MNQUMA LOCAL MUNICIPALITY

ANNUAL REPORT

2009-2010

MNQUMA VISION

Mnquma Local Municipality adopted a vision that it will uphold the principles of democracy and equity, create an enabling environment that facilitates the empowerment and development of the community economically, socially and legislatively to ensure sustainable and affordable services.

GLOSSARY OF WORDS

ADM	-	Amathole District Municipality
TRC	-	Transkei Regional Councils
MEC	-	Member of Executive Committee
IDP	-	Integrated Development Plan
DBSA	-	Development Bank of South Africa
DWAF	-	Department of Water Affairs and Forestry
IDF	-	Inter Governmental Forum
MSIG	-	Municipal System Improvement Grant
BOTT	-	Build Operate Train and Transfer
ISD	-	Institutional Social Development
Cllr	-	Councillor
AG	-	Auditor General
SPU	-	Special Programs Unit
BTO	-	Budget and Treasury
GL	-	General Ledger
BILL R	-	Billing Report
IAS	-	International Accounting Standards
SARS	-	South African Revenue Service
LED	-	Local Economic Development
PMS	-	Performance Management System
SEA	-	Strategic Environmental Assessment
SDF	-	Spatial Development Framework
SMME	-	Small Medium Micro Enterprise
LTO	-	Local Tourism Organisation
ICT	-	Information Communication Technology
ASGISA-EC	-	Accelerated Shared Growth Initiative of South Africa-Eastern Cape
HIPPS	-	High Impact Priority Programmes
NSDP	-	National Spatial Development Perspective
IWMP	-	Integrated Waste Management Plan

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PART I - INTRODUCTION AND OVERVIEW

A. Foreword By The Executive Mayor

The previous financial year should be regarded as one of the most historic years since the establishment of the Municipality and both the political and administrative leadership showed much commitment to ensure that service delivery was enhanced. In the history books it will reflect that we have gained a Qualified Audit Report which we all must be proud of and we should improve such results in the coming year. We have been engaged in vigorous campaigns in consulting and engaging the communities and making known all the projects that were being executed.

Local Economic Development has done much more than the previous years and it is our interest to make a serious impact by supporting all these initiatives. The Municipality has adopted
strategic documents, that is, Integrated Development Plan, Budget, Performance Management System and other strategies as part of complying to all the legislation that govern the Country. Council and committees have done their work in line with the institutional calendar although there have been some few challenges in other council meetings.

All the dues to the councillors, employees and creditors have been settled and in particular Council did not apply for any overdraft for the year under review. It is worth mentioning that though the Municipality still faces financial challenges,means to overcome such are being explored from time to time. The Municipal Infrastructure Grant expenditure has been quite encouraging and that means projects have been fully implemented and in general service delivery has been enhanced from many angles. Our partnerships have not yielded much impact on the service delivery platform but at least the building blocks have been established.

I want to thank both the political and administrative leadership and in particular our people for showing support to the Municipality in all its endeavours to change their lives for the better.

Cllr. Nomlindo Oscarine Dyantyi
Executive Mayor

The Yearly Programme Priorities

It is indeed a great pleasure for me to present once again this annual report for the year under review to the people of Mnquma "Imvaba ezel'ingqaka" and the people of Mzantsi. As the management team we are excited greatly that the decisions we took are bearing positive results for the Municipality. The improvement of revenue collection remains a rolling strategic priority of the municipality for the entire MTERF period, so for the year under review we managed to achieve 81% of the total budgeted revenue.

As part of fostering full compliance the review of the existing policies and the development and implementation of new policies and procedures was one of the priorities under the good governance KPA. There are 65 policies in the Municipality, of the 65 policies 38 were developed in the year under review.We are incrementally implementing all the policies and procedures. Having realized the challenge, old debts are posing for our ratepayers, it was also a priority under the financial viability KPA, toprovide for writtenoffsof some of the debts. To that extent the debt from time immemorial to June 2009 was set aside (removed). The critical priority for the financial viability KPA was the preparation of a new valuation roll in accordance with the new legislative regime. This was indeed achieved within the prescribed period. As for the infrastructure development and service delivery KPA there were quite a number of priorities but key on service delivery were the improvement on refuse collection which was to be achieved through the promulgation of an integrated waste management plan. The facilitation of operationalization of the regional waste site, the greening of Mnquma. On the three above priorities, it is only the operationalization of the regional waste site that was not achieved due to the intricacies of dealing with other government entities such as the District Council.

In as far as infrastructure we planned to spend 100 % of our MIG grant and this was successfully achieved thus delivering among others quality roads for our communities. In as far as the municipal transformation and institutional development KPA we have set the institution on course to be a learning organization. This is a strategic priority of the municipality.

The investment on training and development of both staff and councillors also took an upswing and this was to be seen on the productivity of the Municipal personnel especially the Budget and Treasury office personnel most of whom came as interns in the Municipality. All the priorities were as enunciated in the approved SDBIP aligned to the national KPA'S.

The achievement of positive audit outcomes was and remains internalized by all as the motto guiding our activities as we go about our tasks until we achieve the clean audit target. It was however through the combined efforts of the entire management team that indeed we managed to get an improved outcome in the form of a qualified report for the year under review.

We remain committed in ensuring that we are growing the economy of Mnquma. A number of high impact priority projects started during the year under review are now underway to trigger that much needed economic upswing. The organizational review and development was and remain a significant element of ensuring that we are able to respond to the challenges of the day. In conclusion I wish to thank the Council for the political support and my colleagues in the management team for the tireless efforts under very challenging circumstances. It is through a proper functioning municipality at all levels that can ensure that we claim our own part in the ever enduring quest to bring about a better life for all.

This a annual report has been prepared according to the guidelines set by the Department of Local Government

Thank you

N. Pakade

N PAKADE
MUNICIPAL MANAGER

B. Overview of the Municipality

Mnquma Local Municipality is located in the South Eastern part of the Eastern Cape Province. This category B municipality that falls under the jurisdiction of the Amathole District Municipality (ADM) and is constituted of the amalgamated former Butterworth, Ngqamakhwe and Centane TRC's.Mnquma Municipality shares borders with three other local municipalities i.e. Mbhashe, Intsika Yethu and the Great Kei Municipalities. This also includes a number of previously administered rural areas. It is approximately 32 995 240 square kilometres and consists of 31 wards.

Mnquma Local Municipality has a total population of approximately 297 663 people, 99% of which are Xhosa speaking African. The remaining 1% of the population includes English, Afrikaans, Zulu, Sesotho speaking people. The municipality comprises of 54% female and 46% male of the total population and consists of approximately 75 410 households.

A study of the age distribution revealed that the bulk of the population, approximately 53%, is children (0-19 years). About 6.3% falls within the pension group (over 56years), whilst 38.5% is economically active (20-64 year). This indicates that there is a high dependency ratio, as 59% of the population depends only on 41% workforce in the municipality. There is therefore a desperate need for the municipality to develop youth development programmes.

A monthly household income demonstrates destitute households with high levels of unemployment and a community in dire need of various sources of income. About 40% of the households in the municipality have no income and approximately 27% with incomes less than R9600 per month. This means that approximately 40% of households in the local community need subsidy arrangements for survival and thus are unable to pay for services. This therefore has huge implications on the municipality's financial status in that they cannot rely on residential cross subsidisation for revenue.

According to census 2001 in the Eastern Cape, Mnquma is one of the municipalities with the highest levels of poverty, illiteracy and unemployment. An estimated 21% is unemployed, only 13% is employed while 66% of the municipal population is considered economically inactive.

The municipality has limited employment opportunities and this has huge implications on the increased need for welfare and indigent support in the municipality. The municipality therefore needs to put priority into service provision, skills and social development.

C. Executive Summary

For the year under review Mnquma Municipality has developed an annual report in a format as prescribed through the template published by the Department of local Government.
The report is in essence divided into three main parts as indicated here below:

Part 1: the report gives the Executive Mayors foreword, the Municipal Manager delivering on key priorities for the year under review, overview of the Municipality and the Executive summary.

Part 2: the report gives a detail on the achievements of the year and broken down per Key performance areas.

Chapter 1 – Provision of information that relates to organisational design, training and development for both councillors and employees.

Chapter 2 - Information that relates to performance on basic service delivery .The report is unable to beexplicit and detailed on water services, electricity services and sanitation services as these functions are performed by the District Municipality.

Chapter 3-This chapter provides detail on aspects covering local economic development matters.

Chapter 4- This chapter presents financial information of the institution, comments from the Auditor General as well as audit committee report.

Chapter 5- This chapter gives detail on good governance and public participation. It also highlights involvement of council structures,internal and external communication, Inter governmental relations, anti-corruption strategy and CDW's.

Part 3 : The report highlights performance of functional areas which include among others the following; Executive and Council Performance ,Finance and Administration performance, Planning and Development, Community and Social services, housing function and road maintenance.

Give yourself time and read the report it is very interesting as it contains most of improvement and achievements by the Mnquma Municipality.

PART 2 –KPA ACHIEVEMENT REPORT

CHAPTER -1 HUMAN RESOURCE AND OTHER ORGANISATIONAL MANAGEMENT KPA 1

1.1 Presentation of the Organisational Structure (Approved Organogram)

Mnquma organogram for the 2009/2010 was reviewed and approved by the Municipality on the 26 June 2009.The reviewal process considered views which emanate from the set objectives and strategies in the IDP.Head of the Departments assisted by Corporate Services took the lead in the reviewal process and unions through Local labour Structure (LLF) and upon that the Municipal Manager finally approved the organogram. Discussion towards implementation was also undertaken, and funding of the vacant posts was also taken into account in the review of the Budget.

The staff establishment of the municipality for the financial year 2009/2010 was constituted of 768 positions and of these positions 528 were filled and 240 were vacant. 69% of the positions in the organogram are filled and 31% vacant. Below is the staff complement per functional area

The municipality has two components, the political arm and the other being the administration arm which is illustrated by the diagram here under:

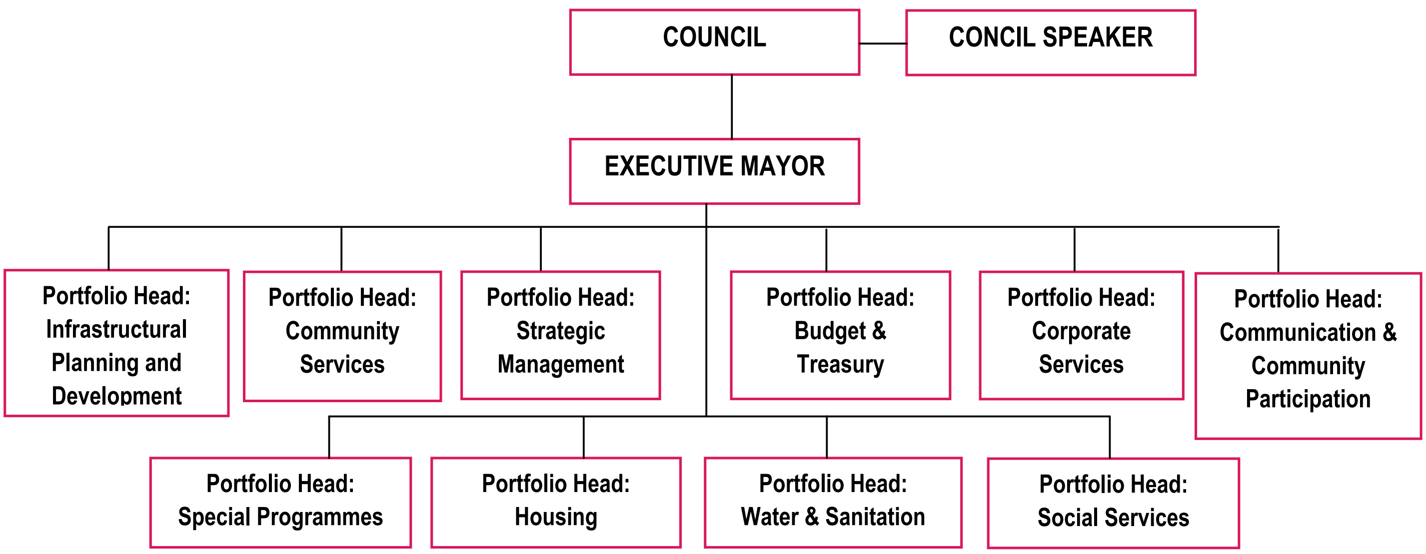
1.1.1 The Political Arm

The political arm has two legs: the Executive and the Legislature. The Executive is headed by the Executive Mayor who appointed ten members as her Mayoral Committee to assist in decision making. Six of the ten members are full time Executive Committee Members (MMCs) and four are part time. The Legislative aspect of the political arm is led by the Council Speaker. The following portfolios had been created and each portfolio is headed by a Member of the Mayoral Committee:

Mayoral Committee Members	Portfolio from July 2009 -	Portfolio from 28 June 2010
Cllr W M Ntongana	Executive Mayor	Cllr N.O. Dyantyi
Cllr GM Faniso	Council Speaker	Cllr B.D. Dyan
Cllr N Zimba	Portfolio Head: Strategic Management	Cllr N Dube
	Portfolio Head: Infrastructural Planning & Development	Cllr V Nowanga
Cllr C.K Mpeluza	Portfolio Head : Community Services	Cllr Z Mlokothi
Cllr N Makhabane	Portfolio Head: Budget and Treasury Office	Cllr N Sibini
Cllr N Mashiyi	Portfolio Head:	Cllr Z Lavisa

Mayoral Committee Members	Portfolio from July 2009 -	Portfolio from 28 June 2010
	Corporate Services	
Cllr Mpeluza	Portfolio Head: Communications & Community Participation	Cllr N Pikela
Cllr L Mpangele	Portfolio Head: Housing	Cllr V Qwabe
Cllr M Tyhala	Portfolio Head: Sector Departments	Cllr Z Mlokothi
Cllr Z Xhongwana	Portfolio Head: Water and Sanitation	Cllr W Makwethu
Cllr N Lwana	Portfolio Head: SPU Programs	Cllr N P Buso
Cllr N B Mampofu	Portfolio Head: Social Needs	Cllr NB Mampofu
Cllr M Tyhala	Council Chief Whip	Cllr V Nowanga

Organisational Structure – Political Structure

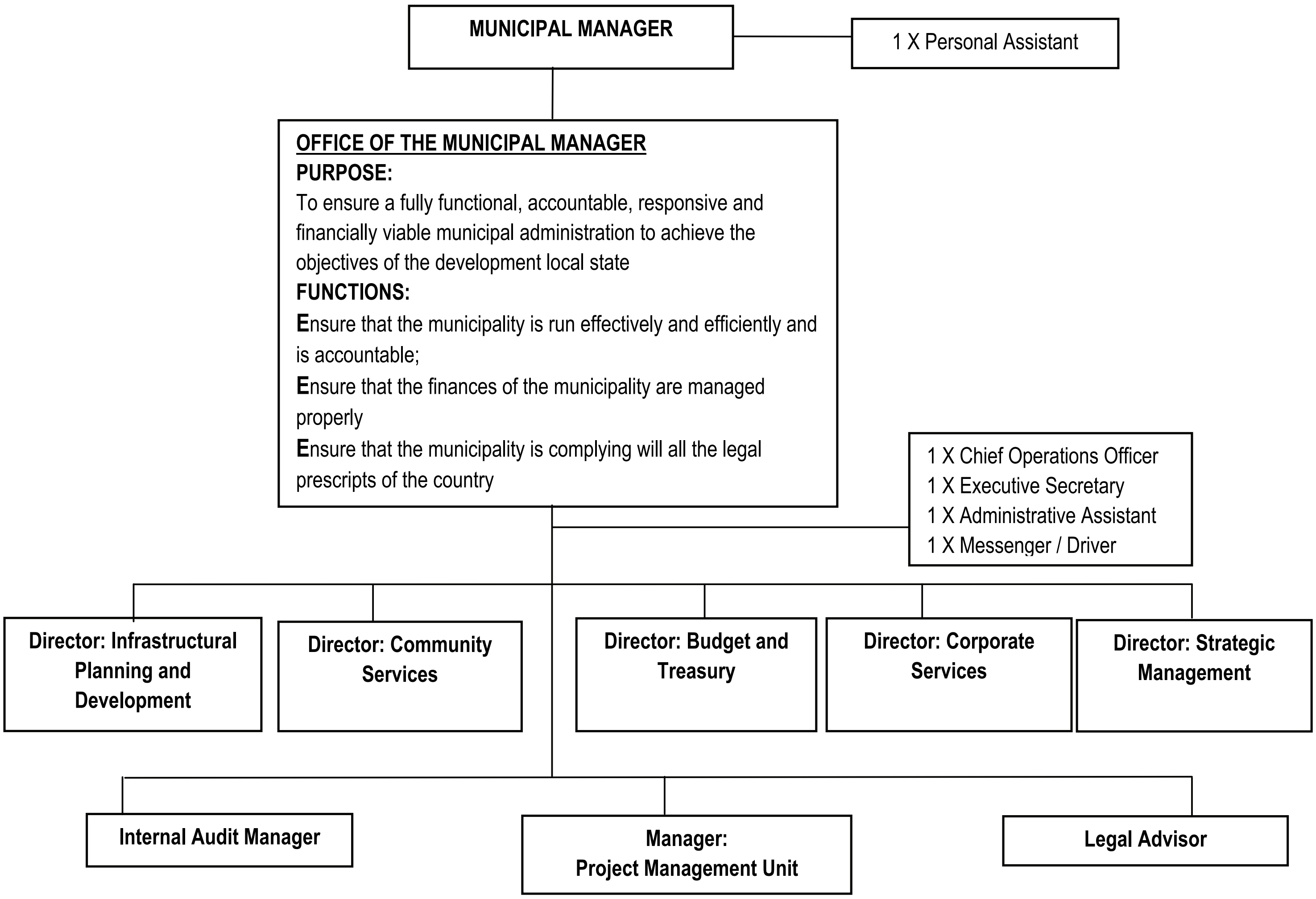


1.1.2 The Municipal Administration arm

The administration arm is led by the Municipal Manager. The following are the various directorates and the heads of those directorates. Performance agreements of these employees were signed and submitted to the Department of Local Government.

No	Management Member	Directorate / Office	Designation
1.	Mr. N Pakade	Municipal Manager's Office	Municipal Manager
2.	Mrs. N Ntshanga	Budget and Treasury	Chief Financial Officer
3.	Mrs. N Boya	Corporate Services	Director
4.	Mr. M Mtalo	Community Services	Director
5.	Mr. S Tantsi	Strategic Management	Director
6.	Mr. Z H Ngovela	Infrastructural Development and Planning	Director

The Organisational Structure – Administration



Staff Development Initiatives During The Financial Year

For the current year, the Municipality budgeted R816 648 for training and development of councillors and staff which was fully spent. An additional amount of R 358 789 from LGSETA was received and spent in the same year. The process followed was to identify training needs through skills questionnaire process that was conducted by Corporate Services and subsequent to that workplace skills plan was approved by the Municipal Manager on the 29 June 2009.Training committee chaired by Council Speaker receives reports quarterly and report to council as such.

The following table depicts the trainings conducted during the financial year:

Training intervention	Date	Internal / External	No of Councillors / Ward Committees	No of Officials	Total Number Trained
Law Enforcement	July 2009	External	-	9	9
Grap Standards	July 2009	External	-	4	4
Report Writting	July 2009	External	-	14	14
Health & Safety Representative Course	August 2009	External	-	1	1
Personal Financial Management	August 2009	External	-		
EAP Programme	August 2009	Internal	-	34	34
PMS Training	August 2009	External	-	2	2
Disciplinary Processes	September 2009	External	-	19	19
Supply Chain Management	September 2009	External	-	19	19
Events Management	September 2009	External	-	1	1
Core Municipal Processes & Ward Committee Participation	September 2009	External	100		100
SCM Legislative framework,	October	External	-	2	2

Training intervention	Date	Internal / External	No of Councillors / Ward Committees	No of Officials	Total Number Trained
procurement strategies	2009				
Municipal Supply Chain Management	October 2009	External	-	2	2
Stores & Creditors Course	October 2009	External	-	3	3
Employment Equity	October 2009	External	2	10	12
Organization Structure Design	December 2009	External	-	4	4
ITIL	February 2010	External	-	1	1
Business Writing	February 2010	External	40		40
Protocol & Etiquette	February 2010	External	-	4	4
Contract law & engineering construction	February 2010	External	-	1	1
Stores & Creditors	February 2010	External	-	2	2
Positioning drivers & messengers at registry	March 2010	External	-	5	5
Customer Care	March 2010	External	-	20	20
Traffic contravention system	March 2010	External	-	2	2
Role of SDF	March 2010	External	-	1	1

Training intervention	Date	Internal / External	No of Councillors / Ward Committees	No of Officials	Total Number Trained
Records Management	May 2010	External	-	2	2
Disciplinary Enquiry	May 2010	External	-	1	1
Monitoring & Evaluation Course	June 2010	External	-	1	1
Occupational Health & Safety	June 2010	External	-	20	20
Risk Management	June 2010	External	-	1	1
CERTIFICATE PROGRAMMES					
Qualification	**Date**	**Internal/External**	**No of Councillors/Ward Committees**	**No of Officials**	**Total Number Trained**
Local Government Law & Administration	July 2009	External	-	3	3
Executive Leadership Municipal Development Programme	July 2009	External	-	3	3
Examiners of Drivers Licenses Certificate	Sep	External	-	1	1
CPMD – Certificate programme in Management Development for Municipal Finance	Feb 2010	External	-	1	1

1.2 Key Human Resource Statistics per Functional Area

Summarised version of the approved organogram by council was presented in 1.1 above and below will be the detail of positions per Directorate/Office. This detail will give a picture of the positions that are approved per organogram per directorate, positions that are vacant and positions that are filled. Also the positions that were vacant but funded for the year under review.

(a) Municipal Manager and Section 57 Managers

No	Approved Position	No of Approved & Budgeted Posts per Position	Filled Position	Vacant
1	Municipal Manager	01.00	01.00	00.00
2	Chief Financial Officer	01.00	01.00	00.00
3	Director Infrastructural Planning & Development	01.00	01.00	00.00
4	Director Community Services	01.00	01.00	00.00
5	Director Strategic Management	01.00	01.00	00.00
6	Director Corporate Services	01.00	01.00	00.00
	TOTAL	**06.00**	**06.00**	**00.00**

(b) Office of the Speaker

No	Approved Position	No of Approved & Budgeted Posts per Position	Filled Position	Vacant
1	Office Manager	1	1	0
2	Executive Secretary	1	1	0
3	Senior Community Participation Officer	1	0	1
4	Administration Officer	1	0	1
5	Community Participation Officers	6	3	3
6	Messenger / Driver	1	1	0
	TOTAL	**11**	**6**	**5**

(c) Office of the Municipal Manager

No	Approved Position	No of Approved & Budgeted Posts per Position	Filled Position	Vacant
1	Municipal Manager	1	1	0
2	Office Manager	1	0	1
3	Personal Assistant	1	1	0
4	Administrative Assistant	1	1	0
5	Messenger/Driver	1	0	1
6	Legal Advisor	1	1	0
7	Legal Assistants	2	0	2
8	Typist	1	0	1
9	Internal Audit Manager	1	1	0
10	Internal Auditor	2	0	2
11	Internal Audit Assistants	3	0	3
12	Project Management Unit Manager	1	1	0
13	Administrative Assistant	1	1	0
14	Project Engineer	2	1	1
15	Project Manager	2	0	2
16	Technicians	6	1	5
17	Social Facilitator	3	0	3
18	Messenger/Driver	1	0	1
		31	**9**	**22**

(d) Strategic Management Directorate

No	Approved Position	No of Approved & Budgeted Posts per Position	Filled Position	Vacant
1	Director	1	1	0
2	Executive Secretary	1	1	0
3	IDP/PMS /Manager	1	1	0
4	IDP Coordinator	1	1	0
5	PMS Coordinator	1	1	0
6	LED Manager	1	1	0
7	LED Officer	1	0	1
8	SMME Development Officer	1	0	1
9	Tourism Officer	1	1	0
10	Sustainable Rural Development Officer	1	1	0
11	Manager: Research &Policy Development	1	1	0
12	Research Officer	2	1	1
13	Research Assistant	2	1	1
14	Policy Development Officer	1	0	1
15	Municipal Relations Manager	1	1	0
16	Media Liaison Officer	1	0	1

No	Approved Position	No of Approved & Budgeted Posts per Position	Filled Position	Vacant
17	IGR Officer	1	0	1
18	National & International Relations Officer	1	0	1
19	Communications Officer	2	2	0
20	Special Programmes Unit Officer	1	0	1
21	Executive Secretary	1	1	0
22	Administrative Assistants	2	1	1
23	Messenger / Driver	2	1	1
24	Events Management Officer	1	1	0
	TOTAL	**29**	**18**	**11**

(e) Budget and Treasury Office

No	Approved Position	No of Approved & Budgeted Posts per Position	Filled Position	Vacant
1	Chief Financial Officer	1	1	0
2	Executive Secretary	1	1	0
3	Chief Accountants	3	3	0
4	Manager: Supply Chain Management	1	1	0
5	Accountant: Expenditure & Salaries	1	1	0
6	Demand & Acquisition Officer	1	1	0
7	Logistics & Contract Management Officer	1	1	0
8	Asset Management Officer	1	1	0
9	Fleet Control Officer	1	1	0
10	Administrative Assistant	4	3	1
11	Stores Controller	1	1	0
12	Accounting Clerks	2	2	0
13	Salaries Administrators	2	2	0
14	Expenditure Clerks	3	3	0
15	Filing Assistant	1	1	0
16	Stores General Assistants	2	2	0
17	Accountant Revenue Management	1	1	0
18	Accountant Debt Management	1	0	1
19	Accountant Budget Planning & Financial Reporting	1	1	0
20	Controller	2	1	1
21	Junior Accountants	4	3	1
22	Debtors Clerks	10	5	5
23	Cashiers	12	7	5
24	Billing Clerks	4	2	2
25	Indigency Verification Officer	2	1	1
26	Admin Officer: Property Valuation	1	1	0
		64	**47**	**17**

(f) Corporate Services Directorate

No	Approved Position	No of Approved & Budgeted Posts per Position	Filled Position	Vacant
1	Director	1	1	0
2	Executive Secretary	1	1	0
3	Administration Manager	1	1	0
4	Administration Officer – Office Services	1	1	0
5	Administration Officer Properties	1	1	0
6	Customer Care Officer	1	1	0
7	Senior Committee Secretary	1	1	0
8	Registry & Archives Officer	1	1	0
9	Administrator: Centane	1	1	0
10	Administrator: Ngqamakhwe	1	1	0
11	Thusong Centre Manager	1	1	0
12	Receptionists/Operators	4	2	2
13	Switchboard Operators	3	3	0
14	Administrative Assistant Business Centre	2	2	0
15	Administrative Assistants (satellite)	4	0	4
16	Customer Care Operators	6	2	4
17	Committee Secretaries	6	3	3
18	Registry Assistants	4	1	3
19	Office Cleaning Supervisor	2	1	1
20	Office Assistants	40	31	9
21	Messenger/Drivers	6	4	2
22	Messengers	2	2	0
23	Reprographic Assistants	2	2	0
24	Hall Caretakers	12	7	5
25	Human Resources Manager	1	1	0
26	Personnel Administration & Organizational Design Practitioner	1	1	0
27	Skills Development Facilitator	1	1	0
28	Employee Relations Practitioner	1	1	0
29	Employee Wellness Officer	1	1	0
30	Safety, Health and Environmental Health Practitioner	1	1	0
31	Equity & Training Coordinator	1	0	1
32	Administrative Assistants (HR)	3	2	1
33	OD Practitioner	1	0	1
34	Job Evaluation Coordinator	1	0	1
35	Assistant Job Evaluation Coordinator	3	0	3
36	Information and Communication Technology Manager	1	1	0
37	Systems Administrators	2	0	2
38	Network Administrators	2	2	0
39	Helpdesk Operators	2	0	2
40	Webmaster	1	0	1

No	Approved Position	No of Approved & Budgeted Posts per Position	Filled Position	Vacant
	TOTAL	**127**	**82**	**45**

