



EC 103

ANNUAL REPORT
01 JULY 2009– 30 JUNE 2010

TABLE OF CONTENTS

1. General Information	3
2. Introduction and Overview	4
3. Yearly Programme priority statement	6
4. Overview of the Ikwezi Municipality	7
5. Executive Summary by the Municipal Manager	9
6. Chapter 1: Institutional Transformation	11
7. Chapter 2: Basic Service Delivery	40
8. Chapter 3: Local Economic Development	48
9. Chapter 4: Municipal Financial Viability	60
10. Chapter 5 : Good Governance and Public Participation	67
11. Chapter 6 : Annexures	
A : Audited Annual Financial Statements	
B : Audit Report	
C : Comments by Chairperson of the Audit Committee	
D : Management responses to issues raised by the Auditor General	

GENERAL INFORMATION

Submission of the Draft Annual Report to the Speaker/Mayor

To the Speaker/Mayor, Cllr Sizwe Alfred Mngwevu; I have the honour of presenting the 2009/10 Draft Annual Report.

Mr Thandekile Themba Mnyimba
Municipal Manager



PART 1: INTRODUCTION AND OVERVIEW

A. FOREWORD BY THE SPEAKER/MAYOR

It is a great honour to present the 2009/2010 annual report as both progress and solid foundation for the future. The financial year under review has provided the municipality with great opportunities. The municipality has also done well in maximising presented opportunities.

The municipality co – hosted the first and the most successful International Mohair Summit in November 2009. The summit brought together two ends of the value chain of the mohair industry, namely, the producer and the retailer. All stakeholders discussed and resolved on how to take this ailing industry forward. Stakeholders also resolved on new investment opportunities in the mohair industry.

The summit was followed by Ikwezi Mohair Festival which was funded by the Department of Agriculture and Rural Development. The festival was also a huge success hence council resolved that it be an annual event going forward. Our communities responded with great enthusiasm and sense of pride.

During the year under review, the municipality managed to facilitate successfully the process of acquiring Karoovlakte Farm as part of the contribution to the national target of redistributing commercial land to previously disadvantaged emerging farmers. There are other commercial farms that the municipality is following up with the relevant department.

Local government is at the centre of ensuring that:

- South African communities have access to basic services;
- Social transformation of our communities becomes a reality; and

- Economic freedom of our people is realised in our life time.

The above mentioned developmental projects will bring back dignity of our people and confidence of our people in their government.

The municipality has continued to improve during the year under review. For the first time, the municipality will be reporting on GRAP. Council and management have progressed well to ensure smooth transition. Council intends to maintain the unqualified opinion from the Auditor General.

Ikwezi Municipality has aligned its programmes and projects with the African National Congress' Manifesto; 2009 State of the Nation Address by President JG Zuma and the African National Congress January 8th Statement by President JG Zuma.

In conclusion and on a personal note, I would like to thank my fellow councillors for their loyal support and their unwavering support. Council's successes can be attributed to their hard work and unflinching dedication. I would also like to express my appreciation to the whole administration under the leadership of the Municipal Manager, Mr Thandekile Mnyimba.

My sincere thanks must also go to all our strategic partners, stakeholders and the Office of the Premier for their continued support and direction.

ClIr Sizwe Alfred Mngwevu

Speaker/Mayor

November 2010

B. YEARLY PROGRAMME PRIORITY STATEMENT

The municipality set the following programme for the year under review:

Table 1: Annual Programme

Number	Activity	Date	Comment
1.	Tabling of Performance Agreements, Plans and Personal Development Plans to Council	July 2009	Successful
2.	Strategic Planning Session	July 2009	Successful
3.	Submission of Annual Financial Statements to the Office of the Auditor General	Aug 2009	Successful
4.	International Mohair Summit	Nov 2009	Successful
5.	Ikwezi Mohair Festival	Nov 2009	Successful
6.	Visit to Germany by the Mayor and Municipal Manager	Nov 2009	Successful
7.	Public Participation	Jan 2010	Successful
8.	Adoption of Draft Annual Report by Council	Jan 2010	Successful
9.	Adoption of Mid Year Report by Council	Jan 2010	Successful
10.	Adoption of Budget Adjustment by Council	Jan 2010	Successful
11.	Adoption of Final Annual Report by Council	Mar 2010	Successful
12.	Adoption of Draft IDP by Council	Mar 2010	Successful
13.	Adoption of Draft Budget by Council	Mar 2010	Successful
14.	Public Participation	Apr 2010	Not successful
15.	Adoption of Draft Municipal Turnaround Strategy by Council	Apr 2010	Successful
16.	Conditional adoption of Final IDP and Budget by Council	May 2010	Successful
17.	Adoption of Final Municipal Turnaround Strategy by Council	May 2010	Successful
18.	Final Adoption of IDP and Budget by Council.	June 2010	Successful

C. OVERVIEW OF IKWEZI MUNICIPALITY

Ikwezi Local Municipality is located within the Eastern Cape Province, one of nine local municipalities located within Cacadu District Municipality (CDM). Jansenville is bordered by the Sundays River south of the town. Klipplaat is dominated by pre-dominantly defunct railway lines and shunting yards whereas Waterford may be characterised as a small rural node historically established to serve the surrounding farming community. The municipal area has a population of 11 452 (2 576 households) and covers an area of 4,449.7 km² (census 2007).

It is an area characterized by low population density and high levels of poverty. 76% of households earn less than R1 600 per month. Economic studies generally describe the area as having very limited economic potential with all settlements rated as level 1 settlement hierarchy (ABP 2009). The area is challenged with excessive bulk water constraints as well as very poor quality water.

Since 1996, the population of Ikwezi Municipal area grew at an average annual growth rate of 0.1% per annum compared to the 1.1 district population growth rate, the 0.3% population growth rate provincially and the 1.2% population growth rate nationally.

In 2007, children under the age of 15 accounted for approximately 27.69% of Ikwezi Local Municipality's population whereas in 1996, children under the age of 15 accounted for 34.19% of Ikwezi Local Municipality's population which is reflective of the decline in year on year population growth rates within the municipal area.

In 1996, 2001 and 2007 the population of Ikwezi Municipal area who were HIV positive numbered 160, 788, and 1 068 respectively. In 1996, 2001 and 2007 the percentage of the population of Ikwezi Municipal area who were HIV positive were 1.54%, 7.55% and 10.25% respectively.

In 2007, Ikwezi Local Municipality's Human Development Index was 0.53, lower than Cacadu District's HDI (0.57) and equal to the Provincial index of 0.53.

The distribution of income within the municipal area has worsened between 1996 and 2007 from 0,57 to 0,66. The percentage of people in poverty has increased from 48% in 1996 to 56% in 2007 representing a total population of 5 837 people living in poverty.

The level of education composition reveals that there has been an increase in higher levels of schooling with the Ikwezi Municipal area. 7 % of the population had a minimum of a matric (grade 12) in 1996 whereas 15 % of the population had a minimum of a matric (grade 12) in 2007. Considering the skills shortages that currently exist, greater emphasis must be placed on the delivery of educational services.

In 2007, Ikwezi Local Municipality was 68.8% urbanised as compared to 71.4% for the Cacadu District.

The percentage of people unemployed within Ikwezi Municipal area in 2007 is 39.4%. There has been a gradual increase in the unemployment rate from 1996 which originally stood at 29.3%. Total employment within the Ikwezi Municipal area is dominated by the agricultural sector comprising 32.5%. The highest levels of employment in the formal sector are in the Agricultural sector (43%) and the Community Services sector (25%). The dominant sector in the informal sector is day to day trading which accounts for 38% of informal sector employment.

Ikwezi Local Municipality's economy registered positive growth during the past decade. The municipal area will have to maintain its growth rate to have a significant improvement on welfare indicators. The economic production structure of Ikwezi Local Municipality is more diversified as compared to the Eastern Cape Provincial economy. The level of vulnerability for the Ikwezi Local Municipality has decreased slightly between 1996 and 2007.

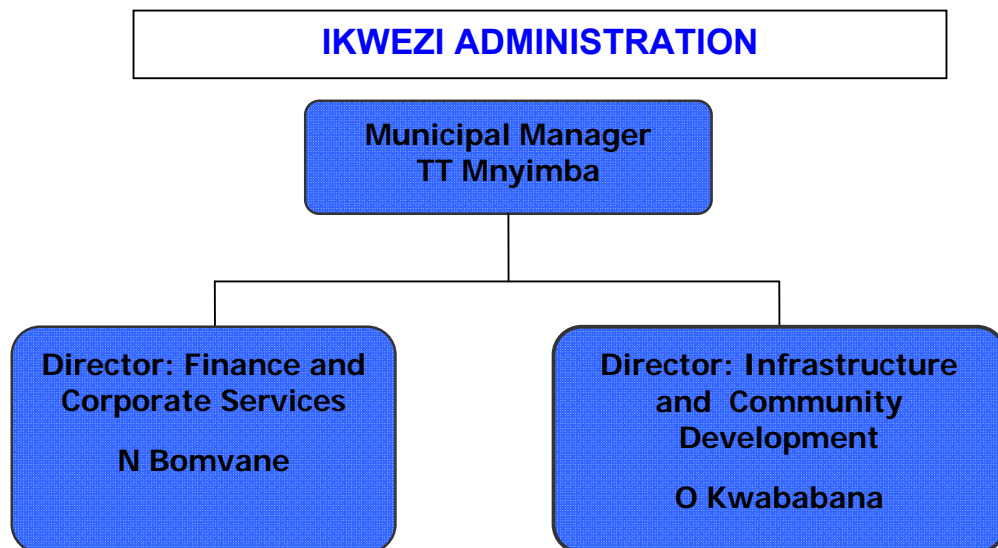


D. EXECUTIVE SUMMARY BY THE MUNICIPAL MANAGER

Ikwezi Local Municipality is a Plenary System where the Speaker serves as a Mayor. There are five councillors in total, three from the African National Congress (ANC) including the Speaker/Mayor which is the ruling party, one from the Democratic Alliance (DA) and one from Jansenville Klipplaat Alliance (JKA). There is no ward system instead council has units that act as wards.

The following diagram shows the administrative leadership of the municipality during the year under review:

Diagram 1: Ikwezi Administration



Ikwezi Municipality has stabilised at senior management level as it had high staff turnover at this level. This stability has brought remarkable progress in the implementation of municipal grand strategy.

Management also introduced the second layer leadership of managers reporting to section 57 managers. The absence of the second layer of leadership was posing a serious in terms checks and balances (segregation of duties) and capacity.

Performance assessments did not sit as scheduled during the year under review. The municipality is prioritising this important aspect of its strategic planning process. The municipality has applied to the district for funding in the new financial year.

The municipality managed to increase the number of registered projects on MIG and was fully committed for the whole Medium Term Expenditure Framework (MTEF) period. This is the first time that the municipality is in such a good position. Unfortunately, the municipality had serious challenges with its supply management processes. The municipality requested the district to assist to counter any delays in implementing capital projects. Hence the municipality under – spent its MIG allocation by R2.6m during the year under review compared to zero expenditure in the previous financial years.

Housing continues to pose a serious challenge to the municipality. Municipal and housing officials are working tirelessly to sort out all blockages in the completion of all housing projects in Ikwezi.

The November 2009 Inaugural Mohair Summit was a huge success. The municipality with its strategic partners and stakeholders did an excellent job in bringing 43 countries and 108 international delegates to the karoo. The summit was followed the Mohair Festival which was also well attended and highly successful.

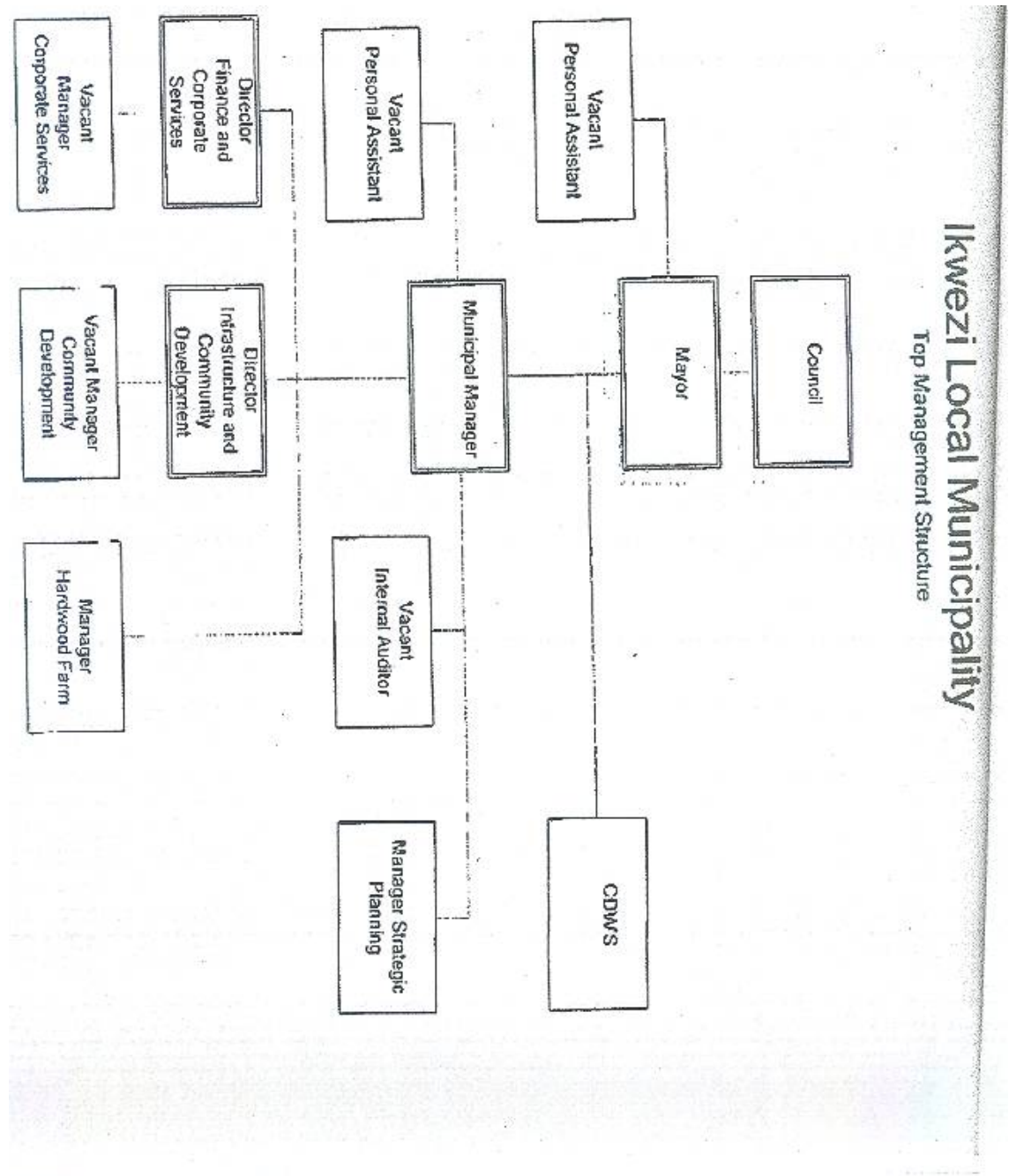
The municipality continues to improve its financial position and for the first time, the municipality will be reporting on GRAP during the year under review. As a low capacity municipality, this is a huge step for the municipality. Council has done all the right things to ensure smooth transition. Council is working very hard to maintain an unqualified audit opinion.

Council established portfolio committees to ensure that political oversight is maximised. This milestone also seeks to ensure that good governance and accountability is maintained. A Risk Register was developed and managed on a monthly basis by the Municipal Manager and reported quarterly to the Audit Committee for comment and advice.

