	Male	AF	AM	CF	CM	WF	WM	
Municipal manager's office	0	0	0	0	0	0	0	0	0
Corporate Services	0	0	0	0	0	0	0	0	0
Financial Services	0	0	0	0	0	0	0	0	0
Technical Services	0	0	0	0	0	0	0	0	0

Strategic Services	0	0	0	0	0	0	0	0	0
Town Planning	0	0	0	0	0	0	0	0	0
Electro Technical Services	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0

CHAPTER 4: FUNCTIONAL SERVICE DELIVERY REPORTING

CHAPTER 4: FUNCTIONAL SERVICE DELIVERY REPORTING

Functional breakdown by Department

Department	Functions
Municipal Manager	Municipal Administration, IDP, Performance Management, Risk Management, Communication & Liason, Strategic Services, Accounting Officer functions
Corporate Services	Committee Secretarial Services, Records & Archives, IT Systems & Control, Personnel Administration, Recruit & Selection, Training & Development, Labour Relations & PMS
Financial Services	Supply Chain Management, Budget and Treasury, Expenditure Management, Asset Management, Revenue Management
Technical Services	Roads & Stormwater Construction, Building Inspectorate, Land Usage, Spatial Planning, Maintenance, Electricity Reticulation, Project & Contract Management, Water and sanitation Services (Reticulation, Treatment, quality & Plumbing) & GIS.
Community Services	Cleansing and solid waste management, Cemeteries. Public Amenities, Traffic Services, Library Services

4.1 MUNICIPAL MANAGER

Performance against KPA's

IDP Objective	Key performance indicator	Target	Actual performance
1. Basic Service Delivery			
<i>a) In consultation with the TSM and CMS, prepare a clear service delivery program to progressively achieve national service delivery targets for water, sanitation, electricity, refuse removal, roads etc,</i>	<ul style="list-style-type: none"> • service delivery program to be drafted and approved by Council 	30/09/2008	ACHIEVED
	<ul style="list-style-type: none"> • 25% progress towards implementing the service delivery program (in all services 	30/09/2008	ACHIEVED
	<ul style="list-style-type: none"> • 50% progress towards implementing the service delivery program (in all services 	31/12/2008	ACHIEVED
<i>b) In consultation with the TSM, ensuring that reticulation losses of water are identified and reduced</i>	50% reduction in water reticulation losses	30/06/2009	ACHIEVED
2. Municipal Institutional			ACHIEVED

Development and Transformation		31/12/2008	
a) <i>Implement institutional and staff performance management system</i>	<ul style="list-style-type: none"> • PMS training held with all parties 		
	quarterly reports on performance management to Council	QUARTERLY	ACHIEVED
	<ul style="list-style-type: none"> • conduct quarterly performance reviews of HODs 	QUARTERLY	ACHIEVED
b) <i>Monitor shortcomings in Heads of Department performance</i>	<ul style="list-style-type: none"> • follow labour relations processes to correct poor performance by HODs 	MONTHLY	ACHIEVED
	<ul style="list-style-type: none"> • monitor departments and managers and take action where necessary 	MONTHLY	ACHIEVED
c) <i>Develop HIV / Aids workplace strategy and employment assistance program</i>	<ul style="list-style-type: none"> • strategy developed and implemented 	31/03/2009	ACHIEVED
d) <i>Human Resources Management Policies and Procedures to be implemented</i>	<ul style="list-style-type: none"> • HR Policies and Procedures Manual to be prepared and Implemented 	30/06/2009	PARTLY ACHIEVED
e) <i>Financial policies and bylaws to be prepared and implemented</i>	<ul style="list-style-type: none"> • financial policies and bylaws to be prepared and implemented 	30/06/2009	PARTLY ACHIEVED
f) <i>Financial reforms to be implemented</i>	<ul style="list-style-type: none"> • reforms fully implemented 	ONGOING	PARTLY ACHIEVED
g) <i>Council decisions to be implemented within time frames set by Council</i>	<ul style="list-style-type: none"> • decisions executed within time frames of Council 	ONGOING	ACHIEVED
3. Local Economic Development (LED) and IDP functions			
a) <i>In consultation with the Community Services Manager, ensure that a comprehensive LED strategy is developed</i>	<ul style="list-style-type: none"> • finalise comprehensive LED strategy 	30/06/2009	PARTLY ACHIEVED
b) <i>Ensure that all of the LED projects and special programs as allocated to the Community Services Manager are implemented or the necessary LR procedures followed</i>	<ul style="list-style-type: none"> • all LED projects and special programs progressing according to Plan 	30/06/2009	ACHIEVED
c) <i>Ensure that the tourism interventions as allocated to the Community Services Manager are implemented or the necessary LR procedures followed</i>	<ul style="list-style-type: none"> • tourism interventions undertaken by Community Services Manager 	30/06/2009	ACHIEVED
d) <i>Development and review of the IDP</i>	<ul style="list-style-type: none"> • IDP to be adopted by Council 	31/03/2009	ACHIEVED
	<ul style="list-style-type: none"> • IDP forum meetings to be held (4 meetings) 	31/03/2009	ACHIEVED
	<ul style="list-style-type: none"> • development and review of the IDP 	31/03/2009	ACHIEVED
4. Municipal financial viability and management			
a) <i>Control the finances of the Municipality in the following ways:</i>	<ul style="list-style-type: none"> • IDP and budget approved 	31/05/2009	ACHIEVED
	<ul style="list-style-type: none"> • undertake audits 	One audit per quarter	ACHIEVED
	<ul style="list-style-type: none"> • ensure that budget is spent each quarter 	100%	ACHIEVED

	• compliant with IDP goals	100%	ACHIEVED
	• financial statements properly prepared for 2007/08	31/08/2009	ACHIEVED
b) Revenue management and debt collection (in consultation with CFO)	• ensure that there is at least a 10% reduction in outstanding debts	Quarterly	PARTLY ACHIEVED
5. Good governance and public participation			
a) Interact with the public in the following ways	• arrange for 90 visits per quarter of Councillors to private households or submit a report to Mayor on why not done	Quarterly	PARTLY ACHIEVED
	• arrange 20 public participation meetings (5 per quarter)	Quarterly	ACHIEVED
b) IGR workshops and joint activities	• arrange 1 IGR workshop per quarter	Once per quarter	PARTLY ACHIEVED
	• organise 1 joint activity per quarter	Once per quarter	ACHIEVED
c) Annual Council report	• report to be tabled	31/12/2008	PARTLY ACHIEVED
d) Issuing of Inkwanca News	Inkwanca News to be issued on time	<i>Newsletter discontinued</i>	NOT ACHIEVED
	• increase circulation of Inkwanca News by 50%	<i>Newsletter discontinued</i>	NOT ACHIEVED
e) Contributions to newspapers	• make 3 contributions to local newspapers per quarter	Quarterly	PARTLY ACHIEVED
	• make 1 contribution to regional newspapers quarterly	Quarterly	PARTLY ACHIEVED
f) Provide training for Area Committee members	• training courses to be held, in conjunction with LGSETA, for all Area Committee members	31/12/2008	PARTLY ACHIEVED