(g) Community Services Directorate

No	Approved Position	No of Approved & Budgeted Posts per Position	Filled Position	Vacant
1	Director	1	1	0
2	Executive Secretary	1	1	0
3	Manager: Environmental & Solid Waste Management	1	1	0
4	Chief Solid Waste Management Officer	1	1	0
5	Chief Environmental Officer	1	1	0
6	Solid Waste Management Superintendent	3	1	2
7	Administrative Assistant Cemeteries	1	0	1
8	Supervisors	10	4	6
9	Horticulturist	2	0	2
10	Environmental Officers	6	0	6
11	Drivers	11	11	0
12	General Workers	120	53	67
13	Machine Operators / Mower/Trimmer	12	4	8
14	Manager: Public Safety	1	1	0
15	Chief Security Officer	1	1	0
16	Chief Traffic Officer	1	1	0
17	Senior Superintendent Traffic	3	0	3
18	Superintendent	6	3	3
19	Traffic Officers	20	14	6
20	Principal Security Officer	4	4	0
21	Security Supervisor	4	0	4
22	Security Officers	40	37	3
23	Peace Officers	10	3	7
24	Chief Emergency Officer	1	0	1
25	Administrative Assistant: Traffic	2	2	0
26	Administrative Assistant: Licensing	1	1	0
27	Administrative Assistant: DLTC	1	1	0
28	Close Protection Officers	10	0	10
29	Senior Traffic Warder	1	1	0
30	Traffic Warders	4	3	1
31	Pound Master	1	0	1
32	Rangers	4	0	4
33	Pounding Aids	6	0	6
34	Chief Librarian	1	0	1
35	Librarians	7	0	7
36	Library Assistants	4	0	4
37	Social Services Coordinator	1	0	1

No	Approved Position	No of Approved & Budgeted Posts per Position	Filled Position	Vacant
38	Assistant Social Services Coordinator	2	0	2
39	Nursing Services Manager	1	1	0
40	Chief Professional Nurse	3	0	3
42	Senior Professional Nurse	3	2	1
42	Professional Nurse	14	1	13
43	Nursing Assistant	4	3	1
44	Enrolled Nurse	2	1	1
45	Administrative Assistant	1	0	1
46	General Assistants	4	3	1
47	Drivers	2	1	1
48	Property Caretaker	3	3	0
		344	**166**	**178**

(h) Infrastructural Planning and Development

No	Approved Position	No of Approved & Budgeted Posts per Position	Filled Position	Vacant
1	Director	1	1	0
2	Executive Secretary	1	1	0
3	Manager: Engineering	1	0	1
4	Electrical Engineer	1	0	1
5	Electrical Technician	1	1	0
6	Electrician	2	1	1
7	Semiskilled Electrician	3	0	3
8	General Assistant –Electrical	6	2	4
9	Superintendent: Roads & Public Works	1	1	0
10	Senior Roads & Public Works Technician	3	0	3
11	Engineer Planning & Design	1	0	1
12	Technician: Planning & Design	2	0	2
13	Public Works & Roads Technician	3	1	2
14	Foreman Construction	1	1	0
15	Foreman Roads & Public Works	3	0	3
16	Machine / Plant Operators	9	4	5
17	Team Leaders	4	3	1
18	Artisan: Construction	4	1	3
19	Operators: Construction	8	0	8
20	General Assistants	48	37	11
21	Manager: Building, Planning & Housing	1	0	1
22	Administrative Assistants	1	1	0
23	Building Superintendent	1	0	1
24	Building Control Officer	1	1	0
25	Building Inspectors	6	2	4
26	Drivers	2	1	1
27	Artisans	8	4	4
28	Semi-skilled Artisan	8	4	4
29	General Assistants	8	6	2
30	Municipal Planner	1	0	1
31	Technician: Land Surveying	1	0	1
32	Technician: Town Planning	1	0	1
33	Technician :Quantity Surveying	1	0	1
34	Housing Administration Officer	1	1	0
35	Land Administration Officer	1	1	0
36	Superintendent: Mechanical Workshop	1	1	0
37	Administrative Assistant	1	1	0
38	Senior Mechanics	2	0	2
39	Semi-skilled mechanic	4	1	3
40	Artisan Mechanic	2	1	1
41	Auto-Electrician	1	0	1
42	General Assistants	6	4	2

No	Approved Position	No of Approved & Budgeted Posts per Position	Filled Position	Vacant
		162	**82**	**80**

Technical Staff Registered with Professional Bodies

Technical Service	Total Number of Technical Service Managers	Total Number Registered in Accredited Professional Body	Total Number Pending Registration Confirmation in the Professional Body	Total Number not yet Registered
Engineering	2	1	1	0
IT	1	1	0	0

1.1.1 Level 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 Professional Training
528	291	115	122

Trends on Total Personnel Expenditure

Financial Year	Total No of Staff	Total approved operating Budget	Personnel expenditure(Salary & Salary Related)	Percentage of Expenditure
2007-2008	454	88 253 948	55 604 045	63%
2008-2009	398	121 852 600	66 053 204	54%
2009-2010	456	128 885 906	74 097 474	57%

1.3 Senior Officials Wages and Benefits

	Annual Remuneration	Cell Allowance	Car Allowance	Performance Bonus	Other Contributions	Total
Municipal Manager	685,607	50,149	107,866	210,240	0	1,053,862
Chief Financial Officer	339,241	39,554	109,826	118,000	133,568	740,189
Director Strategic Management	358,913	57,331	102,624	96,469	103,321	718,658
Director Community Services	541,259	32,355	114,878	129,400	0	817,892
Director Corporate Services	547,439	32,355	108,698	125,000	0	813,492
Director Infrastructural Dev.& Planning	598,189	24,000	0	96,469	0	718,658
Legal Advisor	340,258	24,000	134,694	0	160,034	658,986
TOTAL	**3,410,906**	**259,744**	**678,586**	**775,578**	**396,923**	**5,521,737**

1.4 Implementation of the Performance Management System(PMS)

The Mnquma Local Council adopted a Performance Management System Framework on the 26 March 2008 to guide the management of performance within the municipality in line with the Performance Regulations of 2006. Since the adoption of the framework the Municipality has been incrementally implementing the PMS starting from a strategic level to operational level.

1.5.1 Implementation at the Strategic Level

(a) The Strategic Scorecard

With the adoption of the Integrated Development Plan, the municipal council adopts a strategic scorecard sets out the objectives, strategies and key performance indicators to be achieved by the municipality. The performance of the municipality is then assessed based on the set targets. The targets are set against each national key performance area, namely:

1) Municipal Transformation and Institutional Development
2) Financial Viability and Management
3) Basic Service Delivery and Infrastructure Development
4) Socio-Economic Development (Local Economic Development)
5) Good Governance and Public Participation

The Municipality further adopted a Cluster Approach in line with the above-mentioned National KPAs, with cluster champs leading and coordinating processes. The purpose of the Clusters is to perform an oversight role with regard to the implementation of the Integrated Development Plan. Four clusters have been established by the Council, each with a technical cluster champion and the political cluster champion. The following are the clusters of the municipality:

1) Municipal Transformation, Institutional Development and Financial Viability Cluster
2) Good Governance and Public Participation Cluster
3) Infrastructural Development and Basic Service Delivery Cluster
4) Socio-Economic Development Cluster

(b) The Directorate Scorecard Service Delivery & Budget Implementation Plan (SDBIP)

Each year and in line with the relevant legislation the municipality adopts an SDBIP, which serves as an operational mechanism towards implementation of the IDP and Budget for that particular financial year. This is also the scorecard of each directorate with clear objectives, strategies, key performance indicators and targets. Each directorate develops activities that support each KPA and each month a performance report is developed for the Municipal Manager and the Executive Management. Each quarter, half yearly and annually reports are produced for submission in the Executive Management, Standing Committees and Clusters for purposes of progress reporting and review of targets.

1.5.2 Implementation at the Operational Level

The SDBIP / Directorate Scorecard is cascaded down to the operational levels of the municipality so as to ensure that each division and individual employees set out their own targets in line with therewith as follows:

(a) The Divisional Scorecards

Each Division, based on the Directorate Scorecard, sets out its key performance indicators and targets including budgets for those KPIs. Each month the divisional managers report on the implementation of their scorecards to their directors.

(b) Scorecards at Sectional Levels

Each Section, based on the Divisional Scorecard, sets out its key performance indicators and targets, including budgets for those KPIs. Each month, section heads report on the implementation of their sectional scorecards to their divisional managers.

1.5.3 Performance Agreements for both Strategic Level Managers and Operational Level Managers and Employees.

(a) Performance Agreements

The Municipal Manager and the Managers directly accountable to him enter into performance agreements in line with Section 57 of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000). The performance agreement of the Municipal Manager is based on the strategic scorecard of the municipality and the performance agreements of the managers directly accountable to the municipal manager are based on the SDBIP / Scorecards of the Directorates. These are concluded at the beginning of the each financial year and for the financial year under review these were done and submitted to the relevant bodies in line with the Act. The performance agreement for the municipal manager is entered into between him and the Executive Mayor and for the managers directly accounting to him, it is signed by the Municipal Manager and the respective Section 57 Manager.

(b) Performance Accountability Agreements (AAs)

The divisional managers and technical / administration employees who are at post level 8 and above enter into performance accountability agreements, which set quarterly targets to be achieved by the individual manager or employee. The performance accountability agreements require monthly performance reporting and quarterly reviews. AAs are entered into between the Divisional Manager and the Director and between the Divisional Manager and the Task Grade 08 employee and above.

(c) Performance Promise Agreements (PPs)

The individual employees, who are at post grade 7 to 15, which is the lowest post grade in the municipality enter into what is called Performance Promise Agreements, which require weekly/monthly reports and monthly reviews. PPs are entered into between the Divisional Manager and the Supervisor and between the Supervisors and Individual employees whose task grades are below 7.

CHAPTER -2 BASIC SERVICE DELIVERY PERFOMANCE HIGHLIGHTS KPA 2

2.1 Water Services

(a) Water services delivery strategy and main role-players:

Mnquma Local Municipality is not a Water Services Authority. This function is performed by Amathole District Municipality under which Mnquma Local Municipality falls in collaboration with Department of Water Affairs which assist the District Municipality in funding of bulk infrastructure such as construction of new dams. The role that Mnquma Local Municipality plays is more a facilitation role which include assisting the communities that require water to lodge application to the Amathole District Municipality. The other role is that of assisting the communities in reporting faults in the water schemes to Amathole for repairs.

The Municipality receives reports on water provision in its area through the District Engineering Forum in which all the Local Municipalities under Amathole meet and participate on quarterly basis. There are also water forums in the individual Local Municipalities that are co-ordinated by the Amathole District Municipality where all community representatives are invited for inputs even though the sittings are not regular which is a concern. TheDistrict Municipality conducts annually an IDPand Budget Road Show to present their budget and the IDP programmes to the Communities for inputs.

The District Municipality allocated funding for Water and Sanitation programs and the detail is presented in the table below:

Project	Ward	Budget	Expenditure	Challenges	Progress To Date / Comments
Ngqusi water	28	R 1.92m	R1,783	Project is delayed by Eskom connection at the borehole.	Project supply water to the following villages; (NgqusiA&B, Zibunu, KwaJoni, Ngcingane, Nurane, Kosani, Ncerhala-A,B&C, Gaqa-A&B, Sintsana, Nxaxho-A&B, Mthonjeni-BB, Willi, Nombanjana-A,B&C, Enginqini, Gcina-B, Ncerana-Thakazi). Project is complete but waiting for Eskom connection.

Project	Ward	Budget	Expenditure	Challenges	Progress To Date / Comments
Tyinira water supply	14	-	-	The river source is reported dry by the Contractor , no enough water to pump which will delay the commissioning.	Contractor busy with the repairs for the commissioning of the scheme after it was delayed by Eskom, now some valves and pipeline has ceased/damaged. Project was never ceded to ADM by Mnquma LM – MOU has been prepared and signed to correct this.
Ehlobo, Mgcwe & Zingqayi Water Supply (Phase 3)	22	R 18,84m	R 12,71m	The only challenge has been the drought that has affected Xilinxa Dam where the water is sourced	The Final Phase, Phase 3 is sub-divided into six (6) contracts/schemes. All schemes have started with construction on the following villages; **Scheme A** – Bulk Contract; **Scheme B** (Tyeni-C, Ntshamanzi-A, Kwaiman, Zwelitsha-D, Mankehlane); **Scheme C** (Mbanjwa, Sipahleni, Gqoloma, Matolweni-D); **Scheme D** (Gxothiwe, Malongweni, Manxiweni-D, Zingqayi, Mambabaleni); **Scheme E** – Gravity Main pipeline & Reservoirs; **Scheme F** (Mazizini-J, Sawutana-E, Tshazibana, Zingcuka-A, Esiqithini, Mbuqwini, Ngwanya, Ngonyama-C). The project is 80% complete.

Project	Ward	Budget	Expenditure	Challenges	Progress To Date / Comments
Crouch's Bush Water Supply	29 & 30	R 16,50m	R 5,981m	The project has a budget shortfall and the following villages will be delayed; **Scheme C** (Kwa-Mjo, Kwa-Maxhama); **Scheme D** (Cwebeni, Gxara, Kwa-Notshinga, Sizini, Dakeni) Including additional villages (Kei-Farm, Emtshanyaneni).	The project is sub-divided into four (4) contracts/schemes. Only **Scheme A&B** has been awarded and **Scheme C** to be awarded at a reduced scope due to budget shortfall, **Scheme D** will be awarded once additional funding has been secured / approved. **Scheme A** (Mnyameni, KwaMdange, Jojweni, Nyumada, Qombolo, Mnenemba, Lambasi, KwaVuso, Komkhulu, Mnqalasini, KuManyube, Sezela); **Scheme B** (KwaSeyisi, KwaQolo, Nyumage, Mdushane); **Scheme C** (Zimbaba, Kwa-Feni, Kwa-Mjo, Kwa-Maxhama); **Scheme D** (Cwebeni, Gxara, Kwa-Notshinga, Sizini, Dakeni) Including additional villages (Kei-Farm, Emtshanyaneni). Three schemes are 75% complete.
Myoyo Water Supply	23,31	R 16,50m	R 5,981m	No Challenges	The project is sub-divided into four (4) contracts/schemes and all of them have been awarded. **Scheme A** (Jojweni-Q, Mthonjeni-B, Mrhawuzile); **Scheme B** (Qoboqobo-A&B, Somana, Gobe-D, Bhombotho, Kwa-Tuwa,

Project	Ward	Budget	Expenditure	Challenges	Progress To Date / Comments
					Seku); **Scheme C** (Xhobani, eSijungqwini, Hlangani-A, Thembani, Mantetyeni, Kwa-Thala, Manzana-A, Matshona-AA, Mafusini-M, Hlangani-B); **Scheme D** (Sigangala). The project is 80% complete.
Ibika-Centane Water Supply	6,30,31 …..	R 16,00m	R 6,443m	Drought delayed the project	The project is currently sub-divided into four contracts; **Scheme A** (bulk contract completed), **Scheme B** (bulk pipeline to Centane Town under construction – 30% complete), **Reticulation Phase 1A** (Magalakanqa) &**Phase 1B** (Teko, Njonjweni, Holela) on tender.
Ngcizele Water Supply	28	R 2,50m	R 0,138m	Applied for additional funding to complete Phase 2 of the project.	Project awarded at reduced scope due to funding shortfall. **Phase 1** is for the reticulation of Nontshinga Village and **Phase 2** to be done after additional funding approval (Tafeni, Msikaba, Ngcizele, Debese)
Teko Spring Housing Engineering Services	23&24	R 1,30m	R0.0m	No challenge	Busy with tender document to supply water to (Teko Springs, Rarayo, Nkelekethe and Mthonjeni as additional village).

Project	Ward	Budget	Expenditure	Challenges	Progress To Date / Comments
Demand Management System	1-6	R 0,70m	R0,70m	No challenge	Installation of zonal meters in Butterworth, project complete
Ngqamakhwe Regional Water Supply	13, 14, 15, 16, 17, 18, 19 & 20	R 0.5m	R 0.5m	No Challenges	Feasibility study completed and submitted to DWA for funding application. The scheme is proposed to serve and augment the existing schemes in the following wards (Ward 13, 14, 15, 16, 17, 18, 19 & 20) of Mnquma LM.
Gcuwa West Water Supply	7 & 8	R0,5m	R0.0m	No challenges	SP busy with the technical report & MIG registration for funding application to supply water to Ward 7 & 8 of Mnquma LM and also supplementing Toleni Water Supply.
Bawa Falls Water Supply	9	R0,5m	R0,0m	No challenge	Busy with tender document to Service Provider to do technical report and MIG application for funding application.
Nxaxo & Cebe Water Supply	27&28	R0,5m	R0,0m	No challenge	Busy with tender document to Service Provider to do technical report and MIG application for funding application.
Rwantsana Water Supply	23	-	-	Eskom indicated that there is a	Commissioning of the scheme is delayed as the Eskom box was

Project	Ward	Budget	Expenditure	Challenges	Progress To Date / Comments
				need to upgrade the single phase line to three phase line which will take some time to be done.	vandalized and need repairs. Busy with putting diesel pump under Myoyo WS.

Major Challenges and Remedial Actions

The Mnquma Local Municipality is not the authority for this function as it is in the competence of Amathole District Municipality. There are sessions that the Municipality have with the Amathole in the form of District Engineering forums, Water forums and site meetings for the projects taking place in the area of Mnquma.

The challenge that Mnquma knows about Water provision is that our area is faced with serious challenge of storage dams in that both Xilinxa and Gcuwa Dams are seriously silted such that during the time of drought, the area is likely to experience water shortage. During the drought of the year under review, it was reported that Xilinxa Dam which feeds into Gcuwa dam had a storage equal to five weeks supply. This means that if rain had not come, the area would have been without clean water. The problem of the silted dams is compounded by the fact that ADM has declared that desilting the dams is not economic such that they are considering possibilities of boreholes to supplement the two dams which is not healthy for our area.

The other challenge around the water provision in the area is that there is no reliable water source on the Northern side of Butterworth especially the Ngqamakhwe Town. There is a feasibility report study commissioned by Amathole to look at the possibility of the Dam construction to address the problem by dirveting water from Ncorha Dam to Tsomo River. Unfortunately the report has not yet been shared by Amathole with the Mnquma.

On the issue of Sanitation, there is a remarkable improvement in the way faults are attended by the local ADM employees. There are still huge challenges around the provision of sanitation in the area even though there are no statistics available. There is one project that needs to be mentioned that has been a problem in the area which is Zizamele Phase 2 Internal Sanitation Reticulation which has long been outstanding.

2.2 Electricity Services

(a) Electricity services delivery strategy and main role-players

The Electricity distribution in the Mnquma Local Municipality area in the main is performed by Eskom who receives annual funding allocation from Department of Minerals and Energy. The function of maintaining the Electrical Infrastructure is performed by Eskom with its own funding with the exception of the Public Street Lighting.

Mnquma Local Municipality is responsible for the provision and maintenance of the Street and High Masts Lights in the urban centres of the three Municipal Towns, i.e.Butterworth, Ngqamakhwe and Centane using municipality's own funding.

The Municipality of Mnquma plays a facilitation role in the distribution of the grid electricity in the Rural Areas by Eskom by approving the priority list which Eskom uses to electrify the villages. The Municipality is also in negotiation with the Department of Minerals and Energy for the provision of Alternative Energy in the areas where grid electricity is not likely to be provided soon.

(b) Level and standards in electricity services

There is substantial infrastructure available for the provision of grid electricity in the area in terms of the available substations, the major one which has been recently completed is Godidi substation.

The setting of the yearly targets is purely based on the funding which is availed by the Department of Minerals and Energy and the funding has been dwindling each year. The Municipality as a result of the declining funding from Department of Minerals and Energy experiences a backlog that is sitting at more than 33%.

Major Challenges and Remedial Actions

There is a weakness in the electrical supply for the rural areas, electricity is easily disturbed by the bad weather. The other challenge in the rural areas is the proximity of the electrical vending machines which sell the electricity to the communities as most of the villagers are forced to travel long distances to the urban centres just to get electricity. Most of the time the cost of going to the town is much more that the price they will pay for the electricity.

There is also a challenge in the urban centres of the dilapidated Infrastructure assets which poses danger to the communities as some of the live electrical wires are exposed. There also serious backlog in the provision of grid electricity in the rural areas.

To respond to some of the challenges highlighted above, the Municipality has made direct application to Department of Minerals and Energy for additional funding so as to be able to meet the 2014 Millennium Development Goal of providing Energy to all. Another request has been made to the Department of Local Government to provide funding for the provision of the alternative energy in the interim.

With regard to decaying Electrical Infrastructure, Eskom has a embarked on a project of refurbishment which will target the Butterworth centre. The Municipality has also prioritised the provision and maintenance of new Street and High Mast lights in the Butterworth town which is done in phases to the total amount of R14m. Phase 1 is under construction and Phase 2 is under design stage.

2.3 Sanitation

(a) Sanitation services delivery strategy and main role-players

Mnquma Local Municipality is not a Sanitation Services Authority. This function is performed by Amathole District Municipality under which Mnquma Local Municipality falls in collaboration with Department of Water Affairs which assist the District Municipality in funding of bulk infrastructure like the construction of new waste water treatment plants. The role that Mnquma Local Municipality plays is more of a facilitation role which include assisting the communities that require sanitation services to lodge application to the Amathole District Municipality.

The Municipality receives reports of the water provision in its area through the District Engineering Forum in which all the Local Municipality under Amathole meet and participate on quarterly basis. There are also water and sanitation forums in the individual Local Municipality that are co-ordinated by the Amathole District Municipality where all community representatives are invited for inputs even though the sittings are not regular which is a concern. The District Municipality conducts annually an IDP and Budget Road Show to present their budget and the IDP programmes to the Communities for inputs.

(b) Level and standards in sanitation services

Due to the fact that the function is not being performed by the Mnquma Local Municipality, it is not possible to report on this area and the attempt that has been tried by the Local Municipality from the Amathole District Municipality in getting this information has been unsuccessfully. It therefore means that the Mnquma Local Municipality is not part of the setting of the yearly targets.

2.3 Road Maintenance

(a) Road maintenance services delivery strategy and main role-players

Mnquma Local Municipality is one of the authorities for road construction in the area; roads are classified as Access Roads and Urban Streets. The total road network is more than 2 500km. The Municipality is also bisected by N2 whose authority lies with the South African National Roads Agency Limited. The third and the last authority for road construction and maintenance in our area is Department of Roads and Public Works which is responsible for a road network of more than 800 km. There is Local Transport Forum that is meant to serve as a platform for transport related matters.

(b) Level and standards in road maintenance services

The condition of N2 in the Municipal area is in a relatively good state and one major project conducted in this financial year was the crack sealing. Regular maintenance along the route is periodically conducted.

The Municipality has three teams that are responsible for the maintenance of the Butterworth urban streets however due to the bad condition of the streets, the teams are not able to deal with the streets to the satisfaction of the residents. The Municipality has since taken a conscious decision to appoint a contractor for a period of three years just to restore the conditions of the streets so that the three teams can be effective. For the maintenance of the access road there is only one team that is responsible for grading and gravel patching. The team make use of the following plant, an Excavator, 2 graders, three tip trucks and a pad foot roller. Due to the vast road network, the team is only able to render high level access to road maintenance services.

Provincial roads in our area are performed by the Department of Roads and Transport and their state is appalling especially after the Area Wide Maintenance Contract was terminated. More often than not the equipment is out of order and there is no formal plan for the year which can be used to charge their performance. In the engagements with Department of Roads and Public Works there is a hope that they will come up with a new model that will not be very different to Area Wide in coming year. Due to the non- availability of a plan for the year, the Municipality is not able to input in the setting of targets and prioritisation.

The table below depicts the picture of the roads that were budgeted :

DESCRIPTION	FUNDING	2nd Adjustment	ACTUAL	VARIANCE
Township Roads	EQUI SHARE	4,054,141	44,005	4,010,136
Plant Lease	EQUI SHARE	1,225,691	143,640	1,082,051
Bible School Access Road	MIG	64,300	0	64,300
Willie Bridge Access Road	MIG	30,000	28,500	1,500
Kokwe Sonani Access Road	MIG	74,785	71,437	3,347
Bongithole Access Road	MIG	42,880	0	42,880
Magqudwana Phase 2	MIG	2,521,414	2,081,734	439,680
Gxakhulu Access Road	MIG	1,550,000	41,864	1,508,136
Rwantsana Access Road	MIG	1,385,688	41,864	1,343,824
Mthawelanga Access Road	MIG	2,312,784	1,712,784	600,000
Magiqweni Access Road	MIG	1,539,078	861,071	678,007
Seku Access Road	MIG	75,000	0	75,000
KwaMagodla Access Road	MIG	84,355	0	84,355
Holela Access Road	MIG	131,351	101,351	30,000
Qoboqobo Access Road	MIG	2,255,630	2,196,105	59,525
Izagwityi Access Road	MIG	70,000	48,499	21,501
Dyushu - Cerhu Access Road	MIG	929,363	697,508	231,855
Bongoza via Mpenduza to Ngozana	MIG	2,965,895	2,525,851	440,044
Zangwa to Mzitheni Road	MIG	75,000	0	75,000
Ngquthu Access Road	MIG	3,396,450	3,242,228	154,222
Lengeni	MIG	150,000	112,832	37,168
Kwa L	MIG	1,696,215	840,940	855,275
Sezela Nontshinga Access Road	MIG	974,423	902,960	71,462
Hili Hili Access Road	MIG	30,000	0	30,000
Ngcwazi Access Road	MIG	2,674,247	1,083,345	1,590,902
Xilinxa Access Road	MIG	185,694	85,694	100,000
Zwelandile Access Road	MIG	170,000	138,567	31,433
Godidi Access Road	MIG	2,501,580	1,081,709	1,419,872
Takazi Access Road	MIG	2,578,055	924,194	1,653,861
Mdange Access Road	MIG	210,000	167,866	42,134
Lower and Upper Mchubakazi	MIG	0	0	0
Coloured/Zitulele/Msobomvu Roads	MIG		0	0
Mgobozweni Access Road	MIG	100,000	65,020	34,980
Ematyeni via Ibika Road	MIG	457,950	0	457,950
Booi Farm Access Road	MIG	65,000	0	65,000
Vuli Valley Surfaced road	MIG	964,188	960,669	3,520
Ciya Access Road	MIG	3,851,282	1,635,690	2,215,591

DESCRIPTION	FUNDING	2nd Adjustment	ACTUAL	VARIANCE
Gcina Esingeni Access Road	MIG	411,233	366,233	45,000
Nyidlana Access Road	MIG	1,427,708	70,450	1,357,258
Cwebeni Access Road	MIG	100,000	66,845	33,155
Plant Lease	EQUI SHARE	315,900	290,600	25,300
Busila Access Road	MIG	700,000	549,762	150,238
Qima Access Road	MIG	658,537	75,428	583,109

(c) Major challenges in road maintenance services and remedial actions

The major challenge in relation to road maintenance is absence of a dedicated funding for maintenance from the National Government for poor Municipality like Mnquma. The little that the Municipality is using is from rates and taxes which is too small for the magnitude of the road network the Municipality has. There is also a challenge of resources both labour and capital due to the issue of funding as highlighted above. This situation is exacerbated by the culture of non-payment from the residents.

Mnquma Local Municipality has earth moving machinery which is used to attend to the maintenance of the Municipal Roads.The kind of earth moving machinery that the Municipality has includes two graders, an excavator and a padfoot roller.Due to budgetary constraints the Municipality does not have a lowbed or a transporter of its own and relies on outsourcing.
The process of preparing orders for sourcing a transporter takes its time which at times negatively affects the speed of service delivery.The Municipality is contemplating purchasing its own Lowbed if finances permits.

