



Sundays River Valley Municipality

Draft Annual Report 2009 / 2010

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PART 1: Introduction and Overview

A. FOREWORD BY THE MAYOR

It gives me great pleasure to once again present this fifth annual report for and on behalf of Sundays River Valley Municipality and its residents. This annual performance report has been compiled according to Section 121 of the Municipal Finance Management Act (Act No. 56 of 2003) that provides that:

Every municipality must for each financial year prepare an Annual Report and that the Council of a municipality must within nine (9) months after the end of that Financial Year deal with the Annual Report of the municipality in accordance with Section 129.

The Sundays River Valley Municipal Council wishes to apologise to the populace for the functional instability within the municipality in 2009/10 financial year. As a consequence the Department of Local Government has implemented s139 (b) and appointed an Administrator on the 23 February 2010 to assume duties on finance, human resources, infrastructure and service delivery, legal and public participation. It is acknowledged that the year 2009/10 started with low organizational value systems and problems around outdated policies, financial problems and above all the audit opinion which is a disclaimer.

Financial and human resource constraints have affected the quantity of community needs and services that were to be satisfied. In spite of all the troubles, the financial year ended with open and honest dialogue and advocacy with respect to the improvement in the climate of policy debate. The views and perceptions of the electorate and other interested parties were taken into consideration in several workshops conducted to review our human resource and finance policies and in the development of the municipal turn-around plan.

The Sundays River Valley Municipality is proud to announce that the applications and registration to MIG MIS of most sanitation projects that are presently in progress were submitted and approved in 2009/10. The mayor/speaker's office recognises and understands that gender imperatives are part of the planning of development intervention and that improves project effectiveness and empowers women. The rise of women participation in development has been evidenced by the ever rising number of women construction companies, community cooperatives and their keen interest in participating in development activities at community level.

Sundays River Valley Municipality wishes to thank and acknowledge our communities for their support and understanding of the problems local government is faced with and the cooperation they gave to Council. Not forgetting the support and service delivery cooperation we received from all the other spheres of government.

Working together we can do more.

Miss SH Matinise
Mayor/Speaker

B. THE YEARLY PROGRAM PRIORITIES' STATEMENT BY THE MUNICIPAL MANAGER

This Annual Report has been compiled in accordance to the current Municipal Annual Report Format as prepared by Municipal Support & Monitoring Services, Chief Directorate Department of Local Government and Traditional Affairs. The following table outlines the key performance areas of the municipality for community services and technical services departments. The tables briefly indicate the level of achievement and how the budget was spent. The finance and administration departmental priorities are discussed under the administrator's turnaround plan in **Section D** of this report.

1. Community services KPAs

Key Performance Area	Performance highlights
	% Budget expenditure
Lead and direct the Primary Health Care section to ensure accessibility to the SRVM communities within the scope of available legislation	<p>- According to the service level agreement between the Municipality and the Department of Health an amount of R2 115 736 was allocated to render a Primary health care service to the community. A total of R3 498 785.12 was spent. The department of health subsidises 80% of the money used for PHC service and the Municipality who renders the service must supply 20 % of the money. The following percentage of that subsidy was allocated and spent on the following:</p> <p>- Personnel costs: Allocated is 44% (R 1 834 392) of the subsidy and R 1 178 805 03 was spent.</p> <p>- Medication and pharmaceutical services –Allocation is 37% (R 1 496 708) of the subsidy and R 1 812 976.44 was spent.</p> <p>- Effective diagnostic laboratory services –Allocation is 6% (R 255 844)of the subsidy and R 303 703.68 was spent.</p> <p>- Admin and Non personnel – Allocated 12% (R 492 918)of the subsidy and R203 300 was spent.</p>
Ensure that cemeteries are available, clean, secure, maintained and safe for the community.	- SRVM has a total of 10 properly demarcated and suitable cemeteries. Cemeteries are fenced and maintained on a regular basis. Cleaning was done in Kirkwood, Addo, Paterson and Wesbank.
Facilitate the management an implementation of the various key projects so that the municipality is able to deliver on its promises and objectives	<p>- HIV/AIDS programmes and campaigns – 90%.</p> <p>- Health promotion according to health calendar and disease prevention – 80 %.</p>

Key Performance Area	Performance Highlights
	% Budget expenditure
Lead direct and manage staff within the Community Services department so that they are able to meet their objectives	- Staff allocation done according to the needs of the clinics and communities Staff all trained on the major clinic programs.
Monitor and control the budget so that expenditure is in line with the Councils requirements	- Subsidy is received from the DOH and the budget is spent according to the subsidy.
Management and implementation of Traffic services for the SRV Municipality within available budget	<ul style="list-style-type: none"> - Law Enforcement Section: 8 reports submitted to standing committee. Jongisizwe contract expired in November 2009 and the speed camera was taken by the service provider and this had a negative impact on income. 9 vehicles were leased from Alcarl 708 for 3 years and have huge financial burden for Council. No return in investment made in traffic services and plan. We participate in Road Safety programme. - Licensing Section: The Motor Vehicle registration is rendering an Agency function for Dept of Transport in Kirkwood and Paterson. - Roadworthy Section is fully operational. - Drivers License Section is operational and has a learner's license facility. - Testing grounds facility preparations in progress. - 8 Monthly Reports were submitted to Standing Committee meeting; Community Services. - The operational budget has covered the need within the Sections. No capital spending was done due to lack of financial capacity.
Ensure that community facilities are maintained and available	- Minor repairs which include fixing of ablution facilities, broken windows and doors handles and locks were done in Valencia, Aqua Park, Moses Mabida, Nomathamsanqa and Paterson

Key Performance Area	Performance Highlights
	% Budget expenditure
Ensure development of sport, arts and culture	<ul style="list-style-type: none"> - Boxing cadets championship is held annually, this year it was held in Kirkwood prison. - Junior soccer league introduced for U-12, U-14 and U-17. - 2 U-13 soccer tournament in partnership with Build-it held in Bergsig and Moses Mabida - Mass participation hub festival held in Enon-Bersheba and Nomathamsanqa - Street festival (multi-coded) held in Nomathamsanqa and Moses Mabida - Mayor's cup (multi-coded) held in Bergsig and Paterson.
Job creation linked to various ad-hoc projects	<ul style="list-style-type: none"> - Temporary workers employed when staff on leave or resigned – 65%. - 4 Students from the local community has been sent for training as Traffic Officers. Above mentioned officer were permanently appointed in November 2010. - Mass participation programme created 7 employment opportunities.
To provide comprehensive environmental health services	<ul style="list-style-type: none"> - SRVM is rendering EHS on agent basis for Cacadu District Municipality. The subsidy is received in the form of Service level Agreement. A subsidy of <u>R 754 677.00</u> was allocated and ring fenced and spent accordingly. <u>R 515 730</u> was allocated for salaries. <u>R 238 947.00</u> was allocated for general expenses and spent as follows: <ul style="list-style-type: none"> - Water Quality Monitoring: 30% of the budget 104 Bacteriological drinking water samples were analysed, and of the 104 only 58 samples complied. - Pauper Burials: 10% of the budget 16 applications received and facilitated - Food Quality Monitoring and sampling: 15% of the budget - 13 Food premises inspected and of the 13, 8 premises complied with legislation.

Key Performance Area	Performance Highlights
	% Budget expenditure
To provide comprehensive environmental health services cont...	<p><u>Exhumations:</u> 0% of the budget (No budget allocated because only fuel and Stationery costs are used for this service)</p> <ul style="list-style-type: none"> - 2 Applications received and facilitated. - Awareness Campaigns: 40% of the budget - 3 Education and Awareness Campaigns were done. Of the 3, 2 were on water quality and hygiene, one (1) was on food hygiene practices. <p><u>Complaints:</u> 0% of the budget(No budget allocated because only fuel and Stationery costs are used for this service)</p> <ul style="list-style-type: none"> - 16 Complaints were received and investigated, and of the 16 received, 11 complaints were resolved. <p><u>Notifiable Diseases:</u> 0% of the budget (No budget allocated because only fuel and Stationery costs are used for this service)</p> <p>One (1) incident of diarrheal cases reported and investigated.</p> <p><u>Day Care Centres/Schools/ Police Holding Cells &Prisons:</u></p> <ul style="list-style-type: none"> - 0% of the budget (No budget allocated because only fuel and Stationery costs are used for this service) - 18 premises inspected and 13 were found to be satisfactory
To ensure departmental resources are managed in accordance with the demands of the department	- 4 Students from the local community has been sent for training as Traffic Officers
Ensure adequate skills development of all stakeholders to improve departmental and social service excellence	- Skills Development, adequate training has been offered and travel allowance to employees – 80%

Key Performance Area	Performance Highlights
	% Budget expenditure
To facilitate the provision of fire and disaster management and traffic services	<p><u>SRVM Fire Department:</u></p> <ul style="list-style-type: none"> - Functions were taken over from District since October 2009. - Major fire was at Kirkwood Care Centre and the response was within 5 minutes of call. It took an hour to extinguish and there were no injuries. CDM assisted SRVM. <p><u>Staff complement:</u> Chief Fire Officer has been appointed as well as 4 Fire Fighters. SRVM Fire Services is fully operational.</p> <p><u>Disaster Management</u></p> <ul style="list-style-type: none"> - Was handled in partnership with Cacadu. - The budget for Fire Services was covered by CDM for the period.
To ensure that the solid waste comply with the minimum legal requirements	- Function is performed by Technical services and is discussed under technical below.

Technical Services KPAs

Key Performance Area	Performance Highlights
	% Budget expenditure
Water: Ensure adequate potable water	- Phase 1 of Paterson Bulk is complete. Phase 2 about 30 % complete
Sewerage: Ensure Sewerage is disposed with in terms of relevant legislation	- Moses Mabida VIP to Waterbourne - 100%
Public Works: Ensure that public works functions are executed	- Fixing potholes in the access roads – 100% Our roads need resealing which has not been done in more than 6 years
Housing: Ensure that infrastructure and top structure complies with relevant regulations and LED projects	- Housing Projects in the entire SRVM blocked except only for Valencia 958

Key Performance Area	Performance Highlights
	% Budget expenditure
Build Control and Land Use: Ensure that technical and administrative aspects of building control and land use is executed	- Building plans and zoning is executed and approved by council – 100%
Electricity: Ensure a constant supply of electricity to the communities	- Most of the households in the SRVM area have access to electricity – 95%
Inward Support (Good Governance) Ensure Capacitation of Department and Staff in order to contribute to organisation effectiveness	- Adequate training has been offered to employees e.g. operators, drivers, plumbers, water operators and refuse workers etc. – 90%
Ensure Departmental staff are adequately trained to provide excellent service	Departmental staff has been trained on various courses. e.g. Project management, Coaching and mentoring, Supervisory skills etc.
Refuse Removal and Solid Waste	Household refuse is collected in all areas once every week For business, collection is done twice or thrice per week 95%
Project management Unit.(PMU)	The PMU accountant is appointed as an Expenditure Accountant.
To assist law enforcement by providing the necessary infrastructure	Infrastructure has been provided to the law enforcement – Road marking, street furniture and the testing ground - 100%
To assist Community Services in terms of providing the necessary infrastructure to fulfill the needs of the community	The assistance is provided especially in the community halls, clinics cemeteries and sport facilities – 100%

The period from mid-February 2010 to end June 2010 is when the Administrator took over the management of the municipality and the municipal priorities were reprioritized.

The Department of Local Government and Traditional Affairs has implemented s139 (b) intervention at Sundays River Valley Municipality, after a series of interventions have been made to the municipality. Such interventions were subsequently enhanced by an initiative in which the SRV Municipality requested the National Treasury (NT) to provide it with technical assistance in the development of a financial recovery plan. The assistance provided by NT working jointly with the Eastern Cape Provincial Treasury (PT) and the Department of Co-operative Governance, Traditional Affairs and Human Settlement.

The assistance was to focus on the following areas:

- ❑ Undertake a full diagnostic analyses of the challenges in the municipality while focusing attention on the financial problems;
- ❑ Identify key areas to be addressed and document the root causes of the problems;
- ❑ Prepare a report with the findings and make appropriate recommendations based on the diagnostic analysis;
- ❑ Review previous or any existing recovery plan; and
- ❑ Prepare a holistic financial recovery plan to assist the municipality address all its problems, with emphasis on the financial matters for approval by the Municipal Council.
- ❑ To take full control on human resources, infrastructure and service delivery, legal and public participation

Mrs. V. Zitumane
Administrator/Acting Municipal Manager

C. OVERVIEW OF THE MUNICIPALITY

Geographic Factors

The Sundays River Valley Local Municipality is in the Eastern Cape and is one of the 9 (nine) local municipalities in the Cacadu District. It is approximately 50km from the Coega Industrial Zone at Nelson Mandela Metro. The municipality boasts with its eco-tourism and agricultural potential. The Addo Elephant National Park (AENP) and Citrus production are two important economic drivers in the Sundays River Valley Municipality. The AENP has given rise to a number of booming B&B's and private lodges.

The valley is characterized by harsh climate conditions with summer temperatures rising in excess of 40°C. Rainfall is spread over the year and is between 250 – 500mm per annum. The Valley is also characterized by wide, fertile flood plains and is associated with low – lying land and steep less fertile slopes flanking the Valley. The area outside the Sundays River Valley includes the Paterson area, coastal belt and west of Alexandria.