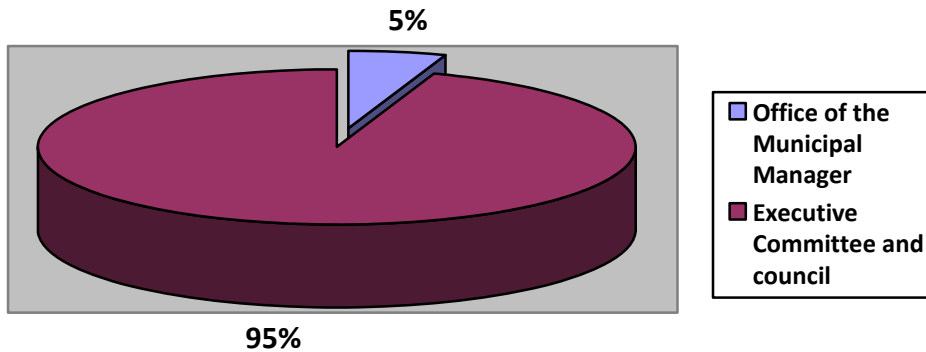
Main Delivery Agenda 2009/10

Priority /Focus Area	IDP Objectives	Baseline	Performance Indicator	Annual Target	Target Date
Integrated Development Planning	<i>Achieve a credible IDP</i>	Current IDP lacks credibility	Credible IDP Document	100%	31/03/2010
	<i>Create conditions for all stakeholders to participate and eliminate fragmentation</i>	Sector departments and some (of 33 registered) local formations do not participate in IDP processes.	Number of IDP engagement meetngs	4	31/03/2010
			Number of stakeholders making written submissions, presentation and input.	10	31/05/2010
			% of formations participating in IDP engagements	75%	31/03/2010
Land & Agriculture	<i>Facilitate availability of land for various agricultural and non agricultural uses</i>	Less than 5% of Commercial land has been redistributed through LRAD	Increase in % of hactres distributed	7%	30/06/2010
	<i>Create a growing and sustainable economic sector</i>	No agricultural growth plan exists.	develop an agricultural plan as part of LED strategy	100%	30/06/2010

Weighting: =			Number of black people participating in agricultural initiatives		30/06/2010
			Number of black women participating in agricultural initiatives		30/06/2010
Tourism & SMME Development	<i>Create a growing and sustainable tourism sector that contributes to local economy.</i>	Tourism sector does not reflect demographics, very limited participation of HDIs	Number of tourism products developed		30/06/2010
			Number of tourists visiting PDI areas		30/06/2010
			Number of B&Bs and Guests houses accommodation establishments graded by SA Tourism Board		30/06/2010
	<i>Promote local business and facilitate SMME's training</i>	Information about SMMEs and Cooperatives scanty. Levels of participation by various designated groups is not known.	% increase in number of SMMEs & Cooperatives		30/06/2010
			Number of SMMEs capacitated with requisite skills		30/06/2010
			Number of young people participating in SMMEs & Cooperatives		30/06/2010
			Number of women participating in SMMEs & Cooperatives		30/06/2010
			Number of jobs created by the municipality's capital projects		30/06/2010
			% of tenders awarded to HDIs.		30/06/2010
			% of tenders awarded to local contractors.		30/06/2010
Finalise LED Strategy formulation		30/06/2010			
Communication & Community Participation	<i>Strengthen and capacitate Area Committees</i>	There are 7 area committees with 5 members each. Some of members are not clear about their roles.	Reduction in number of existing area committees - reduce to 5	100%	30/09/2009
			Number of interaction meetings between area committees and the council	4	30/06/2010
			Increased participation of area Committees in IDP and PMS processes.	100%	30/06/2010
			% of expenditure on public participation	100%	30/06/2010

	<i>Improve Communication & Customer Service.</i>	Communication strategy approved in 2007/08 has not been reviewed nor fully implemented	Review and implement communication strategy	100%	31/12/2009
Clean audit	<i>Obtain a clean audit by 2014</i>	Internal Audit & Audit Committee in place	% of risk assessment conducted	100%	30/06/2010
			% of scheduled meetings of the Audit Committee sitting	100%	30/06/2010
			% of scheduled meetings of the performance audit committee sitting	100%	30/06/2010
Reporting	<i>Improve reporting</i>	AFS have been submitted with no performance information as required. Both the annual and the oversight reports have been tabled way after the required deadlines.	2008/09 AFS submitted within regulated timeframes	100%	31/08/2009
			Performance report submitted	100%	31/08/2009
			2008/09 Annual Report approved by council	100%	31/12/2009
			2008/09 Oversight Report	100%	31/12/2009

Total operating expenditure 2008/09 (Example only)



DASHBOARD ALSO TO BE INSERTED IF AVAILABLE

4.2 CORPORATE SERVICES

Performance against KPA's

IDP Objective	Key performance	Ward nr/	Target	Actual
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Performance against KPA's

IDP Objective	Key performance indicator	Target	Actual performance
1)Develop,monitor and control budget which complies with the MFMA for the finance Dept and The entire Municipality	a)Prepare and submit annual budget <ul style="list-style-type: none"> Submission of 2009/2010 budget process plan to council 2009/2010 budget to be compiled(draft) 2009/2010 budget to be approved by counciland comply with S17 of MFMA 	31/08/08 31/03/09 31/05/09	achieved achieved achieved
	b)Monitor Budget for 2008/2009 <ul style="list-style-type: none"> Produce monthly budget statement in terms of S71of MFMA All departments to comply with budget process plan Updated monthly income and expenditure reports to be submitted (S64 and 65 of MFMA) 	Monthly Quarterly Monthly	achieved achieved
	c)Establishment of budget office <ul style="list-style-type: none"> Budget office to be established 	30/06/09	achieved
2)Manage and control Expenditure so that council Has a sound accounting and payment system which Prevents fraud and allows for Accurate reporting	a)control and monitor all expenditure <ul style="list-style-type: none"> Total expenditure for the municipality not to be overspent at all (monthly reports to reflect this) Submit reports on expenditure council 	Monthly quarterly	ACHIEVED
	b)ensure that internal controls on expenditure Are in place <ul style="list-style-type: none"> Ensure that expenditure on staff benefits complies with S66 of MFMA and report 	monthly	
	c)management of municipal liabilities <ul style="list-style-type: none"> Reconciliation of short term and long term loans with debt servicing and Cash flow Report on short and long term loans and implication on cashflow 	30/09/08 quarterly	ACHIEVED
	d)Completion of statutory returns <ul style="list-style-type: none"> VAT,PAYE,and UIF returns to be submitted to SARS 		ACHIEVED
3)Manage and control revenue as well as cashflow and property valuations	a)review debt collection strategy <ul style="list-style-type: none"> Strategy to be reviewed 	Quarterly	

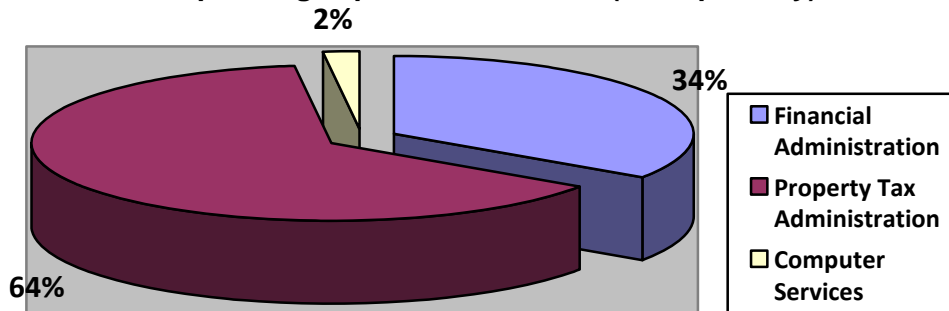
	b)Cash, banking and investment management		
	<ul style="list-style-type: none"> Banking of cash and investment moitoring Bank reconciliations to be prepared 	Daily Monthly	ACHIEVED ACHIEVED
	c)Debt collection		
	<ul style="list-style-type: none"> 100% debtors to be issued with letters of demand and subjected to credit control bylaws, where necessary 	31/03/09	NOT ACHIEVED
	<ul style="list-style-type: none"> Apply credit control policy, report system and bylaws 	31/03/09	ACHIEVED
4)Manage Council procurement And stores as well as staff Management and the management of all assets and Insurances of the council	a)Supply Chain Management		
	<ul style="list-style-type: none"> No deviations at all from MFMA or policies for the financial year 	30/06/09	
	<ul style="list-style-type: none"> Maintain and update supplier database 	30/06/09	
	b)Management of Budget and Treasury Department		
	<ul style="list-style-type: none"> Conduct one financial startegic planning session with all senior staff to ensure that financial targets are met 	31/03/09	
	<ul style="list-style-type: none"> Assist HR with training need analysis for WSP 	31/03/09	
	<ul style="list-style-type: none"> Critical posts for department to be filled 	30/06/09	
	c)Updated Asset register		
	<ul style="list-style-type: none"> Updating of assets register to be completed 	30/06/09	PARTIALLY ACHIERVED
	d)Undertake internship/learnership programme by enrolling interns		
	<ul style="list-style-type: none"> Interns to be enrolled at Inkwanca 	31/12/08	ACHIEVED
5)Prepare accurate financial statements and other financial records,policies etc and management of IT support	a)Prepare Financial statements which conform with requirements		
	<ul style="list-style-type: none"> Ensure that AFS for 2007/2008 are completed 	31/08/08	ACHIEVED
	<ul style="list-style-type: none"> Submit the AFS to AG and council 	31/08/08	
	b)Completion of monthly reports		
	<ul style="list-style-type: none"> All reports required by MM to be submitted monthly on time Full financial reports to be submitted to council through MM 	monthly Time frames	
	C)Attendance at all meetings on time		
	<ul style="list-style-type: none"> Not to be late or absent from any meeting without prior authority 	Time frames	
	d)Develop, review and monitor financial policies and procedures		
	<ul style="list-style-type: none"> Procurement policy, indigent policy, free basic services policy, tarrifs policy, rates poicy, investment policy, insurance policy, credit control policy, debt control policy and risk 	30/06/09	