Mnquma Local Municipality Council took a resolution in 2008 to approach South African National Road Agency Limited (SANRAL) to conduct a feasibility Study for the Construction of N2 By Pass in Butterworth.South African National Road Agency Limited accepted the Municipal request and invited bids from Service Providers and when SANRAL was adjudicating the bids, the Kwazulu Natal High Court passed a judgment that the Supply Chain Regulations regarding the adjudication of bids was in conflict with Preference Procurement Policy Framework Act (PPPFA)and as such cannot be used for the purpose of awarding points.

The award of this bid was therefore delayed due to the fact that supply chain management regulations were used as a criteria for adjudicating the bid until the appeal was heard.Finally appointment was made to PD Naidoo Engineers IN 2010 and the study is supposed to be completed in May 2011.Interactions have occurred between the Engineers and the Municipality whereby information was exchanged.

The Municipality is also in discussions with the Department of Roads and Transport for the sharing of capital resources through Memorandum of Understanding. Also the resolution of the appointment of a well-established contractor for a period of a three years to restore and maintain the township roads may alleviate the situation.

2.4 Waste Management

(a) **Waste management services delivery strategy and main role-players**

The provision of solid waste disposal function is the competence of local municipality. This service is generally provided to the three urban and peri –urban areas, namely Butterworth, Centane and Ngqamakhwe. In its endeavours to manage waste the municipality provides the following waste management services, Street sweeping, anti- litter, refuse removal heap and illegal dumping removal. All these services are provided in the three areas constituting the municipality. Lastly the municipality has embarked on several community educational awareness campaigns on how to manage waste. The following Stakeholders are involved in Waste Management and their roles:

The Municipal Council:

- Has to ensure that it provides waste management services to all stakeholders
- To ensure that residents and entities that own properties and operate business who generate waste are serviced and payment collected as per Council policies
- To ensure that waste management infrastructure, equipment and vehicles in the municipality conform to waste collection requirements (i.e.) transporting and disposal of general waste.
- To do general area cleaning and cleansing
- To form Municipal Service partnerships as a means of extending services
- To be compliant and adhere to legislation when providing and managing services

Re-cyclers:

- To ensure that they provide services to their demarcated areas and or stakeholders
- To educate property owners to separate waste at source
- To ensure that they daily service waste generators and transport recyclable material in separate containers.

Business Community:

- They have to ensure that waste is collected and properly placed in waste bins so that municipality may collect the general waste whilst the recyclers would collect recyclable material.

Residents/Community:

- Communities ensures that on the set days of waste collection they co-operate with the municipality thereby availing collected waste as well ensure that their nearby environment is kept healthy and clean.

The Integrated Waste Management Plan was developed though not adopted yet. This has been due to guidelines that have been providedthat require all IWMP to be aligned with.

(b) Level and standards in waste management services

This section presents the municipality definition of low and high level access to waste management services by the population as well as the low and high quality standard of waste management service. This understanding of the level and standard should be the justification for setting yearly targets and reporting achievements.

(c) 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**	**% of achievement during the year**
1	Percentage of households with access to refuse removal services	11700	2600	2000	9100	78%

(d) Major challenges in waste management services and remedial actions

What is Waste Management? White paper defines it as a holistic and integrated system and process of management aimed at prevention and minimisation at source, managing impact of waste on the receiving environment and remediating the damaged environment "

The above statement seeks to emphasise that waste management may never be the sole responsibility of one stakeholder, but requires a collaborative approach. One of the critical challenges is the attitude and involvement of all residents in the management of waste which include reduce, reuse, recycle and lastly disposal of at an appropriate time.

Secondly there is general lack of equipment to collect and transport general waste to the landfill site. This hampers the good relations built with some responsible communities able to manage waste within their residential areas.

The municipality is depended on contractual employees as of now and once contract expires there may be a huge challenge in managing waste due to shortage of staff. This is as a result of shortage of municipal funds to employ more people.

2.5 Housing and Town Planning

(a) Housing and town planning services delivery strategy and main role-players

Provision of Housing is the responsibility of the Department of Human Settlements upon requests from the Local Municipality. The Local Municipality is responsible for the identification of the Housing needs in the area and submit such needs to the Department of Human Settlements. In the process of application the municipality handles the issues of beneficiary lists for capturing by the Department. The Municipality is also responsible for the acquisition of land for the provision of the houses. During the implementation, the Municipality is responsible for social facilitation to ensure that the projects are implemented smoothly.

The Municipality has adopted its Spatial Development Framework (SDF) this year for use as a guiding tool for future development. Zoning Scheme has also been approved as a tool for the land use management and is now waiting the approval of the MEC for Local Government and Traditional Affairs. The Department of Local Government is one of the key stakeholders in the Town Planning Service. The Municipality is in the process of developing Local Spatial Development Frameworks for all the identified nodes in the Mnquma SDF subject to the availability of funding.

2.6 Spatial Planning

(a) Preparation and Approval SDF

The SDF has been approved by the Council in December 2009 for implementation and it has since been workshoped to the relevant stakeholders. Among the projects that were identified were the development of the Local SDF's for all the identified nodes. The Municipality is in the process of developing Business Plans for sourcing funding for their completion.

(b) Land Use Management

	REZONING	**SUB-DIVISION**	**CONSENT USE**	**REMOVAL AND CONDITIONS**
No of Applications Received	None	4	4	None
Approved		4	4	
Not Approved				

Township Establishment

No town establishment in the year under review

Major Challenges and Remedial Action

The major challenge facing the Municipality is the land invasion on in the commonage on areas that are abutting the Communal land. This is made worst by the Chiefs that illegally give sites to the very commonage on a pretence that the land belongs to them. Lastly is the problem of land claims especially in Ngqamakhwe and the manner in which the Regional Claims Commission is handling the cases as this impact negatively on the Municipal Development Plans.

The solution to this matter would be the finalisation of a law that governs the Communal land like CLARA as well as speedily resolutions of the land claims by the Regional Land Claims Commission

2.8 Indigent Policy

In 2007, 17000 indigent customers were identified and registered in the Mnquma indigent register. The process was managed through the adopted policy which is reviewed yearly, an independent service provider was working hand in hand with Budget and Treasury, Portfolio Head Budget and Treasury and Ward Councillors.

In 2009 the Department of Local Government appointed another service provider to develop software in capturing the database and also develop generic policies that the Municipality must customise.

In the process the Municipality has submitted 3110 names to Eskom for those that can benefit on Electricity and R1.8m has been spent to the indigent customers.Other (3000)beneficiaries were registered in the programme of alternative energy (paraffin) wherein 20litresof paraffin was issued on by-monthly for those beneficiaries that do not have electricity mainly in the rural areas of Mnquma.R 1 156 752 has been spent on paraffin.

In the year under review, Service provider was appointed to review the indigent register and register the new customers that will benefit in the next financial year. Separate exercise of verifying indigent customers is being done regularly with the assistance of indigent staff at Budget and Treasury Directorate, CDW's, Ward Committees and Councillors.

2.9 Overall Service Delivery Backlogs

	30 JUNE 2010		
	REQUIRED	**BUDGETED**	**ACTUAL**
Refuse Removal			
Backlog to be eliminated(no of h/h not receiving minimum standards of service)	**100%**	**76 877**	**25%**
Backlog to be eliminated (% H/H identified as backlogs/total H/H in	**50%**	**38 255**	**50%**

	30 JUNE 2010		
	REQUIRED	**BUDGETED**	**ACTUAL**
municipality)			
Spending on new infrastructure to eliminate backlog(Rand)	**R6.9m**	R250 000	**R 250 000**
Total Spending to eliminate backlog(Rand) Spending on Maintenance to ensure no new backlog created(Rand)	**R 500 000**	**Nil**	**Nil**
Spending on renewal of existing infrastructure to eliminate backlog	**R1.9m**		
Electricity Backlog(kwh)per month			
Backlog to be eliminated(no of h/h not receiving minimum standards of service)	**26456**	**2312**	**2312**
Backlog to be eliminated (% H/H identified as backlogs/total H/H in municipality)	**35**	**3**	**3**
Spending on new infrastructure to eliminate backlog(Rand)	**R423,296,000**	**R36,962,000**	**R36,962,000**
Total Spending to eliminate backlog(Rand) Spending on Maintenance to ensure no new backlog created(Rand)	**R523,296,000**	**R523,296,000**	**R523,296,000**
Spending on renewal of existing infrastructure to eliminate backlog			
Housing and Town Planning			
Backlog to be eliminated(no of h/h not receiving minimum standards of service)	**20 000**	**R1b**	**R50m**
Backlog to be eliminated (% H/H identified as backlogs/total H/H in	**27**		

	30 JUNE 2010		
	REQUIRED	**BUDGETED**	**ACTUAL**
municipality)			
Spending on new infrastructure to eliminate backlog(Rand)	**20 000**	**R1b**	**R50m**
Total Spending to eliminate backlog(Rand) Spending on Maintenance to ensure no new backlog created(Rand)	**20 000**		
Spending on renewal of existing infrastructure to eliminate backlog			

Roads Backlogs			
Backlog to be eliminated(no of h/h not receiving minimum standards of service)	**1900km (Households figures not available)**	**75km (Households figures not available)**	**75km (Households figures not available)**
Backlog to be eliminated (% H/H identified as backlogs/total H/H in municipality)	**76**	**3**	**3**
Spending on new infrastructure to eliminate backlog(Rand)	**R1,900,000,000**	**R35,000,000**	**R35,000,000**
Total Spending to eliminate backlog(Rand) Spending on Maintenance to ensure no new backlog created(Rand)	**R2,000,000,000**	**R2,000,000,000**	**R2,000,000,000**
Spending on renewal of existing infrastructure to eliminate backlog			

CHAPTER -3 MUNICIPAL LOCAL ECONOMIC DEVELOPMENT FRAMEWORK KPA 3

3.1Brief Presentation on LED Strategy

Our LED framework formulation constituted a vigorous process of engagement and inter-actions with relevant stakeholders including peer-receiver process with expert in the economic sector, which culminated to its final adoption by council on the 28th-06-2010. Key sections of our LED-Strategy focuses and are linked to existing plans such as Master plan, IDP and Strategic Environment assessment for sustainability and Alignment.

The first steps call for rapid but rigorous evaluation of the local economy per sector, the identification of potential economic opportunities including identification of bio-resource units and land economic potential which would result in the formulation of an overall economic development framework and strategy involving local stakeholders. This has been largely achieved through the development of Spatial Plan (SDF) and Strategic Environmental Assessment (SEA).

The last step requires the formulation of a database of existing and potential economic opportunities as well as a project identification and prioritisation framework (matrix), which can guide the municipality with respect to project prioritisation and integration (Project-scoping).

It is envisaged that the strategy will assist the Municipality in achieving its economic goals and objectives in line with National Policy Framework on LED.The following objectives are set as follows:

- To undertake a detailed economic analysis so as to enable identification of appropriate market interventions that will lead to economic development of the area.
- To formulate an implementable LED Strategic Framework to guide the promotion and support of sustainable economic development within Mnquma Local Municipality.
- To create a database of projects within the municipality including those being implemented, economic opportunities and future potential projects.
- To formulate a matrix to guide the Municipality in terms of identification and prioritizing strategic projects for investigation and implementation.
- To optimise the creation of new economic and business opportunities that will translate into meaningful economic growth, job creation and poverty alleviation in Mnquma local area.
- To create meaningful synergy with the National Programmes and the Eastern Cape government's Provincial Growth and Development Plan, which represent the emerging consensus regarding the approach to be followed in dealing with the socio-economic challenges in the Province in general and our area in particular.
- To undertake a Socio-Economic analysis which determines the mainstreaming of national policy targets (women, youth, people with disabilities, HIV and AIDS), recommending on how best to mainstream these national policy targets in LED implementation.

3.2 Progress towards achieving the LED key objectives

The how part has been detailed in the implementation plan and below are the key issues that the Municipality has focused on. The plan has been alignedwith the Municipal scorecard.

- Holding dialogues with the formal and informal business community to understand their challenges and expectations for strategic support.
- Clear alignment of proposed strategies with the NSDP, ASGISA, PGDP, Amathole Regional and Economic Development Strategy, N2 Corridor Development Plan etc.
- Identify the municipal vision for LED and develop means for achieving the vision
- Assemble all the LED stakeholders in order to design a strategy for local economic development for the municipality.
- Indicate the most promising sectors, priority interventions and their configurations.
- Develop proposals for the development of the promising sectors
- Provide technical assistance to the local administrations responsible for economic development planning.

(a) Improve Public and Market Confidence

Community tourism organisations have been established in three units(Butterworth,Centane and Ngqamakwe).Crafters association is amongst CTO's established by the Municipality.

A visitors guide has been developed and circulated to tourism centers and is reviewed quarterly

Arts and Culture festival which is honoured annually is hosted by the Municipality rotating in three units. This festival is jointly organized by the Department of Tourism, ADM, Institutions of higher learning and Mnquma .In the festival local cultural groups are invited to show case their talent.

A tourism day celebration is also organized which is jointly honored by Mnquma and ADM

Agriculture

An agricultural forum has been established inorder to ensure that the implementation of the existing strategy is shared amongst local farming communities.

As part of ensuring the implementation of the strategy R 155 000 has been budgeted and fully spent on agricultural inputs and agricultural equipment. These inputs were distributed to all the wards as part of ensuring food security program and dealing poverty elevation.

In encouraging activism ASGISA-EC has invested an amount to the tune of R14m engaging on a dryland integrated cropping programme with maize taking greater share of crops planted in the four areas namely:

AREA	WHERE	AREA
Tanga A/A	Butterworth	412 Hectares
Teko A/A	Centane	250 Hectares combined
Tuturha	Centane	250 Hectares combined
Zingqayi A/A	Butterworth	364 Hectares

This effort is intended to culminate into the revitalisation of the milling industry that existed before 1990, one major challenge is lack of proper storage facilities (Silo's). In partnership with Department of Agriculture ,the Municipality provide consistent support to famers association ,wool growers association etc. as part of building partnership in the agricultural sector. Nine irrigation schemes have been identified and business plans have been developed for purpose of lobbying funds in order to revitalise them .

These irrigation schemes are centred around Mnquma and are indicated in the table below:

NAME OF IRRIGATION SCHEMES	AREA
Izibityolo irrigation schemes	Butterworth
Waterdale irrigation schemes	Butterworth
Ithemba lase Nciba irrigation schemes	Butterworth
Vulindlela irrigation schemes	Ngqamakwe
Bongithole irrigation schemes	Ngqamakwe
Ntuzenyando irrigation schemes	Ngqamakwe
Kolamba irrigation schemes	Centane
Gqola Banana irrigation schemes	Centane
Magwelane irrigation schemes	Centane

(b) Exploit comparative and competitive advantage for industrial activities

The following table depicts a picture on comparative advantages in the Mnquma Municipality.The focus is on service delivery and governance matters

BUSINESS ENVIRONMENT FACTORS INFLUENCED BY LOCAL GOVERNMENT IN SOUTH AFRICA					
Service Delivery			**Governance**		
Infrastructure & Environmental Services	Social Services	Business Services	Policy, Laws and Regulations	Administration & Procedures	Government-Business Interface
Roads	Residential Quality	Business Development Services	Taxes & Levies	Management Structures	Dialogue
Electricity / Energy	Education, Training & Research	Financial Services	Planning / Zoning	Decision Making	Partnerships
Water / Sewerage	Health		Environment	Skills & Capacities	Participation
Built & Natural Environments	Recreation & Culture		Sector Regulations		Service Interface
Property / Land			Trading		Communication & Information
Information & Communication Technologies			Health		Procurement

(c) Intensify Enterprise support and business development

Business Development and SMME

The Municipality has developed the SMME strategy and is currently in a consultation stage towards the approval as a final document in the next financial year.

However the following activities have unfolded in the year under review:

Hawkers association and cooperative forums have been established. With the assistance of DEDEA ,training on financial management and registration have been conducted in line with new regulations.
Database of businesses within Mnquma has been developed and annual registration fees have been paid.
Database of Mnquma hawkers have also been established and hawker fees were levied.

Through Indalo yethu programme the Blyth Street to be converted into market street that means a centre for hawkers is underway coupled with building of hawker stalls .By-laws for business regulations is enforced through our Community Services Directorate.
Mnquma Chamber of Businesses has been established and functioning well incorporation with the Municipality. The Municipality is in negotiations with ECDC for the transfer of small business centres (Transido) that are located in Ngqamakwe and Butterworth.

Public and Private Partnerships

In the year under review the Municipality did not have Public Private Partnerships but managed to forge links with the following Public Partnerships with other institution'sand are summarized as follows:

Strategic Partner	Responsibility
ASPIRE	Committed R 120m as part of NDPG programs which include CBD upgrade and township regeneration of Msobomvu node,Ibika and Gcuwa Dam
DEDEA	Training and Registration of Cooperatives in the Mnquma area together with the development of SMME strategy Financial Injection on cooperative projects such as Bee Dew
ECDC and DBSA	As part of developing the fishing infrastructure in our coastal belt ,ECDC has invested R 500 000 for construction of fish fliers

Strategic Partner	Responsibility
DEAT	As part of developing amenities have invested R10m for developing Cebe camp site. Chalets and restaurants etc. will be build
ASGISA-EC	R14m has been invested on dry landintegrated cropping programme
DOA	Partnership in providing support to community garden programme and small scale farming
ADM	In partnership with the Municipality ,it's in a process revitalizing agricultural schemes identified by the Municipality .
NDA	As part of forestry development R1.3m has been invested for revitalization of Sokapase in Ngqamakhwe.

Expanded Public Works Programme

The Municipality have created Job opportunities through expanded public works in the entire area.

Below is the table that depicts job created as at end June 2010:

Date Submitted : 30 June 2010													
Ward	Project Name (incl. Sub-Place)	Women	Men	Youth (Male)	Youth (Female)	Disabled (Male)	Disabled (Female)	Women	Men	Youth (Male)	Youth (Female)	Disabled (Male)	Disabled (Female)
9	Bongoza via Mpenduza	4	5	7	0	0	0	20	20	20	0	0	0
3,4,5 & 6	Butterworth Street & Highmast	6	5	8	0	0	0	14	21	21	16	0	0
27	Cebe Game Nature Reserve	3	9	5	4	0	0	26	31	31	26	0	0
30	Centane Street Lighting	11	9	13	12	0	0	62	74	74	63	0	0
17	Ciya Kunene Toboyi	2	3	2	1	0	0	14	12	10	8	0	0
8	Dyushu-Ceru	2	7	0	0	0	0	28	29	0	0	0	0
27	Gcina Esingeni	0	0	0	0	0	0	0	0	0	0	0	0
26	Godidi Zibunu	2	5	0	0	0	0	26	26	0	0	0	0
13	Kwa-L	3	8	3	0	0	0	16	24	20	0	0	0
30	Magiqweni	16	19	12	8	0	0	32	42	42	26	0	0
3	Magqudwana Phase 2	6	6	4	4	0	0	42	42	32	32	0	0
21	Mthawelanga	6	8	5	5	0	0	28	28	27	26	0	0
18	Ngcwazi	3	8	4	0	0	0	14	23	23	0	0	0
11	Ngquthu	3	11	3	1	0	0	26	22	28	18	0	0
25	Nkonkwane	2	8	2	1	0	0	28	34	30	26	0	0
20	Qima	3	6	2	1	0	0	12	17	12	9	0	0
23	Qoboqobo	4	6	4	2	0	0	16	28	19	12	0	0
29	Sezela-Nontshinga	3	6	4	3	0	0	32	34	34	28	0	0
28	Takazi	5	8	7	0	0	0	14	14	14	0	0	0
4	Vuli Valley Arterial street	10	16	14	6	0	0	30	30	30	30	0	0
	Totals	**94**	**153**	**99**	**48**	**0**	**0**	**480**	**551**	**467**	**320**	**0**	**0**

(d) Support Social Investment Program

The NSDP's objective is to focus government and the private sector on investments that will have the maximum economic and social impact, and address spatial integration. Guiding principles are:

- Coordinated investment in sectors such as transport, environment, and land use;
- Increased productive investment in areas of high growth potential;
- Investment in people and social services in areas of low growth potential; and
- Reduced inequalities between people.

These principles need to inform Mnquma's investment decisions as well as its Spatial Development Framework (SDF) and Strategic Environmental Assessment (SEA).

The NSDP (endorsed by Cabinet in March 2003) provides four high-level principles to align investment in social and economic infrastructure across departments and spheres of government in order to tackle development challenges effectively. The principles are as follows:

- Economic growth is a prerequisite for the achievement of other policy objectives, key among which would be poverty alleviation;

- Government spending on fixed investment, beyond the constitutional obligation to provide basic services such as water, electricity, health and education to all citizens, should therefore be focused on localities of economic growth and/or economic potential in order to attract private sector investment, stimulate sustainable economic activities and create long-term employment opportunities;

- Efforts to address past and current social inequalities should focus on people not places. In localities where there are both high levels of poverty and development potential this could include fixed capital investment beyond basic services to exploit the potential of those localities. In localities with low development potential government spending, beyond basic services, should focus on providing social transfers, promoting human resource development and labour market intelligence. This will enable people to become more mobile and migrate, if they choose to, to localities that are more likely to provide sustainable employment or other economic opportunities;

The NSDP identifies six categories of potential which cover the spectrum of economic functions in a modern economy. They are:

- Innovation and experimentation;
- The production of high-value differentiated goods;
- Labour intensive mass production;
- Public service and administration;
- Tourism; and
- Commercial services and retail.

.

The use of the NSDP methodology focuses government attention on about 20% of the country's magisterial districts including the Mnquma. These localities account for 92% of the country's GDP, 81% of the population and 75% of the poor.

The NSDP will have a role to play as an instrument that informs the development plans of the three spheres of government, including the integrated development plans (IDPs) at local level and the provincial growth and development strategies.

Within the national context and NSDP, Mnquma Local Municipality is classified as a rural hinterland with weak economic potential which necessitate extensive intervention

3.3 Annual Performance indicators 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.	931 621	536 437	57%
2	Number of LED stakeholder forum held	3	3	100%
3	Percentage of SMME that have benefited from a SMME support program	30	19	63%
4	Number of job opportunities created through EPWP	600	551	91%
5	Number of job opportunities created through PPP	40	22	55%

3.4 Challenges regarding LED Strategy

Through the development of the strategy, the following challenges have been identified and they need to be addressed:

- Increasing unemployment
- High number of indigents
- Increasing rate of HIV infection
- Skills gap
- Widening poverty gap
- Low levels of investment
- Non-operational manufacturing industry
- Under developed tourism industry

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

4.1 The Audited Annual Financial Statements

The Municipality compiled its annual financial statements using GRAP standards in house. Directive 4 was used which exempts the Municipality on the following:

1. Assets of the Municipality must be recognised only and not measured
2. Inventory is recognised at zero and it will be measured only in the next financial year
3. Provisions standards to be fully implemented in the next financial year(2010/2011)

These AFS were then submitted to auditor General on the 31st August 2010 for audit. Auditor General audited the submitted Statements and qualification was issued as an opinion by AG.

Set of the audited Annual Financial Statementsattached for the period under review(30 June 2010)

AUDITED ANNUAL FINANCIAL STATEMENTS 30 JUNE 2010

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

Abbreviations

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

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

Accounting Officer’s Responsibilities and Approval

The accounting officer is required by the public Finance Management Act (Act of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of financial year and the results of its operations and cash flow for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognized Accounting Practice (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2010 and, in the light of this review and the current financial position, he is satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality’s external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality’s annual financial statements. The annual financial statements have been examined by the municipality’s external auditors and their report is presented on page 3.

The annual financial statements set out on pages 3 to 51, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2010 and were signed on its behalf by:

N Pakade

Accounting Officer
N Pakade

Statement of Financial Position

	Notes	2010	2009
Assets			
Current Assets			
Trade and other receivables from exchange transactions	10	32 172	56 998
Vat receivable	11	2 702 850	4 627 855
Consumer debtors	12	5 928 609	13 404 481
Cash and cash equivalents	13	19 515 432	7 399 173
		28 179 063	**25 488 507**
Non - Current Assets			
Property, plant and equipment	**5**	148 480 204	122 200 219
Intangible assets	**6**	236 159	-
Investments	**9**	-	331 236
		148 716 363	**122 531 455**
Non – Current Assets		148 716 363	122 531 455
Current Assets		28 179 063	25 488 507
Non - current assets held for sale (and)(assets of disposal groups)		-	-
Total Assets		**176 895 426**	**148 019 962**
Liabilities			
Current Liabilities			
Finance lease obligation		584 168	614 784
Trade and other payables from exchange transactions		22 446 008	15 609 785
Vat payable		-	3 908 290
Unspent conditional grants and receipts		12 270 846	7 498 547
Provisions		1 376 522	-
Bank overdraft		2 715 236	5 753 720
		39 392 780	**33 385 126**
Non – Current Liabilities			
Finance lease obligation		1 489 191	2 077 620
Retirement benefits obligation		2 350 000	2 076 000
		3 839 191	**4 153 620**
Non – Current liabilities		3 839 191	4 153 620
Current liabilities		39 392 780	33 385 126
Liabilities of disposal groups		-	-
Total Liabilities		**43 231 971**	**37 538 746**
Assets		176 895 426	148 019 962
Liabilities		(43 231 971)	(37 538 745)
Net Assets		**133 683 455**	**110 481 216**
Net Assets			
Accumulated surplus		**133 663 455**	**110 481 216**

Statement of Financial Performance

		2010	2009
Revenue			
Propertyrates	21	19,298,832	28,975,966
Servicecharges	22	2,722,802	6,745,494
Rental of facilities and equipment		2,220,540	2,977,348
Fines		989,573	976,135
Licensesandpermits		-	1,962,782
Government grants& subsidies	23	123,823,677	106,329,564
Fees earned	24	3,127,672	395,518
Disposalofconsumerdeposits	24	-	317,227
Reversalofstaffloanprovisions	24	-	73,137
Rehabilitation of Landfill site		129,125	-
Interest received– investment	30	2,397,609	2,446,081
TotalRevenue		**154,709,830**	**151,199,252**
Expenditure			
Personnel	27	(60,140,984)	(52,103,368)
Remuneration of councilors	28	(16,509,712)	(13,949,832)
Depreciation and amortization	31	(554,087)	(421,472)
Financecosts	32	(648,738)	(744,533)
Debt impairment	29	(20,646,806)	(43,925,553)
Repairs and maintenance		(5,801,324)	(3,407,404)
Bulkpurchases	36	(3,056,977)	(2,456,986)
GeneralExpenses	26	(18,836,199)	(21,184,164)
TotalExpenditure		**(126,194,828)**	**(138 193 313)**
Gain on disposal ofassets and liabilities		189,814	55,606
Surplusfortheyear		**28,704,816**	**13,061,545**

Statement of Changes in Net Assets	Accumulated Surplus	Total Net Assets
Balance at 01 July 2008 – as previous stated	**112 187 257**	**112 187 257**
Transfer of government grant reserve	22 433 238	22 433 238
	134 620 495	**134 820 495**
Correction of error – as previously reported	(33 704 438)	(33 704 438)
Prior year adjustment – refer to note 2	(1 398 505)	(1 398 505)
Total recognized income and expenses for the year	10 963 664	10 963 664
Balance at 01 July 2009 – Restated	**110 481 216**	**110 481 216**
Adjustments taken directly through net assets – refer to note	(5 635 369)	(5 635 369)
Surplus for the year	28 817 608	28 817 608
Total changes	**28 817 608**	**28 817 608**
Balance at 30 June 2010	**133 663 455**	**133 663 455**

Cash Flow statement	Notes	2010	2009
Cash flow s from operating activities			
Receipts			
Sale of goods and services		141 047 277	170 078 702
Interest income		2 397 609	2 446 081
Other receipts		-	25 379
		143 444 886	**172 550 162**
Payments			
Supplies		(95 600 732	(143 882 377)
Finance costs		(327 037)	(744 533)
Other cash item		-	(363 605)
		(95 927 769)	(144 990 515)
Total receipts		143 444 886	1752 550 162
Total payments		(95 927 769)	(144 990 515)
Cash flows from operating activities	**32**	**47 517 117**	**27 559 647)**
Cash flows from investing activities			
Purchase of property plant and equipment	5	(26 279 985)	(37 484 406)
Purchase of other intangible assets	6	(236 159)	-
Purchase of investments		-	(58 313)
Proceeds from sale investments		331 236	-
Other cash item		(5 236 720)	(84 620)
Net cash flows from investing activities		**(31 421 628)**	**(37 627 339)**
Cash flows from financing activities			
Finance charges		(940 746)	1 932 377
Net increase/(decrease) in cash and cash equivalents		**15 154 743**	**(8 135 315)**
Cash and cash equivalents at the beginning of the year		1 645 453	9 780 768
Cash and cash equivalents at the end of the year	**13**	**16 800 196**	**1 645 453**

Accounting Policies

1.Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standard of Generally Recognized Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with those applied in the previous period.