Demographic Factors

- **Council:** There are fourteen (14) part time councillors of which twelve (12) are African National Congress and two (2) are Democratic Alliance. Of the twelve councillors, five are proportional representatives.
- **Portfolio Committees:** There are four portfolio standing committees viz. Finance and administration, Engineering Services, Community Services and IDP/LED.
- **Ward Committees:** There are seven wards and all have established ward committees.
- **Community Development Workers:** There are five community development workers. There is a shortfall of two CDWs for ward five and ward three.
- **Staffing:**

Directorate	Positions on structure	Filled posts
Municipal Manager	13	5
Corporate Services	28	18
Budget and Treasury	37	25
Community Services	77	41
Technical	109	79

- **IDP and Budget Process:** Processes were adopted by Council and all required submissions were done as per legislation
- **Scarce Skills Required:** Town/Regional Planner; IT Practitioner and Civil engineer.
- **Population:** 41 464 (2001 census) and 34 933 (2007 survey) These figures are disputed by Council as not reflective of the existing reality which is put at 61003 (2005 Cacadu District Survey).

- **Households:** 11 889
- Males constitute 48,1% and Females 51,9% of the total population
- Blacks constitute 76,5% of the total population
- The 2007 Statistics South Africa survey suggests a difference of 927 between males and females in favour of males.
- 1 297 people are recorded to have physical disability.
- People with disability at institutions are estimated at 789.
- Categories of disability are sight, hearing, and communication, physical, emotional and intellectual.

Economic Indicators

- Rate of literacy is 55,5%
- 437 people are identified as having attained but not completed Grade 12 (2007 survey)
- People living in poverty has increased from 54,6% in 2001 to 60,3% in 2007 (i.e. 22559 people)

Employment status

Population	Employed	Unemployed	Not Econ. Active
Black	4720	1251	6556
Coloured	2077	827	5205
White	1160	-----	294
TOTAL	7957	2078	12 055

- Unemployed are 48, 9% (2007 survey). Employment is seasonal and during citrus season almost everybody who seeks work in agricultural sector receives work.
- Human Development index is 0,5%
- Economic growth rate is 3,5%

The physical layout of townships has not changed much due to blocked housing development programme.

Major Events of the Year

The 2010 Soccer World Cup has boosted the local economy especially with all our local accommodation facilities fully occupied. Public viewing areas were organised in three wards. Part of legacy projects of 2010 is:

- Established links with Holland for coaching clinics and 3 local coaches went to Holland as part of exchange programme.
- Preparations for the construction of Combo Courts in process

The Wild life festival which took place on the 4, 5 and 6 June 2010 attracted around 38 000 people inclusive of world cup soccer fans. It is a platform for local talent and continues to showcase emerging youth and traditional experiences. The 26th anniversary of the Addo Rose and Garden show which took

place on the 9 October 2009 attracted approximately 8000 visitors to the valley. The construction of traffic testing grounds commenced in 2009/10 financial year.

Rugby festival held in Enon-Bersheba and all local clubs participated except Paterson. Siyabulela Cakwebe was auditioned at Port Elizabeth Opera House Theater and went to UK for singing gospel and R&B. Arts and Culture auditions were held in Sundays River and two arts and culture groups from Paterson were selected to perform for Cacadu ensemble and Grahamstown National Arts Festival. The municipality was put under section 139 (b). The administrator started in February 2010.

The municipality has solicited assistance from the Department of Sport, Arts and Culture and sixteen schools from across the valley were given 3 piece soccer kits. We further solicited ten soccer kits for local clubs who participate in junior soccer league.

D. EXECUTIVE SUMMARY

Sundays River Valley Municipality (EC 106) is a category B municipality with a plenary executive system combined with a ward participatory system established in terms of the Local Government: Municipal Structures Act 117. It is one of the nine local municipalities under Cacadu District Municipality. The municipality takes its legislative mandate from the provisions of Section 152 of the South African Constitution which is as follows:

- To give priority to the basic needs of the local community
- To promote the development of the local community
- To ensure that all members of the local community have access to at least a minimum level of basic municipal services (this takes precedence over others)
- To ensure sustainability of services, municipality and settlements

To give effect to the above mandate, the municipality has approved the following priority areas:

- Provision of infrastructure and basic services
- Social and Economic Development
- Institutional transformation
- Democratization and Governance
- Financial Management

SRVM has made a commitment to work with local communities to achieve its vision which is “Sundays River Valley Municipality is a transformed and integrated Municipality which subscribes to the principles of Developmental Local Government which also provides a sustainable quality of life, a safe and healthy environment for all our communities , especially the poor and rural communities.” The mission reads as follows:

- To provide access to basic and quality services and development in an efficient, effective, sustainable and cost effective manner.
- To provide a responsible and accountable leadership
- To promote a sustainable utilization of the SRVM’s biodiversity
- To promote local economic development to enhance employment opportunities, to reduce poverty and bring better quality of life

- The implementation of effective management system and procedure
- Compliance with Batho Pele principles

The 2009/10 financial year was an unstable year for proper functioning of the municipality. The political-administrative dichotomy rendered the municipality dysfunctional. The municipal manager's services were terminated in July 2009. For ten months thereafter the municipality was under the helm of an acting municipal manager and during this period no performance agreements for Section 57 Managers were ever concluded.

The Chief Finance Officer was also suspended for six months only to be reinstated by the present Administrator. At the time the municipality was plagued with fraudulent tender rigging activities that implicated both officials and political principals. The comprehensive financial recovery plan that was approved by Council on the 30th June 2009 was never implemented due to the instability in the municipality. As a consequence the Department of Local Government has implemented s139 (b). The administrator was appointed on the 23 February 2010 to assume duties on finance, human resources, infrastructure and service delivery, legal and public participation.

The following two tables provide a summary of the challenges that the municipality encountered:

FINANCIAL CHALLENGES	
<ul style="list-style-type: none"> - A cash book balance which has been negative at the end of the year for the past two financial years - Creditors who are not paid for an average of 180 days, and a credit balance of about R20m (which is not changing) - A debt book which has since gone up from R42m at the time to R52m (90% residents) - 80% of the total debt constitute rates and service charges - Electricity Losses and theft - Non-compliance with MFMA and SCM policies - Lack of procedure manuals 	<ul style="list-style-type: none"> - Inaccurate Billing System (consumers who have access to services are not on the billing system) - Utilisation of conditional grants for operating expenses - Weak credit control policies and systems - Disclaimers for the past four years - Lack of the required competencies within the Finance Department - Inadequate and incomplete asset register - No financial management policies
ADMINISTRATIVE CHALLENGES	
<ul style="list-style-type: none"> - Inconsistent organisational culture due to the absence of a Municipal Manager and Chief Financial Officer - Lack of commitment from staff - No of vacancies not filled due to the current financial position 	<ul style="list-style-type: none"> - Ineffective Local Labour Forum - Lack of internal controls and systems, risk management anti-corruption and fraud policy - Lack of public participation policy - Outstanding Disciplinary Matters

- Ineffectiveness of the performance management system due to prevailing leadership challenges	- Out-dated delegation system - Lack of skills in key departments e.g. Finance and Infrastructure
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The performance highlights that follow are based on the municipality's 2009/10 IDP objectives, the audit action plan and the administrator's municipal turnaround strategy that was approved by the Council on the 25th March 2010.

Implementation of Municipal IDP and Turnaround Strategy

The fact that there were no performance agreements signed, has not absolved the municipality from accounting on the implementation of the objectives of the IDP. Below are achievements with respect to Key Performance Areas.

Key Performance Area	What has been done?
Basic Service Delivery And Infrastructure	<ul style="list-style-type: none"> - Implementation of the Paterson Bulk water supply project. - Installation of waterborne sewerage toilets in Moses Mabida. - Installation of waterborne sewerage toilets in Emsengeni - Commissioning of borehole no.5 in Paterson. - Delivery of water to Paterson and Zuney. - Installation of water tanks in Paterson and in Zuney. - This department is plagued with serious problems due to housing, infrastructure maintenance which are at stand still despite all measures and plans developed with the Department of Housing. - Communities are still complaining about the state of roads, street lighting and electricity blackouts in the area - There is still lack of adequate and competent technical staff to maintain infrastructure. - The DBSA Specialist has done a high level infrastructure assessment which will be presented to Council, CDM and DLGTA for consideration.

Key Performance Area	What has been done?
Financial viability and Management	<ul style="list-style-type: none"> - The cashflow is continuing to improve since the month of May 2010 as result salaries, statutory payments and a number of creditors are being paid. - A detailed activity plan in implementing some of the interventions on the turnaround plan has been developed by the CFO support from DBSA and is under implementation. - Consultants to consolidate financial statements have been appointed and all HODs have been given a checklist to prepare for the audit. - A portion of Equitable share of approximately R450 000 which was withdrawn by Treasury from SRVM has since been reinstated and disbursed back due to motivation and intervention by CFO and the Administrator. - New positions at finance have been advertised as per the recommendations of Treasury as outlined in the Financial Recovery Plan. This will assist in the robust implementation of the credit control measures. - SRVM is continuing with the robust measures of disconnections, payment arrangements have been implemented to recover outstanding debt. A plan for payment awareness campaign has been developed. - Councillors who owe the Council money have been given 7 days to make arrangements on undisputed amounts. This will be extended to officials and deductions shall be made on salaries where there are no disputes.
Municipal Transformation and Institutional Development	<ul style="list-style-type: none"> - A two day workshop to develop an HR plan and to review and develop HR related policies was undertaken with the assistance of DLGTA. - All HR Policies were reviewed, workshopped and adopted by Council, on 30 June 2010. - A fraud and prevention plan was also workshopped and adopted by Council on 30 June 2010. - A public participation framework was workshopped and adopted by Council as guidelines. This needs to be further refined into a detailed plan for actioning. - An employment equity plan is being updated and will be considered for the new positions

Key Performance Area	What has been done?
Municipal Transformation and Institutional Development Cont...	<ul style="list-style-type: none"> - Labour relations are still stable as there is continuous and structured engagement with the Unions - Local Labour forum has convened twice and all policies relating to HR had been considered and submitted to Council for approval. - All pending disciplinary cases are progressing well and an update will be provided once hearings have taken place. - The support by DLGTA is assisting quite a great deal in the turnaround plan, particularly at HR and Finance.
LEGAL	<ul style="list-style-type: none"> - There are still a number of litigation cases against SRVM which are for contractor payments - Some contractors are beginning to charge interest and penalties against the municipality.
GOOD GOVERNANCE	<ul style="list-style-type: none"> - Team Building Sessions and constant interaction between Portfolio Chairs and respective HODs. - Councillors have been trained in roles and responsibilities and interference is mitigated.
PUBLIC PARTICIPATION	<ul style="list-style-type: none"> - Public Participation Guidelines have been approved by Council and an Implementation Plan will be developed with the Speaker/Mayor's office - There is continuous engagement with communities, though not informed by a Plan - A campaign for payment of services was scheduled for the third week of June but only materialized in 2010/11.

Capital Infrastructure Projects

The following projects were implemented during the financial year 2009/10:

- Moses Mabida Waterborne Sewerage- R3,920,923.12 has been budgeted and 100% expenditure. The completion date is December 2010.
- Emsengeni Conversion of VIP toilets to waterborne- R824,329.88 has been budgeted and 100% expenditure. The completion date is December 2010.

The following table is a summary of new MIG Projects for implementation in 2010/11 financial year.

MIG PROJECT	VALUE	STATUS
Enon-Bersheba upgrading of waste water treatment works	R5 785 500.00	New project to be implemented
Enon-Bersheba upgrading of Bulk Water Supply	R3 278 000. 00	Adjudication done on 12/01/2011. Waiting for MM input and appointment letter to the contractor
Addo Bulk water Supply Project	R8 949 000. 00	New project to be implemented
Addo upgrading of waste water treatment works	R7 011 000. 00	New project to be implemented
Bersheba Pump station and Outfall	R 7 25 000. 00	EIA process has started

PART 2: KPA ACHIEVEMENT REPORT

CHAPTER 1: INSTITUTIONAL TRANSFORMATION AND ORGANIZATIONAL DEVELOPMENT –KPA

1.1 ORGANISATIONAL STRUCTURE

The approved organizational structure is attached as an annexure. The organizational structure of the Budget and Treasury was reviewed in order to improve revenue collections, credit control and ensure compliance with Supply Chain Management policy. Furthermore the Municipality approached the Department Local Government and Traditional Affairs to conduct a study of the current approved structure whether it is aligned to the IDP, powers and functions and SDBIP of the Municipality.

No performance agreements were submitted to the department for 2009/10 financial year. The services of the Municipal Manager were terminated in July 2010. Due to instability within the Municipality, the Municipality was placed under administration in terms of Section 139(b) of the Constitution of Republic of South Africa in February 2010. The Administrator/Acting Municipal Manager was appointed. The Director Community Services was suspended in May 2010 pending allegations of misconduct during her tenure as Acting Municipal Manager.

1.2 STAFF DEVELOPMENT INITIATIVES DURING THE FINANCIAL YEAR

Council has a Workplace Skills Plan which is submitted annually to Local Government SETA. The plan sets out all the training priorities and planned training for each year. In order to monitor training and development activities Council has a Local Labour Forum where issues relating to training and development are discussed.

In addition Council has adopted a study grant policy whereby 50% contribution is paid to successful candidates, these candidates should study field which is relevant to the municipality.