	management system to be implemented		
	e)IT Support		
	<ul style="list-style-type: none"> Draft service level agreement between Inkwanca and CHDM 	31/03/09	
	<ul style="list-style-type: none"> Oversee daily IT backups and store in the strong room 	daily	
	<ul style="list-style-type: none"> Ensure maintenance of connection link between offices 	daily	

Main Delivery Agenda 2009/10

Key performance indicator	Ward Nr/ Area	Target

Total operating expenditure 2006/07 (Example only)



DASHBOARD ALSO TO BE INSERTED IF AVAILABLE

4.4 TECHNICAL SERVICES

Performance against KPA's

IDP Objective	Key performance indicator	Ward nr/ Area	Target	Actual performance
Construction of Roads and Stormwater system for the Municipal area.	Installation of road signs in Molteno and Sterkstroom	Molteno & Sterkstroom	1 unit	10% (understaffed)
	8km of gravelling and shaping of roads in both towns	Molteno & Sterkstroom	8 km	73% (funding)

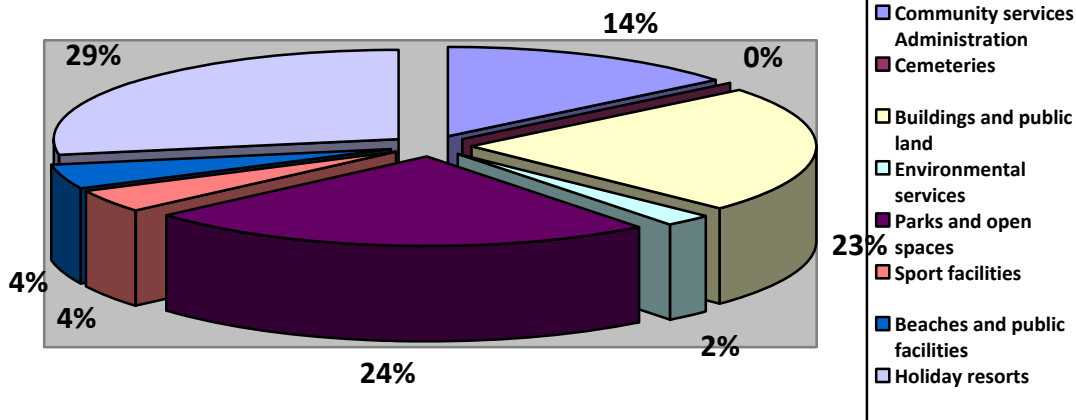
	Installation of 48 new manhole covers	Molteno & Sterkstroom	54	100%
	Construction of storm water channels	Molteno & Sterkstroom	6 km	20% (funding)
	Construct Roads to newly Sub Divided areas erf 537 & 1214	Nomonde Town	0.5 km	0 % (funding)
	Construct a road linking Nomonde & Nkululeko	Molteno	0.5 km	0% (Application was not approved by Spoornet)
	Painting of Parking's and Streets in Molteno and Sterkstroom.	Molteno & Serkstroom	1 km	0% (funding)
	Purchasing of cold asphalt premix for patching of pot holes	Molteno & Sterkstroom	400 bags	100%
Control and Maintenance of Electrical facilities and street lighting in the municipal area.	Inkwanca Maintenance of reticulation	Molteno & Sterkstroom	4 times per QTR	100%
	Inkwanca Street lights for Maintenance	Molteno & Sterkstroom	40 Per Quarter	100%
	Electrification of Masakhe Creche	Sterkstroom	1 unit	100%
	Service newly subdivided areas erf 537 & 1214	Molteno	1 unit	0% (advertised, but no bidders)
Control of water function and ensure good quality water to all house holds at Inkwanca Area.	Installation of Stand pipes at Mqeshi Town Ship	Sterkstroom	20 no.	100%
	Installation of water meters at Inkwanca municipality	Molteno & Sterkstroom	6493 no,	96%
	Purchasing of spare pipes and fittings for maintenance	Molteno & Sterkstroom	1 unit	100%
	Purchasing of chemical for water purification	Molteno	34	100%
	Testing for Water Quality	Molteno & Sterkstroom	12 times	100%

	Service newly subdivided areas erf 537 & 1214	Nomonde	50 connections	0% (advertised, but no bidders)
Control of sanitation function and ensure access to affordable and appropriate service for all house holds at Inkwanca area.	Changing of 600 m sewer pipe at Phumulani Town Ship	Nomonde	600 m	5% (application for funding still to be approved by the District Municipality)
	Purchasing of spare pipes and fittings for maintenance	Molteno & Sterkstroom	1 unit	100%
	Rental Portable Toilets	Molteno & Sterkstroom	7 units	100%
	Service newly subdivided areas erf 537 & 1214	Nomonde	50 connections	0% (advertised, but no bidders)
Maintenance of Municipal buildings, properties, facilities and municipal housing.	Demolish Marabastad old Buildings and Municipal Buildings	Molteno & Sterkstroom	160 m2	100%
	Construct Masakhe Creche	Masakhe	1 no.	80% (contractor was removed from site for none performance)

Main Delivery Agenda 2009/10

Key performance indicator	Ward Nr/ Area	Target
Number of kms to be sealed/tarred	Sterkstroom	31 March 2010
Number of kms to scrapped	Molteno & Sterkstroom	Every quarter
Number of Kms to be painted	Molteno & Sterkstroom	Every quarter
Number of km to be repaired	Molteno & Sterkstroom	Every quarter
Number of new poles and replacement poles to be erected.	Molteno & Sterkstroom	31 March 2010
Number of new water meters installed	Molteno & Sterkstroom	Every quarter
Number of tests be conducted	Molteno & Sterkstroom	Every Month
% compliance with SANS 241 for ecoli	Molteno & Sterkstroom	Every month
Number of toilets be built		31 December 2009
Number of awareness campaigns to be conducted	Molteno & Sterkstroom	Every quarter
Number of mainhole covers to be installed	Molteno & Sterkstroom	Every quarter
Number of erfs to be serviced	Molteno	31 December 2009
Number of bridges to be constructed	Sterkstroom	30 June 2010
Number of units to be built	Molteno	30 June 2010
Number of buildings demolished	Molteno & Sterkstroom	31 December 2010

Total operating expenditure 2008/09 (example only)