1.1 Significant judgments and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that effect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgments inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgments include:

Trade receivable and loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus, the municipality makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Provisions

Provisions were raised and management determined an estimated based on the information available. Additional disclosure of these estimates of provisions are in note 16- Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/ (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Accounting Policies(Cont):

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflow expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the appropriate interest rates that are denominated in the currency in which the benefits will be paid.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

Allowance for doubtful debts

On receivables an impairment loss is recognized in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective rate, computed at initial recognition

1.2 Property, Plant and Equipment

Property, plant and equipment are tangible non- current assets that are held for use in the production or supply of goods or services, or for administrative purpose, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognized as an asset when:

- It is probable that future economic benefit or service potential associated with the item will flow to the municipality; and
- The cost of the item can be measured reliable.

Property, plant and equipment is initially measured at cost or deemed cost which represents depreciated replacement cost.

1.2 Property, plant and equipment(continued)

The cost of an item of property , plant and equipment is the purchase price and other cost attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

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

Accounting Policies(Cont.)

Property , plant and equipment is carried at cost and no accumulated depreciation or impairments has been taken into account.

Items of property , plant and equipment are derecognized when the asset is disposed of or when there no further economic benefits or service potential expected from the use of the asset.

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

Transitional provision

According to the transitional provision contained within 4, the municipality is not measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 5. The transitional provision expires on 30 June2011

1.3 Intangible assets

Intangible asset are recognised at cost
An intangible asset acquired at no or nominal cost, the cost shall be its fair value as the date of acquisition

1.4 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories.

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained/ incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial asset designated as at fair value through surplus or deficit, which shall not be classified out of their value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

Accounting Policies(Cont.)

The municipality classifies financial instrument, or their components parts , on initial recognition as a financial asset, a financial liability or an equity instruments in accordance with the substance of the contractual arrangements**.**

1.4 **Financial instruments (continued)**

Financial instruments are measured initially at fair value, except for equity investment s for which a fair value is not determinable, which are measured at cost and classified as available- for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

At each end of the reporting period, the Municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or a group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probably that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment of financial assets

Impairment losses are recognized in surplus or deficit.

Impairment losses are reversed when an increase in the financial assets' recoverable amount can be related objectively to an event occurring after the impairment was recognize, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognized.

Reversals of impairment losses are recognized in surplus or deficit.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognized in surplus or deficit within operating expenses.

Accounting Policies(Cont.)

When such assets are written off the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in surplus or in deficit when there is objective evidence that the assets are impaired.Significant financial difficulties of the debtor, probably that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 180 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognized is measured as the difference between the assets carrying amount and the present value of estimated future flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of an asset is reduced through the use of an allowance account, and the amount of the deficit is recognized in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other Payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently measured at fair value.

Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

Accounting Policies (Cont.)

Finance leases- lessee

Finance leases are recognized as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability of the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are appointed between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases – lessor

Operating lease revenue is recognized as revenue on a straight line basis over the lease term.

Initial direct costs incurred in negotiating and arranging the operating leases and added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentive is recognized as a reduction of rental expense over the lease term on a straight line basis.

The aggregate benefit of incentives is recognized as a reduction of rental expense over the lease term on a straight line basis.

Income for leases is disclosed under revenue in prior period adjustments.

Operating leases- lessee

Operating lease payments are recognized as an expense on a straight line basis over the lease term. The difference between the amounts recognized as an expense and the contractual payments are recognized as an operating lease asset or liability.

Employee benefits

Short-term employee benefits

The cost of short term employee benefits, (those payable within 12 months after the service has been rendered, such as paid vacation leave and sick leave, bonuses and non-monetary benefits such as medical care), are recognized in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognized as an expense as the employees render services that increase their entitlement or, in the case of non- accumulating absences, when the absence occurs.

Accounting Policies(Cont.)

The expected cost of surplus sharing and bonus payments is recognized as an expense when there is a legal or constructive obligation to make such as a past performance.

1.6 Employee benefits (Cont.)

Define contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry –managed (or state planes) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefits plans

For defined benefit plans the costs of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past services costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

Actuarial gains and losses are recognised immediately in the statement of financial performance.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised when the municipality is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past services costs, and reduces by the fair value of plan assets.

Any assets is limited to unrecognised actuarial and past services costs, plus the present value of available refunds and reduction in future in the future contributions to the plan.

1.7 Provision and contingencies

Provisions are recognised when:

- The municipality has a present obligation as a result of a past tense;
- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

1.7 Provision and contingencies(Cont.)

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

The discount rate is pre-tax that reflects current market assessment of the time value of money and the risks specific to the liability.

Where some or all of the expenditure is required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision,

Provision are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditure for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- Has detailed formal plan for the restructuring, identifying at least:
  - The activity / operating unit or plant of activity / operating unit concerned;
  - The principal location affected;
  - The location, function and approximate number of approximate number of employees who will be compensated for service being terminated;
  - The expenditure that will be undertaken; and
  - When the plan will be implemented; and
- Has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditure arising from the restructuring, which are those that are both:

- Necessarily entailed by the restructuring; and
- Not associated with the on-going activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

Contingent assets and contingent liabilities are not recognised. 34.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommission restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or services potential required to settle the obligation or a change in the discount rate. The periodic unwinding of the discount is recognised in the surplus or deficit as the finance cost as it occurs.

1.8 Revenue from exchange transaction

Revenue is the gross inflow of economic benefits or services potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contribution from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Sale of goods

Revenue from the sale of goods is recognised when all the following condition have been satisfied:

- The municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies (Cont.)

Rendering of services

1.8 Revenue from exchange transactions (continued)

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably:
- It is probable that the economic benefits or services potential associated with the transaction will flow to the municipality:
- The stage of completion of the transaction at the reporting date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over specified time frame unless there is evidence that some other method better represents the stage of completion. When a specified act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably revenue is recognised only to the extent of the expenses recognised that are recoverable.

Services revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to the date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest is recognised when:

Interest, royalties and dividends (Cont.)

- It is probable that the economic benefits or services potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.9 Revenue from exchange transaction

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Accounting Policies (Cont.)

Conditions on transferred assets are stipulations that specify that the future economic benefits or services embodied in the assets is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the assets in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transaction are transaction in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, good, services, or use of assets) to other entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as consequence of the breach of laws or regulation.

Non-exchange transactions are transactions that are not exchange transaction. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulation that limit or direct the purposes for which transferred assets may be used, but do not specify that the future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a biding arrangement, imposed upon the use of transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provision of the tax law that provide certain taxpayers with concession that are not available to other.

The taxable event is the event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or services potential compulsory paid or payable to entities, in accordance with laws and or regulations established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or services from non-exchange transaction, other than taxes.

Accounting Policies (Cont.)

1.9 Revenue from exchange transaction (Cont.)

Recognition

An inflow of resources from a non-exchange transaction recognised as an assets is recognised as revenue, expect to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognized and recognizes an amount of revenue equal to that reduction.

Measurement

Revenue from non-exchange transaction is measured at the amount of the increase is the net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognizes an asset, it is also recognizes revenue equivalent to the amount of assets measured at its fair value as at the date of acquisition, unless it is also required to recognize a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimates of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations including goods in kind are recognised as an assets and revenue when it is probable that the future economic benefits or services potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.10 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

Accounting Policies (Cont.)

1.11 Comparatives figures

Where necessary, comparatives figures have been reclassified to conform to changes in presentation in the current year.

1.12 Unauthorised expenditure

Unauthorised expenditure means:

- Overspending of a vote or a main division within a vote; and
- Expenditure not in accordance with the purpose of a vote or, in the case of a main division not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the prior period adjustment in the year that the expenditure incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the prior period adjustments.

1.13 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would be avoided had reasonable care been exercised.

All expenditure relating to fruitless and waste expenditure is recognised as an expense in the prior period adjustment in the year that the expenditure was incurred is classified in accordance with the nature of the expense, and where recovered, it is subsequent accounted for as revenue in the prior adjustment.

1.14 Irregular expenditure

Irregular expenditure as defined as expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including –

- (a) this act, or
- (b) the Tender Board Act, 1986 (Act No.86 of 1968), or any regulations made in terms of the Act; or
- (c) Any provincial legislation providing for procurement procedure in that provincial government.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statement must be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and which condiment is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statement.

Accounting Policies (Cont.)

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statement must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriate in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Accounting Policies (Cont.)

1.15 Presentation of currency

These annual financial statements are presented in South African Rand.

1.16 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.17 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the prior period adjustment.

1.18 Conditional grants and receipts

Revenue received from conditional grant, donation and funding are recognised as revenue to the extent that the municipality has compiled with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, condition or obligation have not been met a liability is recognised.

2. Changes in accounting policy and prior year adjustment

The annual financial statement have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year expect for the following new or revised standards.

The aggregate effect of the charges in accounting policy on the annual financial statement for the year ended 30 June 2009 is as follows:

Prior period adjustments

	2010	2009
Post retired benefit obligation		-
Previously stated	-	1 923 000
Recognised of previously unrecognized defined benefit obligation	-	**1 923 000**
Inventory		
Previously stated 01 July 2009	-	1 816 337
Write down of inventories to nominal values – Directive 4	-	(1 816 337)
	-	-
Provision for Landfill site	-	
Previously stated 01 July 2009	-	2 322 500
Restatement of provision – Directive 4	-	(2 322 500)
	-	-
Unspent conditional grant	-	
Previously stated	-	9 395 080
Adjustment	-	(1 896 533)
	-	7 498 547
Accumulated surplus	-	
Previously stated	-	100 916 057
Recognition of post retirement benefit obligation	-	(1 923 000)
Inventory adjustment	-	(1 816 337)
Adjustment to unspent conditional grants	-	1 896 521
Other adjustment	-	444 311
Surplus for the year	-	10 963 664
	-	**110 481 216**

Accounting Policies (Cont.)

Employees Benefit Obligation:

Terms of Directive 5 which sets outs the GRAP reporting framework, long term employee benefits should be accounted for in terms of IAS 19 – Employee benefits. In terms of IAS 19 the Municipality needs to account for its obligation for long service awards as a liability. The obligation was not previously recognised in terms of the IMFO basis of accounting and was not recognised when the municipality adopted GRAP for the first time and has now been recognised for the first time in the municipality financial statement, comparatives have been restated where practicable. Refer to note 8 for further details with regards to the Long services award obligation.

Inventory:

The Municipality accounted for certain consumable items such as stationary as being part of inventory in prior year.

Inventory is assets:

(a) in the form of materials or supplies to be consumed in the production process,

(b) in the form of materials or supplied to be consumed or distributed in the rendering of services.

(c) Held for sale or distribution in the ordinary course of operations, or

(d) In the process of production for sale or distribution.

2. Changes in accounting policy and prior year adjustment (Cont.)

These items are not inventory, and should have been expensed in the year in which they were incurred. The opening balance has been adjusted through the accumulated surplus in the prior year, and the statement of financial performance in the current year.

Provision for Land fill site

In terms of the municipalities prior year financial statements, a provision was raised for the rehabilitation of the land fill site the municipality has adopted directive 4, and should not have measured the provision for rehabilitation in the prior year, the provision has thus been recognized but not measured in the current year in terms of the transitional provisions of directive 4.

Unspent conditional grants:

The Municipality incorrectly accounted for grants that had met their conditions in the prior year and thus should not have been included as part of unspent conditional grants and receipts. Comparatives have been restated where practicable.

Other adjustments:

This represents the net effect of individually immaterial adjustments. Management do not have sufficient records relating to interest capitalized on plant and equipment to enable retrospective expensing of borrowing cost. For this reason the change in accounting policy is applied prospectively.

3. New standards and interpretations

Amendment to IAS 39 (AC 133) and IFRS 7 (AC144): Reclassification of Financial Assets

The amendment permits an entity to reclassify certain financial assets out of the fair value through surplus or deficit category if certain stringent conditions are met. It also permits an entity to transfer from the available-for –sale category to loans and receivables under certain circumstances. Additional disclosures are required in the event of any of these reclassifications.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The municipality has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

3. New standards and interpretations (cont):

GRAP 4: The Effects of Changes in Foreign Exchange Rates

The initial application of GRAP 4 will have no impact on the annual financial statements.

The following Directives also need be considered:

Directive 2- Transitional provisions for public entities, municipal entities and constitutional institutions, require retrospective application on the initial adoption of the Standard except for the acquisition of foreign operations.

GRAP 4: The Effects of Changes in Foreign Exchange Rates (Cont.)

Directive 4- Transitional provisions for medium and low capacity municipalities require retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 5: Borrowing Costs

This Standard allows entities, in the exceptionally rare cases, to expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. This applies when it is inappropriate to capitalize borrowing costs.

It is inappropriate to capitalize borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirement of an entity directly to the nature of the expenditure to be funded i.e. capital or current. In such cases, an entity shall expense those borrowing costs related to a qualifying asset directly to the statement of financial performance.

The following Directives also need to be considered:

Directive 2- Transitional provisions for public entities, municipal entities and constitutional institutions requires that the Standard will only apply to borrowing costs incurred on qualifying assets where the commencement date for capitalization is on or after the effective date of the Standard.

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):

New standards and interpretations (Cont.)

GRAP 5: Borrowing Costs (Cont):

Directive 3- Transitional provision for high capacity municipality requires that the Standard will only apply to borrowing costs incurred on qualifying assets where the commencement date for capitalization is on or after the effective date of the Standard.

Directive 4- Transitional provisions for medium and low capacity municipalities requires only prospective application of the Standard and only will apply to borrowing costs incurred on qualifying assets where the commencement date for capitalization is on or after the effective date of the Standard.

The effective date of the standard is for years beginning on or 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 9: Revenue from Exchange Transactions

The definition of revenue in terms of GRAP 9 incorporates the concept of service potential. Revenue is the gross inflow of the economic benefits or service potential when those inflows result in a increase in net assets, other than relating to contribution

Entities may derive revenue from exchange or non-exchange transactions.

An exchange transaction is one in which the municipality receives resource or has liabilities extinguished, and directly gives approximately equal value to the other party in exchange.

Non- exchange revenue transaction is a transaction where an entity receives value from another entity without directly giving approximately equal value in exchange.

An entity recognises revenue when it is probable that economic benefits or service potential will flow to the municipality, and municipality can measure the benefits reliably.

GRAP 9 clarifies that this Standard only applies to the revenue from exchange transaction.Other than terminology difference, no effect on initial adoption of standard on **GRAP9**.

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):

New standards and interpretations (Cont.)

The following also need to be considered:

Directive 2 -Transaction provision for public entities, municipal entities and constitutions requires retrospective application of the Standard.

Directive 3- transitional provisions for high capacity municipalities requires retrospective application of the standard.

Directive 4- Transactional provisions provision for medium and low capacity municipalities requires retrospective application of the standard.

The effective date of the standard is for years beginning on or 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statement.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 12: Inventories

GRAP 12 includes definition of current replacement costs as the cost the municipality would incur to require the asset on the reporting date. GRAP 12 also include the principal of service potential associated with the item the will flow to the municipality as part of recognition criteria for inventories as well as the concept of goods purchased or produced for distribution at no charge or for a nominal consideration, which is specific to the public sector.

Initial measurement is required at cost (an exchange transaction) and where inventories are acquired at no cost or normal consideration (non- exchange transaction), their cost shall be their fair value at acquisition date.

GRAP 9: Revenue from Exchange Transactions

Subsequent measurement shall be at lower of cost and net realisable value except if inventories are held for:

- Distribution at no charge or for a nominal charge, or
- Consumption in the production process of goods to be distributed at no charge or for a nominal charge.

If the above applies then subsequent measurement shall be at the lower of cost or current replacement cost.

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):
New standards and interpretations (Cont.)

The retail method of measurement of cost is excluded from GRAP 12.

Directive 2- Transaction for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3- Transitional provisions fir high capacity municipalities retrospective application of the standard.

Directive 4- Transaction provisions for medium and low capacity municipalities requires retrospective application of the standard. However, entities are not measure inventories in accordance with requirements with the requirements of the standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.
The effective date of the standard is for years beginning on or after 01 April 2009.
The municipality has adopted the standard for the first time in the 2010 annual financial statement.
The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statement.

GRAP 13: Leases
GRAP 13 incorporate additional guidance on the concept of substance and legal form of transaction, to illustrate the difference between lease lease and other contract and on operating lease incentives.
In certain circumstances, legislation may prohibit into certain types of lease agreements. If the municipality has contravened these legislative requirement, the municipality has still required to apply the requirements of GRAP 13.
Other abovementioned requirements, there is no other impact on the initial adoption of GRAP 13.
The following Directive also need to be considered:

Directive 2- transactional provisions for public entities, municipal entities and constitutional constitutions requires retrospective application of standard.

Directive 3- Transitional for high capacity municipalities requires retrospective application of the Standard. Where items have not been recognised as a result of

transitional provisions under the Standard of GRAP on Property, Plant and Equipment, the recognition requirement of the Standard would not apply to such items until the transitional provision in that Standard expires.

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):
New standards and interpretations (Cont.)

Directive 4- Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP) on not apply to such items until the transitional provision in that Standard expires.
The effective date of the standard is for years beginning on or after 01 April 2009.
The municipality has adopted the standard for the first time in the 2010 annual financial statement.

GRAP 13: Leases (Cont.)
The impact of this standard is set out in note 2 changes in Accounting policy.

GRAP 14: Events after the report date
An event, which could be favorable or unfavorable, that occurs between the reporting date the annual financial statement are authorized for issue.

GRAP 14 requires the dates of authorization for issue is the date on which the financial have received approval from management to be issued to the executive authority or municipal council.

Two types of events can be identified:

- Those that provide evidence of conditions that existed at the reporting date(adjusting events after the reporting date);and
- Those that are indicative of condition that arose after the reporting date (non-adjustment after the reporting date).

An entity that shall adjust the amount recognised in its financial statements to reflect adjusting events after the reporting date.
An entity shall not adjust the amounts recognised in its annual financial statements to reflect non-adjusting events after the reporting date.
The effective date of the standard is for years beginning on or after 01 April 2009.
The municipality has adopted the standard for the first time in the 2010 annual financial statement.
The impact of the standard is not material.

GRAP 16 : Investment Property
Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of an entity`s operations.

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):
New standards and interpretations (Cont.)

GRAP 16 state that the use of property to provide housing as a social service does not qualify as investment property even though rentals are earned.
At initial recognition, investment property is measured at cost including transaction costs, However, where an entity acquires investment property through a non-exchange transaction (i.e. where acquire the investment property for no or a nominal value), its cost is its value as the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

After initial recognition, entities can carry investment property at either the fair value (fair value model) or cost less accumulated depreciation and accumulated impairment (cost model)

An entity is required to disclose the fair value of investment property if the cost model is used. When an entity carries investment properties at fair value , the fair value needs to be determined at every reporting date. Gains or losses arising from changes in fair value are included in surplus or deficit in which they arise.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

GRAP 16 : Investment Property(Cont.)

Directive 3 – Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

Directive 4 – Transaction provisions for medium and low capacity municipalities retrospective application of the Standard. However , entities are not measure investment properties in accordance with requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010annual financial statements.

The adoption of this standard has not had material impact on the result of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

New standards and interpretations (Cont.)

GRAP 17: Property, Plant and Equipment

GRAP 17 does not require or prohibit the recognition of heritage assets but if an entity recognition heritage the municipality needs to comply with GRAP 17 disclosure requirements.

Additional commentary has been included in to clarify the applicability of infrastructure assets to be recognised in terms of GRAP 17.

Where an entity acquire an assets through a non- exchange transaction ,i.e. for a nominal or no consideration, its cost is its fair value as at the date of acquisition.

The disclosure requirement for temporarily idle, fully depreciated property,plant and equipment and for property, plant and equipment that are retired from active use is required in GRAP 17 whereas IAS 16 only encourages this disclosure.

The following Directive also need to be considered:

Directive 2 – Transaction provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 – Transitional provisions for high capacity municipalities requires retrospective application of the standard. However, entities that applied the transitional provisions in the Standard of GAMAP on Property, Plant and Equipment may continue to take advantage of those transitional provisions until they expire.

Directive 4 –Transitional provisions for medium and low capacity municipalities requires retrospective application of the standard. However, entities that applied the transitional provisions standard of GAMAP on property, Plant and equipment may continue advantage of those transitional provisions until they expire. Entities are also not required to measure classes of Property, Plant, and Equipment in accordance with the requirements of the standard for reporting period beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.The municipality has adopted the standard for the first time in the 2010annual financial statement.The impact of the standard is set out in note 2 Changes in Accounting Policy.

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):
New standards and interpretations (Cont.)

GRAP 19: Provisions, Contingent Liabilities and Contingent Assets

GRAP 19 exclude from its scope those provision and contingent liabilities arising from social benefits for which it does not receive consideration that is approximately equal to the value of goods and services provided directly in return from the recipient of those benefits.

For the purpose of GRAP 19, social benefits refer to goods, services and other benefits provide in the pursuit of the social policy objective of a government. This standard includes guidance on the accounting of these social benefits.

Outflow of resource embodying service potential also needs to be considered in when assessing if a present obligation that arises from past events exists or not.

The standard includes accounting for obligations to make additional contributions t5o a fund. This is similar to the requirements of IFRIC5 (AC438).

It further includes the accounting for the changes in existing decommissioning, restoration and similar liabilities. This is similar to the requirements of IFRIC5 (AC434).

GRAP 19 give specific guidance regarding restructuring by way of transfers that will take place under a government directive and will not involve binding agreements. An obligation exists only when there is a binding transfer agreement.

Additional disclosure for each class of provision regarding reductions in the carrying amounts of provisions that result from payments or other outflow of economic benefits or services potential made during the reporting period and reductions in the carrying amounts of provisions resulting from re-measurement of the estimated future outflow of economic benefits or service potential, or from settlements of the provisions without cost to the municipality.

If an external valuation is used to measure a provision the information relating to the valuation can usefully be disclosed.

Directive 2- transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):
New standards and interpretations (Cont.)

GRAP 19: Provisions, Contingent Liabilities and Contingent Assets(Cont:)

Directive 3 – Transitional provisions for high capacity municipalities requires retrospective application of the standard. However, where items have not been recognised as a result of transitional provisions under the Standard on Property, Plant , and Equipment, the recognition requirements of the Standard on Provisions, Contingent liabilities and contingent Assets would not apply to such items until the transitional provisions in that Standard expire.

Directive 4 – Transitional provisional for medium and low capacity municipalities requires retrospective application of the Standard. However, where items have not been recognised as a result of transitional provisions under the Standard on Property, Plant and Equipment, the recognition requirement of the standard on Provisions, Contingent Liabilities and Contingent Assets would not apply to such items until the transitional provisions in that Standard expire.

The effective date of the standards is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 102: Intangible Assets

GRAP 102 excludes guidance on accounting for intangible assets required as part of an entity combination and in- process research and development costs acquired in an entity combination.

Recognition required includes the concept of the probable flow of service potential.

GRAP 102 distinguishes between impairment loss of cash generating and non- cash-generating assets.

Intangible assets acquired at no or for a nominal cost shall be measured on acquisition date as its fair value.

In GRAP 102 the identifiable criterion in the definition of an intangible asset has been expanded to include contractual rights arising from binding arrangements, and to exclude rights granted by statute.

Additional guidance included in GRAP 102 to explain that distinction should be made between assets associated with the item of property, plant and equipment and the intangible assets.

GRAP 102: Intangible Assets

Guidance on web site costs has been included in GRAP 102 from SIC Interpretation 32 Intangible Assets- Web Site Costs.

Guidance on intangible assets that may be acquired in exchange for non- monetary assets, where the exchange transaction lacks commercial substance has not been included in GRAP 102 as guidance to be included in GRAP 23.

GRAP 102 does not state "gains shall not be classified as revenue" as GRAP term "income" has a broader meaning than the term "revenue".

Directive 2- Transitional provisions for public entities, municipal entities and constitutional institutions required retrospective application of this Standard.

Directive 3- Transitional provisions for high capacity municipalities requires retrospective application of the standard. Where entities have, on initial adoption of the Standard, accumulated and retained sufficient information about costs and the future economic benefits or service potential related to intangible assets that may have been expensed previously, those intangible assets should recognized in accordance with the Standards.

Directive 4- Transitional provisions for medium and low capacity requires retrospective application of the Standard. Where entities have, on initial adoption of the standard, accumulated and retained sufficient information about costs and the future economic benefits or service potential related to intangible assets that may have been expensed previously, those intangible reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible Assets.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statement.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):
New standards and interpretations (Cont.)

IPSS 20: Related Party Disclosure

IPSAS 20 specifically exclude any consideration provided key management personnel solely as a reimbursement for expenditure incurred by those individuals for the benefit of the reporting entity.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The adoption of this standard has not had a material impact on results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statement.

3.1Standard and interpretation issued, but not yet effective

The municipality has not applied the following standard and interpretations, which have been published and are mandatory for the municipality`s accounting periods beginning on or after 01 July 2010 or later periods:

**IFRS 3 (AC 140) Business Combinations
IASB Issue date: August 2009
APB Issue date: N/A
Effective date: 1 July 2010
-Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS
-Measurement of non-controlling interests
-Un-replaced and voluntarily replaced share-based payment awards.

3.1Standard and interpretation issued, but not yet effective

This standard is expected to be implemented by the entity in the xx financial year in accordance with its effective date. The impact of implementing this standard is expected to be immaterial in the context of this entity`s operation.

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):

New standards and interpretations (Cont.)

Revised
**IFRS 7 (AC 144) Financial Instruments: Disclosures
IASB Issue date: August 2009
APD Issue date: N/A
Effective date: 1 January 2011
Clarifications of disclosure. This standard is expected to be implemented by the entity in the xx financial year in accordance with its effective date. The impact of implementing this standard is expected to be immaterial in the context of this entity`s operations.

IFRS 9(AC 146) Financial Instruments
APB Issue date: January 2010
Effective date: 1 January 2013
New standard issued relating to the classification and measurement of financial assets, which will replace the relevant portions of IAS 39. The standard requires all financial assets to be.
-Classified on the basis of the entity`s business model for managing the financial assets and the contractual cash flow characteristic of the financial asset.
-Subsequently measured at amortised cost or fair value.
This standard is expected to be implemented by the entity in the xx financial year in accordance with its effective date. The impact of implementing this standard is expected to be immaterial in this entity`s operations

Amendment to
IAS 32(AC 125) Financial Instruments: Presentation
APB Issue date: January 2010
Effective date: 1 February 2010

Rights issues (rights, options or warrants) to acquire a fixed number of the entity`s own equity instruments for a fixed amounts, which is denominated in a currency other than the functional currency of the issuer will be accounted for as equity instruments.
This standard is expected to be implemented by the entity in the xx financial year in accordance with its effective date. The impact of implementing this standard is expected to be immaterial in the context of this entity`s operations.

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):
New standards and interpretations (Cont.)

3.1Standard and interpretation issued, but not yet effective(Cont.)

Revised
*IAS 39(AC 133) Financial Instruments: Recognition and Measurement
APB issued date: May 2009
Effective date: 1 January 2010
Treating loan prepayment penalties as closely related embedded derivatives
Scope exemption for business combination contract
Cash flow hedge accounting
This standard is expected to be implemented by the entity in the xxx financial year in accordance with its effective date. The impact of implementing this standard is expected to be immaterial in the context of this entity`s operations.