Sundays River Valley Municipality employees were trained in the following courses:

COURSE NAME	NUMBER OF EMPLOYEES
Employment Equity	10
Occupational Health and Safety	10
JCB Training	3
First Aid Level 1	10
Protocol Training	13
CPMD & MF	1

1.3. KEY HR STATISTICS PER FUNCTIONAL AREA

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

MM/Section 57 and Line Managers

	Approved positions (e.g. MM-S57 etc...)	Number of approved and budgeted posts per position	Filled posts	Vacant posts
1	Municipal Managers Office	13	5	8
2	Corporate Services	28	16	12
3	Budget and Treasury	35	23	13
4	Community Services	77	37	35
5	Technical Services	109	80	29
	Total	262	161	97

Staff complement in the technical services

1.3.2 Technical staff registered with professional bodies

Technical Service (e.g water, electricity etc...)	Total number of technical service Managers	Total number registered in the accredited professional body	Total number pending registration confirmation in the accredited professional body	Total number not yet registered in the accredited professional body
Infrastructure	4	1	0	3

1.3.3 Levels of education and skills

Total number of staff	Number of staff without Grade 12	Number of staff with Senior Certificate only	Number of staff with Tertiary/accredited professionals training
169	94	17	32

1.3.4 Trends on total personnel expenditure

Financial Years	Total number of staff	Total approved operating Budget	Personnel expenditure (salary and salary related)	Percentage of expenditure
2007-2008	156	19688277	19678688	99,95%
2008-2009	158	21977029	24813618	112,9%
2009-2010	161	25177961	26424219	104,95%

1.3.5 List of pension and medical aids to whom employees belong (please add if necessary)

Names of pension fund	Number of members	Names of medical Aids	Number of members
Cape Retirement Fund	39	L.A. HEALTH	7
Cape Joint Pension Fund	8	HOSMED	16
Sala Pension Fund	39	BONITAS	29
Samwu	65	MUNIMED	2
		SAMWUMED	44

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

Officials	Wages p/a	Benefits
Municipal Manager	R443 033	R33 767
Director Community Services	R537 821	R73 497
Director Corporate Services	R452 019	R121 497
Chief Financial Officer	R512 715	R84 846
Director Technical Services	R497 796	R103 497
Total	R2 443 384	R417 104

1.5 IMPLEMENTATION OF THE PERFORMANCE MANAGEMENT SYSTEM (PMS)

The Municipality's performance management system was ineffective due the prevailing leadership challenges. Funding was received from the District to review and establish

performance management systems and to cascade PMS to the Managers and Supervisors that are reporting directly to section 57 Manager's. No performance bonuses were paid because not all quarterly evaluations of section 57 managers were done. The administrator has however done a summary of the year's performance. The draft annual report for 2008/9 was approved by Council and the oversight committee was established in March 2010.

1.6 ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN MUNICIPAL TRANSFORMATION AND ORGANIZATIONAL DEVELOPMENT

No	Indicator name	Total number of people (planned for) during the year under review	Achievement level during the year under review	Achievement percentage during the year	Comments on the gap
1	Vacancy rate for all approved and budgeted posts;	270	177	44%	68 posts not budgeted, 25 are budgeted.
2	Percentage of appointment in strategic positions (Municipal Manager and Section 57 Managers)	5	3	60%	2 Senior Managers resigned for better offer.
3	Percentage of Section 57 Managers including Municipal Managers who attended at least 1 skill development training course within the FY	0	0	0	None
4	Percentage of Managers in Technical Services with a professional qualification	0	0	0	None
5	Percentage of municipalities within the district area that have a fully functional Performance Management System (DM only)	-	-	-	-
8	Percentage of staff that have undergone a skills audit (including competency profiles) within the current 5	40	40	100%	None

	year term				
No	Indicator name	Total number of people (planned for) during the year under review	Achievement level during the year under review	Achievement percentage during the year	Comments on the gap
9	Percentage of councillors who attended a skill development training within the current 5 year term	14	12	86%	The other 2 Councillors were not interested in training.
10	Percentage of staff complement with disability	5	2	40%	Recruitment of disabled people.
11	Percentage of female employees	117	60	52%	Equity be addressed adequately.
12	Percentage of employees that are aged 35 or younger	50	38	76%	Still recruiting for more females.

1.7 Major challenges and remedial actions in regard to human resource and organizational management

For the financial year 2009 / 2010 there was political instability in the municipality which impacted negatively on the following:

- Low staff morale;
- Implementation of training (for Staff and Councillors); and
- Filling of budgeted vacant positions
- A turn-around plan was developed to address the identified problem areas

1.8 NEW APPROVED POLICIES

The following policies were road showed and were approved by Council:

- Education, Training and Development;
- Staff Retention;

- Employee Assistance Program;
- Attendance and Punctuality;
- Health and Safety; and
- Fraud and Prevention Plan
- Draft Human Resource Plan

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

2.1 WATER SERVICES

- a) The main role players are the Sundays River Valley Municipality (SRVM), Lower Sundays River User Association (LSRWUA) and DWA and the recently appointed AWB (Amatola water board). SRVM is the Water Services Authority and Water Services Provider. The LSRWUA supply bulk water for WTW at Addo (Ceazers dam), Enon/Bersheba and Kirkwood. Paterson is supplied by four boreholes.
- b) Yard taps are installed at each registered erf. Informal areas are supplied with street standpipes within the RDP standard. The water is tested for compliance each month.
- c) All new housing projects minimum standard are a yard connection.
- d) A major challenge is the bulk water supply to Paterson. The current three boreholes cannot supply the demand needed. The maximum supply is 257 kiloliters per day where the actual demand exceeds 1000 kiloliters per day. With draught relief funding, 6 new holes were drilled in the same water field and only one can be used. This water field may not be further be explored. Cacadu appointed a contractor to install the borehole pump at the new borehole No 5. CDM also paid for the flushing and disinfection of borehole No2 as well as pump repair costs. During this period Paterson had no water at all. Water had to be cart from Addo by water trucks for three consecutive months. Cacadu District Municipality paid all the costs incurred for the service.

The Paterson Bulk water project is taking water from Addo Caesars dam purification plant to Paterson. The application was submitted, approved and funded through the Bulk Infrastructure Grant from DWA. Phase one of R18 000 000.00 is completed (2 x 2 Megalitres Reservoirs). Phase two (laying of the pipeline) of the project is almost at 30%. The developmental status in this project was annexed by DWA from the SRVM. Amatola Water Board was appointed to effectively manage the project. This was due to a portion of the allocation used by SRVM to pay for operational expenses. The allocation for 2009/2010 financial year is R10 000 000.00, 2010/2011 allocation R14 000 000.00 and 2011/2012 R10 500 000.00. The full scope of the project will cost R78 000 000.00. Additional funding will be required to complete project.

2.2 ELECTRICITY SERVICES

- a) The main role players are SRVM, DME and Eskom.

Taking the demographics of SRVM, Eskom is serving the biggest portion of SRVM area. The urban areas include Addo, Enon/Bersheba and Paterson, and all the rural supply. SRVM only supply the Kirkwood (Aqua Park, Bergsig and Kirkwood) area.

- b) All erven falling within the Municipal supply have connections with a minimum of 40 ampere. Currently, Eskom minimum supply is 10 ampere.
- c) The SRVM does not have an Electrical section and make use of a Local Service provider. The municipality wishes to start their own Electrical section to deal with the day to day running thereof. Provision is made in our organizational structure approved by Council to accommodate this section. The network was built in 1962 and the demand is more than supply. The network needs to be upgraded for future developments. An application for the funds was submitted to the NER and an allocation of R was approved.
- d) Addo 801 electrification project was executed this financial year and was completed successfully.

In this financial year the only project that has been successful is the Addo 801 project. The municipality must still work hand in gloves with the department of human settlements to get all General Plans for housing projects approved by the Surveyor General office in Cape Town. Houses were built everywhere even on street reserves. This made it very difficult to submit to Eskom for electrification projects. Submission to Eskom must be accompanied by approved General Plans.

2.3 SANITATION SERVICES

In Paterson, although all households received flush toilets through the Bucket eradication program, the lack of enough water supply forced the municipality to still render the bucket removal service. This will be addressed through the Paterson Bulk water project.

The backlogs addressed through MIG and Housing funds are as follows:

- Moses Mabida with 939 pit latrines: 2009/10 MIG and Housing funds at 95%
- Noluthando has 801 pit latrines: 2009/10 Housing funds – 633 complete
- Informal Valencia has 958 pit latrines: 2009/10 Housing funds – 300
- Emsengeni 966 VIPs: 2009/2010 MIG funds – 966

The backlogs that will be addressed in the next financial year:

- Langbos has 350 pit latrines Housing Funds 2010/11
- Molly Blackburn 300 pit latrines Housing Funds 2010/11

2.4 ROAD MAINTENANCE

- a) The role of the Municipality is to provide appropriate cost effective and affordable roads; stormwater drainage; transportation infrastructure and public transport services in order to improve the quality of life of the people. The main role players are the Municipality; Department of Roads and Public Works as well as SANRAL. The Department of Roads and SANRAL are responsible for the provincial roads and National roads. This financial year R335 and R336 were upgraded at a cost of R50m and R20m respectively.

- b) An appraisal letter was received from MIG approving a business plan of R19m for upgrading our Moses Mabida main road.

Challenges in Road Maintenance Services and Remedial Actions

- The tarring of all remaining streets in the urban developed areas.
- Due to our revenue base the municipality is unable to address the backlog. Financial assistance is needed from MIG to address the backlog.
- Funding is also needed to maintain and reseal our roads on a regular basis.

Annual performance as per key performance indicators in road maintenance services

Housing delivery comes with infrastructure (Basic road, water services and sewer services). In most of the housing projects the basic roads were not yet rehabilitated. This make it difficult now to populate figures of beneficiaries that have benefited as all projects have been blocked due to misuse of funds. The only performance in this financial year is the approval of the Moses Mabida Main Road by MIG. The allocation is R19 million.

2.5 WASTE MANAGEMENT

- a) The Municipality has a fully integrated waste management service; executed by the Department of Community Service and Technical Services.
- b) Refuse is collected two days per week in most of the areas, except in other areas where it services with one removal per week. In all businesses refuse is removed two to three times a week.
- c) The Department of Technical Services is responsible for managing the landfill sites together with the Community Services Department. This includes the digging of trenches/cells compacting the waste and replacing the overburden once the trench has been filled.

Annual performance as per key performance indicators in waste management services

Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
Percentage of households with access to refuse removal	11889	No statistics	n/a		

services					
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- d) The major challenge is to obtain funds to fully implement the Waste Management Plan. Capital projects will be registered with MIG to obtain the funds. The District Municipality will also be asked to assist.

2.6 HOUSING AND TOWN PLANNING

2.6.1. Housing and town planning services delivery strategy and main role- players

The housing & Town planning services delivery is the Provincial Function. Due to the total number of house that needed to be built in the area the PDDH has interacted with the Municipality to be the developer. The role of the municipality is to coordinate between the beneficiaries and the province.

The projects that were under construction are: -

- a) Moses Mabida 750
- b) Enon/Bersheba 450
- c) Addo Nomathamsanqa 300
- d) Addo Noluthando 801
- e) Paterson 269

The role players in the involvement of these projects are: -

- a) Provincial Department of Human Settlement
- b) Sundays River Valley Municipality
- c) Beneficiaries
- d) Contractors
- e) Suppliers

2.6.2 Achievements

There was a positive mood within some communities when many housing projects were approved for SRVM. Little did they know that even today they will still be living in worse off situation than they were before. People have demolished their informal houses to allow space for new RDP units. Only a handful has managed to occupy their houses due to shoddy work done by the contractors and yet approved by the Inspectors assigned to approve such work. There is a huge challenge of houses that are finished on book and in reality incomplete for people to occupy them. KPMG was appointed by the Department of Human Settlements to conduct an investigation in this regard. A report is still awaited in this regard.

The level of housing needs in the area is very high and there is long waiting list of beneficiaries for houses.

The standards of houses that are built are of good quality and standard. The normal size of on RDP houses is 40m but we are doing 42m square for all our housing, plastering inside & outside, ceiling all rooms, painting in & out, divided internally, and aprons.

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

Sundays River Valley Municipality cannot be complacent and claim success over houses that are built this financial year. There is no performance other than having built formal informal structures that are worse off than informal structures.

2.6.4 Major challenges in Housing & Town planning services & remedial action

- All the housing projects have been blocked to allow for the forensic audit to take place and the developmental status was taken from the Municipality.
- There has been no official handover of the houses either by the municipality or the Department of Human settlements.
- Houses are left partially finished and some are built in areas where there is no adequate bulk infrastructure.
- Municipality has requested DBSA to assist us with the personnel but with no luck.

2.7 SPATIAL PLANNING

- a) The major role players are SRVM and Department Housing and Local Government, Town planning Section.
- b) SRVM approved the Spatial Development plan in 2007 and all developments have been approved within this framework.

The following were approved in terms of the Land Use Planning Ordinance, Ordinance 15 of 1985:

- Rezoning: 5
 - Subdivision: 4
 - Consent Use: 1
 - Departure: 1
 - Removal of Restrictive Condition: 0
 - Township Establishment: 0
 - Road Closure: 0
- c) The major challenge is to fill vacant positions of the Town Planner/ Building Control officer and Building Inspector. The Technical department with the assistance from HR section will advertise once again these posts.

2.8 INDIGENT POLICY IMPLEMENTATION

The number of people registered as indigent on our Indigent Register is far too low as compared to the high unemployment rate in SRVM jurisdiction. This has been identified as a major contributor in the poor financial status of the Municipality. The Intervention team from Bisho has been visiting all areas to address this backlog.

2.9 OVERALL SERVICE DELIVERY BACKLOGS

There is an Infrastructure assessment plan developed by an Infrastructure Specialist seconded by DBSA to the municipality and SRVM Technical team. The cost estimate for infrastructure backlog is around R22 million. The municipality has contracted Amatola Water Board to render support services in water and sanitation services. A detailed report will be tabled once the exercise is completed. Also included in their scope of work will be the costs to upgrade the dilapidated infrastructure in our townships. There are areas like Moreson and KwaZenzele in Paterson where the water reticulation is still Asbestos pipes. These pipes will not be able to retain the pressure of the new reservoirs once they are in full operational swing.