DASHBOARD ALSO TO BE INSERTED IF AVAILABLE

4.5 COMMUNITY SERVICES

Performance against KPA's

IDP Objective	Key performance indicator	Area	Target	Actual performance
1. Manage and control the cleansing function of the entire municipal area.	A) Undertake the refuse collection and disposal function.	Inkwanca Municipal Area	Ongoing	Achieved
2. Manage and control the library function, community halls, chalets, preschools, old age homes, clinics and care centres etc. for the Municipal area.	b) Provision of library services. b) Control of community halls and chalets. c) Control of preschools, old age homes, clinics, care centres and Municipal buildings.	Inkwanca Municipal Area	Ongoing	Achieved
3. Manage and control the LED function as the Traffic function for the entire area.	a) Ensure that a comprehensive LED strategy is developed. b) Ensure that the tourism interventions as set out below are implemented, the development of the Liberation and Heritage Routes are established, <ul style="list-style-type: none"> the implementation of a tourism 	Inkwanca Municipal Area	Ongoing	Partly Achieved/ Achieved

	information function for the area			
4. Manage and control the parks, sport fields and cemeteries for the entire municipal area.	Control and maintenance of cemeteries. Provision and maintenance of sports and recreation facilities. Beautification of parks and open spaces and maintenance of pavements.	Inkwanca Municipal Area	Fortnightly and Monthly	Achieved
5. Prepare, monitor and control the budget for the Community Services Department so that expenditure is in line with the budget, and manage all other administrative matters of the Dept.	a) Prepare and submit departmental budget for 2009/2010 to CFO. b) Monitor and control budget. c) Ensure that staff costs are not overspent. d) All community services reports to be submitted to Council Committees through MM.	Inkwanca Municipal Area	Ongoing	Achieved
	e) Attendance at all meetings on time.			Achieved

Main Delivery Agenda 2009/10

Key performance indicator				Target
Waste Management	<i>Provide for the proper and safe disposal of solid waste within the municipality</i>	The municipality has 2 permitted sites: on both sites waste is just dumped on cells - it is neither covered nor compacted	Number of cells covered & compacted	8
	<i>To ensure that refuse is removed to create clean and healthy environment for inhabitants of the Municipality</i>	Irregular collection schedule	% of household receiving minimum once per week refuse collection	100%
Community Facilities (Halls, Sport fields & Challets)	<i>To ensure that all community facilities are accessible to all.</i>	Disabled persons cannot access most of community facilities	Number of community facilities upgraded and made accessible to all	4
	<i>Provide management, control and maintenance</i>		% of allocated budget spent on maintenance	100%
Parks & Public Places	<i>Ensure beautification of parks, open spaces & pavements</i>		Number of parks & public open spaces upgraded per quarter	100%

Libraries	<i>Provide management, control and maintenance</i>		% of allocated budget spent on maintenance	100%	0/ 5/2010
Cemetaries	<i>Provide facilities for the dignified and environmentally safe disposal of human remains</i>	Graveyards in Masakhe and Nomonde are not demarcated and plots are issued hapazzardly. There is no record of plots issued. No policy for pauper burials.	Number of plots demarcated and issued		0/ 5/2010
			Formulate Indigent burial policy & implement		0/ 9/2009
			Number of pauper burials		0/ 5/2010
TrafficServices	<i>Provide holistic and traffic services</i>	Growing number of people accessing services and revenue has potential to grow	Increase in Number of people accessing licencing services		0/ 5/2010

Total operating expenditure 2008/09

Graph to be inserted

DASHBOARD ALSO TO BE INSERTED IF AVAILABLE

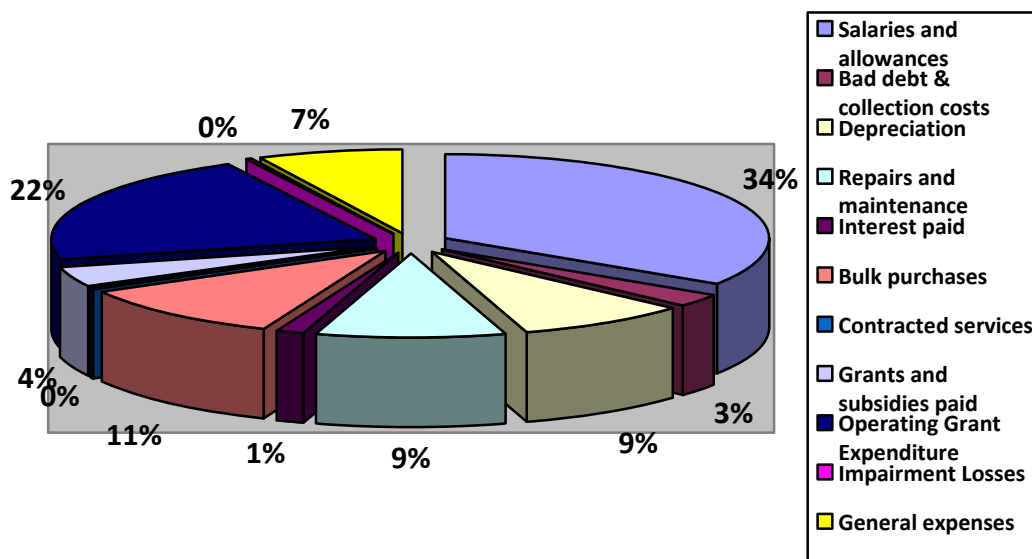
CHAPTER 5: FINANCIAL PERFORMANCE

CHAPTER 5: FINANCIAL PERFORMANCE

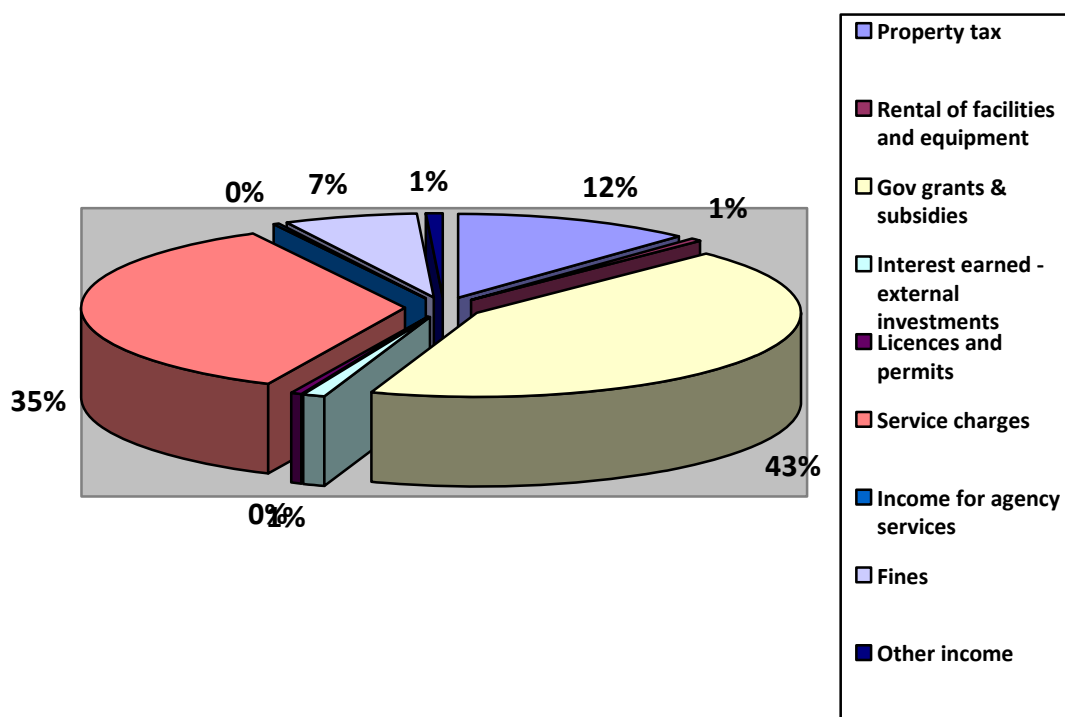
5.1 Operating results

Year	Revenue				Operating expenditure			
	Budget	Actual	Diff.	%	Budget	Actual	Diff.	%
	R'000	R'000	R'000		R'000	R'000	R'000	
05/06	11,884,5	15,205,5	3,321,0	27.9	11,884,5	12,991,0	1,106,5	9.3
06/07	13,557.1	23,098.3	9,541.2	70.3	13,557.1	14,649.2	1,092.1	8.1
07/08	15,224.7	24,036.2	8,811.5	57.8	15,422,1	25,504.9	10,082.8	65.3
08/09	26,271.2	30,591.9	4,320.7	16.4	26,271.2	37,634.2	11,363	43.2