**IFRIC 13(AC 446) Customer Loyalty Programmers (fair value award credit)
IASB Issued date: August 2009
APB Issue date: N/A
Effective date: 1 January 2011
This standard is expected to be implemented by the entity in the year in accordance with its effective date: The impact of implementing this standard is expected to be immaterial in the context of this entity`s operations.

IFRIC 14 (AC 447) The Limit on a Defined Assets, Minimum Funding Requirements and their Interaction (Prepayments of a minimum funding Requirement)
APB Issue date: January 2010
Effective date: 1 January 2011
This standard is expected to be implemented by the entity in xx financial year in accordance with its effective date. The impact of implementing this standard is expected to be immaterial in the context of this entity`s operations.

IFRIC 19 (AC 452) Extinguishing Financial Liabilities with Equity instruments APB Issue date: January 2010
Effective date: 1 July 2010
This standard is expected to be implemented by the entity in the 2010 financial year in accordance with its effective date.
The impact of implementing this standard is expected to be immaterial in the context of this entity`s operations.

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):
New standards and interpretations (Cont.)

3.1Standard and interpretation issued, but not yet effective (Cont.)

*Standard and interpretations affected by the improvements to IFRS

**Standards and interpretations affected by the improvements to IFRS issued in an exposure draft as ED 272-
Improvements to IFRSs: Proposed amendments to International Financial Reporting Standards.

The following GRAP standards have been approved but are not yet effective:

GRAP 18 – Segment Reporting
ASB Issue date : march 2005
Effective date: To be determined by the Minister

New standard of GRAP: Establishes principles for reporting financial information by segments. The impact of implementing this standard is expected to be immaterial in the context of this entity`s operations.

GRAP 21 – Impairment of Non-cash-generating Assets
ASB Issue date: March 2009
Effective :To be determined by the minister
New standard of GRAP: Prescribes procedures that an entity applies to determine whether a non-cash –generating asset is impair and to ensure that impairment loss and prescribed disclosures. The impact of implementing this expected to be immaterial in the context of this entity`s operations

GRAP 23 – Revenue from Non-exchange Transactions (Taxed and Transfers)
ASB Issue date: February 2008
Effective date: To be determined by minister
New standard of GRAP: Prescribes requirements for the financial reporting of revenue arising from non-exchange transaction, other than non-exchange transaction that give rise to an entity combination. The standard deals with issues that need to be considered in recognising and measuring revenue from non-exchange transactions, including the identification of contributions from owners. The impact of implementing this standard is expected to be immaterial in the context of this entity`s operations

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):
New standards and interpretations (Cont.)

3.1Standard and interpretation issued, but not yet effective(Cont.)

GRAP 24- Presentation of budget information in financial Statements
ASB Issue date: November 2007
Effective date: To be determined by the minister
New standard of GRAP dealing with the presentation and disclosure of budget information as required by GRAP 1. The impact of implementing this standard is expected to be immaterial in the context of this entity`s operations.

GRAP 25 – Employee benefits
ASB Issue date: November 2009
Effective date: To be determined by the minister
New standard of GRAP dealing with the requirements around accounting and disclosure of employee benefits including short term, long term and post retirement employee benefits. The impact of implanting this standard is expected to be immaterial in the context of this entity`s operation.

GRAP 26 – Impairment of cash – generated assets
ASB Issue date: March 2009
Effective date: To be determined by the Minister
New standard of GRAP: Prescribes the procedures that an entity applies to determine whether a cash generating asset is impaired and to ensure that impairment losses are recognized. The standard also specifies when an entity would reverse an impaired loss and prescribes disclosures. The impact of implementing this standard is expected to be immaterial in the context of this entity's operations.

GRAP 103 – Heritage Assets
APB Issue date: July 2008
Effective date: To be determined by the minister
New standard of GRAP: Dealing with the recognition, measurement, presentation and disclosure of financial instruments. The impact of implementing this standard is expected to be immaterial in the context of this entity's operations

GRAP 104 – Financial instruments
ASB Issue date: October 2009
Effective date: To be determined by the minister
New standard of GRAP: Prescribes the accounting treatment for heritage assets and related disclosure requirements.

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):
New standards and interpretations (Cont.)

3.1Standard and interpretation issued, but not yet effective(Cont.)

The impact of implementing this standard is expected to be immaterial in the context of this entity's operations**Improvements to standards of GRAP
ASB Issue date: N/A
Effective date: 01 April 2011
Improvements are proposed to the following standards of GRAP: GRAP 1-4, 9-14, 16-17, 19 and 100 as part of the ASB's improvement project. The impact of implementing this standard is expected to be immaterial in the context of this entity's operations

**** Standards affected by the Improvements Project of the ASB issued is an exposure draft as ED 63 improvements to the standards of GRAP**

GRAP 23: Revenue from Non – exchange Transactions
Revenue from non – exchange transaction arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non – exchange transaction shall initially be measured at its fair value as at the date of acquisition.
This revenue will be measured at the amount of increase in net assets recognized by the municipality.
An inflow of resources from a non-exchange transaction recognized as an asset shall be recognized as revenue, except to the extent that a liability is recognized for the same inflow. As an entity satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it will reduce the carrying amount of the liability recognize an amount equal to that reduction.
This standard has been approved by the board but its effective date has not yet been determined by the Minister of finance. The effective date indicated is the provincial date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality expects to adopt the standard for the first time in the 2011 annual statements .

3.1Standard and interpretation issued, but not yet effective(Cont.)

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragragh . 19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amount either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall presente separately for each level of legislative oversight.

. the approved and final budget amounts;
. the actual amounts on a comparable basis; and
. by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable, it includes the comparisons as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.
A comparable basis means that the budget and annual financial statements:
. are prepared using the same basis of accounting i.e. either cash or accrual;
. include the same activities and entities;
. use the same classification system; and are prepared for the same period
This standard has been approved by the board but its effective date has not yet been determined by the Minister of finance. The effective date indicated is the provincial date and could change depending on the decision of the Minister of Finance.
The effective date of the standard is for years beginning on or after 1 April 2010.
The municipality expects to adopt the standard for the first time in the 2011 annual financial statements.The impact of this standards is currently being assessed.

New standards and interpretations (Cont.)

3.1Standard and interpretation issued, but not yet effective(Cont.)

GRAP 103: Heritage assets

Grap 103 defines heritage assets as assets which have a cultural , environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.
A heritage asset should be recognized as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of assets can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

GRAP 103 states that a heritage asset should be measured at its cost unless it is acquired through a non – exchange transaction which should be then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation modelas accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.
The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.
The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standards also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.
GRAP 103 prescribes that when determining the fair value of a heritage asset has more than one purpose, the fair value should reflect both the asset's heritage value
and the value obtained from its use in the production or supply of goods or services or for administrative purposes.
If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognized in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognized in surplus or deficit.

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):

New standards and interpretations (Cont.)

3.1Standard and interpretation issued, but not yet effective(Cont.)

GRAP 103: Heritage assets(Cont.)

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognized in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Grap 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that has been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivables.

For a transfer from heritage assets carried at the revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard.

If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at a fair value is reclassified as heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change.

The entity treats any differences at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognized in surplus or deficit.

The carrying amount of a heritage asset should be derecognized:

- on disposal, or
- when no future economic benefits or services potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognized in surplus or deficit when the heritage asset is derecognized.

New standards and interpretations (Cont.)

3.1Standard and interpretation issued, but not yet effective(Cont.)

The effective date of the standard is for years beginning on or after 01 April 2010.
The municipality expects to adopt the standard for the first time in the 2011 annual financial statements.
The impact of this standard is currently being assessed.

GRAP 21: Impairment of non – cash generating assets

Non – cash generating assets are assets other than cash generating assets.
When the carrying amount of a non – cash – generating asset exceeds its recoverable service amount, it is impaired.
An municipality assesses at each reporting date whether there is any indication that a non – cash – generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.
The present value of the remaining service potential of a non – cash – generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non – cash – generating asset is less than its carrying amount, the carrying amount of assets is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognized immediately in surplus or deficit. Any impairment loss of a revalued non – cash – generating asset is treated as a revaluation decrease.

An municipality assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for a non – cash – generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non – cash – generating asset is recognized immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non – cash – generating asset is treated as a revaluation increase.

This standard has been approved by the Board but its effective date has not yet been determined by the minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date standard is for years beginning on after 01 April 2010.

3.1Standard and interpretation issued, but not yet effective(Cont.)

The municipality expects to adopt the standard for the first time in the 2011 annual financial statements.

The impact of this standard is currently being assessed.

GRAP 26: Impairment of cash generating assets

Cash-generating assets are those assets held by an municipality with the primary objective of generating a commercial return. When an asset deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of cash-generated assets exceeds its recoverable amount it is impaired.

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, an municipality estimates the recoverable amount of the asset. When estimating the value in use of the asset and from its ultimate disposal and an municipality applies the appropriate discount rate to those future cash flow.

If the recoverable amount of a cash-generated asset is less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash generating asset is treated as a revaluation decrease.

If there is any indication that asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, municipality determines the recoverable amount of the cash-generated unit to which the asset belongs (the asset’s cash generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generated unit are affected by internal transfer pricing, an entity use management’s best estimate of future price(s) that could be achieved in arm’s length transaction in estimating:

3.1Standard and interpretation issued, but not yet effective(Cont.)

GRAP 26: Impairment of cash generating assets(Cont.)

- the future cash flow used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or type of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the crying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generated assets of the unit on a pro rat basis, based on the carrying amount of each asset in the unit. These reduction in carrying amounts are treated as impairment losses on individual asset.

Where a non-cash-generated asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

An municipality assess at each reporting date whether there is any indication that impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, an
Municipality estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revaluedcash-generating asset is treated as a revaluation increase.

This Standard has been approved by the board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date indicated as a provisional date and could change depending on the decision of the Minister of Finance.

3.1Standard and interpretation issued, but not yet effective(Cont.)

GRAP 26: Impairment of cash generating assets(Cont.)

The effective date of the standard is for years beginning on or 01 April 2010

The municipality expects to adopt the standard for the first time in the 2011 annual financial statements.

The impact of this standard is currently being assessed.

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or services potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transaction.

GRAP25 defines, amongst others, the following:
- Employee benefits as all forms of considering given by an municipality in exchange for service rendered by employees;

Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive

- obligation to pay further contribution if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Define benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefits plans (other than plans) that:

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):
New standards and interpretations (Cont.)

3.1Standard and interpretation issued, but not yet effective(Cont.)

GRAP 25: Employee benefits

- pool the asset to contribution by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit level are determined without regard to the identity of the municipality that employs the employees concerned;

- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service:
- Post-employment benefits as employee benefits (other than termination benefits) which are after the completion of employment;
- Post-employment benefits plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employee render the related service;
- State plans as plans other than composite social security programmes established which operates as if they are multi-employer plans for all entities in economic categories laid legislation;
- Termination benefits employee benefits payable as a result of either:
    - an entity's decision to terminate an employee's employment before the normal retirement date; or
    - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
    - All short-term employee benefits;
    - Short-term compensated absences;
    - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee;

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont): New standards and interpretations (Cont.)

GRAP 25: Employee benefits

3.1Standard and interpretation issued, but not yet effective(Cont.)

- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined plans:

- Multi-employer plans;
- Defined plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefits plans, the following requirement:

- Recognition and measurement;
- Presentation
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: when a minimum funding requirement may give rise to liability;
- Statements of financial performance.

The standard prescribes recognition and measurement for;

- Present value of defined benefit obligations and current service cost:
    - Actuarial valuation method;
    - Attributing benefits to period of services;
    - Actuarial assumptions: Discount rate;
    - Actuarial assumptions: Salaries, benefits and medical costs;
    - Actuarial gains and losses;
    - Past service cost.
- Plan assets:
    - Fair value of plan assets;
    - Reimbursements;
    - Return on plan assets.

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):
New standards and interpretations (Cont.)
GRAP 25: Employee benefits(cont:)

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.
It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial asset and financial liabilities and other asset and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or service.

One of the key considerations in initially recognising financial instrument is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interest because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual entitle an municipality to a portion of another municipality's net assets in the event of liquidation and, to dividends or similar distribution paid at management's discretion.

In determining whether a financial asset, financial liability or a residual interest, an municipality considers the substances of the contract and not just the legal form.

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognised the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):
New standards and interpretations (Cont.)
GRAP 104: Financial Instruments

Financial assets and financial liabilities are initially recognised at fair value. Where an municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transaction costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted at a below market rate of interest.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loans is the present value of the agreed contractual cash flow, discounted using a market related rate of interest for a similar transaction. The difference between the process either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transaction (Taxes and Transfers), and using the Framework for the Preparation and Preparation of Financial Statement (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost. An municipality measures a financial instrument at fair value if it is:a derivative;

- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instrument that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designated the entire contract to be measured at a fair value or, it can account for the host contract and embedded derivative separately using GRAP 104.

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):
New standards and interpretations (Cont.)
GRAP 104: Financial Instruments(cont:)

- An municipality is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposit with banks, receivable and payables, are measured at amortised cost. At initial recognition, an municipality can however designated such an instrument to be measured at fair value.

An municipality can only measure investment in residual interest at cost where the fair value of the interest cannot be determined reliably.

Once an municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instrument in limited in instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flow from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risk and rewards, an municipality has transferred control of the asset to another municipality.

An municipality derecognises a financial liability when the obligation is exhausted. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

An municipality cannot offset financial assets and financial liabilities in the statements of financial position unless a legal right of set-off exist, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosure on the significant of financial instrument for an municipality's statement of financial position and prior period adjustments, as well as the nature and extent of the risk that an municipality is exposed to as a result of its annual financial statements. Some disclosure, for example the disclosure of fair

GRAP 104: Financial Instruments(cont:)

values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. An municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality expects to adopt the standard for the first time in the 2012 Annual Financial Statements.It is unlikely that the amendment will have a material impact on the municipality's annual financial statement.

4. Investment property

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

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

4. Investment property(cont:)

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:

- the fact that the entity has disposed of investment property not carried at fair value,
- the carrying amount of that investment property at the time of sale, and
- the amount of gain or loss recognized.

When the municipality's policy is to subsequently measure investment property on the cost model, when the municipality cannot determine the fair value of the investment property reliably, the municipality must disclose:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,

if possible, the range of estimates within which fair value is highly likely to lie.

5. Property, plant and equipment

	2010			2009		
	Cost/ Valuation	**Accum. Depr.**	**Carrying Value**	**Cost / Valuation**	**Accumulated Depreciation**	**Carrying Value**
Land and buildings	12,383,277	-	12,383,277	12,383,277	-	12,383,277
Plant and machinery	3,884,406	-	3,884,406	3,858,556	-	3,858,556
Furniture and fixtures	2,412,559	-	2,412,559	2,025,561	-	2,025,561
Motor vehicles	6,844,874	-	6,844,874	6,844,874	-	6,844,874
Office equipment	562,806	-	562,806	367,864	-	367,864
Computer Equipment	1,658,152	-	1,658,152	1,099,761	-	1,099,761
Infrastructure	119,036,834	-	119,036,834	94,122,449	-	94,122,449
Community	667,350	-	667,350	667,350	-	667,350
Other property, plant and equipment	1,029,946	-	1,029,946	830,527	-	830,527
Total	**148,480,204**	**-**	**148,480,204**	**122,200,219**	**-**	**122,200,219**

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):

5. Property, plant and equipment Cont:

Additions	**Opening Balance**	**Additions**	**Total**
Land and buildings	12,383,277	-	12,383,277
Plant and machinery	3,858,556	25,850	3,884,406
Furniture and fixtures	2,025,561	386,998	2,412,559
Motor vehicles	6,844,874	-	6,844,874
Office equipment	367,864	194,942	562,806
Computer Equipment	1,099,761	558,391	1,658,152
Infrastructure	94,122,449	24,914,385	119,036,834
Community	667,350	-	667,350
Other property, plant and equipment	830,527	199,419	1,029,946
Total	**122,200,219**	**26,279,985**	**148,480,204**

Reconciliation property, plant and equipment 2009

	Opening Balance	**Additions**	**Total**
Land and buildings	11,496,098	887,179	12,383,277
Plant and machinery	3,091,012	767,544	3,858,556
Furniture and fixtures	1,712,883	312,678	2,025,561
Motor vehicles	4,075,287	2,769,587	6,844,874
Office equipment	325,259	42,605	367,864
IT Equipment	1,017,405	82,356	1,099,761
Infrastructure	61,802,016	32,320,433	94,122,449
Community	462,663	204,687	667,350
Other property, plant and equipment	733,190	97,337	830,527
Total	**84,715,813**	**37,484,406**	**122,200,219**

Pledged as security

Carrying value of assets pledged as security:

In terms of Directive 4 the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, Plant and

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):

5. Property, plant and equipment Cont:

Equipment. The Standard of GRAP on Property, Plant and Equipment was initially adopted on 1 July 2008

Due to the fact that the municipality has taken advantage of the transitional provision, property, plant and equipment were not recognised and measured in accordance with the Standards of GRAP on: Property, Plant and Equipment, the Presentation of Financial Statement, Effect of Changes in Foreign Exchange Transaction, Leases, Segment Reporting and Non-current Assets Held for Sale and Discontinued Operations.

Property, plant and equipment acquired prior to the date of initial adoption of the Standard of GRAP are measured at provisional amounts (Nil value) in line with Directive 4. Additions to property plant and equipment since the Standard of GRAP onProperty, Plant and Equipment was initially adopted are recognised at cost. No depreciation is recognised on these assets as all the related elements of the depreciation calculation could not be considered at year end.

During the financial year and exercise was performed to produce a GRAP compliant Movables Fixed Asset Register. For the current and prior financial year actual cost was include. Where assets prior to 1 July 2008 were identified and no cost could be determined, Discounted Gross Replacement cost (deemed cost) was used in line with Directive 4.

For the current financial year a project has been completed to produce an Immovable Fixed Asset Register, with nominal values. A detailed exercise will be undertaken in 2010/11 financial year to determine cost or deemed cost for these assets.

No measurement adjustments were made for Immovable Assets for the year ending 30 June 2010.

Assets subject to finance lease (Net carrying amount)

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

6. Intangible assets

	2010			2009		
	Cost / Valuation	Accumulated Amortization	Carrying Value	Cost / Valuation	Accumulated Amortization	Carrying Value
Computer software, other	236,159	-	236,159	-	-	-

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):
Reconciliation of intangible assets – 2010

	2010		
	Opening balance	Additions	Total
Computer software, other	-	236,159	236,159

7. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2010	**Loans and receivables**	**Total**
Trade and other receivables	32 172	32 172
Cash and cash equivalents	19 515 432	19 515 432
Consumer debtors	5 298 609	5 298 609
	24 846 213	**24 846 213**

2009

	Loans receivables	**Heldto maturity investments**	**Total**
Investments	-	331 236	331 236
Trade and other receivables	56 998	-	56 998
Cash and cash equivalents	7 399 173	-	7 399 173
Consumer debtors	13 404 481	-	13 404 481
	20 860 652	**331 236**	**21 191 888**

8. Retirement benefits

Defined benefit plan

The municipality has a defined benefit obligation in terms of Long Service Awards. The independent valuers, Price Waterhouse Coopers, carry out a statutory valuation on an annual basis, with regards to the Long service Award "LSA"

8. Retirement benefits

Details of the obligation relating to the long service award obligation are detailed below:

Movements for the year

Opening balance	2,076,000	1,923,000
Net expense recognized in the prior period adjustments	274,000	153,000
	2,076,000	**2,350,000**

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):

8. Retirement benefits (Cont:)

Net expense recognized in the prior periods adjustments

Current service cost	202,000	140,000
Interest cost	199,000	201,000
Actuarial (gains) losses	101,000	216,000
Benefits paid	(228,000)	(404,000)
	274,000	**153,000**

Key assumptions used

Assumptions used on last valuation on the 30 June 2010.

	2010	**2009**
Discount rates used	9.10%	9.20%
Expected increase in salaries	7.25%	7.10%

9.Investments

A fixed deposit was since cashed in the year under review.

Fixed deposit	-	331,236

10. Trade and other receivables from exchange transactions

Other receivables	32,172	_
Transactions fees	-	56,998
	32,172	**56,998**

Fair value of trade and other receivables

Trade and other receivables	32,172	56,998

Carrying amount of trade and other receivables is an approximation of
Carrying amount in terms of IFRS 7 paragraph 29

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):

10. Trade and other receivables from exchange transactions Cont:

Trade and other receivables past due but not impaired
Trade and other receivables which are less than 3 months past due are
Not considered to be impaired. At 30 June 2010, R 39 172 (**2009: R 56 998**) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	_	_
2 months past due	_	_
3 months past due	39,172	56,998

Trade and other receivables impaired

Trade and other receivables has not been impaired as of 30 June 2010,

11. VAT receivables

VAT	2,702,850	4,627,855

12. Consumer debtors

Gross balances	**2010**	**2009**
Rates	48,701,547	41,908,205
Refuse	16,046,001	10,759,453
Housing rental	7,857,132	6,312,602
Fire levy	3,615,788	3,670,626
	76,220,468	**62,650,886**
Less: Provision for debt impairment Rates	(43,662,373)	(29,292,292)

Refuse	(15,587,046)	(12,128,756)
Housing rental	(7,475,840)	(5,140,722)
Fire levy	(3,566,600)	(3,083,283)
	(70,291,859)	**(49,645,053)**
Net balance		
Rates	5,039,174	10,150,602
Refuse	458,955	1,494,656

Notes to the Annual Financial Statements for the year ended 30 June 2010

12. Consumer debtors (Conti):	**2010**	**2009**
Housing rental	381,292	1,171,880
Fire levy	49,188	587,343
	5,928,609	**13,404,481**
Rates		
Current (0-30 days)	564,198	8,092,094
31-60 days	839,133	1,032,291
61-90 days	799,016	1,026,215
91-120 days	794,749	1,001,978
121-365 days	802,455	1,003,241
>365 days	44,901,996	29,752,386
	48,701,547	**41,908,205**
Refuse		
Current (0-30 days)	269,174	512,499
31-60 days	236,678	435,539
61-90 days	228,405	546,617
91-120 days	227,238	536,903
121-365 days	15,084,506	534,909
>365 days	-	8,192,986
	16,046,001	**10,759,453**
Housing rental	**2010**	**2009**
Current (0-30 days)	253,689	806,106
31-60 days	130,626	183,200
61-90 days	149,169	182,574
91-120 days	224,540	372,619
121-365 days	139,043	180,933
>365 days	6,960,065	4,587,170
	7,857,132	**6,312,602**

Fire levy

Current (0-30 days)	235	196,339
31-60 days	233	195,779
61-90 days	-	195,226
91-120 days	-	195,118
121-365 days	-	195,475
>365 days	3,615,320	2,692,689
	3,615,788	**3,670,626**

Reconciliation of debt impairment provision		
Balance at the beginning of the year	(49,645,053)	(105,493,457)
Contributions to provision	(20,646,806)	-

Notes to the Annual Financial Statements for the ended 30 June 2010

12. Consumer debtors (continued)

Reversal of provision	-	55,848,404
	(70,291,859)	**(49,645,053)**

Fair value of consumer debtors

Consumer debtors	5,928,609	13,404,481

Carrying amount net of the provision is considered to be a fair approximation of the fair value of consumer debtors in terms of paragraph 29 of IFRS 7

Consumer debtors past due but not impaired

Past due and impaired	70,291,859	49,645,053
Contributions to provision	2,428,286	-
Reversal of provision	3,500,232	13,404,479
Consumer debtors impaired		

The amount of the provision was R 70 291 859 as of 30 June 2010
(2009: R 49 645 053)

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	3,080,380	379,928
Short-term deposits	16,435,052	7,019,245
Bank overdraft	2,715,236	5,753,720
	16,800,196	**1,645,453**
Current assets	19,515,432	7,399,173
Current liabilities	2,715,236	5,753,720
	16,800,196	**1,645,453**

Notes to the Annual Financial Statements for the year ended 30 June 2010

13. Cash and cash equivalents (Conti):

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30-Jun-10	30-Jun-09	30-Jun-08	30-Jun-10	30-Jun-09	30-Jun-08
Current Account (Primary bank account) Meeg Bank- Butterworth Branch: Account Number 40-5273-2025	1 716 842	523 659	(2 714 031)	(182 347)	(5 182 526)	(6 525 846)
Current Account/ Car registration and Licensing Account (611 8502 3789)	375 839	356 500	838 082	399 266	379 928	897 173
Primary Bank Account FNB- Current 622 4749 7872	1 693 112	-	-	2 682 612	-	-
Total	**3 785 793**	**880 159**	**(1 875 949)**	**2 899 531**	**(4 802 598)**	**(5 628 673)**

14 Finance Lease obligation

Minimum lease payment due		
-within one year	584,168	845,663
-in second to fifth year inclusive	1,489,191	2,529,664
	2,073,359	3,375,327
less : future finance charges	-	(682,923)
Present value of minimum lease payments	**2,073,359**	**2,692,404**

Present value of minimum lease payments due

-within one year	584,168	614,784
-in second to fifth year inclusive	1,489,191	2,077,620
	2,073,359	**2,692,404**
Non-current liabilities	1, 489,191	2,077,620
Current liabilities	584,168	614,784
	2,073,359	**2,692,404**

Meeg Bank: Tractors &Trailer's

Liability under finance lease agreement payable in monthly instalments of R 6 185 & R 2 814 over a period of 3 years at an interest rate of 2.5 % below prime per year. The lease is secured over the asset acquired.

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):

14. Finance Lease obligation(Cont)

Meeg Bank: Quantum & 2x Twin Cabs

Liability under finance lease agreement payable in monthly instalments of R 5 986 & R13 334 over a period of 5 years at an interest rate of 2.5 % below prime per year. The lease is secured over the asset acquired.

Toyota Finance: 8X Vehicles

Liability under finance lease agreement payable in monthly instalments of R 28 641 over a period of 6 years at an interest rate of 14.5 % per year linked at a current prime rate less 1 %. The lease is secured over the asset acquired.

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts		
Conditional grants from spheres of government	8 606 954	4,977,686
Other conditional grants	3 663 892	2,520,861
	12 270 846	**7,498,547**

These amounts are invested in a ring fenced investment until utilized.

16. Provisions

Reconciliation of provisions – 2010

	Opening balance	Addition	Closing Balance
Performance bonus		1 376 522	**1,376,522**

Landfill site:

The municipality operates landfill site in Butterworth, it is approximately at 5224 square meters. The municipality has no permit to operate the site but Municipality's intention will go out on tender in 2010/2011 to determine the actual provision of rehabilitation of the site and its closure.Landfill sites have been recognised at nominal values(Nil value) for the year ended 30 June 2010 in terms of Directive 4.

17. Trade and other payables from exchange transactions

	2010	**2009**
Trade payables	7 887 747	10 004 391
Other payables	5 596 572	-
Cape Joint Pension Fund (Refer to Note 47)	2 762 344	-
Accrued leave pay	6 199 345	5 497 682
Deposit received	-	107 712
	22 446 008	**15 609 785**

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):

18. Financial liabilities by category

2010			Financial Lisbilities at amortised	Total
Trade and other payables			19 683 663	19 683 663
Bank overdraft			2 715 236	2 715 236
Finance lease			2 073 259	2 073 259
			24 472 158	**24 472 158**

2009			Financial Lisbilities at amortised	Total
Trade and other payables			19 683 663	19 683 663
Bank overdraft			2 715 236	2 715 236
Finance lease			2 073 259	2 073 259
			24 472 158	**24 472 158**

19.Revenue

	2010	2009
Property rates	19,298,832	28,975,966
Service charges	2,722,802	3,881,535
Rental of facilities & equipment	2,220,540	2,977,348
Fines	989,573	976,135
Licences and permits	2,702,429	1,962,782
Government grants & subsidies	123,823,677	106,329,564
	151 757 771	**145 103 330**

19. Revenue(Cont)

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	2,722,802	3,881,535
Rental of facilities & equipment	2,220,540	2.977,348
Licences and permits	2.702,429	1,962,782
	7,645,771	**8,821,665**

The amount included in revenue arising from exchanges of goods or services are as follows:

Property Rates	19,298,832	28,975,966
Fines	989,573	976,135
Government Grants & Subsidies	123,823,677	106,329.564
	144,112,082	**136,281,665**

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):

20. Property rates

Rates received

Residential, Commercial and State	19 ,298,832	28,975,966

Valuations

Residential	406 852 900	1 592 359 612
Commercial	219 413 100	114 699 012
	626 266 000	**1 707 058 624**

Valuations on land and buildings are performed every five years. The last valuation came into effect on 1 July 2009. A general rate of R0.03 (2009: R0.02) is applied to property valuations to determine assessment rates.