CHAPTER 3: MUNICIPAL LED FRAMEWORK IMPLEMENTATION

3.1 LED STRATEGY

The LED Strategy was adopted in 2004; thus far there has not been a clear monitoring and evaluation tool to clearly decipher its impact. The institutional machinery proposed in the document has not been fully engaged and the baseline information is outdated .

3.2 PROGRESS TOWARDS ACHIEVING LED OBJECTIVES

As a way of attempting to gauge progress towards achieving our LED Objectives the municipality is initiating a process of reviewing its LED strategy in order to get a clear indication as to what programmes have been implemented and how much have they contributed in achieving the objectives of the LED Strategy.

An application to solicit funding to review the strategy has been submitted to the Department of Local Government and Traditional Affairs.

- a) **Creation of market and public confidence:** The municipality has built stalls for Informal Traders to reduce nuisance around the CBD and drafts by-law and related management plan have been developed to ensure proper management of the facility and to ensure that we protect our existing formal retail from being obscured by street and pavement vendors.

Through our Transport Forum which incorporates representatives from the Provincial Department of Roads and Transport, We have managed to convince the department to refurbish our roads surfaces in preparation for 2010 and for smooth usage by tourists who come to our Wildlife Festival.

- b) **Comparative and competitive advantage for industrial activities:** The Municipality has for the first time appointed a LED Manager, and Supply Chain Practitioner; the LED Office is continuing to offer a free service to register new business entities. E.g. CIPRO
The database of suppliers and contractors is kept up to date by Supply Chain Unit.

There is still a greater need to monitor awarding of tenders in order to monitor the trend of beneficiaries with the intention to realize preferential procurement and number of job opportunities created.

- c) **Enterprise Development:** Training of emerging entrepreneurs was conducted by the LED Unit and SPU to benefit the previously disadvantaged groups.

The municipality has got three tractors that are used for community gardening projects and at least 4 groups have benefited.

- d) **Social Investment Programme:**

3.3 ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN LED

	Indicator Name	Target set for the year	Achievement level during the year (Absolute figure)	Achievement percentage during the year
1	Percentage of LED Budget spent on LED related activities	R730 730	R324 325	
2	Number of LED stakeholder forum held	1 informal LED Forum was formed in preparation for 2010	The formed structure led to the establishment of LTO	
3	Percentage of SMME that have benefited from a SMME programme	4	- 3 Workshops held and facilitated Umsobomvu and Comsec on enterprise development in Addo, Paterson and Kirkwood; - 30 Business registrations with CIPRO; - 7 community gardens were assisted (namely Zuney, Glentana School, Rietberg Primary School, Noluthando crèche and two in Enon Bersheba.	
4	Number of job opportunities created through EPWP	N/A	No statistics (function under technical)	
5	Number of job opportunities created through PPP	N/A	None	

3.4 CHALLENGES REGARDING LED STRATEGY IMPLEMENTATION

- Poor institutional capacity; the Led Unit is run by a single person who is performing his duties as LED Manager and those that can be done by an Admin Clerk/Assistant, dysfunctional LED Forum and Sundays River Development Trust/Agency
- Lack of funding to support LED projects despite proposals submitted
- An amount of R500 000 that was donated for a project by the Department of Local government it was spent on municipal operational costs and was never returned: the Paterson Macro Craft Centre – Phase 2 as a project had to suffer.
- Institutional instability experienced in the 2009/10 financial year left government departments/donors reluctant to finance LED projects. Such as Cacadu District Municipality, Department of Housing, Department of Water Affairs, and Department of Local Government
- Lack of political buy-in on deadlocking projects such as Sakhulutsha Youth Brickmaking Project and E&B Citrus Project
- Improper billing system and unmonitored Indigents register resulted to poor revenue collection.

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

4.1 THE AUDITED FINANCIAL STATEMENTS

Attached as annexures (4)

4.2 BUDGET TO ACTUAL COMPARISON

Discussed under financial statements.

4.3 GRANTS AND TRANSFERS' SPENDING

Grant details			Amount received and spent each quarter									
			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
Finance management grant	National gov		1 500 000	62 328		519 707		94 710		823 345	1 500 000	1 500 000
Municipal systems improvement grant	National gov		1 300 000	171 576		538 173		72 529	517 722		1 300 000	1 300 000
Municipal Infrastructure grant	National gov	3 968 319	0.00	188 184	1 278 000	4 530 411	6 010 497	5 158 272	3 600 000	3 135 212	14 856 816	13 012 080
Environmental health subsidy	District mun		171 518	156 272		196 171	378 467	269 205	188 669	171 984	738 654	793 632
Health subsidy	Prov gov			397 323	1 057 868	418 644	740 508	410 165	528 934	668 922	2 327 310	1 895 054

4.4 MEETING OF DONORS' REQUIREMENTS IN RESPECT OF CONDITIONAL GRANTS

Finance Management Grant: The grant was utilised mainly to accommodate the appointment and training of interns which is in line with the specified requirements of the grant. SRVM had four financial interns during the 2009/10 financial year who were trained in all aspects of finance. A portion of the grant was also utilised to ensure that the municipality has GRAP compliant Annual Financial Statements. The grant was further utilised to co-fund a revenue enhancement strategy for the municipality.

4.4.1 Municipal systems improvement grant

This grant was utilised in accordance with the approved business plan which highlighted the following areas: Ward committee training, fixed asset registers and implementation of Municipal property rates act.

4.4.2 Municipal infrastructure grant

The intention of the Municipal Infrastructure Grant (MIG) is to enable municipal infrastructure to address backlogs in municipal infrastructure required for the provision of basic services. It is used by municipalities to build roads, houses, sporting facilities and infrastructure for water and sanitation.

The grant was used to address the sanitation at Moses Mabida Location and also at Emsengeni Location.

4.4.3 Environmental health subsidy

This subsidy was utilised to provide basic environmental health functions in the jurisdiction of the municipality. The funding was received from the Cacadu District Municipality. Two environmental health officers are currently employed.

4.4.4 Health subsidy

This subsidy was utilised to provide basic health care functions in the jurisdiction of the municipality. The subsidy is used to run the various clinics in Sundays River Valley Municipality.

4.5 LONG TERM CONTRACTS ENTERED INTO BY THE MUNICIPALITY

SERVICE PROVIDER	TYPE OF CONTRACT	TYPE OF SERVICE	PERIOD
Rental Company	Long - term	Lease – Air conditioners for clinics	Commencement date 16/01/2008 for 36 months
Konica Minolta	Long – term	Lease – Fax systems	Commencement date 29/04/2008 for 60 months
Konica Minolta	Long – term	Lease – Photo copy machines	Commencement date 29/04/2008 for 60 months
Howard Consulting	Long – term	Lease – Photo copy machines	Commencement date 29/02/2008 for 60 months

SERVICE PROVIDER	TYPE OF CONTRACT	TYPE OF SERVICE	PERIOD
Konica Minolta	Long – term	Lease – Photo copy machine	Commencement date 11/2008 for 36 months
Alcari 708	Long-term	Lease – traffic vehicles	Commencement date 12/2009 for 36 months
Rental Company Trust	Long - term	Lease - Air conditioners for council chamber	commencement date 24/10/2007 for 60 months

4.6 ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN FINANCIAL VIABILITY

	Indicator name	Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
1	Percentage expenditure of capital budget	R24 220 300	R26 406 364	109%

	Indicator name	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	34% or R22 698 940	R23 679 136	35.8%

	Indicator name	Target set for the year (20% or less) R(000)	Achievement level during the year R(000)	Achievement percentage during the year vs the actual revenue
3	Total actual trade creditors as a percentage of total actual revenue	20% or R18 087 472	R19 746 522	22.69%

	Indicator name	Target set for the year (80% and more) R(000)	Achievement level during the year R(000)	Achievement percentage during the year
4	Total municipal own revenue as a percentage of the total actual budget	45% or R40 829 292	R36 682 819	42.15%

	Indicator name	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	-	-	-

	Indicator name	Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
6	Percentage of MIG budget appropriately spent	14 856 816	13 012 080	88%

	Indicator name	Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
7	Percentage of MSIG budget appropriately spent	R1 300 000	R1 300 000	100%

4.7 THE AUDIT COMMITTEE FUNCTIONALITY

The Audit committee is a shared function with Ndlambe and Makana municipality. The audit Committee consisting of three members with Mr. Reid of Port Alfred as the chairperson met four times during the year as required by legislation. The audit committee discussed the readiness of SRVM for the audit to be undertaken by the Auditor-General, reviewed the financial statements that were handed to the Auditor-General for auditing for 2009/10 and reviewed the report of the Auditor-General for 2008/09.

Apart from these areas of focus the following were standard items on the audit committee agenda;

- Top twenty debtors
- Turnaround plan
- Minutes of Council meetings

The Auditor-General and a representative of the internal audit unit of KPMG attended all the meetings to provide the audit committee with information needed.

The following representatives from SRVM attended audit committee meetings:

- Mayor
- Chairperson of Finance and Administration Standing Committee
- Administrator/Acting Municipal Manager
- CFO

4.8 ARREARS IN PROPERTY RATES AND SERVICE CHARGES

Debtors age analysis by income source	Current	31-60 Days	61-90 Days	91-120 Days	121-150 Days	151+ Days	Total
Property Rates	(177 434)	3 312 377	262 537	208 907	187 254	11 619 197	15 412 838
Electricity	123 274	787 970	305 103	55 996	65 148	2 948 268	4 285 759
Water	(3 219 336)	587 397	432 759	444 844	418 633	19 977 784	18 642 081
Sewerage	(8 345)	147 427	121 318	115 963	115 500	4 984 038	5 475 901
Refuse	(31 144)	308 256	289 969	279 746	278 259	11 173 276	12 298 362
Services	(12 299)					29 831	17 532
Irrigation	(14 449)	17 622	4 494	3 756	3 354	68 006	82 783
Other	(13 494)	14 163	15 037	13 927	14 118	2 315 006	2 358 757
Total	(3 353 227)	5 175 212	1 431 217	1 123 139	1 082 266	53 115 406	58 574 013

4.9 ANTI CORRUPTION STRATEGY

The municipality has adopted a fraud prevention and anticorruption policy after it was workshopped with the councillors, officials and trade union representatives. The policy is to be brought to the attention of the community in terms of awareness campaign at public meetings. The policy was adopted by Council on 30 June 2010.

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

5.1 OVERVIEW OF THE EXECUTIVE AND COUNCIL FUNCTIONS AND ACHIEVEMENTS

The Council is a plenary system and does not have executive committee. The Council has reviewed its Standing Rules and Orders and Delegations to the Standing Committees, Council has four Standing Committees which make recommendations to the Council.

5.1.1 Finance and Administration Committee

The functions of this Standing Committee are to investigate and make recommendations to the Council on all matters falling within the following functional areas:

Functional Areas	
<ul style="list-style-type: none"> • Municipal Administration • Municipal Support Services • Ward Committees • Institutional Performance Management • Delegation of functions and powers • Annual Reports • Land Administration • Housing Administration • Municipal By-laws • Environmental Management • Legal Matters • Human Resources Management • Industrial/Labour Relations • Conditions of Service of Staff and Staff Benefits; • Bargaining Council Collective Agreements • Performance Management • Occupational Health and Safety • Annual and Adjustments Budgets of the Council • Municipal Revenue and Expenditure 	<ul style="list-style-type: none"> • Financial Reporting • Financial Statements • Financial Audit • Financial Misconduct • Insurance Portfolio and insurance matters • Investments • Credit Control • Indigent Support • Risk Management • Procurement and Supply Chain Management • Assets Control • Councillor Allowances and Fringe Benefits • Declarations of Financial Interests • Information Communication Technology • Statistical Reporting

5.1.2 Engineering and Infrastructure Development Planning Standing Committee

The functions of this Standing Committee are to investigate and make recommendations to the Council on the following functional areas:

Functional Areas	
<ul style="list-style-type: none"> • Housing Projects • Land Reform and Settlement Plans • Roads and Stormwater Management 	<ul style="list-style-type: none"> • Municipal Infrastructure • Construction and Technical Service Contracts

<ul style="list-style-type: none"> • Water and Sanitation • Electricity and Street Lighting • Engineering and Infrastructure Development 	<ul style="list-style-type: none"> • Town Planning and Land Use Management • Building Control • Building Maintenance and administration
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5.1.3 Community Services Standing Committee

The functions of this Standing Committee are to investigate and make recommendations to the Council on the following functional areas:

Functional Areas	
<ul style="list-style-type: none"> • Environmental Health • Libraries • Community Halls • Offensive Trades • Keeping of Animals • Control over Nuisances • Refuse Collection and Solid Waste • Trade Licensing • Traffic Services • Disaster Management • Fire Services • Community and Recreational Facilities • Parks and Open Spaces 	<ul style="list-style-type: none"> • Special Programmes • Informal Trading • Environmental Management • Commonage Management • Liquor Licences • Road Carrier Permits • Trade Licences • Leasing of halls • Special events at libraries • Exhumations • Permits for informal trading. • Cemeteries • Safety and Security • Primary Health Programmes

5.1.4 IDP/LED Committee

The committee investigate and consider matters which fall within the ambit of the following functional areas, and where appropriate, report and make recommendations thereon to Council, except in respect of matters specifically delegated to it or where specifically regulated otherwise.

Functional Areas	
<ul style="list-style-type: none"> • Local Economic Development • Tourism • Agriculture • Commence; SMME's • Hawking 	<ul style="list-style-type: none"> • Manufacturing • Poverty Relief Program • Environmental Conservation • Business development • Industrial development

5.2 PUBLIC PARTICIPATION AND CONSULTATION

- a) There have been a number of public engagements since the intervention and the IDP and Budget Hearing have taken place in a number of communities.
- b) Meetings with important stakeholders like staff members, community members and the Ratepayer's Association have taken place.
- c) Ward Committees have been involved quite extensively in the IDP and Budget Hearing Processes.
- d) A public participation framework was workshopped and adopted by Council as guidelines. This needs to be further refined into a detailed plan for actioning.
- e) The consultation process is done through Council Outreach Programmes, Mayoral Imbizo's, Ward Committees, IDP formulation consultation and review process and IDP & Budget road shows.