Total operating expenditure 2008/09



Total revenue 2008/089

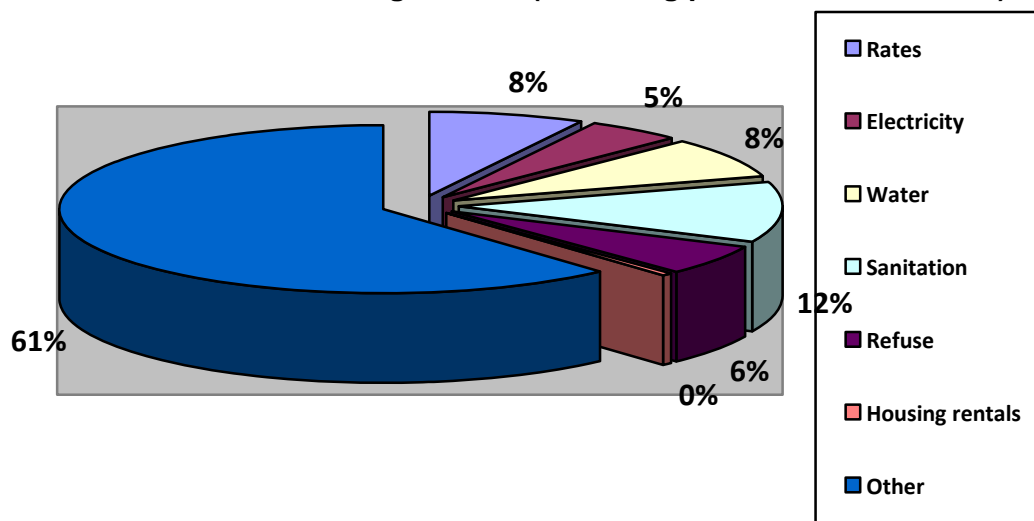


5.2 Outstanding debtors

Gross outstanding debtors per service and total debtor age analysis as at 30 June 2009

Financial year	Rates	Trading services (Electricity and Water)	Economic services (Sanitation and Refuse)	Housing rentals	Other	Total
	R'000	R'000	R'000	R'000	R'000	R'000
2007/08	4,672.4	8,545.4	16,104.7		2,253.9	31,576.4
2008/09	7,246.6	8,072.7	14,298.8		13,919.3	43,537.4
Difference	2,574.2	(472.7)	(1,805.9)		11,665.4	11,961
% growth year on year	55.1	-5.5	-11.2		517.5	37.9

Gross outstanding debtors (Excluding provision for bad debt)



Total debtors age analysis

Financial year	Less than 30 days	Between 30-60 days	Between 60-90 days	More than 90 days	Total
	R'000	R'000	R'000	R'000	R'000
2007/08	1000.3	1,768.6	978.0	27,829.5	31,576.4
2008/09	1,216.6	2,088.7	1,198.9	39,033.2	43,537.4
Difference	216.3	320.1	220.9	11,203.7	11,961
% growth year on year	21.6	18.1	22.5	40.2	37.9

5.3 Viability indicators

Level of reliance on grants and subsidies

Financial year	Total grants and subsidies received (R'000)	Total Operating Revenue (R'000)	Percentage (%)
2005/06	2,661.6	12,543.9	21.2
2006/07	5,803.7	17,294.6	33.5
2007/08	8,710.1	15,326.1	56.8
2008/09	8,237.7	22,354.2	36.8

Liquidity ratio

Financial year	Net current assets (R'000)	Net current liabilities (R'000)	Ratio
2004/05	1,739.5	2,011.6	0.86
2005/06	4,179.8	5,017.4	0.83
2006/07	4,405.8	3,574.7	1.23:1
2007/08	7,088.3	5,068.4	1.40:1
2008/09	4,525.5	7,851.5	0.58

5.4 Audit outcomes

Year	2005/06	2006/07	2007/08	2008/09
Status	Qualified Audit opinion	Adverse Opinion	Adverse Opinion	Adverse Opinion

Detail on 2007/08 audit outcome

Issue raised	Corrective step implemented

5.5 Equitable share vs total revenue

Description of revenue	Amount received 2005/06	Amount received 2006/07	Amount received 2007/08	Amount received 2008/09
Equitable share	4,792	5,769	6,480	8,238
Capital grants	0	0	3,545	6,022
Operating grants	985	1,235	1,235	2,485
Own revenue	9,428	16,094	12,776	15,180

5.6 Repairs and maintenance as percentage of OPEX

	2005/06	2006/07	2007/08	2008/09
Total Operating Expenditure	12,991	14,649	25,505	37.634
Repairs and Maintenance	953,2	1835,8	1207.2	1082.9
% of total OPEX	7,3	12.5	4.7	2.9

Graph to be inserted (NT guide)

5.7 Capital funded by source

Description Source	2005/06	2006/07	2007/08	2008/09
External loans				
Grants and subsidies	5308.8			31.4
Public contributions and donations				
Own funding	135,5	134.3	748.6	21.0
Other				
Total capital expenditure	5444,3	134,3	748.6	52.4

Graph to be inserted (NT guide)

FINANCIAL STATEMENTS

INKWANGA MUNICIPALITY
ACCOUNTING OFFICER'S REPORT
 Year ended 30 June 2009

1. OPERATING RESULTS

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

	Actual 2008 R	Actual 2009 R	Variance 2008/2009 %	Budget 2009 R	Variance Actual to Budget %
Income:					
Opening surplus/(deficit)	436,023	663,558			
Operating income for the year	24,036,197	30,591,892	27.3	26,271,244	(16.4)
	<u>24,472,220</u>	<u>31,255,451</u>		<u>26,271,244</u>	
Expenditure					
	25,504,942	37,691,278	47.8	26,271,244	(43.5)
Appropriation	(1,696,280)	1,587,065			
Closing surplus/(deficit)	663,558	(8,022,893)		0	
	<u>24,472,220</u>	<u>31,255,450</u>		<u>26,271,244</u>	
Significant variances:					
The significant variance is due to increased rates and charges especially electricity.					
The expenditure variance relates to a larger than expected provision for doubtful debts being accounted for.					

1.1 Rates and General Services

	Actual 2008 R	Actual 2009 R	Variance 2008/2009 %	Budget 2009 R	Variance Actual to Budget %
Income	16,081,599	21,166,813	31.6	19,697,673	(7.5)
Expenditure	21,009,021	32,439,057	54.4	21,633,893	(49.9)
Surplus / (Deficit)	<u>(4,927,422)</u>	<u>(11,272,244)</u>	128.8	<u>(1,936,220)</u>	(482.2)
Surplus / (Deficit) as % of total income	(30.6)	(53.3)		(9.8)	
Significant variances:					
Actual income exceeded the budget income for the year. Actual Expenditure was below the budgeted amount due to cashflow constraints. And the provision for doubtful debts,					

INKWANCA MUNICIPALITY
ACCOUNTING OFFICER'S REPORT
Year ended 30 June 2009

1.2 The following is a summary of the operating results of the local authority's Trading Services:

Electricity Service

	Actual 2008 R	Actual 2009 R	Variance 2008/2009 %	Budget 2009 R	Variance Actual - Budget %
Income	2,621,721	2,933,729	11.9	2,595,077	(13.0)
Expenditure	2,876,731	3,457,287	20.2	3,586,640	3.6
Surplus / (Deficit)	(255,010)	(523,558)	105.3	(991,563)	47.2
Surplus / (Deficit) as % of total income	(9.7)	(17.8)		(38.2)	
Significant variances:					
During the current year the municipality billing exceeded the budgeted income from electricity. This is mainly due to tariff increases by electricity supplier being passed onto the consumers. Spending was inline with the original budgeted amounts.					