CHAPTER 1: KPA1 – INSTITUTIONAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

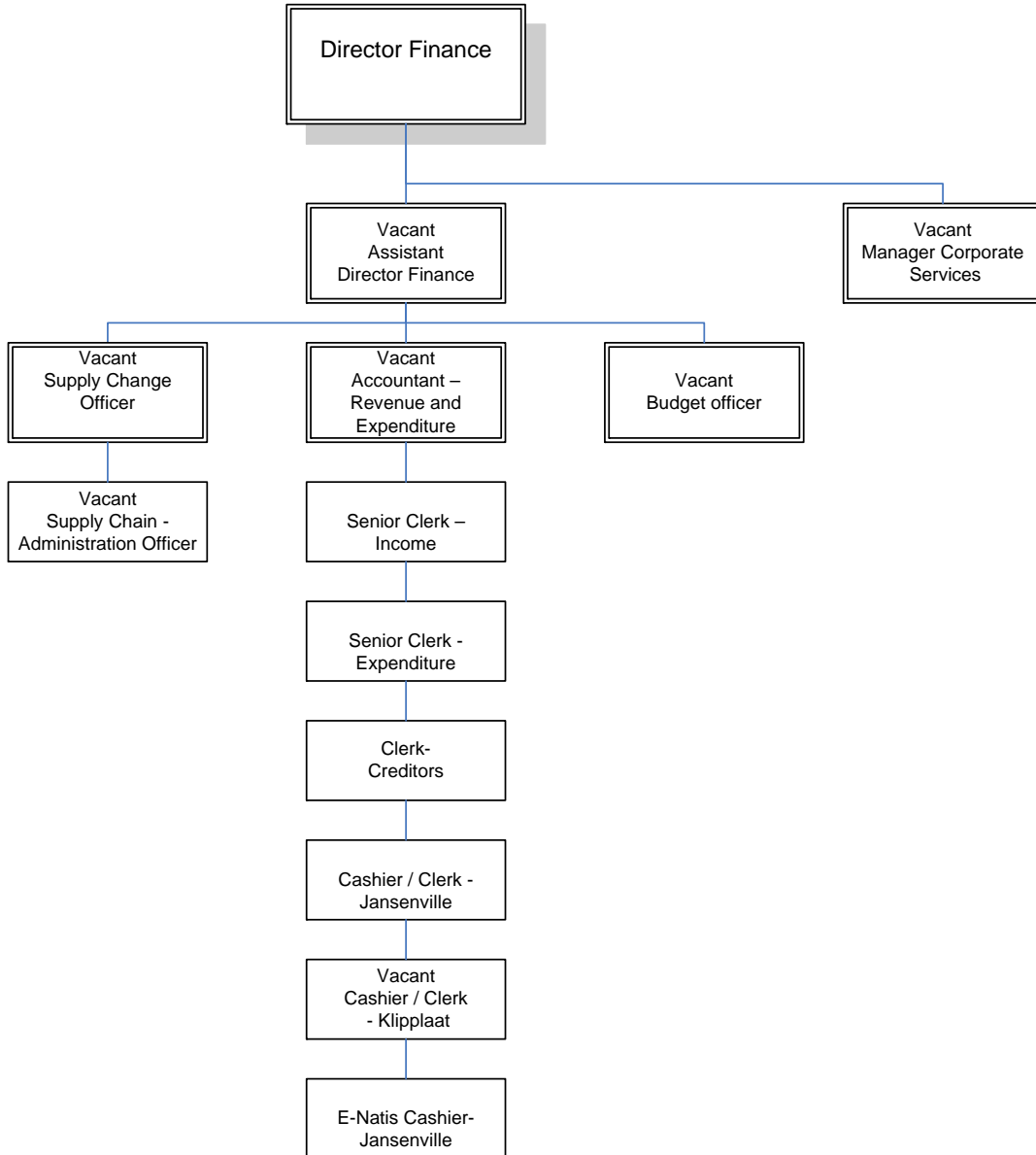
Diagram 2: Organisational Structure

1.1 Approved organisational structure



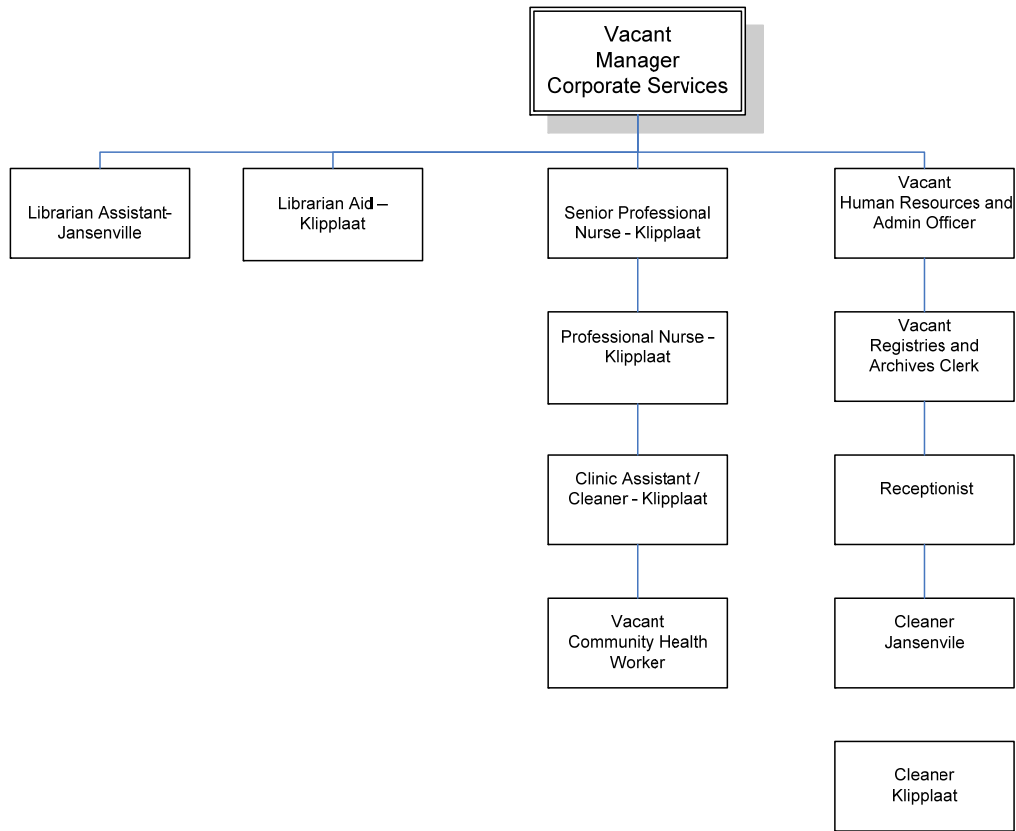
Ikwezi Local Municipality

Department Name: Finance (Proposed)



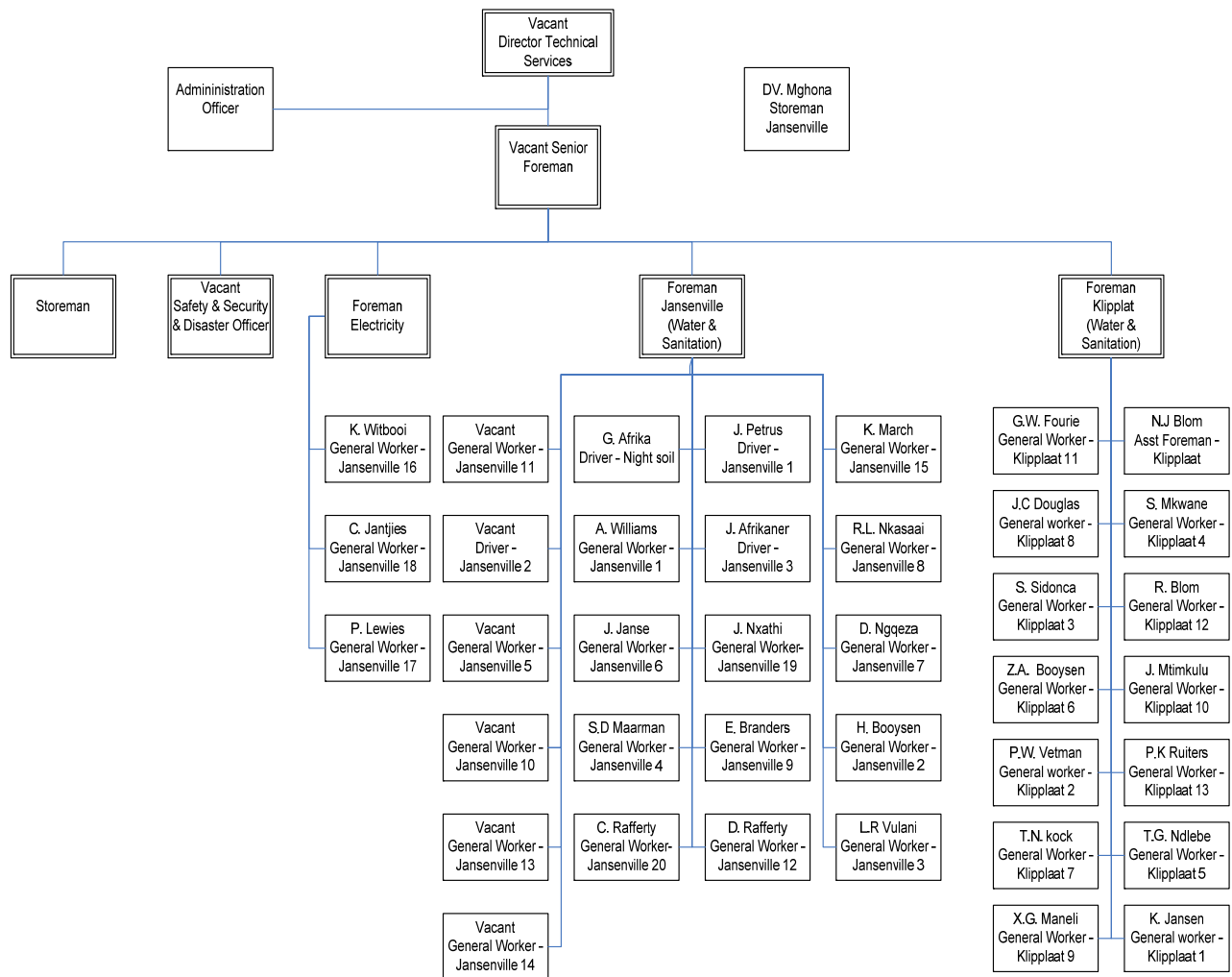
Ikwezi Local Municipality

Manager Corporate Services



Ikwezi Local Municipality

Department Name: Technical Services



In July 2009, the municipality filled all middle management positions that were vacant. The positions were advertised internally to give an opportunity for growth to staff members.

The new structure was adopted by council on **05 June 2009** with employment equity targets met in terms of S57 appointments. The organisational structure had the following status by end June 2010:

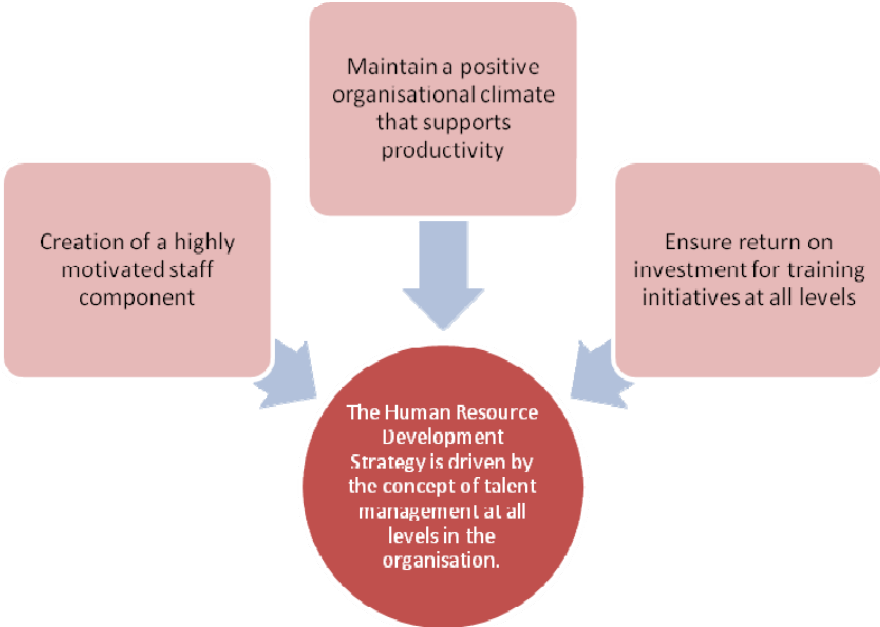
Total number of positions	-	79
Total number of budgeted positions	-	54
Number of vacant positions	-	25
Number budgeted vacant positions	-	0
% vacancy rate as per budgeted positions	-	0%
Number of contract employees	-	15

1.2 Human Resource Development Plan

The municipality does not have the above mentioned plan. Management has approached the Department of Local Government and Traditional Affairs to assist in this regard.

During its July 2009 Strategic Planning Session, the municipality developed the following Human Development Model which will serve as guide when developing the Human Resource Development Plan:

Diagram 3: Human Resource Development Strategy



(Source: Strategic Planning, July 2009)

1.3 Employment Equity Plan

The municipality developed and implemented the above mentioned plan during the year under review. The plan was also submitted to the Department of Labour in time as required by law.

1.4 Workplace Skills Plan

The municipality developed and implemented the above mentioned plan during the year under review. The plan was approved by council and submitted to the Local Government Sector Education and Training Authority (LGSETA).

1.5 Performance Management

In 2007, the municipality purchased an electronic performance management system from Amava Information and Technology (Pty) Ltd. Amava also assisted in developing performance management policy framework for the municipality.

All section 57 employees are on the system and have developed and signed their performance agreements, performance plans and personal development plans. The Mayor tabled all the above documents to council in July 2009.

Quarterly performance assessments did not sit according to schedule dates due to increased demands from local municipalities, for example, new administration as a result of national and provincial elections, the mohair summit and festival and process of developing municipal turnaround strategies.

The municipality will only have mid year and annual assessments for section 57 employees during the next financial year.

The municipality has developed a performance appraisal policy for non section employees. The policy is still under – going internal consultative processes. In the new financial year, performance plans for non section 57 employees will be developed and consulted for implementation in 2010/2011 financial year. This process is limited to middle managers for now.

1.6 The Municipal Strategic Planning Session

The session was held on 29 and 30 June 2009 and the theme was “Developing Readiness to Serve”. This looked at how to create institutional capacity to implement programmes and projects of the institution.

The session had the following outcomes:

- Developed institutional SWOT analysis
- Comprehensive problem tree
- Developed value system of the institution and ethos
- Developed business models for each directorate
- Developed an institutional Action Plan

The session was highly successful and added value to the municipality. It was clear from the session that it was not going to be business as usual.

1.7 The Municipal Turnaround Strategy

In December 2009, Minister for Cooperative Governance and Traditional Affairs Mr Sicelo Shiceka, tabled the Local Government Turnaround Strategy (LGTAS) to cabinet for approval. LGTAS was approved by cabinet for implementation as from 1 January 2010. All local municipalities were instructed to develop their respective tailor made Municipal Turnaround Strategies (MTAS).

In April 2010, management tabled draft MTAS to council for adoption and further consultation with both internal and external stakeholders. In May 2010, management tabled the final MTAS to council for adoption and implementation.

The final MTAS focuses on the following:

- Problem Statement
- Situational Analysis
- Legislative Framework of Local Government
- Municipal Approach to MTAS and
- Action Plan

Ikwezi Municipality's MTAS has an annexure called "Annexure B" that seeks to mobilise and integrated support from the district, sector departments and state owned enterprises.

1.8 Challenges facing the municipality

The following are key challenges relating to institutional transformation and organizational development:

- **The geographical location of the municipality** - remoteness and rural nature of the municipality poses a huge challenge. The municipality is not in a position to attract much needed skills due to this factor and limited financial resources.
- **Low revenue base** – inhibits Ikwezi Municipality to attract suitably qualified applicants. Generally, it takes longer for the municipality to fill its vacant positions due to the above factors.
- **Inappropriate funding model of local government** – the Equitable Share formula still poses serious challenges to low capacity municipalities like Ikwezi Municipality. Currently, the funding formula is informed by other factor (e.g population size, own income) rather than the need for financial resources.

CHAPTER 2: KPA2 – BASIC SERVICE DELIVERY

2.1 Background

The infrastructure Directorate is mandated to ensure that service delivery is executed in accordance with the provisions of the Constitution and Batho Pele principles. In addition to the above, the Infrastructure Directorate strives to address the service delivery needs of the communities in a participatory and sustainable manner.

The Directorate consists of the following sections:

- Water and Sanitation
- Electricity
- Refuse removal, Dumpsites, Cemeteries, Parks and open spaces section
- Maintenance and Roads and Storm water drainage

2.2 Water Services

Ikwezi Municipality is a Water Services Authority and a Water Services Provider. The municipality has no informal settlements. The following diagram illustrates service delivery levels of the municipality.