5.3 WARD COMMITTEES' ESTABLISHMENT AND FUNCTIONALITY

5.3.1 Ward Committees

- a) The Sundays River Valley Municipality has seven Ward Committees with a maximum of ten members each. The term of office for members is five years (the same as the term of office of Councillors). All members are paid a stipend for travelling to the meetings.
- b) Meetings are held on a six weekly cycle. Scheduled meetings were well attended during this period. Minutes of ward committee meetings are distributed to the various departments after the meetings for comments/inputs/executions. Matters emanating from these meetings are forwarded to the Standing Committees in the form of reports. Minutes are also forwarded to Council.
- c) On 21 – 24 September 2009 ward committee members received training from Go Training Academy. This training was funded through the MSIG.

5.4 COMMUNITY DEVELOPMENT WORKERS PERFORMANCE MONITORING

5.4.1 Availability of CDW monthly reports

- a) CDW'S reports are not available to the municipality because they (CDWS) have an understanding that they are not accountable to the municipality, they account to the province.
- b) The municipality does not have insight or access to the reports and this issue was raised with the province but up to date is not yet addressed.

- c) Even CDM has complained on this matter to the province but no amicable understanding in resolving the matter.

5.4.2 Number of cases identified and reported by CDW`S;

There is no report at the disposal of the municipality as we have indicated above that we do not have access to the CDW`S reports.

5.4.3 Number of homes visited by the CDW during the FY

There is no information at our disposal to have a clue about home visits by the CDW`S during FY.

5.4.4 Participation of CDW`S in the Municipality activities e.g. IDP

All our CDW`S participates well in all municipal activities such as:

- (a) IDP forum reps
- (b) Ward committee meetings and
- (c) Mayoral Imbizo`s public participation events

5.5 COMMUNICATION STRATEGY

The municipality has no Communication Unit, in the organisational structure a post for Communication Officer was created and approved by council and the position is located in the office of the Municipal Manager. Due to financial constraints the post has been frozen.

5.6 ANTI CORRUPTION STRATEGY

A fraud and prevention plan was workshopped and adopted by Council on 30 June 2010.

5.7 INTERGOVERNMENTAL RELATIONS

There is functioning IDP rep forum. The special programmes officer and local stakeholders participated in the development of the district-wide youth, women and disable policies and these need funding to cascade to local municipality. Local transport Forum is functioning well. We participate in the Addo National Park Forum. The LED manager participates in the District Economic Development Forum and District support team.

The Local Aids Council was established but is not functional since the HIV-Aids coordinator left the Organization. Mayor, Municipal Manager and CFO do attend Mayor`s Forum, MM`s Forum and CFO`s Forum respectively but reports are not going through standing committee to Council. Technical services attend PMIIT quarterly meetings.

Some sector departments do attend IDP representative forum meetings but the attendees at local level are not given decision-making powers (not strategic managers) as a result their presence is often not effective.

Assistance is required in the development of IGR policy framework for a local municipality

5.8 LEGAL MATTERS

5.8.1 Setting Up of Legal Units

The Municipality does not have a legal unit and has outsourced legal services during 2009/2010 to the following service providers.

- a) Canter & Co Attorneys
- b) Chris Baker and Associates
- c) Deon van der Merwe Attorneys
- d) Friedman Scheckter Attorneys

5.8.2 Management of Litigation

a) Case Load Management with specific reference

- Favourable cases – nil
- Unfavourable

	CASE NAME	COMPLIANCE WITH JUDGEMENT	REASON FOR NON COMPLIANCE
1.	Xabiso Builders	No	All amounts due to the Contractor were paid as per Housing Agreement
2.	Matemba Civils Amatole	Applied for rescindment of judgement based on verification of value on ground and we are currently negotiating settlement	N/A
3.	Sufyaans Tiles and Sanitary Wares	As above	N/A
4.	Concrete 4 U (PTY) Ltd	As above	N/A
5.	CBS Truss and Timber (PTY) Ltd	As above	N/A
6.	Zikhona Bricks	As above	N/A
7.	Knysna Door Manufacturers	As above	N/A
8.	Barry John Kibble	As above	N/A
9.	Ho-Hup Corporation SA (PTY) Ltd (case1)	No	Opposing interdict as contract awarded illegally without following due processes

	CASE NAME	COMPLIANCE WITH JUDGEMENT	REASON FOR NON COMPLIANCE
10.	Ho-Hup Corporation SA (PTY) Ltd (case 2)	No	Opposing interdict as contract awarded illegally without following due processes
11.	Ho-Hup Corporation SA (PTY) Ltd (case 3)	No	Opposing interdict as contract awarded illegally without following due processes

b) Case Age Analysis

	CASE NAME	NATURE OF CASE	DATE COMMENCED
1.	Xabiso Builders	Short payment in respect of housing subsidy Enon/Bersheba project. All amounts due to the contractor were paid as per housing agreement.	2008
2.	Matemba Civils Amatole	Interest and legal cost relating DWAF water project. Arrangements made with the plaintiffs attorney to settle outstanding.	2010
3.	Sufyaans Tiles & Sanitary Wares	Goods Sold and delivered during February 2007 – Augustus 2009 for housing projects. Council liable as moneys from Department for housing project miss-spent.	2010
4.	Concrete 4 U(Pty) Ltd	Goods Sold and delivered and services rendered by Concrete to SRVM. Concrete being a cessionary to the cedent who was awarded a lost cost housing project by SRVM. Housing department verified some of the claims and the municipality is making arrangement to pay in terms of that.	2010
5.	CBS Truss and Timber (Pty) Ltd	Good sold and delivered and services rendered by CBS Truss and Timber to SRVM. CBS Truss and Timber being a cessionary to the claim of the cedent who was awarded a lost cost housing project by SRVM. Housing department verified some of the claims and the municipality is making arrangement to pay in terms of that.	2010

	CASE NAME	NATURE OF CASE	DATE COMMENCED
6.	Zikhona Bricks	<p>Good sold and delivered and services rendered by Zikhona Bricks to SRVM. Zikhona Bricks being a cessionary to the claim of the cedent who was awarded a lost cost housing project by SRVM.</p> <p>Housing department verified some of the claims and the municipality is making arrangement to pay in terms of that.</p>	2010
7.	Knysna Door Manufactures	<p>Good sold and delivered and services rendered by Knysna Door Manufactures to SRVM. Knysna Door Manufactures being a cessionary to the claim of the cedent who was awarded a lost cost housing project by SRVM.</p> <p>Housing department verified some of the claims and the municipality is making arrangement to pay in terms of that.</p>	2010
8.	Barry John Kibble	<p>Good sold and delivered and services rendered by Barry John Kibble to SRVM. Barry John Kibble being a cessionary to the claim of the cedent who was awarded a lost cost housing project by SRVM.</p> <p>Housing department verified some of the claims and the municipality is making arrangement to pay in terms of that.</p>	2010
9.	Ho-Hup Corporation SA (Pty) Ltd	<p>Interdict proceeding lodged against SRVM.</p> <p>Legal cost in the event of council being unsuccessful in opposing the interdict.</p>	2010
8.	Ho-Hup Corporation SA (Pty) Ltd	<p>Legal cost in the event of council being unsuccessful in opposing the interdict.</p>	2009

5.8.3. Prevention Mechanisms of Current Litigations

The Housing Department verified some of the claims and the Municipality is making arrangements to pay in terms of that. Legal cases are referred to Councils Legal Advisor immediately.

PART 3: FUNCTIONAL AREA SERVICE DELIVERY REPORTING

A. FUNCTIONAL SERVICE DELIVERY REPORTING

1. General information (population statistics)

Reporting Level	Detail	Total	
Overview	Provide a general overview of municipality: this may include a short narrative of issues peculiar to the municipality and issues specific to the financial year being reported		
Information			
1	Geographical area in square kilometres		
2	Total population <i>Source: Census 2001</i>	41 464	
3	Indigent Population		
4	Total number of voters	25 461	
5	Age breakdown: - 65 years and over - between 35 and 64 years - between 15 and 34 years - 14 years and under <i>Source: Census 2001</i>	2345 11 565 15 798 11 865	
6	Household income: - over R3,499 per month - between R2,500 and R3,499 per month - between R1,100 and R2,499 per month - under R1,100 per month <i>Source:</i>		

2. Finance and Administration function's performance

Reporting Level	Detail	Total	
Overview	Budget and Treasury Office was established in terms of section 80 of the MFMA. It consist of 3 Snr Accountants and a Supply chain practitioner reporting directly to the CFO. The rest of the staff complements reports to the		

	Senior Accountants. The functions of the BTO are as follows: Budgeting, Financial Statements & Reporting, Asset Management, Cash Management, Investments, Insurance and Supply chain.		
Description of Activity	The function of finance within the municipality is administered as follows and includes:		
	<p>Budgeting</p> <p>BTO's involvement in budgeting starts from the planning, strategizing, preparing, tabling, finalizing and implementation stage.</p> <p>The planning and strategizing stages are done through the political guidance by the Mayor. i.e. review of time table schedule and the previous year's budget process to determine what went wrong, what should be corrected and the way forward. This can be done through internal and external participation.</p> <p>The preparation to the finalizing stage of the budget is done by the BTO with the assistance of the Accounting Officer and the co-operation of the other directorates.</p> <p>After the implementation the BTO conducts the in-year monitoring of the budget.</p>		
	<p>Financial Statements and Reporting</p> <p>The BTO coordinates the process of preparing the financial statements. The preparation of the 2009/10 financial statements was outsourced to Sondiyazi Charterers and Barnes.</p> <p>The finance department is required to prepare statements that are in accordance with generally recognised accounting practice (GRAP)</p> <p>The financial Statement are handed over to Auditor General at the 31 August for auditing purposes as required by the S126 (1) b of the MFMA.</p>		

	The BTO prepares the monthly, quarterly, half yearly and yearly reports to Council, National and Provincial Treasury based on the requirements required by the MFMA.		
	Cash Management Prepares cash flows to determine whether the council is in the status to spend from the budget. Informs the directorates if there are cash flow problems.		
	Investments The BTO identifies monies that are transferred to the Council's current account and invest monies as required. Prepares the monthly reconciliations of all investment accounts. Make withdrawals on the investments as funds are spent. All grant funds are invested into separate investment accounts and funds are withdrawn as expenditure are incurred in accordance with conditions of grants.		
	Insurance The BTO register all the new assets to the insurance company, take out the disposed assets from the insurance list, make insurance claims for the damage or stolen asset and allocate payments received from the insurance company to the relevant vote.		
	Payroll Administer payment of salaries and allowances. Monthly reconciliation of salaries. .Payments made to the Pension Funds, SDL, PAYE and UIF as well as other salary deductions due, are done before the 7th of the following month		
	Creditors payments Administer payment of creditors. Creditors to be paid within 30 days of invoice date on a monthly basis, statements of creditors reconciled with the orders/requisitions issued. Creditors are paid mainly via cheque and some paid via electronic transfer.		

	<p>Debtors/Credit control</p> <p>Administer debtors' accounts and ensure accounts are sent to debtors monthly. Administer indigent register. Ensure meter readings are done monthly. Ensure collection of outstanding debtors accounts</p>		
	<p>Supply chain</p> <p>Administer the tender process. Ensure relevant committees are functional e.g. bid specification committee, bid evaluation committee and bid adjudication committee. Ensure supply chain policy is enforced. Obtain relevant quotes for departments and assist with the approval of requisitions/orders</p>		
<p>Strategic Objectives</p>	<ul style="list-style-type: none"> - Ensure alignment of budget and IDP - Ensure a credible budget is prepared - Ensure the budget prepared in accordance with national treasury guidelines - Compile accurate and reliable annual financial statements in accordance with GRAP requirements - Keep records of new acquisition of assets, movement of assets and disposal of assets - To ensure sound and sustainable cash flow management - To ensure sound and sustainable investment procedures - To ensure all assets are insured - To ensure all creditors are paid within specified timeframe - To ensure optimal debtors collection - To ensure proper administration of debtors accounts and accurate meter readings. - To ensure an accurate payroll, all salaries are paid on 25th of each month and third parties are paid before 7th of each month - To ensure implementation of supply chain management policy - To ensure proper in year monitoring and reporting to all stakeholders 		