Water Service

	Actual 2008 R	Actual 2009 R	Variance 2008/2009 %	Budget 2009 R	Variance Actual - Budget %
Income	5,322,971	6,483,426	21.8	3,978,494	(63.0)
Expenditure	1,025,961	1,070,754	4.4	1,050,711	(1.9)
Surplus / (Deficit)	4,297,010	5,412,672	26.0	2,927,783	(84.9)
Surplus / (Deficit) as % of total income	80.7	5,412,672.3		0.0	
Significant variances:					
During the current year the municipality billing exceeded the budgeted income from water. Spending was inline with the original budgeted amounts.					

2. CAPITAL EXPENDITURE AND FINANCING

The expenditure on fixed assets during the year are detailed below: -

	Actual 2008 R	Budget 2009 R	Actual 2009 R
Community Services	-	-	-
Subsidised Services	-	-	-
Trading Services	-	-	-
	748,560	-	216,335

INKWANCA MUNICIPALITY
ACCOUNTING OFFICER'S REPORT

Year ended 30 June 2009

Resources used to finance the fixed assets were as follows: -

- Internal Sources	18,376	-	184,910
- External Sources	730,184	-	31,425
Other Sources	730,184	-	31,425
Provincial Government		-	
	748,560	-	216,335

Significant variances:

The over spend in relation to the budgeted amount is attributable to replacement of outdated assets. The bulk of the funds assets came from subsidies and grants.

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

3. EXTERNAL LOANS, INVESTMENTS AND CASH

External loans owing to the Standard Bank as at 30 June 2009 amounted to R 421,840.
 (2008 - R583,866)

Cash resources and short-term deposits less bank overdraft at 30 June 2009 amounted to a negative of R 143,483 (2008: -R 159,828). This amount excludes projects, statutory and reserve funds.

Investments as at 30 June 2009 amounted to R 38,169 (2008: R 35, 936).

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

4. POST BALANCE SHEET EVENTS

No post balance sheet events have been identified.

5. EXPRESSION OF APPRECIATION

I am grateful to the Mayor, Councillors and the municipal staff for their assistance and support during the past financial year.



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MUNICIPAL MANAGER: INKWANCA MUNICIPALITY
 (Accounting Officer - N.A. Ncube)

INKWANCA MUNICIPALITY

ACCOUNTING POLICIES

Year ended 30 June 2009

1. Basis of preparation

- 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 and its Code of Practice for Local Government Accounting (1997) and the Published Annual Financial Statements for Local Authorities (2nd edition - January 1996)
- 1.2 The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in Accounting Policy 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 as stated:
 - * Income is accrued when measurable and available to finance operations. Certain direct income is accrued when received, such as traffic fines and certain licences
 - * Expenditure is accrued in the year it is incurred.

2. Consolidation

All inter-departmental charges are set off against each other, with the exception of assessment rates, refuse removal, sewerage, electricity and water which are treated as income and expenditure in the respective departments.

3. Fixed assets

- 3.1 Fixed assets are stated:
 - * at historical cost, or

- 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 the various council funds, assets may also be acquired through:

- * Appropriations from operating 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 provisions for depreciation.
 - * Grant or donation, 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 property are credited to the Revolving Fund.
 - 3.4 Fixed assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.

INKWANCA MUNICIPALITY

ACCOUNTING POLICIES

Year ended 30 June 2009

4. Funds and reserves

4.1 Revolving fund

The fund requires a minimum contribution of 7.5 % of the assessment rates that were levied for the previous financial year. It is not required from Council to contribute the amount that is 20% more than the amount required to be contributed in the previous financial year.

Net proceeds from the sale of fixed property are invested in the Revolving Fund. Funds accumulated in the Revolving Fund are utilised for the purpose of providing advances to borrowing services and to finance the acquisition or upgrading of land or fixed property.

4.2 Other funds and reserves

Other funds and reserves, which are disclosed in the notes (1-3) and appendix A to the financial statements are built up either by appropriations made on an annual basis from the operating account to the relevant funds and reserves or from contributions received from the public and state with the objective of providing community facilities and funds to finance bad debts.

5. Provisions

Provisions are created for liabilities or contingencies that are known at the date of the balance sheet but for which the amounts involved cannot be determined with substantial accuracy.

6. Retirement benefits (Defined Contribution Plan)

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

7. Surpluses and deficits

Any surpluses and deficits arising from the operation of the Electricity and Water Services are transferred to Rates and General Services.

8. Investments

Investments are disclosed at the lower of cost or market value if a permanent decline in the value has occurred, and are invested per Circulars issued by the Provincial Legislature.

INKWANCA MUNICIPALITY

ACCOUNTING POLICIES

Year ended 30 June 2009

9. Income recognition

11.1 Electricity and Water billings

All meters are read and billed monthly. Income is recognised when meters are read and the monthly levies debited to the respective consumer account. Where meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments made in the month they are indeed read. With regard to prepayment electricity purchases, income is recognised at the date of purchase.

11.2 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 are granted on state owned properties. Income is recognised when such levies are raised and debited to the respective ratepayer account.

11.3 Other income

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

11.4 Interest income

Income from investments and operations are recognised when received.

10. Leased Assets

Fixed assets held under finance lease are capitalised. Such assets are effectively amortised over the term of the lease agreement.

Lease finance charges are allocated to accounting periods over the duration of the leases, by the effective interest rate method, which reflects the extent and cost of lease finance utilised in each accounting period.

All other leases are treated as operating leases and the relevant rentals are charged to the operating account in a systematic manner related to the period of use of the assets concerned.

11. Deferred Charges

The balance outstanding of the costs incurred in raising loans on the capital market, are recovered from operating income over the periods of the various loans involved.

12. Consolidated Loans Fund

The capital resources of the Consolidated Loans Fund consists of both external and internal loans. Advances made to borrowing departments at an interest rate equal to the cost of servicing the funds capital and are repaid over the useful life of the asset acquired.

INKWANCA MUNICIPALITY
BALANCE SHEET AT 30 JUNE 2009

	Note	2009 R	2008 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES		3,203,545	2,938,578
Statutory funds	1	3,201,472	2,936,505
Reserves	2	2,073	2,073
ACCUMULATED DEFICIT		(8,022,893)	663,558
		(4,819,348)	3,602,136
TRUST FUNDS	3	2,541,116	531,486
LONG TERM LIABILITIES	4	2,274,818	2,052,306
CONSUMER DEPOSITS: SERVICES	5	161,312	162,437
		157,898	6,348,365
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	6	3,607,530	4,292,611
INVESTMENTS	7	38,169	35,937
		3,645,699	4,328,548
NET CURRENT ASSETS		(3,487,801)	2,019,817
CURRENT ASSETS		4,887,968	7,088,260
Debtors	8	4,866,587	6,812,670
Cash and Cash Equivalents	9	21,381	275,590
CURRENT LIABILITIES		8,375,769	5,068,443
Creditors	11	7,514,793	3,727,000
Bank overdraft	12	164,864	435,418
Provisions	10	539,858	608,041
Short-term portion of long-term liabilities	4	156,254	297,984
		157,898	6,348,365