Table 2: Household Access to Water

Total Households (Community Survey 2007)	Household access to water	Household access to water %	Households below basic level of service/backlogs	Household below basic level of service/backlogs %
2,567	2,567	100	0	0

All schools and pre – schools, clinics and hospitals have access to portable water.

Rain Water Harvest Tanks – Ikwezi Municipality is the first municipality to provide households with water tanks as a short term measure in addressing water shortages. The municipality has applied to the district and Department Water and Environmental Affairs (Dwea) for additional funding to complete the project.

2.1.1 Challenges with water services

- **Scarcity of water resources** – the municipality is situated in the karoo and has been experiencing serious drought for the last four years. The municipality is in dire need of bringing regional bulk water to the area. Bringing regional bulk water supply to the karoo needs political will as the economy of these areas is dependent on it.
- **Poor water quality** – the municipality is dependent on boreholes and water from these boreholes has high volume of sulphur. Jansenville and Waterford have no water treatment plants. The municipality has registered a Jansenville Water Treatment Plant project and Waterford Bulk Water Supply project with MIG.
- **Water Demand Management** – the municipality has no water meters and cannot measure input, throughput and output of this scarce natural resource. The municipality has applied for funding from the district to assist in this regard. Department of Water Affairs (Dwa) together with the municipality championed **2020 Vision Water Campaign** that focused on education and short term interventions. The short-term intervention involves installation of water meters to businesses and other government buildings to ensure that these bulk users are billed accordingly. The project is expected to be completed in the next financial year.
- **Water infrastructure backlog** – according to the 2008 **Comprehensive Infrastructure Plan**, infrastructure backlog relating to water was **R83m**. Using price escalation of 6% per annum, the estimated cost of water services backlog now stands at **R99m**. MIG allocation was **R6.3m** for the year under review for all infrastructure backlog and clearly the allocation does not even come close to addressing the backlog, let alone future needs

2.2 Sanitation

Ikwezi Municipality has full authority over this function and has been prioritizing it since 2006. The municipality moves from the premise that sanitation is dignity. The following diagram illustrates service delivery levels of the municipality.

Table 3: Household Access to Sanitation

Total Households (Community Survey 2007)	Household access to sanitation	Household access to sanitation %	Households below basic level of service/backlogs	Household below basic level of service/backlogs %
2,567	2,439	95%	128	5%

Ikwezi Municipality is one of the few municipalities in the country that met the December 2007 deadline of eradicating buckets in urban areas. This great achievement **increased** water demand whilst supply remained the same.

Only one school is not connected in Klipplaat, all pre – schools, clinics and hospitals have access to sanitation.

There is a small area (Die Erwee) in Jansenville that is privately owned and has been a challenge to provide sanitation services as it is not subdivided. There are 10 households that are affected by this predicament.

During the year under review, the municipality in partnership with its German partners investigated possibility of supplying urine diversion ablutions to Waterford. There is a serious water shortage in this small farming community with approximately 60 households. The municipality with the assistance of its German partners built two show toilets for the community to approve or reject. The community of Waterford has approved the technology and will be incorporated in the coming housing project.

2.2.1 Challenges sanitation services

- **Scarcity of water** – communities especially in Jansenville and Klipplaat demand water borne system. As stated above the bucket eradication project has increased water demand putting tremendous pressure on municipal water resources.
- **Community education** – communities continue to dispose foreign elements in the sanitation system causing unnecessary and costly blockages. The municipality will develop and promote an educational campaign in this regard.
- **Removal of septic tanks** – town areas both in Jansenville and Klipplaat still have septic tanks and needs to be connected to the main line. The municipality is in process of registering a capital project in this regard.

2.3 Electricity services

Ikwezi Municipality is an electricity distributor in Jansenville only, Kliplaat and Waterford are serviced by Eskom. The municipality is participating in the EDI's transformation of electricity distribution.

The following table illustrates service delivery levels of the municipality.

Table 4: Household Access to Electricity

Total Households (Community Survey 2007)	Household access to Grid (IDP 2010/2011)	Household access to Grid (IDP 2010/2011) %	Households below basic level of service/backlogs (IDP 2010/2011)	Household below basic level of service/backlogs (IDP 2010/2011) %
2,567	2,404	93,6%	163	6,4%

All registered indigents have access to free basic services. Detailed information is provided under financial report.

2.3.1 Challenges with electricity services

- **Complete electrification of Dan Sandi area** – the municipality is struggling with Eskom to complete this project. The community is challenging the municipality not knowing that Eskom has the license to provide the service in Klipplaat.
- **Street lighting in Klipplaat** – the municipality must repair and/or install street lights in the presence of Eskom. Sometimes it is not easy to get all the parties at the same time. The municipality is in constant contact with Eskom.
- **Maintenance budget** – limited financial resources due to low revenue base and inadequate Equitable Share to maintain infrastructure. The municipality has increased the maintenance budget during the year under review from 2% to 5% of the total budget.
- **Electricity infrastructure backlog** – electricity backlog was **R30m** in 2008. Using price escalation of 6% per annum, the estimated cost of electricity backlog stands at **R36m**. The municipality applied to Department of Energy (DoE) for funding of its Jansenville Upgrade of Bulk Electricity Supply. The department has approved and transferred **R8m** to the municipality. The department intends to fund the project over a period of three years.

2.4 Road maintenance

Ikwezi Municipality has full authority on all internal roads within its jurisdiction. The municipality does not have a roads maintenance plan. It intends to address this challenge through the current project that upgrades roads and stormwater drainage in Jansenville.

Road maintenance is budgeted for although the budget is limited. Roads are maintained although they need rehabilitation and upgraded.

The following table illustrates service delivery levels of the municipality.

Table 5: Status of Roads network in Ikwezi Municipality

No	Indicator name	Total no of HH expected to benefit	Estimated backlogs	Target set for the following yr
1	Percentage of households without access to gravel or graded roads	100%	0%	0%
2	Percentage of infrastructure requiring upgrade	100%	90%	10%
3	Percentage of planned new road infrastructure actually constructed	250	90%	10%
4	Percentage of MIG allocation reserved for road upgrading	250	90%	80%

2.4.1 Challenges with roads maintenance

- **Huge road infrastructure backlog** – to amount of **R95.5m** according to the 2008 Comprehensive Infrastructure Plan. Using price escalation of 6% per annum, the estimated cost is **R114m**. The municipality has increased its maintenance budget from 2% to 5% of its total budget. A Jansenville Upgrade of Roads and Stormwater project (**R27m**) has been approved by MIG. The project has gone through Supply Chain Management processes and construction will start during the first quarter of the new financial year.

- **Low revenue base and inadequate funding** – the municipality has high levels of indigents. The Equitable Share Formula will always pose a serious challenge to local municipalities until it is reviewed.

2.5 Waste management

Ikwezi Municipality has full authority over waste management and carries full responsibility. In January 2009, council adopted the Integrated Waste Management Plan. Council implemented the plan during the year under review.

The following table illustrates service delivery levels of the municipality.

Table 6: Household Access to Refuse Removal

Total Households (Community Survey 2007)	Household access to refuse removal (IDP 2010/2011)	Household access to refuse removal %	Households below basic level of service/backlogs (IDP 2010/2011)	Household below basic level of service/backlogs %
2,567	2,507	97,7	60	2,3

2.5.1 Challenges with waste management

- **Unregistered waste disposal sites** – the municipality is in the process of registering all its waste disposal sites. Registration will also mean that the municipality will have to start budgeting for rehabilitation of these waste disposal sites
- **Unregistered waste water treatment works** – the municipality is in the process of registering its entire waste water treatment network.
- **Lack of trade tools to deliver qualitative services** – financial constraints are a deterrent in providing qualitative service delivery to our communities. The municipality has budgeted for a new refuse truck in the new financial year and intends to acquire the truck during the second quarter. This will improve service delivery levels within the municipal area.

2.5 Housing and town planning

The Department of Human Settlement is mandated with provision of quality affordable houses to the poor. This function is an agency function that the municipality carries out on behalf of the department. The municipality utilizes its own staff to carry the said function. There is administration fee payable to the municipality for carrying out this function.

In 2008, council adopted a Housing Sector Plan that it has been implementing during the year under review. Council implemented the plan under difficult conditions as the plan is very ambitious not realistic to prevailing conditions on the ground.

Town planning is a serious challenge in Ikwezi Municipality as the municipality does not have and cannot even afford a qualified town planner. In December 2008, the municipality approached the Department of Local Government and Traditional Affairs to assist in this regard.

The following are housing projects at different levels:

Table 7: Housing Projects in Ikwezi Municipality

Project Title	No. of Sites	Comments
Jansenville	350	Project was split into phase 1 and 2; phase 1 – 253 houses completed, phase 2 – 97 applications
Klipplaat	418	Nearly complete
Jansenville	500	Not yet approved
Waterford	66	Approved, design stage
Klipplaat	108	Approved
TOTAL	1,442	

According to the municipal Integrated Development Plan (IDP), the housing backlog stands at 767 units. This figure needs to be reviewed and verified.

The municipality has no informal settlements.

2.6 Spatial planning

Ikwezi Municipality developed its Spatial Development Framework (SDF) in 2007 and it has never been reviewed. In December 2008, the municipality approached the Department of Local Government and Traditional Affairs for support.

There is no rapid growth within the municipal area. The following factors are indicative components growth and development within the municipal area:

Table 8: Indicative factors of growth and development

No	Indicative factor	No of applications
1	Rezoning	0
2	Subdivision	0
3	Consent use	0
4	Removal of restrictive conditions	0
5	Town establishments	0

2.6.1 Challenges with spatial planning services

- **No capacity** – the municipality does not have and cannot even afford a town planner.
- **Poor town planning** – the municipal area has been poorly planned. This has led to some difficulties in provision of services especially water services.
- **Lack of plans** – records have not been properly kept. This leads to difficulties for future planning.
- **Review of the SDF** – the current SDF needs to be reviewed and the municipality needs funding.

CHAPTER 3: KPA 3 - LOCAL ECONOMIC DEVELOPMENT

Local Economic Development (LED) and Tourism is tasked with socio-economic programmes and projects for the whole Ikwezi Municipal area. The LED unit is also responsible for liaising with other stakeholders like NGOs, CBOs, provincial and national government departments and private companies.

3.1 Status on developing the LED strategy/plan

The LED Strategy is in place and was adopted by Council in April 2010. The Strategy was implemented during the year under review.

3.2 Main Role players involved:

- Cacadu District Municipality
- Thina Sinako
- Khanya Aiccd
- Department of Economic Development and Environmental Affairs

- Department of Local Government and Traditional Affairs
- Department of Agriculture and Rural Development
- Mohair South Africa
- Office of the Premier
- Eastern Cape Development Corporation
- Extended Public Works Programme
- GTZ
- Rural Livelihood
- Non – governmental Organisations

3.3 LED Unit set up

The Municipality has a fully fledged LED Unit which was established in 2009. The unit is in the office of the Municipal Manager and consists of the following staff members:

- LED/Tourism Manager
- 1 x LED Officer
- 1 x LED Intern
- 1 x Tourism Intern

The two interns would be absorbed once the reviewed organogram is approved by Council.

3.4 The availability of a LED expertise

The LED Expert/Manager was appointed in April 2009 through the support of the Department of Local and Traditional Affairs. The intervention by the department would be for a period of three years, that is, 2009/10; 2010/11 and 2011/12. For 2010/11 financial year, the department has allocated an amount of R470 000 for the LED Expert/Manager.

3.5 LED stakeholder forum functionality

The LED Forum was established during the year and did not function according to what was expected. The Community Based Economic Development Planning programme will revive the forum.

3.6 Funding opportunities for LED activities

- Community Based Economic Development Planning (CBED): R1,1m funded by (EU) through Thina Sinako.
- Community Based Enterprise Support System (CBESS): R1,1m funded by EU through Thina Sinako
- Mohair Summit and Festival : R11m (DEDEA: R3m; DARD R2.3m; CDM R750 000; MSA R700 000)
- LED Expert/Manager: DLGTA R400 000 (2009/10).
- LED Expert/Manager: DLGTA R470 000 (2010/11).
- Thina Sinako: R390 000 LED Strategy development (2008/09)
- DEDEA: R2.2m for the One Stop Shop and feasibility study for Abattoir and Bed & Breakfast in Klipplaat.
- Pretoria Portland Cement: R4.5m over five year period - Ostrich project in Klipplaat

3.7 Progress towards achieving the LED key objectives

3.7.1 Improve public and market confidence

- Spatial development framework (SDF)/Land use management system (LUMS); (already discussed at length under chapter 2 and Basic Service Delivery).
- Red tape reduction: Turn-around time for licensing and other business related applications; 3-6 months
- Investments and trading by-laws No trading by-laws in place
- Provision and maintenance of quality and reliable infrastructure: Roads; ITC; market places Refer to chapter 2 on Basic Service Delivery for more details
- Disaster management.

3.7.2 Exploit comparative and competitive advantage for industrial activities

The municipality co - hosted an **Inaugural International Mohair Summit** and **Ikwezi Mohair Festival** on 03-08 November 2009. The summit brought 43 countries and 108 international delegates to the Eastern Cape karoo.

The Summit was enabled by the Eastern Cape Provincial government, Cacadu District Municipality and Ikwezi Local Municipality with the support of Mohair South Africa to

rejuvenate a flagging Mohair sector and in so doing stimulate the rural economy and job creation.

South Africa produces more than 50% of world mohair. As such the growth of the sector is critical to the development of the rural economy.

The Eastern Cape is 75% rural, therefore agricultural sector presents a key opportunity to graduate people out of the poverty trap.

It was unanimously agreed that this government intervention has made a significant contribution.

22% of Trade Show and Match-making programme participants concluded actual business valued at above R250 000. This alone represents an injection of R8m into the local sector.

An additional total value of R20 283 575 (R20.2m) has been injected directly into the Ikwezi region (excluding growth created through jobs) through the inaugural International Mohair Summit. This excludes the value of business deals concluded at the event.

It was a coup that 108 top international natural fibre producers, processors, manufacturers and retailers flew into the region to connect with 1 283 South African industry stakeholders, including government. A total of 1 619 delegate interacted at the Summit.

Over 120 individual match-making meetings between local industry and buyers or potential investors were done through an online match-making system, to optimise the opportunity of meaningful business and potential investment.

The value raised around international and national **media/marketing is projected at R5m**, while the long-term effect, in terms of future and or return visits, is also substantial but has not been calculated. (Includes TV, radio, print, online marketing but excl direct marketing).

The Summit develops the tourism infrastructure of the rural Karoo (Mohair Meander, Mohair Museum launch, Jansenville Homestay Accommodation), the future benefits of which are expected to generate R1m per year.

Models exist to evaluate the revenue of return visits which are an important part of an economic impact assessment of this nature.

Of the total Gross Domestic Expenditure or value for the province **R1 256 090 (R1.25m) is generated from outside of the Province** and this represents new money inflows that would not be forthcoming if the event was held elsewhere or not at all. Please see Framework 1 heading “**GDE by geographic source**” It is also suggested that much of actual deals concluded involved businesses outside of the Province.

Its unique focus on the agricultural sector at the world’s leading producing and processing region, its international scope, together with the support of the Department of Trade and Industry – it is well placed to secure quality international potential investors – The Summit is poised to facilitate **foreign direct investment** and international business deals.

It aims to grow market share, and increased revenues (also through beneficiation) of 10% over the next five years. This translates into R23.5m per year (total value of production in 2007 was R235.1m.)

The investments would create an estimated **230 jobs (10 jobs per R1m)**

The momentous logistical exercise of hosting The Summit created **2 full-time jobs in the services arena, 60 part-time** jobs offering skills transfer and practical experience over a period of four weeks.

International marketing, branding and messaging positions and includes South Africa and Eastern Cape as the host destination of the Soccer **World Cup 2010**

The Summit is a key part of **the PGDP plan** to grow jobs through the agricultural sector.

The event contributes to the **development of skills** – global benchmarks and innovation.

The event provides for **sustainability** through support for the Hardwood Farm, emerging farmers initiative as well as for local crafters and SMME's, who have already received substantial training and support through the event.