<p>Key Issues for 2009/2010</p>	<p>- The municipality was placed under administration in accordance with section 139(1)(b) of the Constitution and an Administrator was appointed during February 2010.</p> <p>A turnaround strategy was developed and approved by Council which highlighted the following issues relating to Finance:</p> <ul style="list-style-type: none"> - Preparation of budget in accordance with new budget Guidelines - Credible budget and spending in accordance with budget – the budget for 2009/10 was not credible and had to be adjusted. Focus was given to 2010/11 budget to ensure more reliable and credible budget - Alignment of budget with IDP - Increase in collection rate – the credit control department was run by one official and debt collection was not functional. Attention was focused on establishing a functional credit control ‘ department by appointing more staff - Efficient and reliable billing – GIS, billing system and valuation roll reconciliation was lacking, database cleansing was needed. - Submitting annual financial statements on time. - Ensure proper utilisation of conditional grants in accordance with conditions of grants – grants were previously used for operational needs - Review of all financial policies. Policies were outdated and weak. <p>The following policies were approved during 2009/10:</p> <ul style="list-style-type: none"> - Credit control and debt management policy, tariff policy and indigent policy. - Review of all tariffs. Tariffs were not based on cost recovery especially electricity tariffs which indicated that the municipality was running at a loss. - Ensure a proper structure at finance department to ensure operational 		
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	effectiveness – the staff structure of finance department was reviewed during 2009/10 - Ensure effective financial management system. It has been identified that the municipality needs a new financial management system. The system will be implemented during 2010/11		
Analysis of the Function			
1	Debtor billings: number and value of monthly billings	Annexure 5 Page 151	
2	Debtor collections: value of amount received and interest	Annexure 6 Page 152	
3	Debtor analysis: amount outstanding over 30, 60, 90 and 120 plus days	See figure 4.8.	
4	Write off of debts: number and value of debts written off:	None (2009/10)	
5	Property rates (Residential)	Annexure 8 Page 154	
6	Property rates (Commercial)	Annexure 8 Page 154	
7	Property valuation: - The last valuation was done in 2008 - Valuations will be done every 4 years		
8	Indigent Policy: - Quantity (number of households affected) - Quantum (total value across municipality)	890 486 471	
9	Creditor Payments: - Auditor General - FBDS - Alcari 708 cc - Alcari 708 cc/Jongisizwe - Jarami projects		
10	Credit Rating: - Sundays River Valley municipality has never received a credit rating		
11	External Loans	Annexure 7 Page 153	
12	Delayed and Default Payments: - Loan repayments for DBSA was not done for 2009/10 financial year		

	- Creditors could not be paid within legislatively required 30 days due to the financial situation of the municipality Statutory deductions was not paid by the 7 th of each month due to the financial situation of the municipality		
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3. Planning and Development function's performance

Reporting Level	Detail	Total	
Overview	The activities associated with economic development initiatives: <ul style="list-style-type: none"> - Local Economic Development - Tourism - Agriculture - Commence; SMME's - Hawking - Manufacturing - Poverty Relief Program - Environmental Conservation - Business development - Industrial development 		
Description of Activity	The function of economic planning / development within the municipality is administered as follows and includes:		
	SMME Development; Food Security Programme; Agricultural Development; Tourism Promotion. Only one official is responsible for the unit.		
	These services extend to include <function/area>, but do not take account of <function/area> which resides within the jurisdiction of <national/provincial/other private sector> government. The municipality has a mandate to create an enabling environment for stakeholders to operate		
	Quantifiable Objectives: <ul style="list-style-type: none"> - To grow the local economy and achieve an annual growth of between 5% and 8% by 2009 - To create sustainable jobs thereby reduce existing employment from 44% to 34% by 2009 - To reduce the number of households living in poverty from 54,6% to 44,6% by 2009 - To reduce the rate of illiteracy by 5% every year 		

	<p>Non-quantified Objectives:</p> <ul style="list-style-type: none"> - To promote and develop small, medium and micro enterprises and PDI businesses - To increase the level of business and infrastructure investment into the area - To retain and expand the existing base of established businesses - To improve access by local communities to economic resources and funding - To promote community participation in tourism thereby growing the tourism base - To accelerate youth, women and disabled participation in economic development 		
	<p>Key issues of 2009/10</p> <ul style="list-style-type: none"> - Capacitation of the unit Establishment of LED Forum and LTO Funding proposals 		
Analysis of the Function			
1	<p>Number and cost to employer of all economic development personnel:</p> <ul style="list-style-type: none"> - Professional (Directors/Managers) - Non-professional (Clerical/Administrative) - Temporary - Contract 	<p>2 1 1 0</p>	<p>R35 601.17 R15 791.04 R5 709</p>
2	Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package		
3	<p>Detail and cost of incentives for business investment:</p> <ul style="list-style-type: none"> - No incentives due to budget constraints 		
4	<p>Note: list incentives by project, with total actual cost to municipality for year:</p> <ul style="list-style-type: none"> - N/A 		
5	<p>Note: list strategies by project, with total actual cost to municipality for year:</p> <ul style="list-style-type: none"> - N/A 		
6	Note: total number to be calculated on full-time equivalent (FTE) basis, and should only be based on direct employment as a result of municipal initiatives		
	Number and cost to employer of all Building Inspectors employed		
	<p>Number of Building Inspectors:</p> <ul style="list-style-type: none"> - Temporary - Contract 		

	Details of building plans: -Number of building plans approved - Value of building plans approved		
7	Type and number of grants and subsidies received:		R350 000
	Hawkers facility (phase 2)		
	Note: total value of specific planning and development grants actually received during year to be recorded over the five quarters - Apr to Jun last year, Jul to Sep, Oct to Dec, Jan to Mar, Apr to Jun this year.		

4. Community and social services function's performance

Reporting Level	Detail	Total	
Overview	Includes all activities associated with the provision of community and social services		
Description of the Activity	<p>The function of provision of various community and social services within the municipality is administered as follows and includes:</p> <ol style="list-style-type: none"> 1) Primary Health Care (TB; HIV/AIDS; PMTC; MWCH; Home Base Care etc) <p>Campaigns and events were: Information Day, Cataract Outreach, Casual Day, Child Health Week, 16 Days of Activism, Patient Satisfaction Survey, PMTCT Event, Measles Mop Up, Pregnancy Awareness, STI Condom Week, Measles Campaign, HCT Campaign, H1N1 Flu Campaign, Vit A Campaign</p> <ol style="list-style-type: none"> 2) Environmental Health Services (Water Quality Monitoring; Waste Management; Food control 3) Fire Services 4) Traffic Services (law enforcement, motor registration) 5) Disaster Management 		

	(Response; recovery) 6) Sports, Arts and Culture (Cemetery; community facilities)		
	<p>Strategy Objective:</p> <ul style="list-style-type: none"> - To ensure accessibility to the SRVM communities within the scope of available legislation - Ensure that cemeteries are available, clean, secure, maintained and safe for the community. - Facilitate the management and implementation of the various key projects so that the municipality is able to deliver on its promises and objectives - Lead direct and manage staff within the Community Services department so that they are able to meet their objectives - Monitor and control the budget so that expenditure is in line with the Councils requirements - Management and implementation of Traffic services for the SRV Municipality within available budget - Ensure that community facilities are maintained and available - Ensure development of sport, arts and culture - Job creation linked to various ad-hoc projects - To provide comprehensive environmental health services - To ensure departmental resources are managed in accordance with the demands of the department - Ensure adequate skills development of all stakeholders to improve departmental and social service excellence - To facilitate the provision of fire and disaster management and traffic services 		
	<p>Key issues for 2009/10:</p> <ul style="list-style-type: none"> - Preparations for 2010 - Construction of traffic testing 		

	grounds		
Analysis of the Function			
1	<p>Nature and extent of facilities provided:</p> <ul style="list-style-type: none"> - Library services - Museums and art galleries - Other community halls/facilities - Cemeteries and crematoriums - Child care (including crèches etc) - Aged care (including aged homes, home help) - Schools - Sporting facilities (specify) - Parks 	<p>-5 -0 - 9 - 15 -2 -21 - 7</p>	
2	<p>Number and cost to employer of all personnel associated with each community services function:</p> <ul style="list-style-type: none"> - Library services - Museums and art galleries - Other community halls/facilities - Cemeteries and crematoriums - Child care (including crèches etc) - Aged care (including aged homes, home help) - Schools (total in SRVM is 21) - Sporting facilities (specify) - Parks (only swimming pool provided) 	<p>- 8 -4</p>	<p>- R53 109.17 - R18 448</p>

Reporting Level	Detail	Total	
Description of Services Cont...	The key issues for 2009/10 are: - There were lots of irregularities that took place during this financial year that led to some investigations into corrupt activities. Furthermore there was no base plan that could be used to measure achievements or failures.		
Analysis of the Function	Number and cost of all personnel associated with provision of municipal housing: - Professional (Architects/Consultants) - Field (Supervisors/Foremen) - Office (Clerical/Administration) - Non-professional (blue collar, outside workforce) - Temporary - Contract	-1 - 1	R8 135.50 R5 910.00

Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current	Target
	During this financial year as already stated above due to malpractices experienced in the implementation of the housing projects, the Housing department stopped all projects. Forensic audit of all projects is still underway and only after the report has been released will we be able to know the status of the projects. Currently the Department is conducting an EIA for all the projects including the new ones. The Implementation is likely to begin end October 2011. It is against this background that the municipality finds it difficult to provide information on the actual performance achieved over the financial year and the variance between performance planned and actual performance.		

6. Waste management functions performance

Reporting Level	Detail	Total	
Overview	Includes refuse removal, solid waste disposal and landfill, street cleaning and recycling		
Description of the Activity	<p>The refuse collection functions of the municipality are administered as follows and include:</p> <ul style="list-style-type: none"> - Each household is provided with a refuse bag once every week. The municipality collects the bags from each household either through service providers or municipal staff. Business waste is removed twice or even trice per week. All the waste collected is disposed off at a designated landfill site. - The municipality has a mandate - Provide a safe and clean environment to all communities. <p><u>The strategic objective of this function is to:</u> ensure that communities are living in clean and healthy environments. This could be achieved by outsourcing the service to potential local SMME thereby creating employment opportunities.</p> <p><u>Key Issues for 2009/10:</u> The municipal Refuse trucks were sent in for repairs and it took a couple of months to have them fixed due to financial constraints.</p>		
Analysis of the Function	<p>Number and cost to employer of all personnel associated with refuse removal:</p> <ul style="list-style-type: none"> Professional (Engineers/Consultants) - Field (Supervisors/Foremen) - Office (Clerical/Administration) - Non-professional (blue collar, outside workforce) - Temporary - Contract 	<p>-1 -2 -1 -9</p>	<p>-R13 407 -R13 066 -R11 546 -R43 392</p>

7. Road maintenance's function's performance

Reporting Level	Detail	Total	
Overview	Construction and maintenance of roads within the municipality's jurisdiction		
Description of the Activity	<p>The road maintenance and construction responsibilities of the municipality are administered as follows and include: Provision and maintenance of good roads infrastructure. The task includes informing both the provincial and National Roads Departments of any repairs of the provincial and national roads to be undertaken. - The municipality has a mandate to provide safe quality roads to communities.</p> <p><u>The strategic objectives of this function are:</u> - - to develop an Infrastructure master plan that will be used as a tool to lobby for funds for roads projects.</p> <p><u>The key issues for 2009/10 are:</u> Payment of Housing Contractors from the maintenance budget has delayed the repairs and maintenance of internal roads.</p>		
Analysis of the Function	<p>Number and cost to employer of all personnel associated with road maintenance and construction:</p> <p>Professional (Engineers/Consultants) - Field (Supervisors/Foremen) - Office (Clerical/Administration) - Non-professional (blue collar, outside workforce) - Temporary - Contract</p>		

8. Water distribution function's performance

N.B It has since been established that the Municipality does not have credible information that could be used to populate this template. This is as a result of personnel shortage and lack of capacity of the municipal employees responsible for the task. Record keeping was also found to be a major concern within the institution. The municipality has embarked on a campaign

with the assistance from DWA to identify service providers that could assist with assessment of the current status quo and develop a plan. (WSDP, ASSET REGISTER) This will also assist the Municipality with the base plan information.

Reporting Level	Detail	Total	
Overview	Includes the bulk purchase and distribution of water		
Description of the Activity	<p>The water purchase and distribution functions of the municipality are administered as follows and include: Abstraction of water from the boreholes for the Paterson area. For Addo and Kirkwood water is purchased from .</p> <p><u>The municipality's mandate is:</u> - To provide potable water to all communities within the Sundays River Valley Municipality jurisdiction.</p> <p><u>The strategic objectives of this function are:</u> - To provide each household with free basic 6Kl of clean drinking water monthly.</p> <p><u>The key issues for 2009/10 are:</u> - Implementation of the first phase of the Paterson bulk water Supply project. Erection/ Construction of two 2Megalitres Reservoirs in Nomathamsanqa Addo at R18 million. The quality of chemicals bought from the supplier was questionable. An investigation was conducted to that effect. Technical department is handling the matter. This has resulted in the over expenditure of the Chemicals budget</p>		
Analysis of the Function	<p>Number and cost to employer of all personnel associated with road maintenance and construction:</p> <p>Professional (Engineers/Consultants) - Field (Supervisors/Foremen) - Office (Clerical/Administration) - Non-professional (blue collar, outside workforce) - Temporary - Contract</p>		

9. Electricity distribution functions performance

This is one component where the Municipality need to expedite the appointment of personnel. The institution has solely relied on one service provider who could hold the whole Municipality at ransom when he feels. There is not a single person qualified as an electrician. The Municipality was always at loggerheads with the service provider about the payments for shoddy work done. The Contractor would not attend to any complaints until his payment are honoured. He went as far as asking to be paid upfront before he could attend to any breakdowns. There was no signed contract agreement between the two parties involved. It is against this background that the municipality is not having credible information to populate the template.

B: ANNEXURES TO THE REPORT

1. Full AG Report

AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE SUNDAYS RIVER VALLEY MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the accompanying financial statements of the Sundays River Valley Municipality, which comprise the statement of financial position as at 30 June 2010, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information, and the accounting officer's report, as set out on pages 64 to 77.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury: Statements of Generally Recognised Accounting Practice (Statements of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa and section 4 of the Public Audit Act of South Africa, my responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the International Standards on Auditing and General Notice 1570 of 2009 issued in Government Gazette 32758 of 27 November 2009. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Cash and cash equivalents

4. The entity could not provide sufficient appropriate audit evidence to support the write off of R39 716 against the petty cash float and accumulated surplus during the year. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the accuracy or occurrence of petty cash expenditure of R39 716.

Receivables

5. Included in trade receivables is a credit balance of R3 065 992. This is as a result of a system error that occurred in March 2010 specific to one debtor account and resulted in a credit of R3 099 549 being erroneously charged to the account. Had the error been corrected, gross trade receivables

and the provision for doubtful debts included in note 2 to the financial statements, would have increased by R3 099 549, and the service charges per note 18 and the doubtful debt impairment per the annual financial statements would have increased by the same.