INKKWANCA MUNICIPALITY

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	2008 Actual income		2008 Actual expenditure		2008 Surplus/ (deficit)		2009 Actual income		2009 Actual expenditure		2009 Surplus/ (deficit)		2009 Budgeted surplus/ (deficit)	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R
RATES AND GENERAL SERVICES	16,081,599	21,009,021	(4,927,423)				21,166,813	32,439,058	(11,272,245)					(1,214,183)
Rates and Corporate Services	9,874,341	15,318,320	(5,443,979)			12,910,880	25,742,157	(12,831,277)						4,725,621
Community/ Subsidised services	2,418,894	3,944,210	(1,525,316)			3,716,751	4,506,503	(789,752)						(4,046,866)
Development/ Economic services	3,788,364	1,746,491	2,041,872			4,539,182	2,190,399	2,348,783						(1,892,938)
HOUSING SERVICES	9,906	593,229	(583,323)			7,924	724,178	(716,254)						(722,037)
TRADING SERVICES	7,944,692	3,902,692	4,042,000			9,417,155	4,528,041	4,889,114						1,936,220
TOTAL	24,036,197	25,504,942	(1,468,745)			30,591,892	37,691,278	(7,099,386)						0
Appropriations for the year (refer note 17)			1,696,280											(1,587,065)
NET SURPLUS/(DEFICIT) FOR THE YEAR			227,535											(8,686,451)
Accumulated deficit beginning of the year			436,023											663,558
ACCUMULATED SURPLUS/(DEFICIT) END OF THE YEAR			663,558											(8,022,893)

INKWANCA MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	NOTES	2009 R	2008 R
CASH RETAINED FROM OPERATING ACTIVITIES		154,130	(29,061)
Cash utilised in operations	18	(20,403,473)	(5,684,339)
Investment income		2,232	
(Increase) / Decrease in working capital	19	6,015,425	314,864
		(14,385,816)	(5,369,475)
Less: External interest paid		(189,446)	164,863
Cash available from operations		(14,575,262)	(5,204,612)
Net Proceeds on disposal of fixed assets		685,081	
Cash contributions from the public and the State		14,044,311	5,175,551
CASH UTILISED IN INVESTING ACTIVITIES		(216,335)	(748,559)
Investment in fixed assets		(216,335)	(748,559)
NET CASH FLOW		(62,205)	(777,620)
CASH EFFECTS OF FINANCING ACTIVITIES			
Increase / (Decrease) in long-term liabilities	20	80,782	1,622,978
(Increase) / Decrease in cash	22	(16,345)	(159,828)
(Increase) / Decrease in cash investments	21	(2,232)	4,709
NET CASH GENERATED		62,205	1,467,859

INKWANCA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2009

	2009 R	2008 R
1. STATUTORY FUNDS		
Revolving Fund	3,201,472	2,936,505
	<u>3,201,472</u>	<u>2,936,505</u>
<i>(Refer to Appendix A for more details)</i>		
2. RESERVES		
Leave Reserve Fund	<u>2,073</u>	<u>2,073</u>
The leave reserve fund is represented by an investment at Standard Bank		
3. TRUST FUNDS		
Spatial Development	7,580	7,224
Resort Development	4,649	4,431
Land Ownership	1,865	1,729
Structure Plan	3,175	2,944
Survey of Masakhe	2,086	1,934
Sterkstroom Zoning Map	3,833	3,554
CDF : Leave Reserve Fund		2,073
CDF : Revolving Fund		3,927
Valuations	3,858	3,578
MSP	1,680	1,601
Disaster Fund	1,636	1,559
Cemetery Investigation	1,450	1,382
Land Development Fund	457,283	
MIG - Regravelling Street Molteno	1,273,799	
Total Trust Funds	<u>1,762,894</u>	<u>35,937</u>
- Advances to Operating Account	778,222	495,549
	<u>2,541,116</u>	<u>531,486</u>
Invested as follows:		
- Standard Bank Short Term investments	31,812	35,937
- Advances to Operating Account	2,509,304	495,549
	<u>2,541,116</u>	<u>531,486</u>
<i>(Refer to Appendix A for more details)</i>		
4. LONG-TERM LIABILITIES		
Wesbank DDL3689A	-	32,898
Wesbank DDL3675K	-	32,899
Toyota T54306H	36,588	70,067
Toyota T54306B	19,981	55,694
Wesbank D45519X	52,291	100,135
Wesbank DDL55350J	130,313	112,465
Wesbank DDL55644G	137,259	109,116
Wesbank DDL5216B	45,407	70,593
	<u>421,839</u>	<u>583,867</u>
Less: Deferred Finance Charges	(59,778)	(206,030)
Less: Short Term portion transferred to Current Liabilities	(156,254)	(297,984)
	<u>205,807</u>	<u>79,853</u>
Internal Loans	-	(96,558)
Loan from Chris Hani District Municipality	2,069,011	2,069,011
Total Long Term Liabilities	<u>2,274,818</u>	<u>2,052,306</u>
<i>(Refer to Appendix B for more detail)</i>		

REPORT OF THE AG

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

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Inkwanca Municipality which comprise the balance sheet as at 30 June 2009, income statement, and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, and the accounting officer's report, as set out on pages [xx] to [xx].
2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the standards laid down by the Institute of Municipal Finance Officers (IMFO) in the Code of Practice (1997) and the Report of Financial Statements (2nd edition, January 1996) and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), Division of Revenue Act, 2007 (Act No. 1 of 2007) (DoRA) 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), 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 adverse opinion

Fixed assets

7. A prerequisite of the Code of Accounting Practice for Local Authorities in South Africa and the Standards laid down by IMFO in the Code of Practice (1997) is that net assets should equal external loans. Net assets in the analysis of fixed assets to the annual financial statements differed from external loans in external loans and internal advances by R3.2 million.
8. Fixed assets for *housing services* are reflected in the fixed asset register at R11 million. No detail is provided in this register. A breakdown of these assets was provided by the municipality. This breakdown reflected housing assets at a total value of R4.6 million. The difference of R6.4 million could not be explained by the municipality.
9. Numerous assets did not have a unique asset number. It was, in these circumstances not possible to verify all assets that were reflected on the fixed asset register. Certain assets of the municipality could also not be traced back to the asset register. Furthermore the municipality has included water service assets of the water authority, Chris Hani District Municipality in the asset register and also disclosed these in the analysis of fixed assets. As loans redeemed and other capital receipts that are reflected in the analysis of fixed assets have not been linked to individual assets it was not possible to determine the carrying value, and thus the full financial impact of these errors could not be determined but is material.
10. Council approval for the disposal of assets amounting to R130 543 could not be provided by the municipality.

Long term liabilities

11. The nature, book values of securities and interest rate of long term liabilities totalling R2.3 million are not disclosed in note 4 to the annual financial statements as required by the *Code of Accounting Practice for Local Authorities in South Africa*.

Provisions

12. Included in note 10 to the annual financial statements are provisions of R539 858. No provision is made under this note for the rehabilitation of the two landfill sites of the municipality. This resulted in provisions being understated by R7.7 million.

Revenue

13. Service charges for rates, water and sanitation of R13.4 million has been disclosed in the income statement. This revenue and debtors of R43.5 million in note 8 to the annual financial statements is overstated by 10.7 million and the water services agency control account is understated by R1.7 million. These misstatements resulted from incorrect capturing of meter readings on the billing system, council approved tariffs not being correctly loaded onto the billing system and the inclusion of revenue and debtors of the water services authority
14. Source documentation could not be provided for revenue journals of R660 881 and garden service revenue of R1.4 million. It was thus not possible to confirm transactions of revenue amounting to R30.6 million, as disclosed in the income statement, took place and that they related to the business of the municipality.

Debtors

15. Consumer debtors of R43.5 million are included in note 8 to the annual financial statements. It was not possible, even through alternative procedures to, confirm that all debtors included in the disclosure existed as direct confirmation of these accounts was not possible, subsequent receipts did not provide

adequate assurance as to the existence of these debtors and the municipality was not able to provide us with supporting documentation and original invoices for transactions in these accounts.

16. The municipality does not have an approved accounting and credit control policy for doubtful debts. As a result it was not possible confirm that all *provisions for doubtful debts* of R39 million included in note 8 were recorded and that transactions took place and that they related to the business of the municipality.

Purchases and payables

17. The municipality did not provide payment vouchers and source documentation for purchases to the value of R414 893 that are included in expenditure of R11.1 million which is disclosed in the income statement. It was thus not possible to, even through alternative procedures, to confirm that these expenditure transactions took place or that all expenditure transactions were recorded in the income statement.