Rebates of R 15000 are granted to residential and state property owners. Rates are levied on an annual basis on property owners.

21. Service Charges

Fire Levy	-	2 396 550

22. Government grants and subsidies

Equitable share	92 021 547	68 823 854
Other grants and subsidies	2 210 182	24 391 607
MIG Grant	28 404 701	31 294 722
MSIG	454 511	1 054 477
FMG	732 736	764 904
	123 823 677	**106 329 564**

Equitable share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent

MIG grant

	2010	2009
Balance unspent at beginning of the year	4 977 686	10 343 923
Current year receipts	31 243 104	26 719 349
Conditions met – transferred to revenue	(28 404 701)	(31 294 721)
Other grants	790 865	(790 865)
	8 606 954	**4 977 686**

Conditions still to be met – remain liabilities (see note 15)
This grant is used to fund capital infrastructure expenditure for the municipality to provide services.

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):

22. Government grants and subsidies (Cont.)

Other grants and subsidies

Balance unspent at beginning of the year	2 520 861	4 168 964
Current year receipts	37 363	6 210 988
Conditions met – transferred to revenue	(-)	(6 753 423)
Other grants	1 105 668	(790 865)
	3 663 862	**2 520 861**

Conditions still to be met – remain liabilities (see note 15)

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act,(Act No. 1 of 2007 & Gazette No 29763), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

23. Other revenue

Fees earned	615 057	451 124
Disposal of consumer deposits	-	317 227
Reversal of staff loan provisions	-	73 137
	615 057	**841 488**

The amount included in other revenue arising from exchanges of goods or services are as follows:

Disposal of consumer deposits	-	317,227
Reversal of staff loan provisions	-	73,137
	-	**390 364**

24. General expenses

General expenditure	6,893,006	5,778,305
Sundry expenditure	12,922,776	13,083,359
	19,815,782	**18,861,664**

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):

25. Employee related costs

Basic	39,016,529	36,436,753
Bonus	819,134	45,670
Medical aid - company contributions	2,537,172	1,782,331
UIF	335,762	375,646
Other payroll levies	405,325	424,972
Leave pay provision charge	1,304,185	809,769
Post-employment benefits - Pension - Defined contribution plan	9,225,549	5,293,924
Travel, motor car, accommodation, subsistence and other allowances	1,023,667	849,409
Overtime payments	661,824	630,341
Acting allowances	460,465	449,909
Car allowance	789,848	696,983
Housing benefits and allowances	141,419	192,423
Holiday Bonus	3,021,912	2,361,726
	59,742,791	**50,349,856**
Remuneration of municipal manager		
Annual Remuneration	685,607	644,160
Car Allowance	107,866	-
Performance Bonuses	210,240	100,904
Cell phone allowance	50,149	24,462
	1 053 862	**769 526**

Remuneration of chief finance officer

Annual Remuneration	339,241	317,345
Car Allowance	109,826	102,737
Performance Bonuses	118,000	-
Contributions to UIF, Medical and Pension Funds	133,568	124,946
Cell phone allowance	39,554	14,550
	740 189	559 578

Remuneration of Director Strategic Management

Annual Remuneration	358,913	335,747
Car Allowance	102,624	96,000
Performance Bonuses	96,469	-
Contributions to UIF, Medical and Pension Funds	103,321	96,652
Cellphone allowance	57,331	31,180
	718 658	**559 578**

Remuneration of Director Community Services

Annual Remuneration	541,259	506,323
Car Allowance	114,878	107,463
Performance Bonuses	129,400	-
Cellphone allowance	32,355	-
Computer allowance	-	7,815
	817 892	**621 601**

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):

25. Employee related costs(Cont.)

Remuneration of Legal Advisor

Annual Remuneration	340,258	318,299
Car Allowance	134,694	126,000
Contributions to UIF, Medical and Pension Funds	155,544	145,504
Cellphone allowance	24,000	24,000
Computer allowance	4,490	4,200
	658 986	**618 003**

Corporate and human resources (corporate services)

Annual Remuneration	547,439	512,104
Car Allowance	108,698	101,682
Performance Bonuses	125,000	-
Cell phone allowance	32,355	7,815
	813 492	**621 601**

Remuneration of Director Infrastructural Development

Annual Remuneration	598,189	559,578
Performance Bonuses	96,469	-
Cellphone allowance	24,000	-
	714 658	**559 578**

26.Remuneration of Councillors

Speaker	772,727	4,517,361
Councillors	13,581,356	9,432,471
	14 354 083	**13 949 832**

27.Debt impairment

Debts impaired	20,646,806	43,925,553

28.Investment revenue

Interest revenue		
Bank	1,398,025	1,323,644
Interest charged on trade and other receivables	999,584	1,122,437
	-	-
	2,397,609	**2,446,081**

29.Finance costs

Trade and other payables	1,625	255,274
Finance leases	321,701	-
Bank	325,412	489,259
	648,738	744,533

30.Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	2,220,540	2,977,348
Premises	-	-
Garages and parking	-	-
Facilities and equipment	**2,220,540**	**2,977,348**

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):

31.Bulk purchases

Electricity and paraffin	**3 056 977**	**2 456 986**

32.Cash generated from operations

Surplus	28,817,608	10,963,664
Adjustments for:		
Finance costs - Finance leases	321,701	-
Finance costs	-	744,533
Debt impairment	20,646,806	43,925,553
Movements in retirement benefit assets and liabilities	274,000	2,076,000
Movements in provisions	1,376,522	-
Changes in working capital:		

Inventories	-	302,822
Trade and other receivables from exchange transactions	24,826	1,112,661
Consumer debtors	(13,569,582)	(26,214,371)
Trade and other payables from exchange transactions	6,836,222	840,373
VAT	(1,983,285)	(719,565)
Unspent conditional grants and receipts	4,772,299	(5,154,796)
Consumer deposits	-	(317,227)
	47,517,117	**27 559 647**

33.Commitments

Authorised capital expenditure

Already contracted for but not provided for		
Infrastructure	27 320 708	28 445 366
Community	-	500 000
	27 320 708	28 945 366
Not yet contracted for and authorised by accounting officer		
Infrastructure	28 841 707	-
Community	11 518 803	-
	40 360 510	-

Commitments to be funded from government grants.

Operating leases - as lessee (expense)

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of three years and rentals are fixed and some are escalating at 10% yearly. No contingent rent is payable.

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):

34 Contingencies

LITIGATION AND CLAIMS-CONTIGENT LIABILITIES 30 JUNE 2010

case 291/04 N.H Skelenge vs. municipality claim for damages R100-000,00 frivolous litigation and court file has now disappeared. case 247/04 N.H Skelengevs. municipalityclaim for damages R100-00,00 - frivolous litigation and court file has now disappeared case 1882/08 Mimosa properties municipalities- claim for damages due to council awarding tender to someone else R 1,460,000.00 , claim against council for awarding tender to another tender.

case 667/07 N. Gxoyi vs. municipality- damage claim due to arrest by traffic, R 180,000.00 , arrested due to non-compliance to produce drivers licence after speeding through road robot case 1104/09 S.S Mangaliso vs. municipality, damage claim for wrongful arrears, R 230,000.00 arrested by traffic due to non-production of drivers licence after driving after driving through red robot.

35. Related parties

In the year under review, all Senior managers and Councillors declared their business interests. These businesses were compared to the operations during the year and no related party transactions were identified.

Key management information

Executive Mayor	Cllr M.W. Ntongana	
Mayoral Committee Member	Cllr N. Makabane	Portfolio Head: Budget and Treasury
Mayoral Committee Member	Cllr N. Mashiyi	Portfolio Head: Corporate Services
Mayoral Committee Member	Cllr M.C. Mpeluza	Portfolio Head: Community Services
Mayoral Committee Member	Cllr M.N. Zimba	Portfolio Head: Strategic Management
Mayoral Committee Member	Cllr B.W. Mampofu	Portfolio Head: Social Services
Mayoral Committee Member	Cllr N. Lwana	Portfolio Head: Special Programmes Unit
Mayoral Committee Member	Cllr L. Mpangele	Portfolio Head: Housing
Mayoral Committee Member	Cllr Z. Xhongwana	Portfolio Head: Water and Sanitation
Municipal Manager	Mr. N. Pakade	Municipal Manager

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):

36. Adjustments affecting Net assets

The correction of the error(s) results in adjustments as follows:

Accumulated surplus	
Reversal of depreciation	(628,727)
Post -retirement benefit	(2,076,000)
Rehabilitation provision adjustment	(2,322,500)
Write down of salary suspense accounts	(2,679,549)
Other adjustments	2,071,407

37. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes , , , 14, , cash and cash equivalents disclosed in note 13, and equity as disclosed in the statement of financial position.Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio. There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial risk management

Liquidity risk

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

Interest rate risk

At 30 June 2010, if interest rates on Rand-denominated borrowings had been 0.1% higher/lower with all other variables held constant, surplus for the year would have been R 20 733 (2009: R 26 924).

38. Going concern

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

39. Events after the reporting date

The Municipality is not aware of any matter or circumstance arising since the end of the financial year.

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):

40. Unauthorised expenditure

Unauthorised expenditure current year	-	21,395
Unauthorised expenditure awaiting authorisation	-	714,324
	-	735,719

Incident

R714 324 was pension monies transferred by Old Mutual to pay over to councillors that were serving in the council prior 2006 and it was paid without reflecting in the budget as an additional income

R 21 395 is for Skills Development vote that exceeded the budget without notifying as exhausted, this is a challenge within Sebata system in personnel votes not giving early warning signs when the vote are exhausted.

41. Fruitless and wasteful expenditure

Unauthorised expenditure awaiting authorisation	-	238,000
A & J - Midas: Incorrect VAT number	-	143
Interest on overdue accounts	1,624	255,174
Interest on overdraft	12,025	135,128
Interest on workman's compensation	148,948	248,747
	162 597	**877 192**

42. Irregular expenditure

Opening balance	-	-
Add: Irregular Expenditure - current year	-	-
Less: Amounts condoned	-	-
Less: Amounts recoverable (not condoned)	-	-
Less: Amounts not recoverable (not condoned)	-	-

The Municipality did not incur any irregular expenditure during the year.

43. Reconciliation between budget and prior period adjustments

Reconciliation of budget surplus/deficit with the surplus/deficit in the prior period adjustments:		
Net surplus per the prior period adjustments	**28,817,608**	**10,963,664**

44. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	375,456	-
Current year subscription / fee	1,325,008	1,024,000
Amount paid - current year	(732,902)	(648,544)
	967 562	**375 456**

PAYE and UIF

Current year payroll deductions	-	7,609,603
Amount paid - current year	-	(7,609,603)
	-	-

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):

44. Additional disclosure in terms of Municipal Finance Management Act(Cont)

The balance represents PAYE and UIF deducted from the June 2008 payroll. These amounts were paid during July 2008.

Pension and Medical Aid Deductions

Current year payroll deductions and Council Contributions	-	8,827,046
Amount paid - current year	(9,043,776)	(8,827,046)
	(9,043,776)	**-**

The balance represents pension and medical aid contributions deducted from employees in the June 2007 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2008.

VAT receivable	2,702,850	4,627,855
VAT payable	-	3,908,290
	2,702,850	8,536,145

VAT output payables and VAT input receivables are shown in note 10.

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

Councillors' arrear consumer accounts

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

30 June 2010	**Outstandig less ɿan 90 ays R**	**Outstanding more than 90 days R**	**Total R**
Councillor N. Miti-Dube	1	1	2

30 June 2009	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total R**
Councillor N.N Makhabane	41	443	484
Councillor Tyala .N	154	1,844	1,998
	195	**2,287**	**2,482**

Notes to the Annual financial Statements for the year ended 30 June 2010 (Cont):

45. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	-	2,692,402
Used to finance property, plant and equipment	-	(3,020,279)
	-	(327,877)

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. No cash has been set aside to ensure that long-term liabilities can be repaid on redemption date as the liability being paid on a monthly basis.

46. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.
Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.
Buses and gym equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

47. Retirement benefit information

Current obligation - Shortfall	2,762,344	-

All Employees belong to 4 defined benefit retirement funds administered by the Cape Joint Pension Fund, Cape Joint Retirement Fund, and National Fund for Municipal Workers and Samwu National Provided Fund.

All Councillors belong to 1 defined benefit retirement fund administered by the Municipal Councillors' Pension Fund.
All current contributions have been expensed for the year ended 30 June 2010.
Shortfall in annual Earnings of Cape Joint Pension Fund:
Since the financial year ended 30 June 2009 the Actuary of the Cape Joint Pension Fund reported that the fund had an actual return on investment of (0.94)%. In terms of rule 17(5) of the fund pertaining to the defined benefit, local authorities associated with the fund are required to make up any shortfall between actual return on investment and 5.5%. As a result the fund is in shortfall of R 195 960 725 of which Mnquma share is R 2 762 343.

APPENDIXES

APPENDIX A.

Budget vs. Actual for the year ended 30 June 2010

	BUDGET 2010	ACTUAL 2010	VARIANCE 2010
REVENUE			
Property Rates	21,844,680	19,298,832	2,545,848
Service Charges	3,143,136	2,722,802	420,334
Rental of facilities and equipment	2,070,393	2,220,540	- 150,147
Fines	1,326,446	989,573	336,873
Licenses and permits	2,982,190	2,702,429	279,761
Government grants and subsidies	138,794,020	123,823,677	14,970,343
Fees earned	451,124	615,057	- 163,933
Interest received on investments	-	2,397,609	- 2,397,609
			-
Total Revenue	**170,611,989**	**154,770,519**	**15,841,470**
EXPENDITURE			
Executive and Council	20,517,927	16,434,024	4,083,903
Municipal Manager	3,854,913	3,754,870	100,043
Budget and Treasury	61,036,599	54,856,270	6,180,329
Corporate Services	13,856,288	12,962,918	893,370
Infrastructure development and planning	35,383,786	10,905,812	24,477,974
Strategic Management	8,306,532	4,479,338	3,827,194
Community Services	18,245,548	22,559,679	- 4,314,131
Total Expenditure	**161,201,593**	**125,952,911**	**35,248,682**

APPENDIX B

Grants and Transfers Spending

		Amount received and spent each quarter									
		01 July -30 Sept 2009		01 Oct 2009 -31 Dec 2009		01 Jan 2010-31 Mar 2010		01 Apr 2010-31 June 2010		Total	
Grant Name	B/F amount	Rec.	Spent	Rec.	Spent	Rec.	Spent	Rec.	Spent	Rec.	Spent
MSIG	120	735,000	48,805	0	15,410	-	41,225	-	349,072	735,000	454,512
MIG	120	11,769,000	7,669,035	11,887,000	8,067,963	5,263,151	4,331,624	3,077,500	8,336,080	31,996,651	28,404,701
FMG		750,000	151,770		221,526	250,000	200,863		158,576	1,000,000	732,736

Meeting of Donors Requirements in Respect of Conditional Grants

Grants Received for the financial year were from the following sources :

Financial Management Grant

Municipal Systems Improvement Grant

Municipal Infrastructure Grant

Conditions on grants are summarised as follows and were met

All grants listed above which are to open separate bank account was done, preparation of monthly reconciliation and submit compliance reports to the funders have been done with success.

Long term Contracts

The Municipality has entered into long term contracts with the following service providers for the following reasons:

SERVICE PROVIDER	SERVICE	START DATE	END DATE
Eagle Ukhozi Transport	Plan Hire Services	11 December 2008	11 December 2011
Toyota Financial Services	Municipal Vehicles	01 December 2008	01 January 2014
Meeg Bank	Municipal Tractors and Trailers	01 May 2008	01 May 2011
Meeg Bank	Municipal Vehicle(lease)	01 January 2008	01 January 2013
ICT Choice	Computer Lease	01 July 2009	30 June 2011
First National Bank	Banking Services	03 August 2009	03 August 2014

Annual Performance 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	57 772 415	31 336 852	63%
2	Salary budget as a percentage of the total operational budget	79 618 611	79 618 611	100%
3	Total actual trade creditors as a percentage of total actual revenue		19 815 782	
4	Total municipal own revenue as a percentage of the total actual budget	45 260 703	19 682 087	43%
5	Rate of municipal consumer debt reduction	21 844 680	13 932 548	63%
6	Percentage of MIG budget appropriately spent	37 294 443	30 638 818	82%
7	Percentage of MSIG budget appropriately spent	735 000	454 512	62%

4.7 Auditor's Report Of The Auditor-General To The Eastern Cape Provincial Legislature And The Council On The Mnquma Municipality Report On The Financial Statements

Introduction

I have audited the accompanying financial statements of the Mnquma Municipality, which comprise the statement of financial position as at 30 June 2010, and 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 … to ….

Accounting officer's responsibility for the financial statements

The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Statements of Generally Recognised Accounting Practice (Statements of GRAP) and in the manner required by the Municipal Finance Management Act of South Africa, 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

As required by section 188 of the Constitution of South Africa and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for qualified opinion

Value-added tax (VAT) receivable

The municipality could not provide a reconciliation of the net VAT receivable of R2,7 million (2009: R4,6 million) as disclosed on the face of the statement of financial position. Queries noted by the South African Revenue Service indicated that input VAT of R1,2 million (2009: R0,7 million) did not meet the requirements of section 20(4) of the Value-Added Tax Act of South Africa, 1991 (Act No. 89 of 1991) and should not have been claimed. This was as a result of a lack of management control and oversight over the calculation of VAT. As the municipality's records did not permit the application of alternative procedures relating to the VAT receivable, I was unable to obtain sufficient appropriate audit evidence relating to the completeness, accuracy and valuation of the VAT receivable balance as disclosed in the statement of financial position.

Bank overdraft

The municipality could not provide a reconciliation of the bank overdraft of R2,7 million (2009: R5,7 million) as disclosed on the face of the statement of financial position. The municipality could not provide documentation, information or explanations to support transactions in the current and prior year to the amount of R2,5 million, as a result of incorrect processing that resulted in the general ledger balance not agreeing with the cash book by this amount. As the municipality's records did not permit the application of alternative procedures, I was unable to obtain sufficient appropriate audit evidence relating to the occurrence, accuracy and valuation of the bank overdraft balance as disclosed in the statement of financial position.

Corresponding figures

In the prior year my audit report contained a modification on a number of account balances and classes of transactions. Management processed entries and supplied evidence in order to correct these corresponding figures however no evidence could be obtained that the corresponding figures for revenue (R628 428), trade receivables (R148 725) and trade payables (R574 071) were corrected. As a result my opinion is again modified due to the comparability of these corresponding figures.

Qualified opinion

In my opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Mnquma Municipality for the year ended 30 June 2010 and its financial performance and its cash flows for the year then ended, are prepared in accordance with the statements of GRAP and in the manner required by the MFMA.

Emphasis of matter

I draw attention to the matter below. My opinion is not modified in respect of this matter:

Fruitless and wasteful expenditure

Fruitless and wasteful expenditure of R162 597 was identified by the municipality and adequately disclosed in the financial statements.

Additional matter

I draw attention to the matter below. My opinion is not modified in respect of this matter:

Unaudited supplementary schedules

The supplementary annexures set out on pages … to … do not form part of the financial statements and are presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

Report On Other Legal And Regulatory Requirements

In terms of the PAA and *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 section 45 of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA), and financial management (internal control).

Predetermined objectives

Material findings on the report on predetermined objectives, as set out on pages ..... to ....., are reported below:

Non-compliance with regulatory and reporting requirements

Content of the integrated development plan

The integrated development plan of the municipality did not include the disaster management plans, as required by section 26(g) of the MSA.

Prior year comparisons

The annual performance plan did not include a comparison with the prior year's performance and measures to improve performance, as required by section 46(1)(a) and (b) of the MSA.

Approval of the service delivery and budget implementation plan (SDBIP)

In terms of section 53(1)(c)(ii) of the MFMA, the municipality's SDBIP needs to be approved by the mayor within 28 days after the approval of the budget. No evidence could be obtained that this was done.

Usefulness of reported performance information

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 approved 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?

The following audit findings relate to the above criteria:

The municipality did not report throughout on its performance with regard to its targets as per the approved integrated development plan. Thirty-one objectives contained in the integrated development planwere not reported in the annual performance report.

For the infrastructure planning and development and the socio-economic and environmental programmes, 13 objectives were not specific in clearly identifying the nature and the required level of performance.

The reported performance information included in the annual report was not presented in a simple, accessible format, relevant and useful to the intended user, or in accordance with the requirements of Treasury Regulation 18 or 28.2, MFMA Circular 11 and the relevant guidance applicable to reporting for the financial year-end.

The availability of storm water backlogs planned performance indicator or measure was not clear, with an unambiguous definition to allow for data to be collected consistently.

Compliance with laws and regulations

Municipal Finance Management Act

- Expenditure was not paid within the parameters set by applicable legislation.The municipality did not pay creditors within 30 days as required by section 65(2)(e) of the MFMA.
- The internal audit unit was not properly established or not functioning properly.
- The municipality’s internal audit division did not fulfil all of its responsibilities as required by section 165(2) of the MFMA. The audit committee was not properly established or not functioning properly
- The audit committee did not dispense with all its duties as required by section 166(1) and (2)(a) of the MFMA.
- The financial statements were not prepared in accordance with applicable legislation
- The financial statements submitted for auditing did not comply with section 122(1) of the MFMA. Material misstatements were identified during the audit, of which some were corrected

by management. Those that were not corrected were included in the basis for qualified opinion paragraphs.

The accounting officer did not adhere to his statutory responsibilities

The accounting officer did not take all reasonable steps to ensure that the fruitless and wasteful expenditure incurred was prevented as required by section 62(1)(d) of the MFMA.

Compliance with other enabling legislation

Environment Conservation Act of South Africa, 1989 (Act No. 73 of 1989)
Section 20(1)(a) of the act states that "No person shall establish, provide or operate any disposal site without a permit issued by the Minister of Water Affairs and that the Minister may issue a permit subject to such conditions as he may deem fit." Permits were not issued for the municipality's landfill sites located in Butterworth.

Internal Control

I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the MFMA and the Division of Revenue Act of South Africa, 2009 (Act No. 12 of 2009) (DoRA), but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies regarding the basis for qualified opinion paragraphs, the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

- Leadership

  Management's philosophy was positive, but oversight responsibilities over reporting, compliance with laws and regulations and internal control were not exercised and the accounting officer did not evaluate whether management had implemented effective internal controls with regard to the preparation of the financial statements. Management created a positive and effective environment to ensure that the municipality was adequately staffed to enable the finance department to function effectively.

- Financial and performance management

  The financial statements and other information to be included in the annual report were not reviewed for completeness and accuracy prior to submission for auditing. Pertinent information was not identified in a form and time frame to support financial and performance reporting. An adequate working paper file was not prepared to support the financial statements in order for management to determine whether amounts and disclosures included in the financial statements were complete and accurate.

- Governance

  The internal audit division was not effective in performing its duties and responsibilities as it was understaffed. The annual internal audit plan did not cover important risks to the municipality's operations, such as procurement and predetermined objectives. The plan was also not completed during the year, as five planned audits were not conducted. These limitations affected the adequate discharge of the audit committee's duties during the year under review. Review of the minutes of audit committee meetings revealed limited interaction between the municipality and the audit committee on such matters.

  The audit committee did not exercise sufficient oversight over the implementation of the internal audit function, as the internal audit plan was approved late in the financial year and all planned audits were not completed. Furthermore, the internal audit division did not devote sufficient attention to high-risk areas of the municipality's operations. This contributed to the findings mentioned in the preceding paragraphs.