6. The entity could not provide sufficient appropriate audit evidence to prove the recoverability of other debtors totalling R543 482. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the valuation of other debtor's totalling R543 482 per note 3 to the financial statements.
7. The entity could not provide sufficient appropriate audit evidence to support the R14 350 550 owed by the Department of Housing per note 3 to the financial statements. This is as a result of an ongoing verification process regarding the expenditure incurred. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the existence and valuation of this balance.
8. The prior year provisions of R41 764 821 against trade debtors and R2 645 517 against traffic fines per notes 2 and 3 to the financial statements were not audited in the prior year due to political interference. Consequently, I was unable to confirm or verify by alternative means the cut-off, classification, completeness and accuracy of the bad debts impairment of R16 101 200 per the statement of financial performance, which comprised the movement in these provisions from prior year to current year.
9. The entity could not provide sufficient appropriate audit evidence to support the traffic fines provision of R3 759 512, due to the reports detailing the payment history for the last three years not being provided in order to re-perform the average payment history. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the valuation of the net debtor of R287 380 included in note 3 to the financial statements.

VAT receivable/payable

10. VAT input was incorrectly claimed on various additions to property, plant and equipment during the year due to the invoices received not being valid VAT invoices in terms of section 20(4) of the VAT Act, No 81 of 1991. Had the correct input VAT been claimed, the VAT receivable per note 11 to the financial statements would have decreased by R538 140 (projected error: R578 047) and the additions to property, plant and equipment per note 7 to the financial statements would have increased by this amount.
11. VAT input was incorrectly claimed on various expenditure incurred during the year due to the invoices received not being valid VAT invoices in terms of section 20(4) of the VAT Act, No 81 of 1991. Had the correct input VAT been claimed, the VAT receivable per note 11 to the financial statements would have decreased by R886 533 (projected error: R1 526 554) and the surplus for the period and the accumulated surpluses would have decreased by R886 533 (projected error R1 526 554).
12. The municipality has not apportioned any input tax where goods or services are acquired partly for consumption, use or supply in the course of making taxable supplies. Output tax has also not been apportioned for goods or services which are supplied partly as a taxable supply as required by section 17(1) of the VAT act, and there were no satisfactory audit procedures that I could perform to obtain reasonable assurance that all input VAT and output VAT was properly recorded. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to

the existence, completeness and valuation of the VAT recorded per notes 10 and 11 to the financial statements.

13. The entity could not provide sufficient appropriate audit evidence to support the reconciling items offsetting to R883 390 between the input and output VAT recorded per the general ledger and the input and output VAT recorded on the VAT 201 forms. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the valuation and allocation of VAT recorded per notes 10 and 11 to the financial statements.

Property, plant and equipment

14. The rights to land could not be confirmed as a result of the land not being registered in the municipality's name. The municipality could not provide a list of possible names that all the land could have been registered in and thus alternative audit procedures could not be applied. Consequently, I was unable to confirm or verify by alternative means the municipality's rights to land reflected at a total cost of R0 (due to the application of directive 4) per note 7 to the financial statements.
15. As stated in note 7 to the financial statements, an amount of R4 140 448 was acquired via a donation in 2009 but was only capitalised during the current financial year. Had the error been corrected, opening cost of property, plant and equipment per note 7 would have increased by R4 140 448 and current year additions would have decreased by R4 140 448.
16. The entity could not provide tender documentation relating to various projects totalling R19 291 592 for audit purposes. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself that this expenditure was not irregular.

Accruals, provisions and contingent liabilities

17. Unspent conditional grants are R15 523 371 per note 13 to the financial statements and investments are only R1 615 321 per note 5 to the financial statements, thus there is a shortfall of R13 908 050. This indicates that funds have not been used for their intended purposes in accordance with the grant agreements.
18. As a result of the inadequate record keeping in relation to the restatement of the prior year balances and the close out of funds during the current year, I was unable to perform the audit procedures deemed necessary to determine the existence and valuation of certain liabilities to the value of R15 492 348 as per note 13 to the financial statements
19. The Environment Conservation Act (Act 73 of 1989) states that "any person who fails to comply with a condition of a permit permission, authorization or direction issued or granted under the said provisions shall be guilty of an offence and liable on conviction to a fine not exceeding R5 million or to imprisonment for a period not exceeding five years". It was evident that permit conditions and the minimum requirements for waste disposal by landfill (for the Sunland, Langbos and Paterson landfill sites) is not being adhered to, and as a result contingent liabilities per note 39 to the financial statements have been understated by R5 million. In addition section 21(2)(1) of the Act refer to waste and sewage disposal which will probably have detrimental effect on the environment. It was evident that minimum requirements are not being met per the site visits and as a result contingent liabilities per note 39 to the financial statements have been understated by a further R5 million.

20. The scope of our audit was restricted as leave forms were not completed for days employees did not work, various attendance registers were missing and certain approved leave forms were not deducted from employees leave balances. Consequently, I was unable to confirm or verify by alternative means the value and completeness of the leave pay accrual of R2 491 657 per note 12 to the financial statements.
21. In terms of the loan agreement with the Development Bank of South Africa (DBSA), an investment of at least R600 000 should be maintained. At year end however only R1 318 was held in a separate investment account. Consequently, the long term portion of the loan of R1 695 329 per note 14 to the financial statements should be reflected as a current liability.
22. International Accounting Standards, IAS 39 Financial Instruments – Recognition and Measurement requires an entity to measure all financial liabilities at amortised cost using the effective interest method. The Municipality has not discounted its creditors. Had the adjustment been made; trade creditors reflected per note 8 to the financial statements would decrease by R693 943 and finance income would have increased by the same amount.
23. The scope of my audit was restricted as I was unable to obtain the supporting documentation for certain trade creditors totalling R3 373 968 (projected error: R3 697 589) per note 8 to the financial statements. This is as a result of the creditor not providing creditors statements for the purposes of reconciling the amounts to the general ledger. Consequently, I was unable to confirm or verify by alternative means the existence, completeness and valuation and allocation of trade creditors of R3 373 968 (projected error: R3 697 589) included in note 8 to the financial statements.
24. The scope of my audit was restricted as I was unable to obtain sufficient appropriate audit evidence regarding a claim against the Municipality of R1 033 626. This is as a result of the attorneys not being able to give an indication as to the likelihood of the claim succeeding. Consequently, I was unable to confirm or verify by alternative means the existence and valuation of trade creditors of R1 033 626 included in note 8 to the financial statements.
25. Standards of Generally Recognised Accounting Practice, GRAP 19, *Provisions, Contingent Liabilities and Contingent Assets* require a provision to be recognised when an entity has a present obligation (legal or constructive) as a result of a past event. No provision has been made for the thirteenth cheque that will be paid in November and December 2010. Had the adjustment been made; other creditors reflected per note 8 to the financial statements would have increased and the surplus for the period and the accumulated surpluses would have decreased by R959 291.
26. The scope of my audit was restricted as I was unable to obtain sufficient appropriate audit evidence regarding claims against the Municipality of R17 619 278. This is as a result of the attorneys not being able to give an indication as to the likelihood of the claim succeeding due to procurement issues still being investigated. Consequently, I was unable to confirm or verify by alternative means the existence and valuation of provisions of R17 619 278 included in note 12 to the financial statements.
27. International Accounting Standards, IAS 19 *Employee benefits* state that an amount should be recognised for defined benefit liabilities. The municipality has a post retirement medical aid liability which has not been provided for in the financial records of the municipality. This was as a result of an exemption that was taken in prior years in Gazette no. 30013, dated 29 June 2007, however this exemption has now expired. Consequently, I did not obtain sufficient appropriate

audit evidence to satisfy myself as to the valuation of this liability and the entity's records did not permit the application of alternative audit procedures.

Accumulated surplus/deficit

28. As disclosed in note 46.3 to the financial statements, accumulated surplus has been restated by R3 906 400. The entry was passed in the current year trial balance and prior year comparatives were therefore not restated which is not in compliance with GRAP 3 *accounting policies, changes in Accounting estimates and errors*. In addition investments were restated by R63 169 as reflected in note 46.3, however our prior year audit report indicated that the amounts did not reconcile by R414 059. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the valuation and allocation of the adjustment of R63 169 to accumulated surplus.
29. The scope of my audit was restricted as I was unable to obtain sufficient appropriate audit evidence regarding the restatement of R101 849 to other payables and the restatement of R811 432 per note 46.3 to the financial statements. Consequently, I was unable to confirm or verify by alternative means the existence, completeness and valuation and allocation of these two restatements to accumulated surplus for the year.
30. The scope of my audit was restricted as I was unable to obtain sufficient appropriate audit evidence regarding the restatement of R5 462 685 per note 46.3 to the financial statements. Consequently, I was unable to confirm or verify by alternative means the existence, completeness and valuation and allocation of this restatement to accumulated surplus for the year.
31. Included in general expenditure for the current year is an amount of R750 000 which related to claim instituted by the Municipal Manager in 08/09. Had the error been corrected general expenditure and the surplus for the period would have increased by R750 000 and the opening accumulated surpluses would have decreased by the same amount.

Revenue

32. A reconciliation between the valuation roles and rates charged in support of the property rates revenue of R8 801 215 per the statement of financial performance was not performed. Municipal employees were also not available to provide evidence that interim valuations were adequately and timeously effected in the accounting system. Consequently, I was unable to confirm or verify by alternative means the completeness, occurrence, cut-off, classification and accuracy assertions for the property rates revenue of R8 801 215 per the statement of financial performance.
33. There was no system of control over the building plans for the purposes of determining sewerage and sanitation points and refuse removal sites, and there were no satisfactory audit procedures that I could perform to obtain reasonable assurance that all sewerage and refuse removal income was properly recorded. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness of sewerage and sanitation charges income of R1 484 226 and refuse removal income of R3 254 289 per note 18 to the financial statements.
34. The entity could not provide sufficient appropriate audit evidence to support the reconciling items of R918 212 between the amounts deposited into the motor registration bank account for the year and the amount collected per the e-Natis reports. Consequently, I was unable to confirm or verify by alternative means the completeness and accuracy of agency fee income of R1 066 274 grouped to licenses and permits income per the financial statements.

Employee costs

35. Employee costs and councillor remuneration per the statement of financial performance of R26 424 219 could not be reconciled to the salary reports of R24 284 512 for the year. Consequently, I was unable to confirm or verify by alternative means the occurrence, cut-off, classification and accuracy assertions for employee costs and councillor remuneration for the difference of R2 139 707.

Other expenses

36. The scope of our audit was restricted as I was unable to obtain applications for registered indigent debtors to determine whether the indigents qualified for the subsidies received against rates, water, refuse and sewerage accounts of R1 162 173. Consequently, I was unable to confirm or verify by alternative means the occurrence and accuracy of grants and subsidies paid of R1 162 173 per note 30 to the financial statements.
37. The scope of our audit was restricted as I was unable to obtain adequate source documentation for general expenditure of R1 923 795 and R149 059 (projected error: R3 647 407 and R282 631 respectively) per note 31 and grant expenditure of R63 270 and R1 836 894 (projected error: R111 796 and R3 098 977) per note 30 to the financial statements. Consequently, I was unable to confirm or verify by alternative means the occurrence of the above expenditures.
38. General Expenses of R387 268 (projected error: R1 081 336) were incorrectly classified as repairs and maintenance in the general ledger accounts. If the correct entry had been passed, the effect would have been to reduce repairs and maintenance expenditure by R387 268 (projected error: R1 081 336) and to increase the general expenditure by an equal amount.

Related parties

39. Councillors and department employees were members/directors of various housing project creditors of the Municipality. The scope of our audit was restricted as I was unable to obtain supporting documentation for payments made to these entities totalling R878 397 during the year. Consequently, I was unable to confirm or verify by alternative means that these expenses did not constitute irregular expenditure.

Irregular, fruitless & wasteful, and unauthorised expenditure

40. Payments totalling R226 997 during the year were made to a supplier (Newington Management Projects 9 CC) that does not appear to exist on the SARS website or on the CIPRO database. Consequently, I was unable to confirm or verify by alternative means that these expenses did not constitute irregular expenditure.
41. The municipality entered into a contract whereby a supplier (Jongisizwe) would rent a camera and vehicle to the traffic department in return for 50% of the fines revenue. The traffic revenue recognised for the year was R1 794 204 however the amount invoiced for the year were reconciled to R819 447. A portion of these payments would therefore appear to constitute fruitless and wasteful expenditure.
42. Actual expenditure per the statement of financial performance exceeded the budget by R14 548 777 which is therefore considered unauthorised expenditure. Furthermore, actual revenues received were under budget by R6 526 733 for the year.

43. Insufficient authorisation was received through the approval of purchase orders for general expenditure totalling R3 720 127, repairs and maintenance expenditure totalling R452 691 and grant expenditure totalling R310 361 which therefore constitutes irregular expenditure.
44. Supply Chain Management Regulations 12, 16 and 17 were not complied with for expenditure of R429 335 as a result of not obtaining the minimum number of quotes due for transaction values between R10 000 and R200 000.
45. Supply Chain Management Regulations 14 and 18 were not complied with as the supplier database has not been updated quarterly and the listing criteria for prospective providers are not specified.

Cash flow statement

46. GRAP 2, *Cash Flow Statements*, requires that items that do not require the use of cash or cash equivalents shall be excluded from the cash flow statement. The cash flow statement in the financial statements however have not removed the effects of non-cash items such as accrued interest income and prior year errors corrected through the accumulated surplus (refer to note 46.3).