Contingent liabilities

18. The municipality has not disclosed any contingent liabilities in note 23 to the annual financial statements. The municipality was unable to provide confirmation from their legal representative that no contingent liabilities existed at financial year end. Alternative procedures did not provide the required level of audit assurance. Accordingly it was not possible to confirm that no contingent liabilities existed at year end and that the disclosure in note 23 was correct.

Opinion

Adverse opinion

19. In my opinion, because of the significance of the matters described in the Basis for adverse opinion paragraphs, the financial statements of the Inkwanca Municipality have not 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 and DoRA.

Emphasis of matter

I draw attention to the following matters on which I do not express an adverse opinion:

Basis of accounting

20. The municipality's policy is to prepare financial statements in accordance with the standards laid down by the Institute of Municipal Finance Officers (IMFO) in the Code of Practice (1997) and the Report of Financial Statements (2nd edition, January 1996) as set out in accounting policy note 1.1.

Unauthorised, irregular and fruitless and wasteful expenditure

21. The unauthorised expenditure of R18.8 million that is disclosed in note 25 to the annual financial statements was incurred as expenditure exceeded approved budgets.

22. Irregular expenditure of R414 363 is disclosed in note 25 to the annual financial statements. This resulted from irregular travel allowances to employees and proper processes not being followed in the procurement of goods and services.
23. According to note 25 to the annual financial statements fruitless and wasteful expenditure of R411 666 was incurred. This fruitless and wasteful expenditure was penalty interest on a late payment to South African Revenue Services and payments to employees that were on extended leave.

Going concern

24. The dependence of the municipality on government assistance is disclosed in note 28 to the annual financial statements. These conditions, along with the matters as set forth in this report, indicate the existence of a material uncertainty that may cast significant doubt on the entity’s ability to continue as a going concern.

Other matter(s)

I draw attention to the following matter that relates to my responsibilities in the audit of the financial statements:

25. 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 adverse opinion. The root causes are categorised according to the five components of an effective system of internal control. In some instances deficiencies exist in more than one internal control component.

Par. no.	Basis for adverse opinion	CE	RA	CA	IC	M
7	Fixed assets – fixed assets not agreeing to external loans	X				
8	Fixed assets – housing assets			X		
9	Fixed assets – verification			X		
10	Fixed assets – disposal of assets	X				
11	Long term liabilities – disclosure note	X				
12	Provisions – land fill sites	X				
13	Revenue - overstatement			X		
14	Revenue – documentation not submitted	X				
15	Debtors – existence of debtors	X				
16	Debtors – policy on provision for doubtful debts	X				
17	Purchases and payables – documentation not submitted		X			
18	Contingent liabilities – non submission of documentation					X

Control environment

26. The municipality has not developed, approved and implemented a number of policies and procedures. Furthermore the audit committee and internal audit department was not fully functional during the year. Despite having a finance department the municipality has employed external service providers to prepare their financial statements in the last two financial years. Subsequent to the external service provider compiling the annual financial statements they were not adequately reviewed by the chief financial officer as a means to ensure that the annual financial statements are free from material misstatements.

Risk assessment

27. The risk assessment performed by internal audit was not complete in that it did not identify the compliance aspects of the provision of water services as a high risk. A limited framework to guide the municipality in this matter would have prevented the error. Management has also not implemented a risk management strategy to mitigate the identified risks.

Control activities

28. The municipality has not implemented a certain manual and automated controls to ensure that the reporting activities are free from material misstatements.

Monitoring

29. Insufficient monitoring and financial control is exercised in the finance department.

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 officer/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

30. 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 section 126 of the MFMA.	✓	
Availability of key officials during audit			
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. 		✓
	<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)/95(c)(i) of the MFMA.		✓
12.	Delegations of responsibility are in place, as set out in section 79/106 of the MFMA.	✓	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.		✓
14.	SCOPA/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 purposes of monitoring the performance in relation to the budget and delivery by the Inkwanca Municipality against its mandate, predetermined objectives, outputs, indicators and targets section 68/87 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.		✓

Non-compliance with applicable legislation

31. Disclosed in note 3 to the annual financial statements are conditional grants of R2.5 million. Contrary to section 47(2) of DoRA these conditional grants have been use for operational purposes.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

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

The accounting officer's responsibility for the performance information

33. 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

34. 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.
35. 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.
36. 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

Content of integrated development plan

37. The key performance indicators set by the municipality did not include key performance indicators applicable to the municipality, as prescribed by section 43(1) of the MSA.

No mid-year budget and performance assessments

38. The municipality did not assess its service delivery performance, service delivery targets and performance indicators set in the service delivery and budget implementation plan, by 25 January as required by section 72 of the MFMA.

Lack of adoption or implementation of a performance management system

39. 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, was not adopted as was required in terms of regulations 7 and 8 of the Municipal Planning and Performance Management Regulations, 2001.

Existence and functioning of a performance audit committee

40. The municipality did not budget for or appoint a performance audit committee. It did also not make use of its audit committee to perform the function of the performance audit committee. Consequently it did not comply with the requirements of regulation 14(2) of the Municipal Planning and Performance Management Regulations, 2001.

Usefulness and reliability of reported performance information

41. 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:

Inconsistently reported performance information

48. Objectives reported in the annual report are not consistent with those listed in the integrated development plan for infrastructure and basic services programmes. The performance information for the local economic development programme did not include objectives, targets or indicators. No targets were included in the integrated development plan. Targets however were included for programmes in the annual report. This indicates that these targets were not predetermined.

APPRECIATION

42. The assistance rendered by the staff of the Inkwanca Municipality during the audit is sincerely appreciated.

East London

30 November 2009



Auditing to build public confidence

REPORT OF THE CHAIRPERSON OF THE AUDIT COMMITTEE

Introduction

The Audit Committee is an independent advisory body to the council. The Committee considered the Report of the Auditor General on the Annual Financial Statements and Performance Information of Inkwanca Local Municipality for the year ended 30th June 2009.

Consideration of the Auditor General's Report

Management presented the Auditor's General report together with their comments thereon to a meeting of the Audit Committee held on the 09th December 2009. Both the Municipal Manager and the Chief Finance Officer attended the session and required to respond. It must be noted that submissions of the report to the Audit Committee is unable to the Committee to interact with Management on the issues raised in the report for the purpose of providing Council with inputs in terms of section 166(2) (c) of the Local Government: Municipal Finance Management Act.

Even though the Committee is appreciative of the efforts of management to reduce the number of qualifications arising from the previous report of the Auditor General, the committee, however, is registering its serious concerns regarding certain of the findings of the Auditor General.

While noting the comments of management, the Committee was not in all cases satisfied. The fact that the municipality has consistently received the adverse opinion raises the issue of commitment and seriousness on the part of management to reverse the situation for the better.

Furthermore, the Committee is insisting that in future, all municipal Heads of Departments must attend this session where the Auditor General Report is being responded to.

In general, the comments provided by management gave no indication of resources required to implement the action, or time frames and it is recommended that management should consider these matters and revert to the Audit Committee and Council thereon. The Committee will appreciate to see an action plan with clear resource allocation and timeframes to address the matters as raised. Progress report on implementation of the action plan may also be of assistance.

Having considered the AG report and management responses the Committee therefore recommends:

- That the comments of management as contained in the draft action plan be approved by Council.
- That the Council takes note of the concerns and comments of the Audit Committee.
- That the Council must as well take note of the concerns of the committee regarding performance information.
- That the Committee concurs with the view of the Auditor General that the root cause of certain of the findings contained in the report are a result of deficiencies relating to control and monitoring activities, therefore appropriate measures must be put in place as a matter of priority to deal with control environment.
- That appropriate measures be introduced as matter of urgency to ensure compliance with legislation

Rev. T. J. Irion
CHAIRPERSON AUDIT COMMITTEE
(Inkwanca Local Municipality)