Intangible benefits include:

- Community Development
- Civic Pride
- Event Product Extension
- Long Term Promotional Benefits
- Induced development and construction expenditures
- Additional trade and business development

Accommodation in Graff-Reinet, where the Summit was hosted was fully booked over the duration of the Summit, with some guests having to stay in Nieu Bethesda, Aberdeen and Jansenville.

Up to 1008 bed nights at an average of R450 per person per night injected R453 600 into the Karoo through accommodation alone.

The project created more than 60 temporary jobs for unemployed residents of the Karoo while most suppliers to the summit, including catering, transport, security and cleaning were local.

In addition appointed suppliers were requested to form partnerships with emerging entrepreneurs from the Jansenville area in order to promote skills transfer. R182 000 was spent with Jansenville suppliers specifically.

Additional unknown income was generated through the opening of the Mohair Museum and the Ikwezi Mohair Festival.

Emerging entrepreneurs benefited from training workshops and participation in the Summit – created by the project to move the marginalised into the mainstream economy. There is much room for improvement in this area.

Tourism to the Karoo cluster was boosted when the Summit platform was used to launch the contemporary Mohair Museum in Jansenville as well as the Mohair Meander – both prime national and international tourism products.

3.7.3 Intensify Enterprise support and business development

The LED Strategy proposes a range of key priority sectors, namely:

- SMME development
- Agriculture development
- Tourism development
- Human resource

Business development Services provided to SMMEs:

- Business Plan Development
- Access to finance
- Business Registration
- Access to markets
- Access to land
- Agricultural extension services and infrastructure
- Business linkages and alignment with the manufacturing and tourism sectors
- SMME Training
- Access to tourism support services
- Tenders
- Cooperative support (registrations

A multi-pronged approach is needed, dealing with the major existing impediments, including a poor business environment, lack of financial tools, weak entrepreneurial capacity and the absence of strong linkages with existing large enterprises. Engagement

with financial institutions to develop SMME friendly lending has not yielded much result. Ikwezi SMMEs continue to face a plethora of challenges that inhibit their growth and development beyond mere survivalist modes of activity.

3.7.4 Public and private partnerships established

The municipality has established partnerships with the following public; NGOs; parastatals; public and private sectors:

- University of Postdam in Germany: Communal Water House project
- RULIV
- Office of the Premier: Goat and Mohair Initiative
- GTZ: Funding for Soccer Kick about project at Phumlani Location; Facilitated the development of IDP document for the municipality and IDP support
- Thina Sinako : Development of LED Strategy
- Khanya Aiccd: Community Based Economic Development (CBED) and Community Based Enterprise Support System
- Mohair South Africa: International Mohair Summit; Mohair Festivals and Mohair learnerships.
- Department of Agriculture and Rural Development: Hardwood farm and support to farmers and SMMEs
- Department of Local Government and Traditional Affairs: Funding for LED Expert for 2009/10 and 2010/11 financial years.
- Klipplaat Development Forum: food production for poor households (CBED)
- Jansenville Development Forum (CBED); computer training centre and business registrations.
- Local Tourism Organisation: Tourism development in Ikwezi area.
- DEDEA: R2,2m for One Stop Shop project and feasibility study for Abattoir and Bed and Breakfast.
- Department of Social Development: funding for SMMEs and Cooperatives.
- Addo Elephant National Park: Waterford Exit Corridor
- ECDC; DoT; IDC : Revitalisation of Rail
- Solar Technology Farm; SASSA, NERSA. DoE, ESKOM; CEF, IDC.
- PPC : Ostrich project and Cultural village
- DSRAC : Secondment of a Librarian

3.7.5 Number of new formal SMME established within the municipality

The municipality has established three SMMEs; namely:

- Ostrich Cooperative
- Feedlot Cooperative
- Abafazi Phambili Poultry Cooperative

The abovementioned cooperatives are registered and are active.

3.7.6 Number of new employment opportunities through Expanded Public Works Programs and Public and Private Partnerships

During the Mohair festival in November 2009 the use of local suppliers was optimised (21 SMMEs)

Table 9: Number of local suppliers that benefited during festival

SUPPLIER NAME	SERVICES/ PRODUCTS	FEE
Sakhiwonga Trading	Toilet Hire	23 000.00
Ikhala Sewing Factory	Storage facility	3 500.00
Silulinto Trading Enterprise	Cleaning	8 200.00
Nakhane Caterers	Catering for the crew/ dinner	3 600.00
Nakhane Caterers	Special dinner for 9 pax X 3 days	1 080.00
Siyahlumela Trading	Catering for the crew/ lunch	3 600.00
Siyahlumela Trading	Special lunch for 6 pax X3 days	720.00
Devashne Trading	Catering for the VIP	17 500.00
Shavaro's General Trading	Décor & Draping	8 000.00
Koetaan's Bus Service	Transportation	44 688.00
Jansenville Rugby Field	Use of the rugby Field	1 500.00
Angora Lodge	Accommodation (staff & artists)	34 804.70
Angora Lodge	Friday 6 th VIP Liquor supply	3 102.00
Opening of the season	Beer Garden	11 460.00
Angora Lodge	Bar Tab	535.00
Oakvilla Guesthouse	Accommodation (artists)	3 940.00
Palm Tree Cottages	Mimes Accommodation	1 200.00
Gushi's Transport	Transportation	3 500.00
Masiqhame Trading 719	Accommodation	2 800.00
Harley B & B	Accommodation	2 800.00
		209 529.70

Local Artists

To stimulate and encourage participation by local artists, the appointed Service Provider (Go Big) for the Mohair Festival embarked on a programme to identify and audition aspirant artists from the Ikwezi area. This was advertised through various mediums and artists were transported to Klipplaat for the auditions which proved extremely successful. There were however certain genres lacking and these were sourced from outside Ikwezi. Workshops in music and drama were also held to inspire artists.

More than 100 individuals were represented in 35 local acts, which included groups, bands, choirs, and solo artists and incorporated into the festival programme, along with regional artists and the high profile national artists, HHP, and the SA idols 2008/09 winners Jody and Sasha-Lee. Total spend on local artists amounted to **R29 699.00**

Local Crew

A total of nine persons from Ikwezi area were employed for the duration of the festival, at a cost of **R5 397.00**. The correct process of advertising for the positions, submission of CV's, interviews, and appointment of the qualifying candidates, was followed.

3.7.7 Support Social investment program

The Mohair Summits and the annual Mohair Festivals are some of the priority areas with tremendous potential to bridge the gap between the first and the second economy. Joint efforts between ECDC; Ikwezi Local Tourism Organisation and Ikwezi Municipality saw the establishment of home stays initiative which is still at its planning stage. The home stay programme allows township residents to run bed & breakfast businesses. Ikwezi LTO will also handle the marketing and publicity of the home stay bed & breakfast businesses which would be otherwise be invisible without adequate marketing. The home stay programme is a feasible way to allow people from the historically disadvantaged groups to partake in the hospitality industry and tourism industry of Ikwezi area.

Ikhala Shoe factory makes mohair slippers. The business owners have formed a partnership with Pick & Pay. SEDA is assisting the business to develop their own website to market their products. The challenge faced by the businesses is that they do not break even and there is

no Return on Investments (ROI). Most of the businesses in the area are owned by women and youth.

Number of Cooperatives established: three (Ostrich Cooperative; Abafazi Phambili poultry cooperative; and Feedlot cooperative).

Small Business Associations: 1 (Cooperative Forum)

Women Associations: one

Youth Associations: two (1 in Klipplaat and 1 in Jansenville)

The municipality has developed database of unemployed.

3.7.8 Annual performance as per key performance indicators in LED

Table 10: LED Performance Indicators

No	Indicator name	Target set for the year	Achievement level during the year (absolute figure)	Achievement percentage during the year
1	Percentage of LED Budget spent on LED related activities.	No dedicated LED budget	0%	0%
2	Number of LED stakeholder forum held	4	1	20%
3	Percentage of SMME that have benefited from a SMME support program	21	21	100%
4	Number of job opportunities created through EPWP	200	180	80%
5	Number of job opportunities created through PPP	50	10	10%

3.8 Challenges regarding LED strategy implementation

ation

The municipality does not have a dedicated capex budget for the LED Unit. The unit relies on external support to implement its activities.

3.8.1 What needs to be done to address the challenges?

- The 5% allocation for LED from MIG funded projects within the municipality be utilised to address the challenges faced by the unit to implement its activities.

- To enhance the engagement of public sector; private sector and parastatals to fund LED Programmes.
- The municipality need to fast track the establishment of the Business Chamber in the area and revives Ikwezi Development Trust to drive development within Ikwezi area.
- To engage SEDA with the assistance of CDM to be visible in the area.

SEDA's mandate is broader than the support, promotion and development of enterprises. The mandate includes the support and promotion of Cooperative enterprises, and to reach a greater variety of enterprises, particularly those located in rural areas. This support of alternative forms of enterprises will be an important way to facilitate the integration of the second economy into the first economy.

Through the re – orientation of public expenditure government departments have a central role to play in the promotion of the SMME economy. There is more awareness on the part of government departments of the need to tip the scales in favour of business within the emerging SMME economy. The emergent SMME economy consists mainly of the previously disadvantaged groups. Reorienting public expenditure has more positive results especially at the local government level. Local government is the driving force which is essentially at the centre of local economic development interventions.

CHAPTER 4: KPA 4 - MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT

4.1 The annual financial statements

The purpose of this report is to report on matters as they occurred during the financial year to 30 June 2010. The report has been compiled to reflect the financial position and the subsequent performance of the institution throughout the reporting year.

The primary function of Finance Department is to ensure that proper management of financial resources is maintained at all times. Furthermore, it is to ensure that the institution is able to collect enough revenue to sustain itself going forward, while spending on allocated grants is being monitored. This objective links directly to that of assisting other Heads of Department to manage their budgets effectively.

The 2009/10 annual financial statements were submitted on time and in line with the requirements of the MFMA – that of submitting financial statements within two months of the end of the financial year. Important to note is the fact that the 2009/10 financial year was a year in which all municipalities had to report in terms of GAMAP/GRAP standards and therefore there was a conversion of reporting information from the IMFO standards.

4.2 Statement of financial performance

4.2.1 Operating results

Table 11: Revenue from exchange transactions

	Actual 2010	Actual 2009	Variance 2009/10	Variance 2009/10
	R	R	%	R
Total revenue	44,790,047	34,490,209	22.9%	10,299,838
	<u>44,790,047</u>	<u>34,478,012</u>		
Total Expenditure	46,882,544	14,130,658	69.8%	32,751,886
	<u>46,882,544</u>	<u>14,130,658</u>		

As indicated above, the 2009/2010 reporting framework was that of GAMAP/GRAP compared to IMFO in the previous financial year. The conversion process has made for realistic comparisons as 2008/09 figures were produced using IMFO reporting standards.

The total income was boosted by the injection by the various stakeholders which contributed to the International Mohair Summit and Festival in November 2009.

4.2.2 Trading services

Table 12: Electricity

	Actual 2010	Actual 2009	Variance 2009/10	Budget 2009
	R	R	%	R

Income	3,414,635	2,678,666	27.47%	735,969
Expenditure	2 807 726	1 989 594	41.12%	2,937,790
Surplus/(deficit)	606,909	689,072		(2,201,821)

Table 13: Water services

	Actual 2010	Actual 2009	Variance 2009/10	Budget 2009
	R	R	%	R
Income	932,773	886,066	5.27%	46,707
Expenditure	1 213 879	1,393,760	-14.8%	(179,881)
Surplus/(deficit)	(281,106)	(507,694)		(133,174)

The municipality continues to provide water services at a loss due to lack of water meters. Consumption cannot be measured and as a result of that, the municipality is charging a flat rate for water services across the municipal area. The municipality is in the process of installing water meters on all businesses and non residential properties. Construction of a water treatment plant in Jansenville is going to also address this problem as the second phase of this project will come with installation of water meters on residential properties.

The municipality will be installing water meters to businesses and government properties during the next financial year. This will increase revenue from water and will also assist in curbing wastage of this scarce natural resource.

4.3 Statement of financial position

4.3.1 Capital expenditure and financing

Table 14: Other fixed assets

Other fixed assets:			
Vehicles	0	0	0
Software	0	0	415,695
Furniture and equipment	374,812	130,000	341,383
	374,812	130,000	757,078

4.3.2 Grants and transfers' spending

Table 15: Grants and expenditure

Grant details	Amount received and spent each quarter
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			1/04/ to 30/06		01/07 to 30/09		01/10 to 30/12		01/01 to 30/03		01/04 to 30/06		Total	
Project name	Donor name	BF amount	Rec.	Spent	Rec.	Spent	Rec.	Spent	Rec.	Spent	Rec.	Spent	Rec.	Spent
	National Grants	R2 480 431	R19 893 000	R19 124 613	R2 459 000	R2 023 205	R1 612 000	R345 974	R681 000	R789 218	R2 315 000	R1 343 677	R26 960 974	R23 626 687
	Provincial Grants	R586 147	R2 843 304	R3 414 152	R2 176 493	R1 608 124	R2 715 259	R2 553 778	R1 682 274	R1 909 616	R2 074 939	R3 707 710	R11 492 269	R13 193 380
	Cacadu District	R56 441	R2 217 360	R2 207 221	R52 5 049	R100 938	R0	R7 977	R147 000	R122 266	R0	R133 828	R2 889 409	R2 572 230
	Other	R0	R2387 8	R21 387	R0	R0	R10 000	R0	R0	R3 019	R0	R6 981	R33 878	R31 387

4.4 Adherence to Donor requirements in respect of conditional grants

The conditions of grant have been strictly adhered to for all Ikwezi's allocations for the 2009/10 financial year. The municipality has complied with the reporting requirements as required by section 71 of the Municipal Finance Management Act.

4.5 Long term contracts entered into by the municipality

During the year under review, the municipality entered into contracts with the following service providers:

1. Kemp - to provide the municipality with additional office space
2. Mr Roy Heydenrich – to lease the Karroovlakte Farm for a 12 month period.

The above contracts were awarded in line with the municipality's Supply Chain Management policy. There were no additional contracts entered into, other than to review the existing contracts for 2010/11 financial year.

4.6 Updated indigent register

It has been mentioned previously on this report that over 60% of our residents are unemployed. The indigent register of Ikwezi is not the true reflection of the status quo. A lot of people are losing out on free basic services provided for by the municipality. Moreover, these residents form part of our outstanding debtors even though they will never be able to pay the amounts due to their unemployment status. Below is an illustration of approved applications as at 30 June 2010.

The break down between the settlements are shown on the table below

Table 16: Approved FBS Beneficiaries per settlement

Settlement	Number of Beneficiaries (as at 31 December 2009)	%
Jansenville	798	66%
Klipplaat	409	34%
Total number of Households	1207	100%

A further break down was done on the data to identify those that are unemployed from the pensioners. This was necessary in order to facilitate an exit programme in the future as stipulated in the Ikwezi Indigent Policy

Table 17: Categorisation of FBS Beneficiaries per settlement

Settlement	Unemployed	Pensioners
Jansenville	587	211
Klipplaat	202	207
Total number of Households	789	418
%	65%	35%

The first phase of the project took place on the week of the 8th until the 12th of February 2010. About 200 applications were received in one week which is a commendable effort as these people will enjoy the free basic services going forward. These awareness campaigns are also important in that the municipality is able to bill people who can afford to pay for municipal services while protecting the poorest of the poor.

Table 18: Status of Applications per Settlement

Settlement	Approved	Returned	Total
Jansenville	218	17	235
Klipplaat	108	28	136
Total number of Households	326	45	371

An indigent's awareness campaign has been rolled out in phases. The awareness campaign is championed by the Mayor (as chairperson of the Finance portfolio committee) and the portfolio councillor responsible for Community Development.

An indigents committee has been established and consist of councillors, official and community development workers. The purpose of the committee is to monitor the indigent applications and to verify the authenticity of such applications. The indigents list is also compared with the unemployed database to be consulted whenever there are municipal projects that require certain skills from those in the indigents list.