Consolidations

47. GRAP 6 *Consolidated and Separate Financial Statements*, states that a controlling entity shall present consolidated financial statements in which it consolidates its investments. Minutes of a meetings held on 29th September 2010 indicated that there was a relationship with entities Rapicorp (Pty) and Addo Cold Store Trust however I was unable to determine whether this relationship constituted "control" as defined in GRAP 6, as the Municipality has not been able to supply us with any contracts or records of these entities. Consequently, I was unable to confirm or verify by alternative means whether the results of these entities should have been consolidated in the financial statements of the Municipality in accordance with GRAP 6.

Prior year

48. Expenditure of R266 613 was posted to the wrong expense accounts in the general ledger. Consequently, I was unable to confirm or verify by alternative means the classification assertions for the total expenditure disclosed of R192.32 million per the statement of financial performance.
49. The 08/09 opening accumulated surplus per the statement of changes in net assets and prior year general expenditure has been overstated by R542 036 as a result of incorrect cut-off errors in the prior year.
50. Agency fees received by the municipality for assisting the Department of Roads and Transport with the collection of licence fees are not shown on a net basis in the prior year. Had the error been corrected, the prior year revenue and expenditure would have decreased by R2.7 million.
51. The scope of our audit was restricted as I was unable to obtain source documentation for general expenditure incurred of R4.23 million. Consequently, I did not verify by alternative means the occurrence, accuracy and classification of general expenses of R15.25 million per the statement of financial performance.
52. The scope of our audit was restricted as I was unable to obtain source documentation or grant agreements for expenditure charged against conditional grants of R116.16 million and financial management grants of R3.95 million per note 19 to the prior year financial statements. Consequently, I was unable to confirm or verify by alternative means the occurrence, accuracy and classification of the above expenditures and the associated conditional grant revenue recognised of

R117.95 million (R3.95 million and R114 million) per note 13 to the prior year financial statements.

53. As a result of the high error rates identified during the execution of the 08/09 audit procedures, the occurrence, accuracy, completeness, and classification of total expenditure incurred on repairs and maintenance, bulk purchases, contracted services, grants and subsidies paid and general expenditure of R146.61 million per the statement of financial performance could not be verified.
54. Based on the scope limitation on the various other components audited I do not express an opinion on the cash flow statement.
55. The scope of our audit was restricted as I was unable to obtain supporting journal vouchers or explanations for any of the journals selected for fraud tests and the journal sample did not balance by a net credit of R349 032. Consequently, I was unable to confirm or verify by alternative means the occurrence, valuation, existence, cut-off classification and accuracy of all the affected components in the financial statements. The journal download did balance for the current year.
56. Opening accumulated surplus per the statement of changes in net assets and prior year general expenditure has been overstated by R542 036 as a result of incorrect cut-off errors in the 07/08 year.

Opinion

Disclaimer of opinion

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

Emphasis of matters

I draw attention to the matters below:

Going concern

58. The municipality has total creditors of R19 746 522 per note 8 and housing project provisions of R17 619 278 per note 12 to the financial statements however the overdraft facility is only R1 million. Note 1.3 further indicates that the Municipality has been placed under administration in terms of Section 139 of the MFMA and that the Municipality has applied for a financial bailout during the year. These conditions, along with other matters, point to the existence of a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern.

Unauthorised, fruitless and wasteful expenditure

59. As disclosed in note 36.1 to the financial statements, unauthorised expenditure to the amount of R14 548 777 was incurred.
60. As disclosed in note 36.2 to the financial statements, fruitless and wasteful expenditure to the amount of R1 597 762 was incurred.

Related parties

61. As disclosed in note 42 to the financial statements, transactions with a value of R897 722 occurred with entities that certain councillors had an interest in.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the PAA and in terms of General Notice 1570 of 2009 issued in Government Gazette 32758 of 27 November 2009, I include below my findings on the report on predetermined objectives, compliance with the following key laws and regulations: Municipal Finance Management Act, No 56 of 2003 (MFMA), Division of Revenue Act, No 12 of 2009 (DoRA), Municipal Systems Act, No 32 of 2000 (MSA); Municipal Structures Act, No 117 of 1998; and financial management (internal control).

Predetermined objectives

Material findings on the report on predetermined objectives are reported below:

62. I could not conduct the audit of performance against pre-determined objectives as the Sunday's River Valley Municipality did not prepare the annual performance report as required in terms of section 46 of the Municipal Structures Act (No. 117 of 1998)
63. The integrated business development plan did not contain key performance indicators or performance targets nor did it contain a financial plan; this is in contravention of section 26.
64. There is no performance management systems present at the Municipality; this is in contravention of section 38.
65. The municipality has not set any key performance indicators as a yardstick for measuring performance, including outcomes and impact, with regard to the Municipality's development priorities and objectives as set out in its IDP; this is in contravention of section 41.
66. There was no consultation with the community relating to the performance information system, nor was the performance audit committee fully operational in the 09/10 year; this is in contravention of section 14.
67. There was no reporting made to the community, councillors or state relating to the performance information system; this is in contravention of section 41.

Usefulness of reported performance information

68. The following criteria were used to assess the usefulness of the planned and reported performance:
 - Consistency: Has the Municipality reported on its performance with regard to its objectives, indicators and targets in its integrated development plan i.e. are the objectives, indicators and targets consistent between planning and reporting documents?
 - Relevance: Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets?
 - Measurability: Are objectives made measurable by means of indicators and targets? Are indicators well defined and verifiable, and are targets specific, measurable, and time bound?
69. The usefulness of the performance information could not be assessed due to the Municipality not setting key performance indicators, refer to paragraph 65.

Reliability of reported performance information

70. The reliability of the performance information could not be assessed due to the Municipality not setting key performance indicators, refer to paragraph 65.

Compliance with laws and regulations

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

71. Loans amounting to R515 511 have been made to councillors as well as an amount of R229 386 in respect of PAYE paid on their behalf; this is in contravention of section 164(1)(c);
72. The system of financial management and internal control established for the municipality was not carried out diligently; this is in contravention of section 78;
73. Bank and investment reconciliations were not performed throughout the year, nor was the valuation roll reconciled to the general ledger; this is in contravention of section 64(2)(e);
74. The fixed asset register reconciliation to the general ledger was not performed throughout the year, this is in contravention of section 63;
75. Payroll deductions (e.g. PAYE, UIF, SDL) are not being paid over within 7 days after month end; this is in contravention of section 65;
76. Employee files are not maintained (e.g. salary increase forms, appointment letters and authorisation for deductions); this is in contravention of section 62(1);
77. There was no fraud prevention plan in place; this is in contravention of section 115;
78. The municipality was paying for the councillors cell phone accounts and then deducting the amount from their salaries; this is in contravention of section 167;
79. There are pending allegations against the previous municipal manager for financial mismanagement and misconduct and there are insufficient controls around the authorisation of journal entries; this is in contravention of section 62(1);
80. The accounting officer does not take all reasonable steps to ensure that amounts owed by the Municipality are paid within 30 days of receiving the statement or invoice; this is in contravention of section 65(2)(e);
81. No debtors were handed over to attorneys in an attempt to recover outstanding monies despite the fact that there are significant debtors over 90 days old nor were any of their services disconnected; this is in contravention of section 64;
82. For certain section 57 employees the Municipality does not have performance agreements in place; this is in contravention of section 57;
83. There have been no internal audit plans, no audit charter and no risk assessments during the current year; this is in contravention of section 165(2);
84. The audit committee did not review the management letter and adequacy of management's responses to the issues raised in the management letter; this is in contravention of section 165(2)(a); and
85. The municipality failed to produce a SDBIP report and the mid-year budget was only submitted to council after 31 January 2010; this is in contravention of section 54.

Division of Revenue Act of South Africa, No 12 of 2009 (DoRA)

86. The Municipality did not submit the monthly Municipal Infrastructure Grant reports (except for June 2010) within 10 days of month end; this is in contravention of section 11(2)(b).

Municipal Supply Chain Regulations of South Africa (GNR.868 of 20 May 2008)

87. Expenditure was not incurred in accordance with the requirements of the supply chain management policy of the Municipality, resulting in irregular expenditure; this is in contravention of MPPR 12, 16 and 17.

INTERNAL CONTROL

88. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the Municipal Finance Management Act, No 56 of 2003 (MFMA), Division of Revenue Act, No 12 of 2009 (DoRA), Municipal Systems Act, No 32 of 2000 (MSA) and Municipal Structures Act, No 117 of 1998, but not for the purpose of expressing an opinion on the effectiveness of internal control.

89. The matters reported below are limited to the significant deficiencies regarding the basis for disclaimer of opinion paragraph, the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

LEADERSHIP

Oversight responsibility over reporting

90. The accounting officer did not perform an adequate review of the financial statements prior to its submission for audit thus there were numerous corrections that needed to be adjusted for in the financial statements.

91. There was inadequate oversight over financial reporting and compliance with laws and regulations as a number of non-compliances were identified.

Availability of key personnel

92. Key staff members were not always available during the course of the audit which caused delays in the submission of requested information.

Adequacy and competence of personnel responsible for reporting

93. The significant number of findings identified during the current financial year is due to inadequate training and capacity of personnel within the finance department and other departments of the municipality.

Integrity and ethical behaviour

94. No matters to report.

Implementation of appropriate key controls (policies and procedures)

95. The municipality did not have documented and approved internal policies and procedures to address planning, implementation, monitoring and reporting processes and events pertaining to performance management and reporting.

FINANCIAL AND PERFORMANCE MANAGEMENT

Adequacy of systems preparation of the financial statements and the report on predetermined objectives

96. The systems, processes and controls in place to identify pertinent information for the inclusion in the annual financial statements were not sufficient. The audit process identified material misstatements in reported amounts per the annual financial statements, as well as omissions. These matters which were corrected in the financial statements have been indicated in paragraphs 14 and 15 above.
97. Sufficient appropriate evidence with regard to performance information could not be obtained as there is no information and communications system in place to generate the relevant performance information or to facilitate the preparation of accurate and complete actual performance information.

Accounting discipline

98. The following reconciliations were not prepared either in part or throughout the financial year:
- Payroll reconciliations of the salary run to the general ledger.
 - Supplier statements to the relevant supplier control accounts.
 - Bank control account to the bank statements.
 - Unknown receipts register to the unknown deposits account.
 - Valuations roll to the valuations inputted into the system.
 - Fixed asset register to the fixed asset general ledger accounts.
 - Investments statements to the investment control account.
 - Approved tariff rates to the rates inputted into the system.
99. Journals passed onto the system are not appropriately authorised and reviewed by independent persons.
100. There is a lack of master file amendment controls in reviewing amendments made to the various master files and comparing back to authorised file amendment forms.

Accounting policies, estimates and disclosures

101. The annual financial statements were submitted with accounting policies that were not complete or accounting policies that were inadequate.
102. The municipality has elected to apply the transitional provisions as contained in Directive 4 regarding property, plant and equipment.

Budget process as well as measurement and achievement

103. The municipality has materially overspent its budget. At the date of this report, the overspending amounted to R14 548 777. In addition, the actual revenues received were under budgeted by R6 526 733.
104. The impact of the overspending is that the municipality is facing financial difficulties in meeting obligations to creditors and cannot release payments to creditors until funds are received into the bank account. The delays in paying creditors are impacting service delivery.

Availability of expected information (both financial and performance)

105. As indicated in our engagement letter, it was agreed that all information requested for purposes of the audit would be submitted within 2 days of the request by the auditors. Despite this agreement, management did not supply the documentation requested timeously which resulted in qualifications inserted in the audit report.

Late submission of financial statements and report on predetermined objectives

106. Not applicable as the financial statements were submitted on the 31st of August 2010.

Related party transactions

107. The municipality has not implemented controls to identify, account for and disclose related party relationships and transactions. They also do not have appropriate policies to authorise and approve significant transactions and arrangements with related parties.

Use of consultants in the preparation of the financial statements

108. Charteris and Barnes were consulted to prepare the annual financial statements as the municipality is lacking the capacity and technical expertise.

109. A reduction of the number of material misstatements relating to the preparation of the annual financial statements was noted.

GOVERNANCE

Risk and fraud identification and management

110. The municipality has not undertaken a risk assessment process to assess any risks of fraud. Neither have they developed or implemented a fraud prevention plan, as required by Section 62(c)(i)/95(c)(i) of the MFMA.

Internal audit

111. The Municipality's internal audit division was outsourced to KPMG for the 09/10 year.

Audit committee

112. The municipality did not establish a performance audit committee as required by Section 14(2)(a) of the Local Government Municipal Planning and Performance Management Regulations of 2001. A performance audit committee was in the process of being established during the 08/09 year, however this performance audit committee has not yet become fully operational during the current financial year and therefore did not submit the required reports in 09/10 relating to the 08/09 performance assessment.

OTHER REPORTS

Investigations

113. The South African Revenue Service is in the process of conducting a Value Added Tax audit.

114. In the prior year, quotes were obtained for expenses of R514 330 which appeared invalid as the letterhead formats for the same suppliers had been interchanged, the addresses differed, the signatures were not consistent and the quotes from the various suppliers appeared to have been printed from the same greyscale printer. These same instances were identified in the current year

audit. There is therefore a possibility that the requirements of the supply chain management policy have been deliberately circumvented (due to fraud). There is therefore a possibility that the staff were receiving kickbacks from suppliers. Based on these findings I recommend that a forensic investigation be undertaken.

115. In the prior year, irregularities have been reported regarding tender procedures that were not followed on various housing projects. In addition it appeared that supply chain management procedures with regard to payments on these projects were also not followed. A forensic investigation has been undertaken by KPMG, however at the time of our audit, this report has not been finalised. Payments were made during the prior year of R81 million on various housing projects.

Auditor General.

Port Elizabeth

30 November 2010



**AUDITOR - GENERAL
SOUTH AFRICA**

Auditing to build public confidence