East London

30 November 2010

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

4.7 .1 Responses of the Management in the Audited Annual Financial Statements for the period Ending 30 June 2010

MNQUMA AUDIT ACTION PLAN FOR THE YEAR ENDED 30 JUNE 2010					
REFERENCE	**AUDIT FINDING**	**ROOT CAUSE**	**CORRECTIVE MEASURES**	**TIME FRAME**	**RESPONSIBLE OFFICIAL**
QUALIFICATION STATEMENTS					
VAT	1. Reconciliation of R2.7m (2009,R4.6m) 2. Queries of R1.2m (0.7m)raised by SARS are not attended to.	Adjustments from SARS have not yet been effected as per SARS correspondence as the municipality is still awaiting responses to their objections from SARS.	1. Terms of reference will be developed to appoint a service provider to assist with the reconciliation and clearing balances on vat . 2. Develop an action plan to deal with all invoices that were objected by SARS .Ensure that all invoices are vat compliant 3. Reconcile VAT on a monthly basis using information from the system and submit VAT 201. 4. Arrange a crèche	January –February 2011 March 2011 and Monthly	CFO

MNQUMA AUDIT ACTION PLAN FOR THE YEAR ENDED 30 JUNE 2010

REFERENCE	AUDIT FINDING	ROOT CAUSE	CORRECTIVE MEASURES	TIME FRAME	RESPONSIBLE OFFICIAL
			course from SARS to all BTO personnel that deals with vat issues.	Monthly December 2010	
Bank Overdraft	No bank reconciliation of R2.7m(2009;R5.7m)	• Challenges emanating from 2008 that were corrected in the system resulted on journals processed in the bank vote thus created a huge system challenges. • Cancelled transactions are still reflecting on the ledger. • 2006 transactions are still appearing in 2009/2010 financial year.	1. Engage services of sebata administrator to reconcile the vote and identify some problems encountered in the bank vote 2. Develop a report for the MM once cleared 3. Develop Monthly Reconciliation to suite AG standards 4. Include Bank overdraft finding on the terms of	December 2010 Once reconciliation are updated	CFO

MNQUMA AUDIT ACTION PLAN FOR THE YEAR ENDED 30 JUNE 2010					
REFERENCE	**AUDIT FINDING**	**ROOT CAUSE**	**CORRECTIVE MEASURES**	**TIME FRAME**	**RESPONSIBLE OFFICIAL**
			reference developed for reconciliation of vat so as to appoint service provider to assist on reconciliation.	Monthly February 2011	
Corresponding figures	No evidence obtained that the corresponding figures for revenue were corrected	Non-submission of documents supporting prior year figures	• Supporting Documents will be made available to auditors.	June 2011	CFO
EMPHASIS OF MATTER					
Fruitless and Waste Expenditure	R162 597 of fruitless and wasteful expenditure was identified	1. Outstanding accounts emanating from the thee then Butterworth Municipality which accrued some interest 2. Invoices that are on dispute that resulted on payments not paid on time 3. Interest on delayed	1. Ensure that all invoices are recorded in the register whenever are received and also they are stamped the date of capturing 2. Monthly	Monthly	CFO

MNQUMA AUDIT ACTION PLAN FOR THE YEAR ENDED 30 JUNE 2010					
REFERENCE	**AUDIT FINDING**	**ROOT CAUSE**	**CORRECTIVE MEASURES**	**TIME FRAME**	**RESPONSIBLE OFFICIAL**
		payments	reconciliation of all individual suppliers are performed monthly 3. Reconciliation of creditors control accounts are performed monthly 4. Reconciliation of orders to check validity is performed monthly		
ADDITIONAL MATTERS					
Unaudited Supplementary schedules	Annexures not provided with AFS and therefore not audited	This was an error when AFS were submitted	Ensure that AFS are submitted with all its requirements to the MM ,Audit Committee and finally to AG to ensure completeness and accuracy	August 2011	CFO

MNQUMA AUDIT ACTION PLAN FOR THE YEAR ENDED 30 JUNE 2010					
REFERENCE	**AUDIT FINDING**	**ROOT CAUSE**	**CORRECTIVE MEASURES**	**TIME FRAME**	**RESPONSIBLE OFFICIAL**
REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS					
Non-compliance with regulatory and reporting requirements (content of the IDP)	The IDP of the municipality did not include the disaster management plans, as required by Section 46(1)(a) and (b) of the MSA	The disaster management function is the responsibility of the district municipality in terms of powers and functions enshrined in the Constitution of the Republic, hence no disaster management plan in place	To request the ADM to provide the disaster management plan for the Mnquma Municipal area and include as one of the sector plans in the IDP	Jun-11	Mrs Boya
Prior year comparisons	The annual performance plan did not include a comparison with the prior year's performance and measures to improve performance, as required by Section 46(1)(a) and (b) of the MSA	Lack of capacity as to how best to include prior year's performances and measures in the annual performance plan	To request assistance from the Auditor General on how best the annual performance plan can be amended to comply with the requirements of the Act	Jun-11	Mrs Boya
Approval of Service Delivery and Budget Implementation Plan	In terms of Section 53(1)(c)(ii) of the MFMA, the municipality's SDBIP needs to be approved by the mayor within 28 days	Due to the absence (suspension) of the political office bearers, in particular the Executive Mayor, the targets could not be met with regard	To ensure that the SDBIP is approved by the Executive Mayor within 28 days after the	Jun-11	Mrs Boya

MNQUMA AUDIT ACTION PLAN FOR THE YEAR ENDED 30 JUNE 2010

REFERENCE	AUDIT FINDING	ROOT CAUSE	CORRECTIVE MEASURES	TIME FRAME	RESPONSIBLE OFFICIAL
	after the approval of the budget. No evidence could be obtained that this was done	to approval of the IDP, which affected the approval of the SDBIP	approval of the budget		
		Nothing from the legislation specifies that an SDBIP should be signed by a compiler, but this has been noted	To ensure that the compiler of the documents (SDBIP) signs the document to show that they are the compiler of the document	Jun-11	Mrs Boya
		Nothing from the legislation specifies that an SDBIP should be signed by a senior official, but this has been noted	To ensure that a senior official authenticates the document to show that they have reviewed the it (SDBIP)	Jun-11	Mrs Boya
Usefulness of reported performance information (Consistency, Relevance, Measurability)	The municipality did not report throughout on its performance with regard to its targets as per the approved integrated development plan.	There was a misalignment due to the review that was done, wherein objectives and strategies were amended, but this was not done on the strategic scorecard	To ensure that when reviews are done the strategic scorecard will also be re-visited so as to ensure alignment with the SDBIP	Jun-11	Mrs Boya

MNQUMA AUDIT ACTION PLAN FOR THE YEAR ENDED 30 JUNE 2010

REFERENCE	AUDIT FINDING	ROOT CAUSE	CORRECTIVE MEASURES	TIME FRAME	RESPONSIBLE OFFICIAL
	Thirty one (31) objectives contained in the integrated development plan were not reported in the annual performance report	Reporting was done on the amended service delivery and budget implementation plans, but there was no amendment or review of the targets set in the scorecard, which resulted in misalignment	To ensure that on review of the IDP, the strategies, objectives and targets set are reviewed together with the strategic scorecard of the municipality to ensure alignment and correct reporting on all targets set	Jun-11	Mrs Boya
Targets are not specific, measurable, well defined and time bound	For the infrastructural planning and development and the socio-economic development and environmental programmes, 13 objectives were not specific in clearly identifying the nature and the required level of performance	The SMART **(simple, measurable, attainable, realistic and time bound)** principle had not been applied in developing some of the objectives	When reviewing the IDP objectives and strategies, the SMART principle will be applied	Jun-11	Mrs Boya
	The reported performance information included in the annual report was not	The municipality tries to report on all aspects in the SDBIP or the strategic scorecard and as	To review the reporting template and compare with other municipalities	Jul-11	Mrs Boya

MNQUMA AUDIT ACTION PLAN FOR THE YEAR ENDED 30 JUNE 2010

REFERENCE	AUDIT FINDING	ROOT CAUSE	CORRECTIVE MEASURES	TIME FRAME	RESPONSIBLE OFFICIAL
	presented in a simple, accessible format, relevant and useful to the intended user, or in accordance with the requirements of Treasury Regulations 18 or 28.2, MFMA Circular 11 and the relevant guidance applicable to reporting for hte financial year end	a result might be providing scanty information in a complicated template	to ensure that information is presented in a simple, accessible format useful to the intended user		
	The availability of storm water backlogs planned performance indicator or measure was not clear, with an unambiguous definition to allow for data to be collected consistently	Lack of understanding of some aspects of performance planning	To arrange training on performance management for middle and senior management	July 2011-June 2012	Mrs Boya
	The Mnquma Municipality has not reported throughout on its performance with regard to its targets which is consistent with the	Concentration on the SDBIP as opposed to the strategic scorecard when reporting (when there is lack of alignment on the two documents) resulted in some	To ensure alignment of the service delivery and budget implementation plan with the strategic scorecard	Jun-11	Mrs Boya

MNQUMA AUDIT ACTION PLAN FOR THE YEAR ENDED 30 JUNE 2010					
REFERENCE	**AUDIT FINDING**	**ROOT CAUSE**	**CORRECTIVE MEASURES**	**TIME FRAME**	**RESPONSIBLE OFFICIAL**
	approved integrated development plan	information not being reported on			
COMPLIANCE WITH LAWS AND LEGISLATION					
Expenditure was not paid within the parameters set by applicable legislation	The Municipality did not pay creditors within 30 days as required by section 65(2)(e) of the MFMA	Internal controls were not enforced to ensure that all individual suppliers are reconciled monthly	Maintain Monthly creditors reconciliations Follow up on invoices on dispute	Monthly	CFO
The Internal Audit Unit was not properly established or not functioning properly	The Municipalities' internal audit did not fulfil all its responsibilities as required by section 165(2) MFMA				Internal Audit Manager
The audit committee was not properly established or not functioning properly	The audit committee did not dispense with all its duties as required by section 166(1)and (2)(a) of the MFMA				Internal Audit Manager
The AFS were not prepared in accordance with applicable legislation	AFS were not prepared according to section 122	Reconciliations that were not performed earlier that resulted	Reconcile the qualified amounts and report there	June 2011	CFO

MNQUMA AUDIT ACTION PLAN FOR THE YEAR ENDED 30 JUNE 2010

REFERENCE	AUDIT FINDING	ROOT CAUSE	CORRECTIVE MEASURES	TIME FRAME	RESPONSIBLE OFFICIAL
	(1) of the MFMA. Material misstatement were identified during the audit in the basis of qualified opinion	on qualification on the areas specified	of		
The accounting Officer did not adhere to his statutory responsibilities	The Accounting Officer did not take all reasonable steps to ensure that the fruitless and wasteful expenditure incurred was prevented as required by section 65(2) of the MFMA	Lack of proper Monitoring	AO will ensure that all payments are paid on time	June 2011	CFO
Environment Conversation Act of SA,1989(Act No.73 of 1989)	Section 20 (1)a of the act sates that no person shall operate any disposal site without a permit	The Municipality operated the site before the promulgation of the Act	The Municipality will source funds for the closure and rehabilitation of the waste site and move to the new site built by ADM	June 2012	CFO and Mr Mtalo

4.8 Arrears in Property Rates and Service Charges

SERVICE	Current (0-30 Days)	31-60 Days	61-90 Days	91-120 Days	121-365 Days	>365 Days	Total
Rates	564,198	839,133	799,016	794,749	802,455	44,901,996	48,701,547
Refuse Removal	269,174	236,678	228,405	227,238	15,084,506	0	16,046,001
Housing Rental	253,689	130,626	149,169	224,540	139,043	6,960,065	7,857,132
Fire Levy	235	233				3,615,320	3,615,788
Total	**1,087,296**	**1,206,670**	**1,176,590**	**1,246,527**	**16,026,004**	**55,477,381**	**76,220,468**

4.9 Anti-Corruption Strategy

Council adopted a Fraud & Corruption policy in December 2003 subsequent to that a plan was developed and adopted by council on the 23rd March 2010.The Municipality was in a process of establishing a committee that will ensure that an adopted plan is implemented. Currently customer service centre within the institution is handling whistle blowing on suspected corruption and fraud.

4.10 Audit Committee annual report 30 June 2010

Report on activities of the Audit Committee to Mnquma Local Municipality – 30 June 2010

4.10.1 Purpose

The Audit Committee is pleased to present its report for the 2009/10 financial year. The purpose of the report is to inform the Council of the Mnquma Local Municipality of the activities of the Audit Committee for the 2009/10 financial year.

4.10.2 Background

The Audit Committee was duly appointed by the Council of the Mnquma Local Municipality with effect from 2nd February 2009.

4.10.2 Audit Committee members and meetings

The committee consists of members listed hereunder and meets at least four (4) times per annum as per its approved terms of reference. During the current year three (3) meetings were held. There were numerous changes to the membership of the committee during the financial year; the details thereof are presented hereunder.

Name	No of meetings attended
Mr. D. Lefutso (Chairperson)**	**2**
Mr. L. Galada (Deputy Chairperson)***	**4**
Mr. P. R. Mnisi	**3**
Mr. H. Hoole*	**2**
Ms. T. Cumming****	**2**

*Mr. H. Hoole deceased on 18 April 2010

** Mr. D. Lefutso terminated his membership on 10 May 2010

*** Mr. L. Galada acted as Chairperson after the termination of Mr. Lefutso and was subsequently appointed as Chairperson on 20 July 2010

**** Ms. T. Cumming was appointed as a member of the committee on 01 April 2010.

The Audit Committee members were appointed to perform the responsibilities of the Performance Audit Committee on 07 January 2010.

4.10.3 Activities of the Audit Committee

Oversight Committee activities

The Audit Committee has participated in the activities of the Oversight Committee to consider the Annual Report of 2008/2009 financial year and the Annual Financial Statements of the municipality. A report was prepared to provide insight into these two documents. The report was well received by the Oversight Committee that dealt with 2008/2009 annual report on the 29 March2010 .

Audit Committee meetings

The Audit Committee meetings were held as reported above. The fourth meeting was convened but did not proceed to discuss Audit Committee business as potential service providers for the provision of internal audit services and mentoring of the internal audit unit were making presentations for evaluation. The Audit Committee provided technical advice on the suitability of potential service providers.

Other meetings held successfully considered and approved the following documents, subject to

Council's approval:

- Audit Committee Charter;
- Internal Audit Charter;
- Internal Audit Methodology;
- Internal Audit Plan;
- Annual Financial Statements;
- Risk Management Plan;
- Fraud prevention Plan;
- Annual Report; and
- Audit Action Plan.
- Leave Audit Report

An Audit Committee Annual Plan has been developed to ensure that sufficient number of meetings is held to consider all aspects of Audit Committee's responsibilities for the 2010/11 financial year.

Compiled By: ______________________

LOYISO GALADA

CHAIRPERSON OF THE AUDIT COMMITTEE

1.1 CHAPTER 5 :GOOD GORVENANCE AND PUBLIC PARTICIPATION- KPA 5

5.1 Overview of the Executive and Council Functions and Achievements

5.1.1 Functioning of the Mayoral (Executive) Committee

The Mnquma Local Municipality is a category B Municipality with an executive mayoral type and ward committee system. There is a full-time Executive Mayor with the powers outlined in the Local Government: Municipal Structures Act and those delegated by Council from time to time. The position of Council Speaker is full-time as well.

There are ten members of the Mayoral Committee. Of the ten member 6 portfolios are full-time and 4 portfolios are part-time. The financial year 2009/2010 began with the following members of the Mayoral Committee and the Speaker, until the 28 June 2010 – 2 days before the end of the financial year:

No	Initials & Surname	Portfolio	Full-Time / Part-Time
1	Cllr W M Ntongana	Executive Mayor	Full Time
2	Cllr GM Faniso	Council Speaker	Full Time
3	Cllr N Zimba	Strategic Management	Full Time
4	No incumbent	Infrastructural Planning & Development	No incumbent
5	Cllr C.K Mpeluza	Portfolio Head : Community Services	Full Time
6	Cllr N Makhabane	Budget and Treasury Office	Full Time
7	Cllr N Mashiyi	Corporate Services	Full Time
8	Cllr Mpeluza	Communications & Community Participation	Part Time
9	Cllr L Mpangele	Housing	Part Time
10	Cllr M Tyhala	Sector Departments / Chief Whip of Council	Part Time
11	Cllr Z Xhongwana	Water and Sanitation	Part Time
12	Cllr N Lwana	Special Programmes	Part Time
13	Cllr N B Mampofu	Social Needs	Part Time

The following is the tabulation of portfolios held by each member of the Mayoral Committee after the exit of the above members of the Mayoral Committee from the Council:

No	Initials & Surname	Porfolio	Full-time / Part-time
1	Cllr N.O. Dyantyi	Executive Mayor	Full Time
2	Cllr B.D. Dyan	Council Speaker	Full Time
3	Cllr N Dube	Strategic Management	Full Time
4	Cllr V Nowanga	Infrastructural Planning & Development / Chief Whip of Council	Full Time
5	Cllr Z Mlokothi	Community Services	Full Time
6	Cllr N Sibini	Budget & Treasury	Full Time
7	Cllr Z Lavisa	Corporate Services	Full Time

8	Cllr N Pikela	Communication & Community Participation	Part Time
9	Cllr V Qwabe	Housing	Part Time
10	Cllr W Makwethu	Water & Sanitation	Part Time
11	Cllr N P Buso	Special Programmes	Part Time
12	Cllr NB Mampofu	Social Needs	Part Time

5.1.2 The Mayoral Committee and the Standing Committees

(1) The Mayoral Committee

The Mayoral Committee is established in terms of Section 60 of the Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998) to assist the Executive Mayor in performing the functions allocated in terms of the law. Below is the tabulation of the Mayoral Committee Meeting planned during the financial year under review:

No of Meetings Planned	**No of Meetings that Sat**	**No of Meeting that did not Sit**
11	04	07
NB: The Executive Mayor and the Mayoral Committee Members were not in office from (suspended by their party) June 2009 to November 2009, hence the meetings planned could not sit. Meetings could only be re-scheduled after their return to office.		

(2) The Standing Committee

Standing Committee	**No of Meeting Planned**	**No of Meetings that Sat**	**No of Meetings that did not Sit**
Infrastructural Planning & Development	06	01	05
Community Services	06	02	04
Strategic Management	06	02	04
Budget & Treasury	08	03	05
Corporate Services	07	03	04
NB: The Executive Mayor and the Mayoral Committee Members were not in office from (suspended by their party) June 2009 to November 2009, hence the meetings planned could not sit. Meetings could only be re-scheduled after their return to office.			

5.1.3 Council Structures

Council established governance structures and/or committees to oversight over the Executive. These governance structures and/or committees are established in terms of Section 79 of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998).

Section 79 Committee	No of Meeting Planned	No of Meetings that Sat	No of Meetings that did not Sit
Rules Committee	04	01	03
Oversight Committee	03	03	00
Whips Committee	04	02	02
Ward Councillors' Forum	12	06	06

5.2 Public Participation and Consultation

The Municipality adopted policies and Strategies for public participation and communication.The policy and strategy make provision for the mechanisms for community participation within the Municipality.

The following mechanisms are some used for community participation and communication :

(a) Mayoral Imbizo's

There were at least four Imbizo's conducted during the financial year under review.

(b) IDP/Representative Forum

IDP/Budget representatives were held to enable participation of communities

(c) Customer Satisfaction Surveys

There were no customer satisfaction surveys conducted in the year under review, however council introduced electronic customer feedback devices from which we receive feedback from customers on the service we provide them. We receive monthly reports from those devices.

5.3 Ward Committees Establishment and Functionality

WARD	No of Meetings	WARD	No of Meetings	WARD	No of Meetings
1	5	11	1	21	4
2	4	12	0	23	0
3	5	13	12	24	1
4	9	14	0	25	0
5	13	15	0	26	0
6	10	16	1	27	7
7	3	17	0	28	2
8	6	18	18	29	0
9	3	19	2	30	3
10	10	20	3	31	1

5.4 Community Development Workers Performance

5.5.Communication Strategy

The Marketing, Communication and Branding Strategy has been developed in house and went through process of consultation internally and externally and it will be adopted in the next financial year. Good relationship was established between the Municipality and media houses to communicate matters that are in the best interest of the Mnquma Community.

Municipal Relations unit is under Strategic Management Directorate. The unit has the following incumbent:

Municipal Relations Manager

Communication Officer's x 2

Events Manager X 1

The unit is fully functioning as it able to provide the following:

- Monday slot at local radio(Khanya Community Radio),the slot is intended to share weekly diary with the community
- Internal newsletteris also generated monthly and placed in the Mnquma website www.mnquma.gov.za. The internal newsletter is shared with the internal staff and external customers all the activities for the Month and upcoming events for the following Month
- Quarterly newsletter is also generated and printed. This newsletter is sent to all surrounding towns and the purpose is to advise the Municipality and share some information.The unit is well capacitated with tools such as computers, cameras ,tape recorders etc.

5.6 Intergovernmental Relations

Four IGR Meetings were convened and chaired by the Executive Mayor. The meetings were set to discuss plans that can be incorporated in the Mnquma IDP but GovernmentDepartments tend to send representatives with sufficient information as a result it tends to be the waste to convene those meetings, The challenges were escalated to the level of the MEC which is being attended .Government Departments are also invited to Rap Forums so as partake by presenting the status quo on the projects that are implemented in Mnquma.

5.7 Legal Services

The municipality has established an in- house legal unit which is led by Advocate. The incumbent assist the Municipality in attending all legal matters and also assigns lawyers to represent the institution on matters that needs to be attended to.

In the year under review the following court cases were head and status quo is presented hereunder:

(a) Favourable Cases

CASE NAME	RECOVERY (YES/NO)	REASONS FOR NON RECOVERY
NH Skelenge vs Municipality plus others	Yes	Awaiting taxation
NH Skelenge vs Municipality others		
Lampads Inv. Vs Municipality		
Songe Constr. Vs Municipality		
Mengezeleli vs R Nil Municipality		
Municipality vs HN Skelenge		
Muncipality vs NH Skelenge		
Bikitsha vs R Nil Municipality		
Mtshongwana vs Municipality		
Municipaloty vs LVN Civils and Rinoma Construction		
Municipality vs Qusheka Constr		
Municipality vs Zenzele & Sons		
Municipaly vs R Nil A Gcali		
Langulabantu Construction vs Municipality		
Municipality vs T Tsengiwe		
N Nqevu vs Municipality		
Megaphase Trading vs Municipality		
Atlas Construction vs Municipality		
J Ndayi vs R Nil Municipality		
TL Tshaka vs R Nil Municipality		
Municipality vs 282 PHP illegal occupants		
Municipality vs R Nil occupants of Council Houses		
Municipality vs TKA Consulting		
F Vondovondo vs Municipality		
P Khubekeli R Nil vs Municipality		
Municipality vs Tebele and Asso.		
Nokuzola Finca R Nil + 11 others vs Municipality		
Mimosa Properties vs Municipality		
Uncedo Taxi R Nil Assoc. vs Municipality		
Municipality vs R Nil ANC, J Jordan and others		
Municipality vsR Nil Mec and security Company.		
Municipality vs r Nil Mec and 4 others		
Mimosa Property vs Municipality		
Municipality vs Mototo R Nil		
Pumeza Mapazi vs Municipality		
Ngenisile Gxoyi vs Municipality		
Municipality vs Bishop Limba		
S.S Mangaliso vs Municipality		
MEC. Vs R Nil 15 Councillors and Council		
MEC vs Municipality R Nil		
Municipality vs R Nil Lucas Skelenge		
N Voyi & 3 others R Nil vs Municipality		
Municipality vs Nikelo Buku-Bukwana		

CASE NAME	RECOVERY (YES/NO)	REASONS FOR NON RECOVERY
Maqhawe Construction vs Imitha Yelanga consulting and municipality		
Investorex cc vs Municipal		
Bongani Gqubela and two others vs Municipality Matoti Mphahlwa		
B Mndende vs R Nil J Mbewu		
State vs Matoti and R Nil Mpahlwa		
Municipality vs Mengezeleli		

(b)

Case Name	Compliance with judgment (Yes/no)	Reasons for non-compliance with judgment
n/a	None	n/a

(c) Age Analysis of Cases

Case Name	Nature of the case	Date of commencement	Cases of 2 years or below	Cases beyond 2 years	Reasons for extensive duration
NH Skelenge vs Municipality plus others	Damages claim	01/01/2005		X	Civil litigation
NH Skelenge vs Municipality others	Damages claim	01/01/2005		X	Civil litigation
Lampads Inv. Vs Municipality	Determining ownership of land	01/01/2005		X	Civil litigation
Songe Constr. Vs Municipality	Money owing for service rendered	18/08/2005		X	Civil litigation
Mengezeleli vs R Nil Municipality	Re-instatement as official	03/04/2006		X	Civil litigation
Municipality vs HN Skelenge	Return of council property	03/04/2006		X	Civil litigation
Muncipality vs NH Skelenge	Eviction from Council House	20/09/2006		X	Civil litigation
Bikitsha vs R Nil Municipality	Sale of house	20/09/2006		X	Civil litigation
Mtshongwana vs Municipality	Money deducted from salary of an official	18/10/2006		X	Civil litigation
Municipaloty vs LVN Civils and Rinoma Construction	Damages claim for road not built	23/11/2006		X	Civil litigation
Municipality vs Qusheka Constr	Damages claim for bridge not build	23/11/2006		X	Civil litigation
Municipality vs Zenzele & Sons	Damages for road not built	23/11/2006		X	Civil litigation
Municipaly vs R Nil A Gcali	Eviction from council home	19/03/2007		X	Civil litigation
Langulabantu Construction vs Municipality	Damages for road not built	04/04/2007		X	Civil litigation
Municipality vs T Tsengiwe	Eviction from council	02/05/200		X	Civil

Case Name	Nature of the case	Date of commence ment	Cases of 2 years or below	Cases beyon d 2 years	Reasons for extensive duration
	house	7			litigation
N Nqevu vs Municipality	Transfer of municipal house	16/07/200 7		X	Civil litigation
Megaphase Trading vs Municipality	Unsuccessful tender	21/08/2007		X	Civil litigation
Atlas Construction vs Municipality	Non-payment of services renders	05/09/2007		X	Civil litigation
J Ndayi vs R Nil Municipality	Money deducted from official's salary	21/04/2007		X	Civil litigation
TL Tshaka vs R Nil Municipality	Claim to be appointed to higher position	21/04/2007		X	Civil litigation
Municipality vs 282 PHP illegal occupants	Eviction from low cost housing illegally occupants	17/07/2007		X	Civil litigation
Municipality vs R Nil occupants of Council Houses	Eviction from council houses	23/07/2007		X	Civil litigation
Municipality vs TKA Consulting	Damage claim for money collected but not paid over to council	15/03/2005		X	Civil litigation
F Vondovondo vs Municipality	Claim for payment of housing subsidies	22/07/2005		X	Civil litigation
P Khubekeli R Nil vs Municipality	Labour court application for re-instatement	12/06/2006		X	Civil litigation
Municipality vs Tebele and Asso.	Damages for Road paid and not built	04/07/2007		X	Civil litigation
Nokuzola Finca R Nil + 11 others vs Municipality	Labour court application for re-instatement	12/10/2006		X	Civil litigation
Municipality vs S Mengezeleli	Fraud	2006		X	Civil litigation
Municipality vs B Rosi	Fraud	2006		X	Civil litigation
Mimosa Properties vs Municipality	Tender unsuccessful	05/12/2008	X		
Uncedo Taxi R Nil Assoc. vs Municipality	Removal of taxi's from prohibited area	21/11/2008	X		
Municipality vs R Nil ANC, J Jordaan and others	Interdict to prevent community to disrupt council	21/01/2009	X		
Municipality vsR Nil Mec and security Company.	Removal of security company on failed attempt by the MEC to dissolve council	19/02/2009	X		
Municipality vs r Nil Mec and 4 others	Failed application to dissolve Municipal Council by MEC	16/04/2009	X		
Mimosa Property vs Municipality	Payment for services render	06/03/2009	X		
Municipality vs Mototo R Nil	Demolishing of illegal structure	06/04/2009	X		
Pumeza Mapazi vs Municipality	Claim for unlawful deduction of money from employee's salary	08/01/2009	X		
Ngenisile Gxoyi vs Municipality	Damages claim for unlawful arrest	13/05/2009	X		
Municipality vs Bishop Limba	Eviction and removal of		X		

Case Name	Nature of the case	Date of commence ment	Cases of 2 years or below	Cases beyon d 2 years	Reasons for extensive duration
	illegal structure				
S.S Mangaliso vs Municipality	Damages claim for unlawful arrest.	03/08/2008	X		
MEC. Vs R Nil 15 Councillors and Council	MEC interdict to prevent councilors from participating in council		X		
MEC vs Municipality R Nil	MEC interdict not to recognize councilors as councilors of the Municipality	07/08/2009	X		
Municipality vs R Nil Lucas Skelenge	Eviction from council's flat	23/06/2008	X		
N Voyi & 3 others R Nil vs Municipality	Eviction of informal traders in CBO	12/08/2009	X		
Municipality vs Nikelo Buku-Bukwana	Removal of illegal structures on council's land	02/10/2009	X		
Maqhawe Construction vs Imitha Yelanga const and municipality	Damages claim by sub-contractor against contractor	13/10/2009	X		
Investorex cc vs. Municipal	Damages claim for road not built but paid	02/12/2009	X		
Bongani Gqubela and two others vs Municipality Matoti Mphahlwa	Damages claim for unlawful arrest	21/06/2010	X		
B Mndende vs R Nil J Mbewu	Eviction from council house	02/06/2008	X		
State vs Matoti and R Nil Mpahlwa	Unlawful arrest	15/02/2010	X		

2 PART 3 FUNCTIONAL AREA REPORTING

1. GENERAL INFORMATION

Overview of the Municipality

Mnquma Local Municipality is located in the South Eastern part of the Eastern Cape Province. This category B municipality falls under the jurisdiction of the Amathole District Municipality (ADM) and comprises of an amalgamation of the former Butterworth, Ngqamakhwe and Centane TRC's. Mnquma Municipality shares borders with three other local municipalities i.e. Mbhashe, Intsika Yethu and Great Kei Municipalities. This also includes a number of previously administered rural areas. It is approximately 32, 995, 240 square kilometres and consists of 31 wards.