4.7 Annual performance as per key performance indicators in financial viability

Table 19: Key performance indicators

No	Indicator name	Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
1	Percentage expenditure of capital budget	R6.824m	R3.832m	56.2%
		Target set for the year (35%) R(000)	Achievement level during the year R(000)	Achievement percentage during the year vs the operational budget
2	Salary budget as a percentage of the total operational budget	47%	R8.885m	47%
		Target set for the year (20% or less) R(000)	Achievement level during the year R(000)	
3	Total actual trade creditors as a percentage of total actual revenue	R1.777m of R8.885m	R2.207m	24%
		Target set for the year (80% and more) R(000)	Achievement level during the year R(000)	Achievement percentage during the year
4	Total municipal own revenue as a percentage of the total	R8.4m	R10.5m	28%

	actual budget			
		Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
5	Rate of municipal consumer debt reduction	55% collection rate	R7.099m	46%
7	Percentage of MSIG budget appropriately spent	100%	500	500

4.8 The Audit committee functionality

The audit committee meetings were conducted throughout the 2009/10 financial year. The chairperson's comments on the 2009/2010 financial statements is included as a annexure to this report.

4.9 Arrears in property rates and service charges

The state of municipal data remains a cause for concern. The quality of data on the municipality's billing system lacks credibility resulting in disputes. The municipality has followed up its previous attempt at data cleansing by sending questionnaires to consumers. The purpose of this exercise is to get the members of the public to update contact details and account information.

4.10 Anti corruption strategy

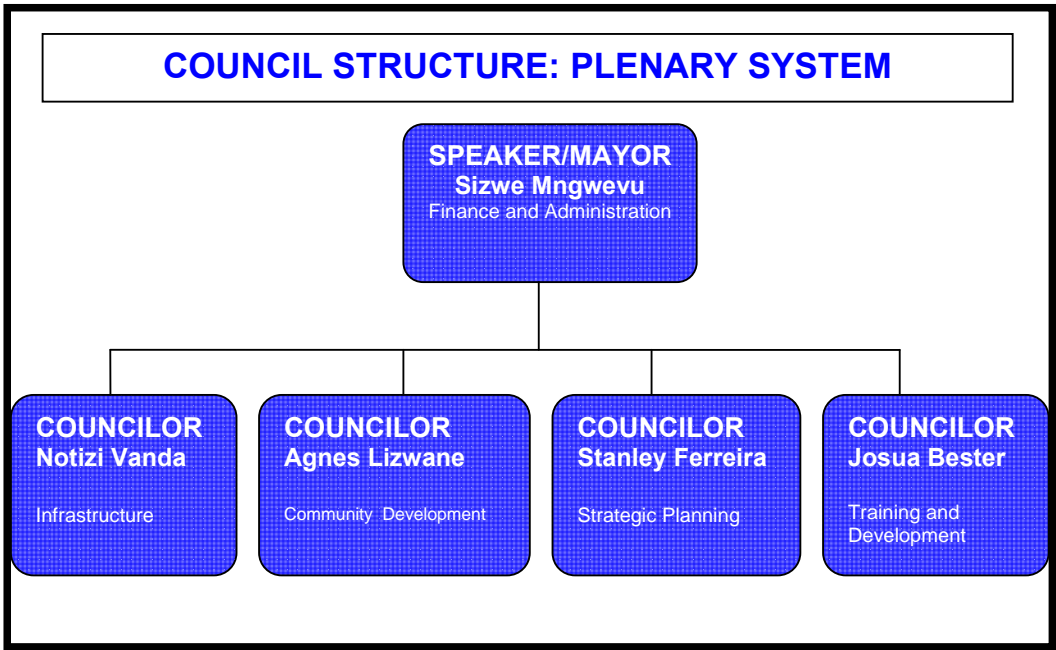
In 2009, council adopted the fraud prevention plan. During the year under review, council implemented and monitored the plan. Management will review the plan in the new financial year.

CHAPTER 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION (KPA 5)

5.1 MUNICIPAL COUNCIL

The municipality has a Plenary System with the Speaker serving as Mayor. The functioning of Council is administered by the Office of the Mayor and Municipal Manager. All decisions are taken by Council, the Mayor and Municipal Manager in terms of authority delegated by legislation and delegations of authority as approved by Council.

Diagram 3: Council Structure



Council sat for nine Ordinary Council Meetings during the year under review.

There was only one functional portfolio committee during the year under review, that is, Finance Portfolio Committee. Council has established the following portfolio committees during the year under review:

- Finance and Administration
- Strategic Planning
- Community Development and

- Infrastructure

During November 2009, the Municipal Manager in consultation with the Mayor, organized a workshop to educate both councilors and officials on various aspects relating to portfolio committees.

5.2 Public Participation

During the year under review, council set aside the 07th – 09th of December 2009 to consult the public on issues related to the **demarcation process**. Council also set aside the week of the 18th – 21st January 2010 for public meetings. The meetings were highly successful. The following are issues raised per settlement area:

Table 20: Issues Raised by Communities during Public Participation

Community	Total Part.	Issues	Progress to date
Klipplaat	148	<ol style="list-style-type: none"> 1. Language issue in terms of public participation and the document itself came out strong as one of the contributing factors towards poor participation from the community. Unit members recommended that the document be summarized in both Afrikaans and Xhosa. 2. Street names, the municipality to look at this as one of its priorities as it will ensure speedy response from the police service. 3. Public transport is a costly item for already poor households 4. Efforts should be made to attract investors to Klipplaat in so doing creating economic infrastructure that reduced the need to Klipplaat community to travel far for basic goods. 5. Quality of water and the management thereof (people are 	<ol style="list-style-type: none"> 1. The translation is still work in progress and will be implemented in the new financial year during IDP review. 2. The issue will be addressed with the roads and stormwater drainage project in Jansenville. The project is at construction stage 3. The LED department will look into this as this requires entrepreneurs to take the initiative

		<p>currently wasting water)</p> <p>6. Municipality to consider improving the standard of hardwood houses i.e. electricity</p> <p>7. Poor police service i.e. police vehicles, no phone at the police station and well as poor customer service.</p> <p>8. TV station crisis – the station goes off frequently</p> <p>9. Clinics, there is only one sister in charge. The issue of shortage of doctors, ambulance and general poor service delivery.</p> <p>10. Unavailability of shops around Klipplaat. The available ones are too expensive because there is no competition and thus resulting in more poverty.</p> <p>11. The municipality to look at old RDP houses as some of them are currently leaking</p> <p>12. Poor service delivery from the municipality i.e. street lights, maintenance of the halls, upgrading of the Klipplaat library e.g. installation of computers.</p>	<p>4. A few initiatives have already been started in Klipplaat through the LED department. The revitalization of railway line is one such example.</p> <p>5. The issue is being addressed as already outlined under Basic Service Delivery.</p> <p>6. The municipality is looking at budgeting for this request during the coming financial years</p> <p>7. The matter has been referred to S.A.P.S</p> <p>8. The matter has been discussed with Mr PT Fourie and a decision was taken that only Mr Fourie must have access to the TV station</p> <p>9. The assistant's position has been advertised but the municipality is unable to attract candidates due to the rural nature of our municipality</p> <p>10. Referred to the LED department for the purposes of SMME development</p> <p>11. The matter is to be addressed in 2010. Not enough budget. Housing Department to also contribute.</p>
Jansenville	115	<p>1. Urgent need for a new Cemetery and in the meantime the municipality</p>	<p>1. The EIA for new cemetery site has been approved. Construction to start in</p>

	<p>must consider putting temporary toilets at the cemetery for the convenience of the community.</p> <p>2. Maintenance of the cemetery (it is currently dirty and there is no fencing)</p> <p>3. Old RDP Houses that need renovations</p> <p>4. New Houses criteria and toilet snags under LRC</p> <p>5. Internal Roads needs urgent attention as those that are tarred are full of potholes</p> <p>6. Storm water drainage causing floods when it rains.</p> <p>7. Street lights not working due to poor monitoring/maintenance</p> <p>8. Municipality to consider installation of high mast lights as requested in 2006.</p> <p>9. Bursting of sewer pipe lines</p> <p>10. Municipality to take into cognisance the issue of illegal dumping sites (spooqter house) in the locations and to also look at the dumping site next to the cemetery</p> <p>11. Municipality to speed up process of ensuring that services are brought closer to the people i.e. home affairs.</p> <p>12. Land issues- what is the municipality doing to ensure that scarcity of land is avoided and that house are built for the community of Jansenville.</p> <p>13. Assets and land of the municipality.</p>	<p>2011/12</p> <p>2. Appointment of caretakers during the 2010/11 financial year</p> <p>3. A housing function</p> <p>4. The matter will be taken up with LRC</p> <p>5. roads project is currently underway to address this issue</p> <p>6. the roads and stormwater drainage project will address this</p> <p>7. Highmast lights expected to be completed by February 2011 in Jansenville</p> <p>8. to be completed in February 2011</p> <p>9. Educational program to be rolled out by the municipality to warn communities about the consequences of using foreign objects that eventually cause blockages to the sewer system</p> <p>10. Enforcement of by-laws by the law enforcement officer. Appointment to be finalised in 2011</p> <p>11. The Thusong centre will address this by bring many govt departments to the communities.</p> <p>12. SDF review will assist in reducing the problem</p> <p>13. a COMPREHENSIVE asset register was compiled</p> <p>14. treatment plant in Jansenville is being investigated.</p> <p>15.</p>
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		<p>14. Water issue (quality and quantity)</p> <p>15. Housing applications are problematic for example an old man that applied and his application was denied due to information that a house in the metro is already registered under his name. How is the municipality responding to such issues?</p>	
Waterford	22	<p>1. Poor service delivery of the municipality i.e. response time, for example the issue of the pump station it has been reported several times and nothing has been done to address it</p> <p>2. Water crisis even the tanks installed have no water.</p> <p>3. Urgent need for a shop, where the community would be able to go and buy instead of driving all the way to Jansenville even for small/little items like paraffin or sugar.</p> <p>4. Vegetation plant which will serve as a measure of eradicating poverty in this area and also as an LED initiative.</p> <p>5. Establishment of a crèche' (pre-school) and a Primary School.</p> <p>6. Income generating options such as a wood project</p> <p>7. Improve the visibility of the Mobile clinic within this area or community health workers.</p> <p>8. Municipality to assist by ensuring that pension does come to Waterford instead of people having to</p>	<p>Proper chain of communication to be set in place for quick response on complaints</p> <p>Waterford's reticulation was fixed.</p> <p>SASSA had a problem, the total number of the population of Waterford does not meet the</p>

			requirement for the Department to come and serve the community.
--	--	--	---

(Source: Integrated Development Plan – Revised for 2010/2011)

In January 2010, Council had another public participation week during the week of 18 – 21. The purpose of the meetings was to inform the communities on progress made in addressing the above mentioned issues, provide reasons why some of the issues are still not addressed and report on mid – year performance of the municipality.

5.3 Establishment of ward committees and functionality

The municipality has eight established administrative units which are not fully functional.

The municipality has no wards but administrative units serve as wards. Each unit has an executive committee that is led by a chairperson. The committee interacts with the municipality on behalf of the community.

5.4 Community Development Workers

There are four CDWs in Ikwezi, serving Jansenville, Kliplaat and Waterford. The existence of CDWs in Ikwezi is a serious challenge both administratively and politically.

They report to the Office of the Mayor but administratively, they report to the Office of the Municipal Manager. What this means is still elusive.

Communities are sometimes confused with their role and this confusion is a recipe for misconceptions and conflict of interests.

5.5 Communications

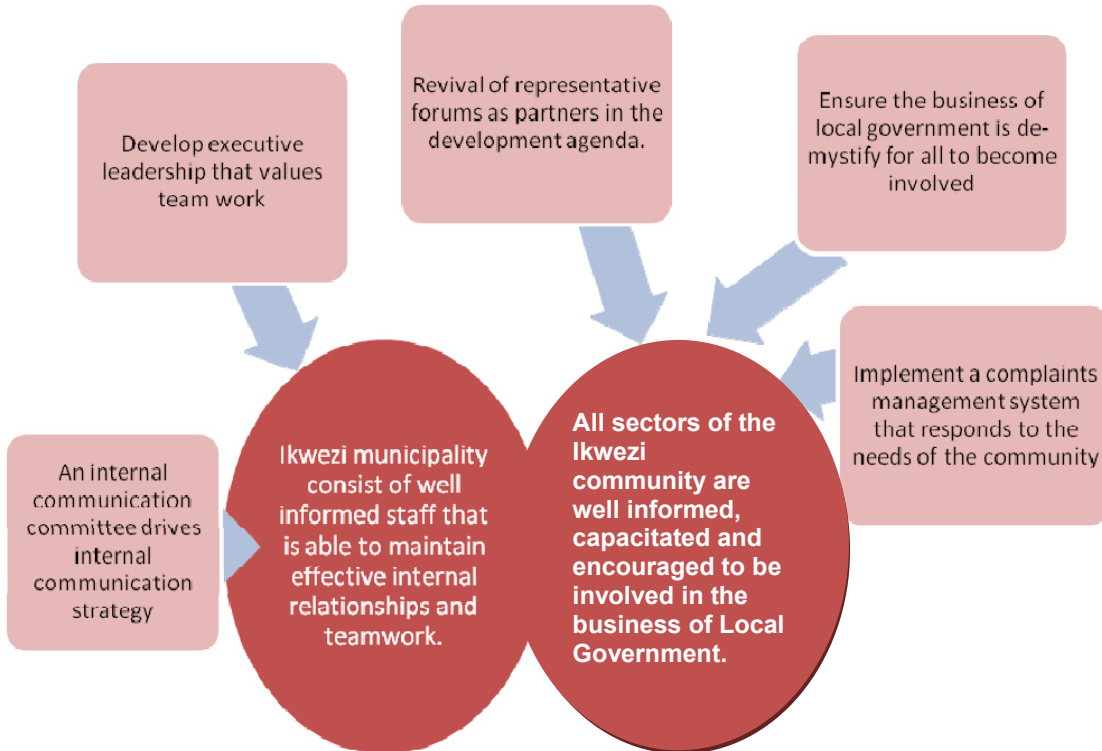
A draft Communications Strategy has been developed. The strategy will be tabled to council in the new financial year for final approval. Management is in the process of reviewing the Communications Policy to be in tandem with the strategy. Aggressive internal consultation has already taken place and the two documents will be in full operation in 2010/2011 financial

year.

Council intends to publish its own newsletter in the new financial year. The newsletter will be published quarterly covering municipal information and issues raised by the community.

The following diagram depicts the municipal approach on communications and intergovernmental relations:

Diagram 4: Communications and Relationship Building



(Source: Strategic Planning, 2009)

5.6 Risk Management

During the 2009/2010 financial year, the new internal auditors (KPMG) together with Council conducted another Risk Assessment Workshop. The following risks which have the potential to impede Council in achieving its objectives were identified:

Table 21: Top 10 Risks from Risk Assessment 2009/2010

Risk number	Risk name	Risk number	Risk name
1	Lack of quality / quantity of water supply	6	Inappropriate / Inadequate skilled employees
2	Lack of a quality infrastructure	7	Lack of IT Governance
3	Poor supervision	8	Inadequate implementation of policies and decisions

Risk number	Risk name	Risk number	Risk name
4	Inadequate funding	9	Inadequate asset management
5	Poor communication with all stakeholders	10	Lack of SMME development

(Source: Ikwezi Municipality Risk Assessment Report 2009/2010)

Through this process, the municipality developed a Risk Register that also shows how management intends to address both tolerable and intolerable risks. The Municipal Manager through the monthly Extended Management Meetings, monitors progress and then report quarterly to the Audit Committee.

5.7 Intergovernmental Relations

The Local Communicator's (LCF) and District Communicator's Forums (DCF) are not functional.

Ikwezi Development Initiative (intervention by the Office of the Premier in Ikwezi) is functioning well. The initiative provided an opportunity to access some provincial departments.

Ikwezi Municipality has also been recently declared as a **Rural Development Node** by the national Ministry: Rural Development. This means that the municipality will serve as one of pilot municipalities in the country for serious development interventions by national and provincial government. This concept still needs to be unpacked.

Ikwezi Municipality hereby proposes the following national and provincial interventions:

- Service delivery through elimination of infrastructure backlogs – the Department of Local Government and Traditional Affairs, Cooperative Governance and Traditional Affairs and National Treasury must secure funds to implement Comprehensive Infrastructure Plans (CIPs) that were developed in 2008.
- Reviewing of the formula for Equitable Share to be bias to financially distressed municipalities.
- A discussion to incentives senior managers serving in rural municipalities which do not have financial capacity to attract skilled professionals and/or retain them.
- Provincial government strengthens its supporting role of municipalities especially during IDP Review Processes (IGR) and

- National government attends to legislation that impedes service delivery.
- Urgent assistance of Ikwezi Municipality with Spatial Planning
- Provision of skilled personnel (qualified engineer, town planner and communications practitioner) through Siyenza Manje Programme

The municipality is sharing the Audit Committee with Camdeboo and Blue Crane Route Municipalities. Ikwezi is also investigating section 78 on water services and environmental health with Cacadu District Municipality.

LEGAL MATTERS

The municipality has outsourced the function as it does not have financial capacity to have an in – house legal unit. The municipality has outsourced the function to Patel and Associates based in Port Elizabeth.

There is a historical case which is still pending and not finalized during the year under review, namely:

Table 22: Pending Legal Cases

CASE NUMBER	CASE NAME	COMMENCEMENT DATE
ECD110476	M BLOUW v IKWEZI	SEPTEMBER 2007

Management of legal risks is integrated in the overall Municipal Risk Management Strategy.

There were no default judgments during the year under review.

Annexure

A : ANNUAL FINANCIAL STATEMENTS

IKWEZI LOCAL MUNICIPALITY



Annual Financial Statements for the year ended 30 June 2010

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

General Information

Legal form of entity	Local Municipality
Type of Municipality	Plenary
Mayor	Mngwevu S.A
Councillors	Bester J Ferreira S.G Lizwane A Vanda N.P
Grading of local authority	Grade 2
Auditors	Auditor General
Bankers	ABSA Bank - Jansenville
Registered office	34 Main Street Jansenville 6266
Municipal Manager	Mnyimba T.T
Chief Finance Officer (CFO)	Bomvane N
Postal address	PO Box 12 Jansenville 6265

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Index	Page
Accounting Officer's Responsibilities and Approval	3
Independent Auditors Report	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Accounting Policies	9 - 19
Notes to the Annual Financial Statements	20 - 37

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

A report of the accounting officer has not been prepared as the municipality is a wholly owned controlled entity of which is incorporated in South Africa.

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Accounting Officer's Responsibilities and Approval

I am responsible for the preparation of these annual financial statements, which are set out pages 4 to 36 in terms of Section 126(1) of the Municipal Finance Management Act which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 26 of these financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of the Public Office Bearers Act and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.

Mnyimba T.T
Municipal Manager

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Position

Figures in Rand	Note(s)	2010	2009
Assets			
Current Assets			
Trade and other receivables from non-exchange transactions	3	1,037,245	1,486,821
VAT receivable	5	95,047	574,285
Trade and other receivables from exchange transactions	4	2,244,689	505,720
Cash and cash equivalents	6	13,047,099	5,188,358
		<u>16,424,080</u>	<u>7,755,184</u>
Non-Current Assets			
Property Plant and Equipment	7	80,280,870	65,143,003
Intangible assets	8	4	4
		<u>80,280,874</u>	<u>65,143,007</u>
Total Assets		<u>96,704,954</u>	<u>72,898,191</u>
Current Liabilities			
Finance lease obligation	12	104,532	136,338
Trade and other payables from exchange transactions	9	3,778,473	1,891,724
Unspent conditional grants and receipts	10	12,921,976	5,955,017
Provisions	11	701,257	934,080
		<u>17,506,238</u>	<u>8,917,159</u>
Non-Current Liabilities			
Finance lease obligation	12	42,574	168,088
Provisions	11	9,036,400	-
		<u>9,078,974</u>	<u>168,088</u>
Total Liabilities		6,585,212	9,085,247
Net Assets		70,119,742	63,812,944
Net Assets			
Accumulated surplus		70,119,742	63,812,944

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Performance

Figures in Rand	Note(s)	2010	2009
Revenue			
Revenue from exchange transactions			
Interest received - outstanding debtors		1,057,176	1,276,854
Other income	15	4,441,502	206,139
Rental Income	27	256,345	31,045
Service charges	14	5,964,655	5,054,091
Revenue from non exchange transactions			
Government grants	20	31,092,438	10,907,684
Licences and permits		136,005	97,849
Property rates	18	1,135,117	1,125,522
Public contributions and donations	19	-	15,200,000
Interest received - external investment		706,809	591,025
Total Revenue		44,790,047	34,490,209
Expenditure			
Employee costs	25	9,596,009	6,540,352
Remuneration of councillors	26	706,121	823,160
Finance costs	16	33,200	42,905
Repairs and maintenance		808,538	447,921
General Expenses	23	26,681,293	6,276,320
Total Expenditure		37,825,161	14,130,658
(Deficit) surplus for the year		6,964,886	20,359,551

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	(2,891,735)	(2,891,735)
Changes in Accounting Policy (Refer to Note 2)	47,906,304	47,906,304
Balance at 01 July 2008 as restated	45,014,570	45,014,570
Changes in net assets		
Surplus for the year	20,359,551	20,359,551
Appropriations - 2008 Audit Adjustments	(1,561,177)	(1,561,177)
Total changes	18,798,374	18,798,374
Balance at 01 July 2009	63,812,945	63,812,945
Changes in net assets		
Appropriations - 2009 Audit Adjustments	(658,089)	(658,089)
Net income (losses) recognised directly in net assets	(658,089)	(658,089)
Surplus for the year	6,964,886	(2,092,497)
Total recognised income and expenses for the year	6,306,925	(2,750,586)
Total changes	6,306,925	(2,750,586)
Balance at 30 June 2010	70,119,742	61,062,359
Note(s)	2	

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Cash Flow Statement

Figures in Rand	Note(s)	2010	2009
Cash flows from operating activities			
Receipts			
Sale of goods and services		6,425,622	14,442,755
Grants		31,092,438	10,907,684
Interest income		1,763,985	591,025
Other receipts		4,719,233	-
		<u>44,001,278</u>	<u>25,941,464</u>
Payments			
Employee costs		(1,498,553)	(7,059,333)
Suppliers		(26,863,857)	(10,457,037)
Finance costs		(33,200)	(10,385)
Other payments		(1,488,011)	-
		<u>(29,883,749)</u>	<u>(17,526,755)</u>
Net cash flows from operating activities	21	<u>14,117,529</u>	<u>8,414,709</u>
Cash flows from investing activities			
Purchase of property plant and equipment	7	<u>(6,101,467)</u>	<u>(3,472,210)</u>
Net cash flows from investing activities		<u>(6,101,467)</u>	<u>(3,472,210)</u>
Cash flows from financing activities			
Vat debtor		-	58,700
Finance lease payments		<u>(157,320)</u>	<u>274,930</u>
Net cash flows from financing activities		<u>(157,320)</u>	<u>333,630</u>
Net increase/(decrease) in cash and cash equivalents		7,858,742	5,276,129
Cash and cash equivalents at the beginning of the year		<u>5,188,358</u>	<u>(87,771)</u>
Cash and cash equivalents at the end of the year	6	<u>13,047,100</u>	<u>5,188,358</u>

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1. Basis of preparation of the Annual Financial Statements

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. These annual financial statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

These standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statement
GRAP 3	Accounting Policies , Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Investments in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Properties
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets

Accounting policies for material transaction, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the Generally Recognised Accounting Practices (GRAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Accounting Standards Board has set transitional provisions for individual standards of GRAP as set out in Directive 4 issued in March 2009. Details of the transitional provisions applicable to the municipality have been provided in the notes to the annual financial statements.

A summary of the significant accounting policies which have been consistently applied except where transitional provisions has been granted are disclosed below.

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.1 Presentation of currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the Municipality's functional currency.

1.2 Going concern assumption

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18	Segment Reporting - issued March 2005;
GRAP 21	Impairment of Non-Cash-generating-assets - issued March 2009;
GRAP 23	Revenue from Non-Exchange Transactions - issued February 2008;
GRAP 24	Presentation of Budget Information - issued November 2007;
GRAP 26	Impairment of Cash-generating-assets - issued March 2009;
GRAP 103	Heritage Assets - issued July 2008;
IAS 19	Employee Benefits - effective 1 January 2009; and
IFRIC 17	Distribution of Non-cash Assets to Owners - effective 1 July 2009

1.4 Change in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively as is required by GRAP 3. Refer to note 2 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 2 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.5 Property Plant and Equipment

1.5.1 Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located. When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.5.2 Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.5.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure Assets		Other Assets	
Roads and Paving	30 years	Buildings	30 years
Stormwater Drainage	20 years	Specialist vehicles	10 years
Community Assets	Other vehicles	5	years
Buildings	30 years	Office equipment	3-7 years
Recreational Facility	20-30 years	Furniture and fittings	7-10 years
Security	5 years	Bins and containers	5 years
Community Halls	30 years	Specialised plant and equipment	10-15 years
Libraries	30 years	Landfill sites	15 years
Parks and gardens	10 years	Computer equipment	3 years

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.5.3 Depreciation and Impairment (Cont.)

<i>Finance</i>	<i>Lease</i>	<i>Assets</i>
Office equipment	4	years

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Ikwezi Local Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Boards, in terms of Directive 4 issued in March 2009, with respect to the measurement of property, plant and equipment as set out in paragraph 73 to 83.

1.5.4 Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance. The residual value and the useful life of each asset are reviewed at the end of each reporting date.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The depreciation method applied to an asset is reviewed at each reporting date.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

Transitional provision

The municipality changed its accounting policy for property plant and equipment in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows :

GRAP 13	Leases - paragraphs 55-60				
GRAP 17	Property, Plant and Equipment - paragraphs 73-83				
GRAP 102	Intangible Assets	-	paragraph		110-118

Due to the impact of Directive 4 being adopted and the core criteria of all assets being exempt for measurement, for and including the next three financial years impairment and depreciation assessments will not be considered.

1.6 Intangible assets

1.6.1 Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset's) given up.

1.6.2 Subsequent measurement - cost model

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.6.3 Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software - 5years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Ikwezi Local Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Boards, in terms of Directive 4 issued in March 2009, with respect to the measurement of Intangible Assets as set out in paragraph 110 to 118.

1.7 Investment property

1.7.1 Initial recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

1.7.2 Subsequent measurement - cost model

Investment property is measured using the cost model and a revaluation will be performed once every five years. Under the cost model, investment property is carried at its depreciated revalued amount less impairments at the reporting date. Any gain or loss arising from the revaluation is included in revaluation reserve. The municipality changed its accounting policy for investment property in 2010.

1.8 Non - current assets held for sale

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.8.1 Initial recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.8.2 Subsequent measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.9 Financial instruments

The Municipality has different types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities

1.9.1 Initial recognition

Financial instruments are initially recognised at fair value.

1.9.2 Subsequent measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

1.9.2.1 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as fair value and classified under cash and cash equivalents and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.9.2.2 Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

1.9.2.3 Trade and other payables from exchange transactions

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

1.9.2.4 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.10 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance.

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.18 Impairment of assets (continued)

1.11 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance.

1.12 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance.

1.13 Provisions, Contingent liabilities and Commitments

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken;

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.18 Impairment of assets (continued)

- when the plan will be implemented; and

1.13 Provisions, Contingent liabilities and Commitments

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.14 Leases

1.14 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

The municipality changed its accounting policy for leases in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework. The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows :

GRAP13	Leases	-	paragraphs	55-60
GRAP16	Investment property	-	paragraphs	63-70
GRAP17	Property, Plant and Equipment	-	paragraphs	73-83
GRAP102	Intangible Assets	-	paragraph	110-118

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where leasehold asset was acquired through a transfer of functions, the municipality is not required to measure that leasehold asset for a period of three years from the effective date of the transfer of functions or the effective date of the

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.18 Impairment of assets (continued)

Standard, transitional, whichever provision expires is on 30 June later. The 2012.

Due to the impact of Directive 4 being adopted and the core criteria of all assets being exempt for measurement, for and including the next three financial years impairment and depreciation assessments will not be considered.

1.14.1 The Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.15 Revenue recognition

1.15.1 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.18 Impairment of assets (continued)

1.15.2 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible Councillors or officials is virtually certain.

1.15.3 Grants, transfer and donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.16 Borrowing costs

The municipality provides retirement benefits for its employees and Councillors. Contributions are made to the South African Municipal Workers Union (SAMWU) and to the Cape Joint Provident Fund (CJPF) to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined contribution funds it administers. Contributions are recognised as an expense in the statement of Financial Performance.

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.18 Impairment of assets (continued)

'- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
'- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

The municipality changed its accounting policy for property, plant & equipment in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows :

GRAP 13 Leases - paragraphs 55-60

GRAP 17 Property, Plant and Equipment - paragraphs 73-83

GRAP 19 Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.18 Impairment of assets (continued)

GRAP 102 Intangible Assets - paragraph 110-118

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand 2010 2009

2. Changes in accounting policy (continued)

Notes to the Annual Financial Statements

Figures in Rand 2010 2009

2. Changes in accounting policy

The following adjustments were made to **amounts in previously reported annual financial statements** of the municipality arising from the implementation of new accounting policies and changes to existing policies:

Statement of financial position

Property Plant and Equipment

Balance previously stated	-	-
Reversal of loans redeemed and capital receipts to retained earnings	-	46,203,827
Additions	-	18,535,524
Raising of finance lease asset	-	403,652
	-	65,143,003

Intangible Assets

Balance previously stated	-	-
Adjustment to opening balance	-	4
	-	4

Finance Lease Liability

Balance previously stated	-	-
Raising of finance lease under GRAP	-	266,965
Additions for the period	-	136,687
Total repayments	-	(95,746)
	-	307,906

Unspent Conditional Grants

Balance previously stated	-	-
Recognition of unspent conditional grants under GRAP	-	2,629,174
Conditional grants received	-	17,929,243

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
2. Changes in accounting policy (continued)		
Conditional grants utilised	(14,603,399)	
	5,955,018	
Statutory Funds		
Balance previously stated	1,027,050	
Reversal of opening balance to retained earnings	(1,027,050)	
2. Changes in accounting policy (Cont.)		
Trust Funds		
Balance previously stated	- 5,955,018	
Reversal of opening balance to retained earnings	- (2,629,174)	
Funds received transferred to unspent conditional grants	- (17,929,243)	
Conditional grants utilised accounted for against unspent conditional grants	- 14,603,399	
Reserves		
Balance previously stated	- 1,194,072	
Reversal of opening balances	- (1,254,037)	
Contributions reversed	- (139,837)	
Operating expenditure reversed	- 55,448	
Capital expenditure reversed	- 144,354	
Accumulated Surplus		
Balance previously stated	-	(2,891,734)

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
2. Changes in accounting policy (continued)		
Reversal of loans redeemed and other capital receipts at 30 June 2008	-	46,203,827
Reversal of 2008 Trust Funds	-	2,629,174
Reversal of Statutory Funds	-	1,027,049
Reversal of Reserves	-	1,254,037
Raising of 2008 Finance Leases	-	22,586
Raising of Intangible Assets	-	4
Reversal of Provision of Audit Costs	-	250,000
Raising of Audit Cost Accrual	-	(250,000)
Reversal of Unspent Conditional Grants	-	(2,629,174)
Reversal of Provision for Leave Pay	-	(600,899)
Surplus for the period	-	20,359,551
Appropriations for the period - (Prior period errors)	-	(1,561,177)
Reversal of provision for bad debts	-	(9,270,986)
Raising of impairment of debtors	-	9,270,986
Movement in Statutory Funds	-	(300)
	-	63,812,944

Included in the value of Accumulated Surplus is Loans Redeemed and Capital Receipts that will be ringfenced for future depreciation on asset taken across on conversion. The value of the ringfenced reserve is R 49 062 813.

Provision for Bad Debts

Balance previously stated	-	(10,679,562)
Reversal of opening balances	-	9,270,986
Movement to Impairment of Debtors	-	1,408,576

Provision for Leave Pay

Balance previously stated	-	-
Reversal of opening balances	-	(600,899)
Increase in provision for the period	-	(84,389)
	-	(685,288)

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
2. Changes in accounting policy (continued)		
Provision for Audit Costs		
Balance previously stated	-	(230,000)
Movement	-	(20,000)
Reversal of opening balance	-	250,000
Impairment of Debtors		
Balance previously stated	-	-
Restatement of opening balance	-	(9,270,986)
Increase in impairment for the period	-	(1,408,576)
	-	(10,679,562)

Statement of financial performance

Reconciliation of Profit		
Profit as previously stated	-	1,661,741
Recognition the donation of the farm	-	15,200,000
Reversal of contributions to fixed assets	-	17,936
Recognition of revenue from grants and subsidies utilised	-	3,173,232
Reversal of bad debts provision	-	1,408,576
Raising of impairment of debtors	-	(1,408,576)
Reversing effects of movement in audit costs	-	230,000
Reversal of lease payments previously expensed	-	109,159
Recognition of finance of the leases	-	(32,520)
	-	20,359,548

3. Trade and other receivables from non exchange transactions

Accumulated interest - Investments	61,460	15,991
Fuel deposit	20,000	20,000
Government subsidies	716,627	992,977
Vat - creditors not yet paid/adjustments	150,037	109,064
Housing Rental	16,936	-
Sundry Debtors	72,185	348,790
	1,037,245	1,486,822

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

4. Trade and other receivables from exchange transactions (continued)

Figures in Rand	2010	2009
4. Trade and other receivables from exchange transactions		
Gross balances		
Rates	2,436,871	2,821,255
Electricity	162,403	167,386
Water	2,015,948	2,549,856
Sewerage	1,886,450	2,544,953
Refuse	1,962,701	2,588,211
Other - Sundry Interest	307,366	513,618
	8,771,739	11,185,279
Less: Impairment of debtors		
Rates	1,886,927	4,871,392
Electricity	93,475	109,170
Water	1,476,083	1,901,970
Sewerage	1,393,028	1,885,993
Refuse	1,439,505	1,911,036
Other - Sundry Interest	238,032	-
	6,527,050	10,679,561
Net balance		
Rates	549,944	(2,050,137)
Electricity	68,928	58,218
Water	539,865	647,886
Sewerage	493,422	658,960
Refuse	523,196	677,175
Other - Sundry Interest	69,334	513,618
	2,244,689	505,720
Rates		
Current (0 -30 days)	21,242	32,061
31 - 60 days	14,716	26,574
61 - 90 days	14,437	18,956
91 - 120 days	14,014	17,898
121 - 365 days	2,372,462	2,725,765
	2,436,871	2,821,254
Electricity		
Current (0 -30 days)	28,708	22,201
31 - 60 days	8,990	5,307
61 - 90 days	4,003	2,514
91 - 120 days	4,379	3,715
121 - 365 days	116,322	133,649
	162,402	167,386

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

4. Trade and other receivables from exchange transactions (continued)

Figures in Rand	2010	2009
Water		
Current (0 -30 days)	40,834	50,834
31 - 60 days	37,152	47,207
61 - 90 days	35,375	51,767
91 - 120 days	34,437	51,513
121 - 365 days	1,868,151	2,348,534
	2,015,949	2,549,855
Sewerage		
Current (0 -30 days)	31,530	41,473
31 - 60 days	30,325	39,679
61 - 90 days	29,303	43,557
91 - 120 days	29,164	42,941
121 - 365 days	1,766,128	2,424,167
	1,886,450	2,591,817
Refuse		
Current (0 -30 days)	36,389	43,876
31 - 60 days	33,270	41,620
61 - 90 days	32,700	46,241
91 - 120 days	32,363	46,211
121 - 365 days	1,827,979	2,410,263
	1,962,701	2,588,211
5. VAT receivable		
VAT	95,047	574,285
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	336,507	833,220
Other cash and cash equivalents	12,710,592	4,355,138
	13,047,099	5,188,358

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand

2010

2009

6. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2010	30 June 2009	30 June 2008	30 June 2010	30 June 2009	30 June 2008
ABSA Bank : Current Account : Account Number - 4053099797	472,364	1,047,915	182,974	336,507	833,320	(87,771)
	4,387	10,712	1,105	-	-	-
ABSA Bank : Current Account : Account Number - 2520141122	4,380,532	2,690,777	-	4,380,532	2,690,777	-
ABSA Bank - Money Market Deposit: Account Number 9137635959	5,304	5,300	-	5,304	5,300	-
ABSA Bank: Savings Deposit: 9101589574	71,171	70,048	-	71,171	70,048	-
ABSA Bank: Call Deposit: 9118667183	1,692,569	1,589,013	-	1,692,569	1,589,013	-
Standard Bank: Money Market Deposit: 288865537-001	6,561,016	-	-	6,561,016	-	-
Standard Bank: Money Market Deposit: 288865537-002						
Total	13,187,343	5,413,765	184,079	13,047,099	5,188,458	(87,771)

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand

2010

2009

7. Property Plant and Equipment

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land and Buildings	68,079,590	-	68,079,590	62,063,205	-	62,063,205
Leasehold property	403,652	-	403,652	403,652	-	403,652
Other	2,761,228	-	2,761,228	2,676,146	-	2,676,146
Landfill sites	9,036,400	-	9,036,400	-	-	-
Total	80,280,870	-	80,280,870	65,143,003	-	65,143,003

Reconciliation of property plant and equipment – 2010

	Opening balance	Additions	Total
Land and Buildings	62,063,205	6,016,385	68,079,590
Leasehold property	403,652	-	403,652
Other	2,676,146	85,082	2,761,228
Landfill sites	-	9,036,400	9,036,400
	65,143,003	15,137,867	80,280,870

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand

2010

2009

Reconciliation of property plant and equipment – 2009

				TOTAL
Land and Buildings	43,875,967	2,987,238	15,200,000	62,063,205
Leasehold property	266,965	136,6877	-	403,652
Other	2,327,860	348,2868	-	2,676,146
	46,470,792	3,472,211	15,200,000	65,143,003

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the municipality.

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand

2010

2009

7. Property Plant and Equipment (continued)

Transitional

provisions

Property, plant and equipment recognised at provisional amounts

The municipality changed its accounting policy for property, plant & equipment in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows :

GRAP 13	Leases - paragraphs 55-60		
GRAP 17	Property, Plant and Equipment - paragraphs 73-83		
GRAP 102	Intangible Assets	- paragraph	110-118

Due to the impact of Directive 4 being adopted and the core criteria of all assets being exempt for measurement, for and including the next three financial years impairment, fair value, componentisation, residual values and depreciation assessments will not be considered.

Property, plant and equipment with a carrying value of R 71 244 470 (2009: R 65 143 003) was recognised at provisional amounts.

The steps taken to establish the values of property, plant and equipment recognised at provisional amounts due to the initial adoption of GRAP 17, is as follows:

The Municipality is in the process of appointing suitably qualified consultants to perform a complete valuation of all assets during the next financial year. A detailed analysis of the fair value, residual value, componentisation, amortisation and impairment and will be performed over the exemption period.

The date at which full compliance with GRAP 17 is expected, is 30 June 2012.

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand

2010

2009

7. Property Plant and Equipment (continued)

8. Intangible assets

	2010			2009		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Performance Management System	-	-	1	-	-	1
Website Development Costs	-	-	1	-	-	1
Vuku Fleet Management	-	-	1	-	-	1
SAMRAS System	-	-	1	-	-	1
Total	-	-	4	-	-	4

Reconciliation of intangible assets – 2010

	Opening balance	Total
Performance Management System		1
Website Development Costs		1
Vuku Fleet Management		1
SAMRAS System		1
		4

Reconciliation of intangible assets – 2009

	Opening balance	Total
Performance Management System		1
Website Development Costs		1
Vuku Fleet Management		1
SAMRAS System		1
		4

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand

2010

2009

8. Intangible assets (continued)

Transitional Provisions

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The municipality changed its accounting policy for investment property in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows :

GRAP 13	Leases	-	paragraphs	55-60
GRAP 16	Investment property	-	paragraphs	63-70
GRAP 17	Property, Plant and Equipment -		paragraphs	73-83
GRAP 102	Intangible Assets	-	paragraph	110-118

Due to the impact of Directive 4 being adopted and the core criteria of all assets being exempt for measurement, for and including the next three financial years impairment and depreciation assessments will not be considered. Intangible assets with a carrying value of R 3 903 (2009: R 3 903) was recognised at provisional amounts. The steps taken to establish the values of intangible assets recognised at provisional amounts due to the initial adoption of GRAP102, is as follows:

The Municipality is in the process of appointing suitably qualified consultants to perform a complete valuation of all intangible assets during the next financial year. A detailed analysis of the impairment and amortisation will be performed over the exemption period.

The date at which full compliance with GRAP 102 is expected, is 30 June 2012.

9. Trade and other payables from exchange transactions

Service charges paid in advance	4,474	113,744
Sundry creditors	2,063,441	2,213
Deposits received	312	-
Trade creditors	1,195,791	934,828
Retention	109,715	818,549
PAYE/UIF in arrears for years 2000 - 2004	-	22,390
Other Creditors	404,740	-
	3,778,473	1,891,724

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand

2010

2009

10. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Conditional grants and receipts

HIV Aids Program	39,631	60,000
Kliplaat Housing Project	82,999	81,877
IDP Funds	-	1,498
LED - Ostrich Project	-	235,698
Housing Kliplaat (210)	92,059	543,338
General Valuation	17,697	39,030
LED - General Co-ordination	1,842	13,838
PMS	-	19,466
CIP Funds	199,725	199,725
LED Expert Cacadu	328,345	263,912
MIG Water Purification	29,411	2,083,860
Communal Water House	-	14,134
Cacadu Grant - Survey	41,158	147,000
IEC Infrastructure Grant	10,559	30,000
MDE: Electricity upgrading (j/ville)	7,450,070	1,995,212
MIG: WWTW - Phase 2	(425,435)	-
MIG: PMU	102,602	-
LED Special Grant Funding	2,115,623	-
MIG: High Mast Lights	1,681,782	-
MIG: Road and Storm Water	1,120,336	-
Jansenville Townhall	33,572	-
CMIP - Bucket eradication	-	11,448
Rainwater Harvest	-	214,981
	12,921,976	5,955,017

Movement during the year

Balance at the beginning of the year	5,955,017	2,629,174
Additions during the year	25,682,970	17,929,242
Income recognition during the year	(18,716,011)	(14,603,399)
	12,921,976	5,955,017

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

These amounts are invested in a ring-fenced investment until utilised.

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand

2010

2009

11. Provisions

Reconciliation of provisions - 2010

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for Landfill Site	-	9,036,400	-	-	9,036,400
Workmens Compensation	149,711	-	-	(149,711)	-
Performance Bonuses: Section 57 employees	99,081	168,239	-	(99,081)	168,239
Provision for leave pay	685,288	-	(152,270)	-	533,018
	934,080	9,204,639	(152,270)	(248,792)	9,737,657

Reconciliation of provisions - 2009

	Opening Balance	Movements	Reversed during the year	Total
Audit costs	250,000	(20,000)	(230,000)	-
Workman's Compensation	-	149,711	-	149,711
Performance Bonuses : Section 57 employees	78,400	20,681	-	99,081
Provision for Leave Pay	600,899	139,837	(55,448)	685,288
	929,299	290,229	(285,448)	934,080

Non-current liabilities	9,036,400	-
Current liabilities	701,257	34,080
	9,737,657	934,080

Landfill site provisions with a carrying value of R9 737 657 was recognised at provisional amounts.

The date at which full compliance with GRAP 102 is expected, is 30 June 2012.

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
12. Finance lease obligation		
Minimum lease payments due		
- within one year	117,067	169,134
- in second to fifth year inclusive	44,950	183,000
less: future finance charges	(14,912)	(47,708)
Present value of minimum lease payments	147,105	304,426
Present value of minimum lease payments due		
- within one year	104,532	136,338
- in second to fifth year inclusive	42,573	168,088
	147,105	304,426
Non-current liabilities	42,574	168,088
Current liabilities	104,532	136,338
	147,105	304,426

It is municipality policy to lease certain telecommunications and equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 13,67% (2009: 13,67%).

Interest rates are linked to prime at the contract date. The municipality changed its accounting policy for leases in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework. The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows :

GRAP13-Leases	-	paragraphs	55-60
GRAP16-Investment	property-	paragraphs	63-70
GRAP17-Property,Plant&Equipment		-paragraphs	73-83
GRAP102-Intangible	Assets	paragraph	110-118

Due to the impact of Directive 4 being adopted and the core criteria of all assets and liabilities being exempt for measurement, for and including the next three financial years impairment and depreciation assessments will not be considered. Leasehold assets with a carrying value of R 403,652 (2009: R 403, 652) was recognised at provisional amounts. The steps taken to establish the values of leasehold assets and leasehold liabilities are recognised at provisional amounts due to the initial adoption of GRAP 102, is as follows: The Municipality is in the process of appointing suitably qualified consultants to perform a complete valuation of all leased assets and liabilities during the next financial year. The date at which full compliance with GRAP 13 is expected, is 30 June 2012.

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
13. Revenue		
Property rates	1,135,117	1,125,522
Service charges	5,964,655	5,054,091
Rental of facilities & equipment	256,345	31,045
Public contributions and donations	-	15,200,000
Licences and permits	136,005	97,849
Government grants	31,092,438	10,907,684
Income from other sources	1,763,985	1,867,879
Other income	4,441,502	206,139
	44,790,047	34,490,209
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	5,964,655	5,054,091
Rental of facilities & equipment	256,345	31,045
Interest - outstanding debtors	1,057,176	1,276,854
Other income	4,441,502	206,139
	11,719,678	6,568,129
The amount included in revenue arising from non-exchange transactions is as follows:		
Property rates	1,135,117	1,125,522
Public contributions and donations	-	15,200,000
Licenses and permits	136,005	97,849
Government grants	31,092,438	10,907,684
Interest received - external investment	706,809	591,025
	33,070,369	27,922,080
14. Service charges		
Sale of electricity	3,414,635	2,678,666
Sale of water	932,773	886,066
Sewerage and sanitation charges	763,550	703,436
Refuse removal	853,697	785,923
	5,964,655	5,054,091

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
15. Other income		
Decrease in Provision For Bad Debts	4,152,513	-
Donations	25,000	-
Decrease in provision for leave pay	111,505	-
Payroll Commissions	12,898	12,345
Clearance valuation certificate	9,941	12,158
Search fees	-	219
Sundry income	19,960	146,980
Burial sites/digging of graves	6,578	5,575
Photocopies and printing	1,666	-
Building plan fees	460	1,016
Connection fees	8,204	12,167
Sale of animals	82,777	3,482
Other Charges	10,000	12,197
	4,441,502	206,139

16. Finance costs

Finance leases	33,200	32,520
Other interest paid	128	10,385
	33,328	42,905

17. Retirement benefits

Defined contribution plan

The municipality provides retirement benefits for its employees and Councillors. Contributions are made to the SAMWU, SALA and Imatu to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined contribution funds it administers. Contributions are recognised as an expense in the statement of Financial Performance.

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand

2010

2009

18. Property rates

Rates received

Residential	1,135,117	1,125,522
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Valuations

Residential	54,140,150	54,140,150
Commercial	8,451,600	8,451,600
State	17,495,700	17,495,700
Small holdings and farms	454,028,900	454,028,900

534,116,350	534,116,350
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Valuations on land and buildings are performed every four (4) years. The last general valuation came into effect on 1 July 2006. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2011.

19. Donations and public contributions

Donation - Karoo Vlakte farm	-	15,200,000
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20. Government grants and subsidies

Municipal Infrastructure Grant	5,388,096	-
Equitable Share Allocation	9,260,790	7,133,765
Financial Management Grant	1,000,000	-
Municipal System Improvement Grant	500,000	-
Other government grants	14,943,552	3,773,919

31,092,438	10,907,684
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IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
21. Cash generated from operations		
(Deficit) surplus	(2,071,514)	20,359,551
Adjustments for:		
Finance charges	(15,474)	32,520
Audit fee prior year	(664,000)	-
Movements in provisions	8,803,577	934,080
Asset donated	-	(15,200,000)
Decrease in receivables and Vat	928,814	-
Changes in working capital:		
Trade and other receivables from non exchange transactions	(1,738,969)	(1,992,591)
Trade and other payables from exchange transactions	1,886,750	(7,054,600)
VAT	-	(574,285)
Unspent conditional grants and receipts	-	5,955,017
Other liability	21,386	-
	7,150,570	2,459,692

22. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
23. General expenses		
Advertising	179,494	32,349
Amount charged out	-	(519,541)
Auditors remuneration	1,619,289	163,128
Bad debts written off	4,459,304	-
Bank charges	99,150	72,641
Books and Publications	5,075	988
Chemicals	353,050	137,427
Congress Fees	87,076	9,280
Consumables	39,320	29,558
Courier Services	2,385	57
Deeds Office Returns	10,065	1,339
Departmental Charges/Consumption	-	350,303
Electricity purchased	2,940,224	2,243,398
Entertainment	115,642	65,892
Feedlot / Ostrich Project	197,765	-
Fuel and oil	309,301	293,206
Indigent - Free Services	1,606,006	604,657
Insurance	137,579	99,758
Inventory items	62,462	25,865
Legal Expenses	932,333	163,412
Licenses	8,033	31,095
Marketing	905,026	9,715
Motor vehicle expenses	-	5,743
Pauper Burial	5,310	6,915
Postage	52,821	64,903
Printing and stationery	209,763	137,019
Project maintenance costs	621,272	56,267
Promotions	3,754,367	-
Refuse	5,179	2,337
Rentals	22,235	10,030
Staff Accommodation	-	6,650
Subscriptions	102,397	32,477
Sundry Expenses	6,943,406	14,595
Telephone and Internet	510,533	427,658
Tourism	45,247	33,857
Training	288,000	91,887
Valuations	21,333	-
Uniforms/Protective Clothing	30,851	20,489
Water Usage	-	2,554
Working Capital/Bad Debts	-	1,548,412
	26,681,293	6,276,320

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
24. Internal and External Audit Fees		
Audit fees	1,619,289	163,128
25. Employee related costs		
13th Cheques	286,537	-
Employee related costs - Salaries and Wages	6,546,249	4,464,207
Subsistence and travel	423,566	303,639
Medical aid contributions	229,779	174,317
Overtime payments	353,948	345,249
Bonuses	611,659	378,075
Skills Development Levy	82,083	62,151
Housing benefits and allowances	14,295	-
Other Allowances	55,299	74,311
Standby Allowances	12,335	-
Bargaining Council Levy	2,921	2,270
Pension Fund	493,764	437,504
Travel allowance	421,404	206,500
Unemployment Insurance Fund (UIF)	62,170	43,129
Workmens Compensation	-	49,000
	9,596,009	6,540,352
Remuneration of Municipal Manager		
Annual Remuneration	393,256	350,745
Car Allowance	72,000	72,000
Performance Bonuses (still to be approved - see provisions)	70,148	63,483
Public office allowance	12,000	12,000
Subsistence allowance	-	12,000
	547,404	510,228
Remuneration of Chief Finance Officer		
Annual Remuneration	242,493	160,068
Car Allowances	84,000	58,500
Performance Bonuses (still to be approved - see provisions)	49,000	28,478
	375,493	247,046

IKWEZI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
Remuneration of the Technical Manager		
Annual Remuneration	321,144	110,854
Car Allowance	-	40,000
Performance Bonuses (still to be approved - see provisions)	49,000	7,120
Leave payout (Former Technical Manager)	-	10,010
	370,144	167,984
26. Remuneration of councillors		
Mayor/Speaker	254,531	217,444
Councillors	451,590	605,716
	706,121	823,160
27. Rental of facilities and equipment		
Premises		
Premises	172,749	8,333
Facilities		
Facilities	83,596	22,712
	256,345	31,045
28. Commitments		
Authorised capital expenditure		
Approved and contracted for		
<input type="checkbox"/> Infrastructure	54,172,191	259,117
<input type="checkbox"/> Other	-	12,407,670
	54,172,191	12,666,787
Approved and not contracted for		
<input type="checkbox"/> Infrastructure	8,207,721	3,276,107

This committed expenditure relates to property and will be financed by available bank facilities and retained surpluses.

29. Contingencies

There were no known contingent liabilities against the Ikwezi Local Municipality as at balance sheet date (2009: 114 000).

30. Related parties

Related party transactions

Purchases from (sales to) related parties

Ibamba Reserve Lodge	5,000	-
Ninham Shand Consulting	5,000	-
Amava Technology Information	5,000	-
Patel and Associates	5,000	-
LRC Civil Engineering	5,000	-
Silulinto Trading Enterprise CC	25,200	27,000
Ikhala Sewing Factory	-	2,504

One of the members of Silulinto Trading Enterprise CC and Ikhala Sewing Factory is Mr. M Vanda, who is son of councillor NP Vanda. Silulinto Trading Enterprise CC was awarded contract to install 60 water tanks in Jansenville and Klipplaat. The valuation of the contract was R 25 200 (2009: R 27000).

31. Risk management

Financial risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

32. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 30 June 2010.

Fruitless, wasteful and unauthorised expenditure	-	331,035
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There were no fruitless, wasteful or unauthorised expenditure incurred for the period.

34. Additional disclosure in terms of Municipal Finance Management Act

VAT

VAT receivable	95,047	574,285
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VAT output payables and VAT input receivables are shown in note.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2010:

30 June 2010	Less than 90 days	more than 90 days	Total
Councillor: A Lizwane	46	-	46
Councillor: JJ Bester	83	8,804	8,887
	129	8,804	8,933

30 June 2009	less than 90 days	more than 90 days	Total
Speaker: SA Mngwevu	-	2,859	2,859
Councillor: JJ Bester	-	4,516	4,516
Councillor: A Lizwane	-	9,080	9,080
	-	16,455	16,455

**C : REPORT BY THE CHAIRPERSON OF
THE AUDIT COMMITTEE**

The Mayor
Ikwezi Municipality
P O Box 12
JANSENVILLE
6265

**REPORT OF THE AUDIT COMMITTEE OF THE IKWEZI MUNICIPALITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

AUDIT COMMITTEE MEMBERS

The Audit Committee has adopted appropriate formal terms of reference and consists of three independent members, as listed hereunder, all of whom are chartered accountants.

Professor D Rosenberg (Chairperson)
Ms R Blignaut
Mr R Botha



During the financial year under review the following meetings were held:

DATES OF MEETINGS

20 November 2009
2 March 2010
5 June 2010

One of the four scheduled meetings was not held because there was a delay in the re-appointment of the Audit Committee after the expiry of their initial term of office.

AUDIT COMMITTEE RESPONSIBILITIES

The Audit Committee reports that it complied to the extent possible with its terms of reference and this fact has been verified by the Auditor General in their 2010 report.

OVERALL COMMENTS

We are delighted to report that the Municipality once again obtained an unqualified audit report which is highly commendable given the complicated reporting requirements which came into effect during the year under review - we would like to congratulate the Municipal Manager and the Chief Financial Officer for this outstanding effort which took place under the visionary leadership of the Mayor.

We would also like to congratulate the Municipality for its efforts in sustainability in the area of water conservation and for developing plans to build a solar plant in Jansenville and also in connection with the highly successful Mohair Festival which was held towards the end of 2009 in the district and for other initiatives.

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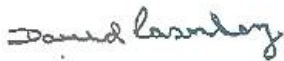
- 2 -

We recommend that the Municipality continues to improve its Internal control procedures and that it continues to monitor the risks facing it on an ongoing basis - we also urge the Municipality to eliminate as far as practically possible the number of audit adjustments raised by the external auditors at the end of each audit.

The Municipality has made progress in implementing an appropriate performance management system - this system is not yet up to the required standard and we look forward to working with the Municipality in this regard during the 2010/11 financial year.

We wish to take this opportunity to thank the External Auditors for their supreme effort in completing the audit within a very short period of time and for the contribution made by the Internal Auditors.

Sincerely



Professor David Rosenberg (Chairperson)

**D : MANAGEMENT RESPONSES TO
ISSUES RAISED BY THE AUDITOR
GENERAL**

Item	Finding	Classification	Responsible person	DUE DATE	Progress	Comments	WHAT CONTROL ACTIVITY WILL ADDRESS THE ROOT CAUSE ?	Who will monitor that this has been done?
	The municipality has underspent its budget by R11.6m	FINANCE	All HODs	Jun-11	In progress as reported to Council on a monthly basis	The issue is being addressed. Progress reports on capital projects are presented to Council on a monthly basis with expenditure reports	Ensure that the bid committees are well empowered. Also capacitate the SCM unit	HR/CFO
	The integrated development plan of the Ikwezi Municipality did not include the financial strategy for achieving objectives including the plan for sourcing funding and methods of financing the various objectives and targets, as required by section 26(h) of the Municipal Systems Act No. 32 of 2000 (MSA).	STRATEGIC PLANNING	Manager : Strategic Planning	30/06/2011	On going with each annual review	The matter will be addressed during the 2011/12 IDP review process	Proper communication and co-operation from all members of IDP/Budget steering committee	MAYOR AND MM

	Ikwezi municipality did not prepare for each financial year an annual report consisting of a performance report reflecting the municipality's, and any service provider's performance during that financial year, and also in comparison with targets of and with performance in the previous financial year as required by Section 46 (1)(a) – (c) of Mucipal Systems Act	CORPORATE SERVICES	All HODs	30/06/2011	Work in progress	The assessments are being conducted on a regular basis. What is outstanding is the record keeping from HODs	Proper contract management and capacity in the SCM unit	CFO
	Internal auditors of Ikwezi did perform the audit of performance information as required by section 45 of Municipal Systems Act.	FINANCE						
	The audit committee met at four times during the year as required by the King III	FINANCE	Manager : Corporate Services	30/06/2011	Addressed	Was a once off incident that happended when the (Ikwezi) secretariat was not	proper minutes taking during audit committee sessions	CFO

	<p>report. However, we noted that minutes of meetings were recorded in writing for three meetings and audio recorded for the other. We could not retrieve the audio recordings of those minutes.</p>					<p>part of the meeting. We depended on the hosting municipality to provide recordings for us, which they did but unfortunately was not audible</p>	<p>and using the tapes as back up</p>	
	<p>Furthermore, the audit committee did not declare their independence or conflict of interest during the meetings. Consequently, we could not determine whether the committee is independent as required by section 166(2) of the Municipal Finance Management Act.</p>	FINANCE	CFO/KPMG	30/06/2011	In progress	<p>Management acknowledges the finding and will address by including it in the 2010/11 internal audit plan.</p>	<p>Inclusion of the finding in the current internal audit plan</p>	CFO
	<p>The Ikwezi municipality did not make all payments due to creditors within 30 days as required by section</p>	FINANCE	CFO	30/06/2011	ON GOING	<p>Some cases arise as a result of dispute of invoices</p>	<p>Management to close monitor payments and conduct proper reconciliation</p>	<p>Assistant Director : Finance</p>

	65(2)(e) of the Municipal Finance Management Act.							
	Furthermore, the audit committee did not declare their independence or conflict of interest during the meetings. Consequently, we could not determine whether the committee is independent as required by section 166(2) of the Municipal Finance Management Act.	FINANCE	CFO/KPMG	30/06/2011	In progress	Management acknowledges the finding and will address by including it in the 2010/11 internal audit plan.	Inclusion of the finding in the current internal audit plan	CFO
	The municipality operated the landfill site without a licence as required by Section 20 (1) of the Environment Conservation Amendment Act, Act 50 of 2003.	COMMUNITY DEVELOPMENT	Manager : Community Development	30/06/2012	In progress	The District municipality is working closely with the municipality to address this issue	Obtaining a certificate for both landfill sites	MM
	The municipality should ensure that appropriate systems and	FINANCE			Currently investigating prospects of obtaining CASE	the finding is noted and receiving serious attention from	Acquisition of CASE WARE	

	<p>internal controls are in place to address the requirements of Generally Recognised Accounting Practice once the transitional provisions contained in Directive 4 are no longer applicable. Our concern is that migration to GRAP should not only be looked at from financial statements compilation but a change in the business process implemented on a daily basis. We urge management to relook at the current accounting software and configure it in such a way that monthly and quarterly reports comply with GRAP.</p>				<p>WARE. Also engaging SAMRAS around this finding</p>	<p>managem ent</p>		
	<p>The preparation of the financial statements were subject to adequate</p>	<p>FINANC E</p>	<p>CFO</p>	<p>31/08/2011</p>	<p>In progress</p>	<p>Was the first year of conversion by the municipality . Such cases will</p>	<p>Proper managem ent supervisio n, involveme nt of</p>	<p>CFO</p>

	monitoring and review as a result material amendments were identified which needed to be made to the financial statements after submission for audit					be addressed with the new compilation	internal audit and review of AFS by the audit committee	
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OVERSIGHT COMMITTEE REPORT ON 2009/10 ANNUAL REPORT	
TYPE OF REPORT	OVERSIGHT REPORT ON ANNUAL REPORT
COMPILED BY	COUNCILLOR N.P VANDA (CHAIRPERSON OF THE OVERSIGHT COMMITTEE)
CUSTODIAN	COUNCIL
DATE TABLED	31 MARCH 2011
EFFECTIVE DATE	WHEN APPROVED BY THE COUNCIL

1. Statement by the Chairperson

2009/10 was a fulfilling year and I am proud to have been part of the leadership that continues to bring about change in lives of our people.

If 2009 was the year of the International Mohair Summit, 2010 was the year of the most successful Mohair Festival through local beneficiation. These exiting events were followed by yet another unqualified audit opinion issued by the Auditor General, confirming Ikwezi as one of the most progressive municipalities in the Eastern Cape , if not in the country. This has assisted in monitoring service delivery and it is how the people are informed about the levels and quality of public service they have and would receive so that they are aware of what is happening in their municipality.

This report is compiled in line with the following pieces of legislation :

1. Section 46 of the Municipal Systems Act and
2. Section 121 of the Municipal Finance Management Act with circular 11 issued by National Treasury

200/10 is the third time Ikwezi Municipality is having an oversight committee and a lot has improved from the last report. A notable progress is the compliance with the guidelines on annual reports as prescribed by the Department of Local Government and Traditional Affairs. The interaction with the annual report gave us an opportunity to play our oversight role as councillors which is always very important in a progressive municipality and contributes positively to service delivery. This report is tabled very close to the Local Government Elections and has proven a challenge to get enough people to attend committee meetings.

It was, nevertheless, encouraging to see public notices and advertisement on newspapers inviting the broader public to comment on the annual report. This is good for democracy and transparency in our municipality.

A special word of thanks goes to my fellow councillors under the leadership of the Mayor, Clr S Mngwevu for the support provided during this oversight process. The administration, under the leadership of the Municipal Manager, Mr T Mnyimba, is also commended for working tirelessly to compile the annual report and providing clarity whenever called upon during the oversight process.

Lastly, the support given by the Auditor General is , once again, appreciated. The Auditor General started the process in the 2007/08 process, giving the required support and guidance to get the process started. When we invited their office to our oversight committee meeting, they were only too happy to oblige.

Please accept my report as presented.

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Notizi Vanda (Chairperson)

Background :

Section 46 of the Municipal System Act and 121 of the Municipal Finance Management Act require that municipalities prepare annual reports on service delivery and financial performance in line with circular 11 of the MFMA. The annual report must include the following elements :

- Annual performance report outlining the year's performance and compare those with performance objectives as set out in the IDP
- The audited annual financial statements, the Auditor General's report, management's responses to the Auditor General and the Audit Committee chairperson's report

The annual report is required to be tabled to council as a draft before 31 January and as a final document 60 days after that with the recommendations of the oversight committee.

Process followed by council :

The 2009/10 annual report was tabled to council on 28 January 2010 and the oversight committee re-convened. The report was then publicised in all municipal libraries and public notices were sent inviting the broader public to submit comments on the annual report. The notices were also advertised in the newspapers.

The only meeting of the oversight committee was held on 16 March 2011 in Jansenville where all members present highlighted what they have identified as unclear on the report. The issues raised were categorised under the three sections as outlined below :

- The fact that management responses to the issues raised by the Auditor General were omitted
- The statistics on the report whose sources were not clearly identified
- Break down of total legal costs for the 2009/10 financial year
- Hardwood farm's financial position and its ability to sustain itself going forward
- Missing page numbers

Conclusion and recommendations

The committee's deliberations during the meeting acknowledged the improvement from the previous year's annual report and commended management on a job well done. The committee also noted a few technical errors like spelling mistakes and omitted page numbers from the annual report and requested that management address these during the final report.

The other issues as packaged and raised above were able to be clarified by management and the Auditor General to the committee's satisfaction during the meeting.

Recommendations

The oversight committee recommends the following to Council :

1. That council approves the annual report with the amendments as stated above
2. That those amendments be reflected in the 2009/10 final report