In the year under review the Municipality has set strategies and Objectives that sets the tone for the year which are as follows:

Socio-Economic Development Cluster			
Priority Area	**Objective**	**Strategy**	**Strategy Number**
Fire Fighting Services.	Facilitate provision of fire services within a reasonable distance of at least 30 km from each centre by 2012.	Facilitate establishment of Satellite stations at Ngqamakhwe, as the one in Centane is under construction.	STR 10/11-1
Disaster Management.	To facilitate and coordinate the effective dealings with Disasters that occur within Mnquma area by 2012.	To solicit installation of relevant technology to detect Disasters.	STR 10/11-2
		To continuously engage communities on awareness campaigns.	STR 10/11-3
Education.	To facilitate construction of fully equipped schools within the municipal area by 2017.	To lobby relevant department to reduce infrastructural backlog by at least four schools per annum.	STR 10/11-4
	To facilitate the improvement of the quality of learning and teaching by 2012.	To commission a study pertaining to the functionality of education within the Mnquma jurisdiction.	STR 10/11-5
Health Facilities and HIV/AIDS.	Ensure provision of Primary Health Care services within a reasonable walking distance by at least 5km by 2014 (in line with National targets).	To facilitate the construction of health service centres/clinics to all wards.	STR 10/11-6
	Ensure availability of medicinal drugs to all health centres by 2012.	To facilitate the increase rate of implementation of awareness, prevention, treatment, care and support programmes.	STR 10/11-7
		To facilitate provision of access roads to health facilities in line with the IDP.	STR 10/11-8
	Ensure reduction of HIV and AIDS by 30% by 2012.	To intensify educational awareness campaigns and enhance support to	STR 10/11-9

Socio-Economic Development Cluster			
Priority Area	**Objective**	**Strategy**	**Strategy Number**
		NGO's.	
	To improve children's health and reduce child death percentage by 2015.	To facilitate 100% immunisation coverage by 2011.	STR 10/11-10
	To improve the performance of the Public Health System by 2014.	To facilitate the functioning of all health centres within the Mnquma area.	STR 10/11-11
Safety and Security.	To facilitate and contribute in the reduction of crime rate by at least 40 % by 2012.	To continuously engage police to improve provision of services.	STR 10/11-12
		To strengthen and Community Safety within our jurisdiction.	STR 10/11-13
		To facilitate the improvement of street lights with the relevant Directorate.	STR 10/11-14
	To decrease the rate of traffic offences by 50% by 2012.	To facilitate the provision of satellite police stations to affected areas.	STR 10/11-15
		Improve the visibility of traffic officers.	STR 10/11-16
		Improve education and awareness on traffic safety.	STR 10/11-17
	To ensure the reduction rate of stray animal related accidents.	Establishment and construction of pound.	STR 10/11-18
		To facilitate the fencing of N2 Road by relevant departments.	STR 10/11-19
Solid Waste Management.	To improve the solid waste management in the entire municipal area by 50 % by 2012.	To solicit funding for the purchase of equipment.	STR 10/11-20
		To establish co-operatives as implementing agencies.	STR 10/11-21
		To facilitate capacity building for recyclers.	STR 10/11-22
	To improve solid waste disposal in all units by 50% by 2012.	To facilitate the construction of transfer station.	STR 10/11-23
		Implement a localized Integrated Waste Management Plan.	STR 10/11-24
Environmental Management.	Improve cemeteries to national required standards by 2012.	To undertake feasibility study and environmental assessment.	STR 10/11-25
	To ensure a Safe and healthy environment by	Identify and establish cemeteries in all villages by 2014.	STR 10/11-26

Socio-Economic Development Cluster			
Priority Area	**Objective**	**Strategy**	**Strategy Number**
	providing suitable structures for animal burial by year 2014.	Implementation of relevant by-laws.	STR 10/11-27
		Implementation of cemetery maintenance plan.	STR 10/11-28
	To ensure compliance with the national environmental regulation/Act.	To develop marine strategy.	STR 10/11-29
		Implementation of coastal management strategy.	STR 10/11-30
		To develop environmental management systems.	STR 10/11-31
		Implementation of open space management plan.	STR 10/11-32
Public Amenities.	To facilitate the development of sports and recreational facilities in Mnquma by (2017).	Solicit funding and Development of credible business plans.	STR 10/11-33
		Facilitate development and implementation management and maintenance programme for sports facilities (Capital projects).	STR 10/11-34
	Identify land and develop parks and recreational facilities within the CBD areas.	Ensure rezoning of land identified within CBD areas.	STR 10/11-35
	To facilitate improvement to library services by 2012.	Engage DSRAC for development of a Satellite library in Centane.	STR 10/11-36
Economic Growth.	To ensure a properly coordinated rural and urban development.	Operationalization of the Master Plan and agricultural strategy.	STR 10/11-37
	To create sustainable economic development.	To implement LED strategy.	STR 10/11-38
		To establish a local Economic Development Agency by 2012.	STR 10/11-39
	Open up fishing market by 2012.	Facilitate development of fishing infrastructure.	STR 10/11-40
		Identify support needs and build capacity in co-operation with fishing forum by 2011.	STR 10/11-41

Socio-Economic Development Cluster			
Priority Area	**Objective**	**Strategy**	**Strategy Number**
		To facilitate feasibility study towards the establishment of Aqua and Marine culture by 2011.	STR 10/11-42
	To increase the level of support to SMME's by 2012.	To develop draft SMME strategy by 2011.	STR 10/11-43
		To facilitate the establishment of Mnquma Chamber of Commerce.	STR 10/11-44
		Conduct research on the expansion of retail and manufacturing potential.	STR 10/11-45
		Strengthen and enhance operations of co-ops and other entities.	STR 10/11-46
	Revitalize and commercialize the agricultural sector, by 2012.	Implementation of Agricultural strategy.	STR 10/11-47
		Strengthen and enhance the operation of the Agricultural Sector.	STR 10/11-48
	To regulate and optimize economic beneficiation through forestry by June 2012.	Facilitate regulation of forestry activities.	STR 10/11-49
		Facilitate the development of new forests plantations.	STR 10/11-50
	Revitalize tourism and heritage by 2012.	Develop and implement a Tourism Cluster Plan by June 2011.	STR 10/11-51
		Establish new tourism niches using existing under- utilized assets.	STR 10/11-52

Infrastructure Development and Service delivery Cluster

Infrastructure Development and Service Delivery Cluster Objective and Strategies			
Priority Area	**Objective**	**Strategy**	**Strategy number**
Roads & Transport.	To ensure adequate transportation system for the efficient movement of goods and people by 2012.	Integration between Mnquma LM and Amathole DM regarding implementation of Integrated Transport Plan.	STR 10/11-53
		To facilitate the construction of N-2 bypass.	STR 10/11-54
		To develop Infrastructural Investment Plan by 2011.	STR 10/11-55

Infrastructure Development and Service Delivery Cluster Objective and Strategies			
Priority Area	**Objective**	**Strategy**	**Strategy number**
		To develop a Roads Maintenance Plan and facilitate development of the sector Departments plans by 2011.	STR 10/11-56
Project Management.	To improve management of capital projects by 2014.	To solicit funds for the implementation of capital projects.	STR 10/11-57
Refuse Removal and Waste Collection.	To Provide adequate infrastructure for solid waste disposal by 2012.	To facilitate the construction of transfer stations through the ADM.	STR 10/11-58
Electrification.	To facilitate increase of households with energy access to 100% by 2014.	Facilitate provision of 100% grid electricity through ESKOM and Department of Energy (DoE).	STR 10/11-59
		Facilitate provision of alternative energy through DoE.	STR 10/11-60
	To provide and improve lighting in all identified urban areas by 2014.	Development of electrical operational and maintenance plan by 2011.	STR 10/11-61
		To implement the construction of high mast and streets lights.	STR 10/11-62
Telecommunication.	Facilitate increase of households with access to cellular network coverage through co-operation with Telkom and other service providers to 100% by 2014.	Strengthening the cooperation with the relevant service providers through the signing of the MOU.	STR 10/11-63
Water.	To facilitate the provision of adequate, portable water to all by 2014.	To facilitate implementation of provision of the water services.	STR 10/11-64
		To facilitate operation and maintenance of the existing schemes.	STR 10/11-65
Sanitation.	To facilitate provision of adequate Sanitation to all by 2014.	To facilitate implementation of provision of the Sanitation services.	STR 10/11-66
		To facilitate operation and maintenance of the existing facilities.	STR 10/11-67
Housing.	Facilitate increased household access to appropriate and sustainable human settlements by 2014.	To annually review and implement Housing Sector Plan.	STR 10/11-68
		To facilitate acquisition of land by engaging relevant agencies.	STR 10/11-69
Fencing.	To reduce the number of road accidents caused by stray animals on high	To facilitate provision and maintenance of the fencing infrastructure in consultation with the relevant sector departments.	STR 10/11-70

Infrastructure Development and Service Delivery Cluster Objective and Strategies			
Priority Area	**Objective**	**Strategy**	**Strategy number**
	mobility roads in the municipal area by 90% in 2014.	To facilitate employment of rangers to secure installed fencing through the Department of Transport (DoT).	STR 10/11-71
Land Use Management.	To facilitate the development of land in a sustainable manner by 2014.	To facilitate implementation of area based planning.	STR 10/11-72
		To ensure that the existing municipal Land Administration Committee is fully functional.	STR 10/11-73
	To acquire land for development by 2014.	Political engagement of the traditional authorities.	STR 10/11-74
		Facilitate the engagement of Dept of Rural Development, ECDC and relevant agencies to acquire land for development.	STR 10/11-75
Building Control.	To ensure efficient building control management through by-laws and relevant Acts by 2014.	Develop and implement a comprehensive plan to address existing backlogs in building control function.	STR 10/11-76
		Facilitate the maitanance ofmunicipal properties.	STR 10/11-77
	To ensure coordinated control of outdoor advertisement by 2012.	Enforcement of the developed Outdoor Advertisement By Law.	STR 10/11-78

Good Governance and Public Participation Cluster

Good Governance and Public Participation Cluster Objectives and Strategies			
Priority Area	**Objectives**	**Strategies**	**Strategy Number**
Municipal Planning.	To ensure a developmentally-oriented planning by 2012.	Introduce and implement community based planning.	STR 10/11-78
		Review IDP in line with legislative requirements.	STR 10/11-79
		Develop knowledge base and improve research capacity.	STR 10/11-80
Municipal Governance.	To have an improved system of municipal governance in line with applicable legislation by 2012.	Develop and implement municipal policies, procedures, strategies and bylaws.	STR 10/11-81
		Compliance with legislation and reporting.	STR 10/11-82

Good Governance and Public Participation Cluster Objectives and Strategies			
Priority Area	**Objectives**	**Strategies**	**Strategy Number**
		Provide legal support and advice to council and administration.	STR 10/11-83
		Implement, monitor and evaluate municipal performance.	STR 10/11-84
Stakeholder Participation.	To maximise participation of citizens in the municipal affairs by 2012.	Ensure a fully functional ward committee and community development work system.	STR10/11-85
		Intensify inter-governmental relations.	STR10/11-86
		Intensify working relations with all stakeholders of the municipality.	STR10/11-87
		Coordinate and facilitate special programmes in an effective and efficient manner.	STR10/11-88
Communication.	To ensure fully functional systems of internal and external communication by 2012.	Intensify municipal branding, and public relations through innovative communication and marketing initiatives.	STR10/11-89
Operation Clean Audit.	To ensure that the Municipality receives a Clean Audit by 2014.	Establish and ensure functioning of structures towards realization of a clean audit by the Municipality.	STR 10/11-90

Municipal Transformation, Institutional Development and Financial Viability Cluster

MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT			
Priority Area	**Objectives**	**Strategies**	**Strategy Number**
Municipal Revenue.	Increase the institutions budget and/or Revenue enhancement by 20% by 2012.	Broadening of revenue base.	STR 10/11-91
		Leverage of local, provincial, national and international resources.	STR 10/11-92
		Safeguarding of assets.	STR 10/11-93
		To ensure that the SCM responds to National and Local aspirations.	STR 10/11-94
		Monitor production and generation of income.	STR 10/11-95
		Impounding of vehicles.	STR 10/11-96
	Ensure efficient and effective co-ordination of special programmes.	Improve the facilitation of special programmes.	STR 10/11-97

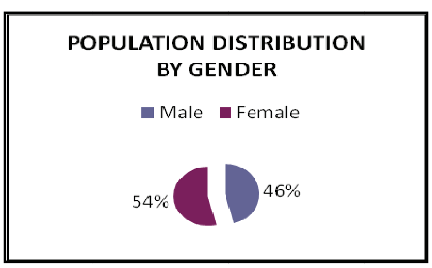
MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT			
Priority Area	**Objectives**	**Strategies**	**Strategy Number**
Municipal Administration.	Ensure a fully functional, responsible, accountable and responsive administration by 2012.	Improve ICT infrastructure, effective and efficiency of information and communication technology services.	STR 10/11-98
		Intensify customer and community service excellence, professionalism, protocol and etiquette.	STR 10/11-99
		Improve council processes and systems.	STR 10/11-100
		Optimization and capacitating of resources i.e. systems and personnel.	STR 10/11-101
		Review the organogram in line with the strategic objectives of the municipality and the powers and functions of the municipality.	STR 10/11-102
		Implement the employee wellness and safety strategy.	STR 10/11-103
		Establish strategic partnerships for service delivery.	STR 10/11-104
Office Space Provisioning	Provide centralized, adequate and fully resourced municipal offices by 2012.	Source funding from national and international funding sources	STR 10/11-105
		Effectively utilize information and communication resources to improve municipal performance	STR 10/11-106

Geographical Information

(1) Population Size and Distribution

Mnquma Local Municipality has a total population of approximately 297 663 people, 99% of which are Xhosa speaking African. The remaining 1% of the population includes English, Afrikaans, Zulu, and Sesotho speaking people. The municipality comprises of 54% female and 46% male of the total population and consists of approximately 75410 households.

Figure 1: Population Distribution

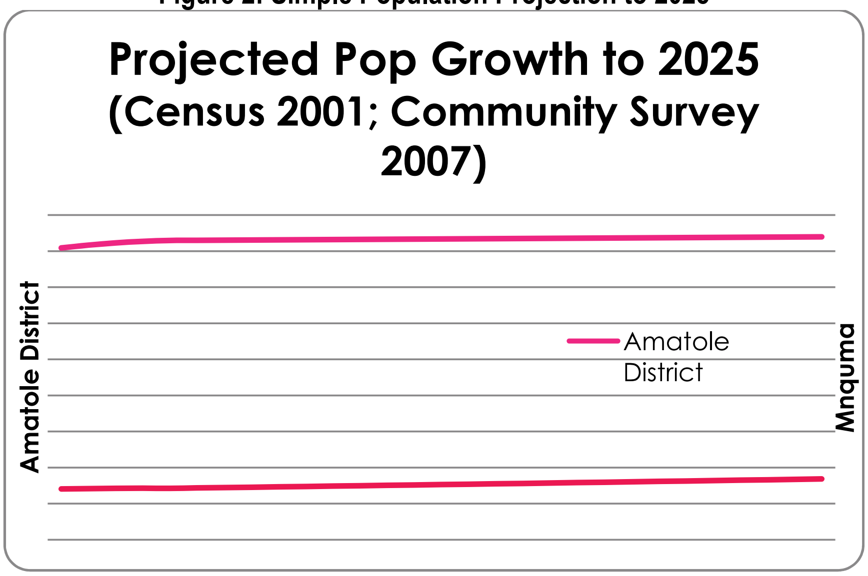


Derived from Community Survey 2007- Stats SA

Based on a growth in population from 285,365 in 2001 to 297,663 in 2007 a simple indicative population projection shows what the total population might look like into the future. This shows a total maximum population increase of 39,809 people to 337,371 by 2025.

However, because of the impact of HIV AIDS, as well as other factors impacting on fertility such as improved levels of education, the rate of population growth is slowing which means that the future population totals will be lower than those contained in this projection.

Figure 2: Simple Population Projection to 2025



Source: Silimela Development Services adapting Stats SA statistics and projecting the average annual rate of population change between 2001-2007 into the future.

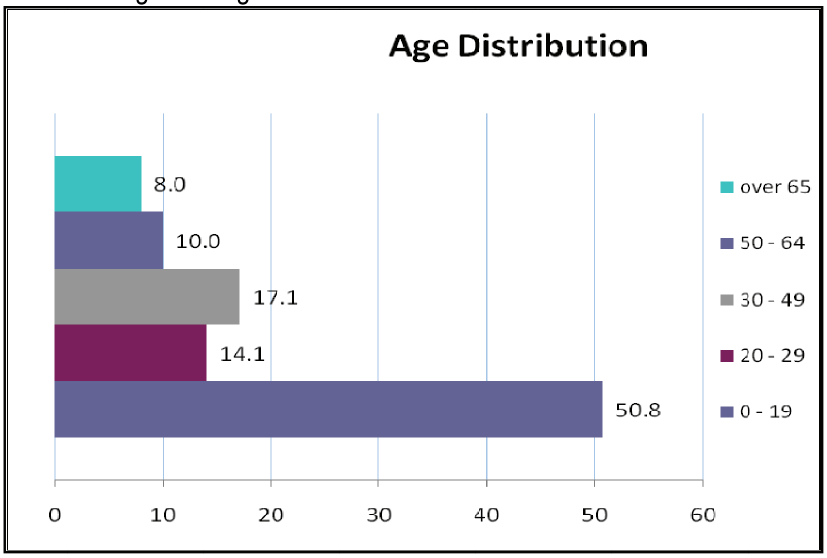
Table 1: Projected forward at annual average % of population change

Census 2001	Community Survey 2007	Projected Forward at Annual Average % Change between 2001-2007		
2001	**2007**	**2014**	**2019**	**2025**
285365	297562	312452	323542	337371

(2) Age Distribution

A study of the age distribution revealed that the bulk of the population, approximately 50.8%, is children (0-19 years). About 8% falls within the pension group (over 65years), whilst 41.2% is economically active (20-64 year). This indicates that there is a high dependency ratio, as 59% of the population depends only on 41% workforce in the municipality (See Figure 4). There is therefore a desperate need for the municipality to develop youth development programmes.

Figure 2: Age Distribution

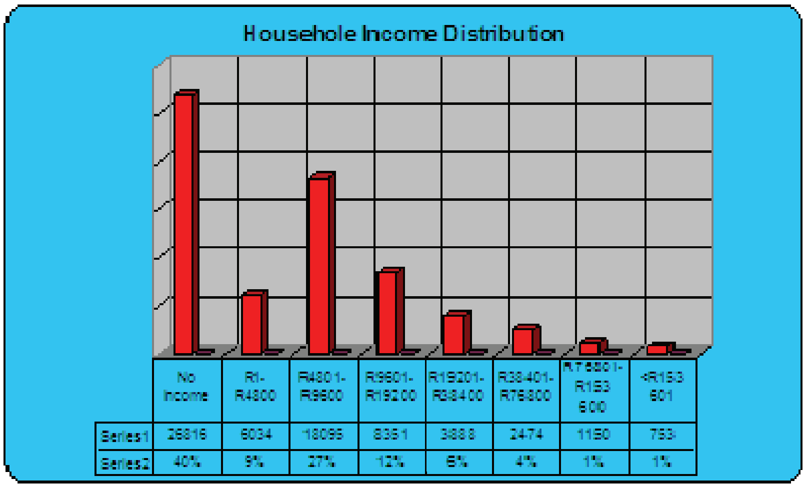


Derived from Community Survey 2007 - Stats SA

(3) Annual Monthly Household Income Profile

Figure 5 below demonstrates destitute households with high levels of unemployment and a community in dire need of various source of income. About 40% of the households in the municipality have no income and approximately 27% with income less than R1600 per month. This means that approximately 40% of households in the local community need subsidy arrangements for survival and thus are unable to pay for services. This therefore has huge implications on the municipality's financial status in that they cannot rely on residential cross subsidisation for revenue.

Figure 3: Annual Household Income Household Income Distribution

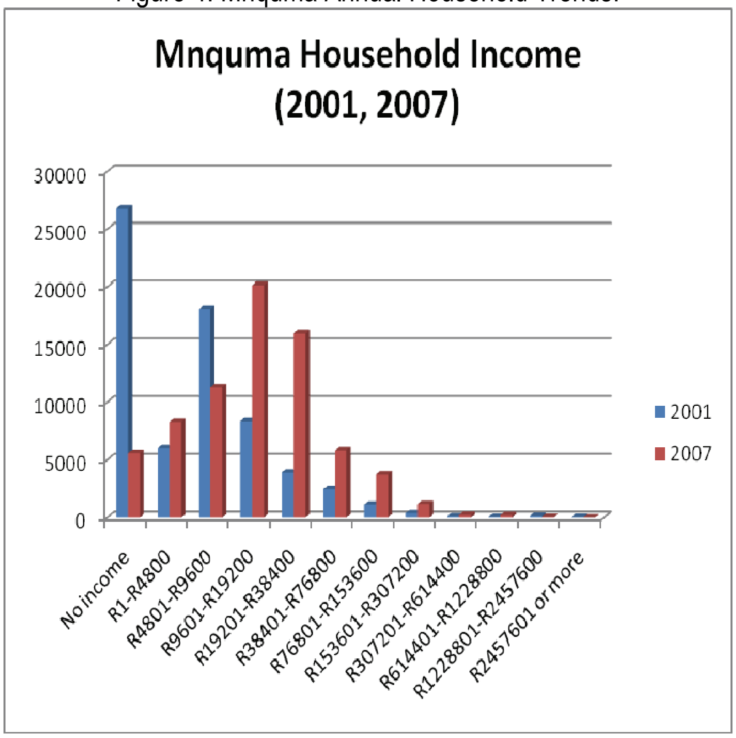


	No Income	R1-R4800	R4801-R9600	R9601-R19200	R19201-R38400	R38401-R76800	R76801-R153 600	<R153 601
Series1	26816	6034	18095	8351	3888	2474	1150	753
Series2	40%	9%	27%	12%	6%	4%	1%	1%

Derived from Census 2001

Trends between 2001-2007 in household income show a sharp reduction in those household reporting no income and an increase in the number of households at other income levels (except for the R4800-R9600 annual income level). This is probably as a result of improvements in access to social grants. In this context, it is important to note that the rural poor are supported to access various sources of income, including rural livelihood strategies.

Figure 4: Mnquma Annual Household Trends:



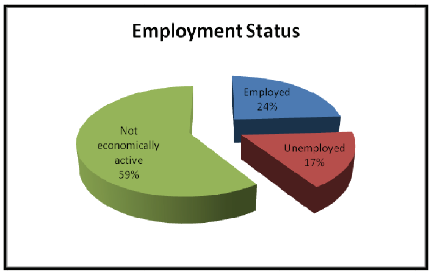
Source: Statistics SA

(4) Unemployment Levels

As part of the Eastern Cape, Mnquma is one of the municipalities with the highest levels of poverty, illiteracy and unemployment. An estimated 17% is unemployed, only 24% is employed while 59% of the municipal population is considered economically inactive (See Figure 5).

The municipality has limited employment opportunities and this has huge implications on the increased need for welfare and indigent support in the municipality. The municipality therefore needs to put priority into service provision, skills and social development.

Figure 5: Employment Status



Derived from Community Survey 2007 – Stats SA

The table below illustrates a significant change in the employment status when comparing 2001 census, 2007 community and global insight Southern Africa 2008 survey in that there is 11% increase in employment, 4% decrease in unemployment and 7 % decrease in the number of population which is not economically active.

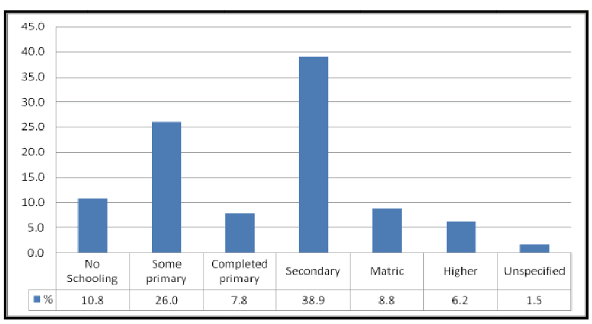
Table 2: Employment Status

EMPLOYMENT STATUS	2001 CENSUS	2007 COMMUNITY SURVEY
Employed	13%	24%
Unemployed	21%	17%
Not economically active	66%	59%

(5) Education Levels

Further to this, the municipality also has a lack of skills. Figure 7 below depicts the low levels of education in this municipality. 10.8% of the Mnquma population has no schooling and only 7.8% completed primary. On the other hand, only 8.8% completed grade 12 while just above 6.2% of the population got a higher education.

Figure 6: Education Levels



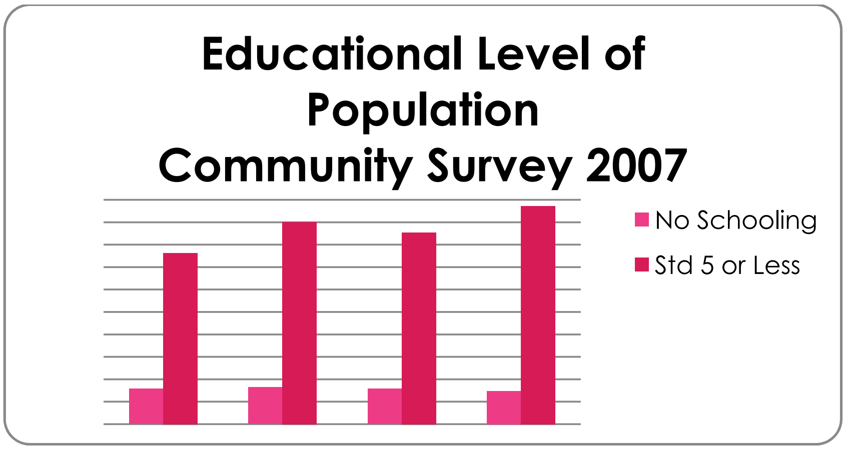
Derived from Community Survey 2007 - Stats SA

There has been some improvement on the percentage of people with no schooling while there is a decline on Metric / Grade 12 and no change in other levels of education when comparing 2001 statistics and 2007 community survey and this can be illustrated on the table below:

Table 3: Education levels

EDUCATION LEVELS	2001 CENSUS	2007COMMUNITY SURVEY	2008 GLOBAL INSIGHT
No schooling	27%	10.8%	26, 609
Completed Primary	8%	7.8%	28, 427
Matric / Grade 12	10%	8.8%	22, 814
Higher education	6%	6%	11, 453

Figure 7: Educational Level of Population: 2007



Source: Statistics South Africa Community Survey 2007

The above figure shows that the total population of illiterate people is higher in Mnquma than the province or nationally. The labour force is therefore relatively more unskilled and this represents a barrier for investment and a constraint on economic growth in terms of businesses being able to find skilled labour.

2.1 Situational Analysis per Cluster

1. Socio-Economic Development Cluster
Background and composition

Socio-Economic Development Cluster is a collection of activities relating to the local economic development tourism, SMME development, Manufacturing, Fishing, Agriculture, educational, social, welfare, health-related and community Safety needs. Within the municipality, the departments and/or activities that form part of the cluster include the following:

(1) Solid Waste and Environmental Management ;
(2) Law enforcement (Traffic, Security & Peace Officers)
(3) Local Economic Development (Agriculture and Rural Development, Tourism and SMME, forestry and mining)
(4) Library Services;

(5) Part of Estates Services (Halls and Local Amenities).

Externally the cluster includes the following sector departments:

(6) Welfare;
(7) Social Development;
(8) Health;
(9) South African Police Services;
(10) Home Affairs;
(11) Correctional Services,
(12) Department of Constitutional Development and Justice
(13) Roads and Transport
(14) Sport, Recreation, Arts and Culture
(15) Department of Economic Development & Environmental Affairs
(16) ECDC, NHSRC
(17) Commercial Banks and Organized Business

Mnquma Local Municipality consist of 3 main urban areas that contribute largely towards its total GDP of 1 457 948. Butterworth is the economic hub of this municipality and contributes 1 125 855 (77%) towards the municipality's total GDP. On the other hand Centane and Ngqamakhwe contribute 171 718 (12%) and 160 375 (11%) respectively.

Economic Growth

Economic growth in Mnquma has been slower than the national and provincial averages, averaging just 2.5% over the last decade. Most economic growth has been government funded either through capital investment in construction or via social grants supporting wholesale and retail trade and financial and business services.

Table 4: Economic Growth by Sector: 1996 – 2007

Year	Agriculture, hunting, forestry and fishing	Mining and quarrying	Manufacturing	Electricity, gas and water supply	Construction	Wholesale and retail trade	Transport, storage and communication	Financial, insurance, real estate and business services	Community, social and personal services	Total
1996-2001	4.6	-13.8	1.0	-1.6	4.3	1.7	4.1	2.8	0.8	1.5
2001-2007	-2.9	1.9	1.5	-2.4	9.6	3.8	3.6	7.3	2.3	3.4
1996-2007	0.4	-5.6	1.3	-2.0	7.1	2.8	3.8	5.2	1.6	2.5

Source: Development Bank Southern Africa analysis of Quantec Research statistics

The tertiary sectors of the economy, particularly wholesale and and community services added more value to the total GVA of the LM during 1996, 2001 and 2007.

The leading contributor in the region was the community (government) services sector, as it contributed on average 41% to the local minucipality's total GVA over the three years under study.

Wholesale and retail trade was also a major role player, contributing 21,8% in 1996, 20,8% in 2001 and 18,5% in 2007.

In the secondary economic sectors, the manufacturing sector also played an important role by contributing 16,0% in 1996, 15,2% in 2001 and 15,5% in 2007. The least contributing sector in the LM was mining and quarrying, indicating that the mining is not a very active sector in the region.

Mining remains the least contributing sector as we are more into sand mining and decomposed dolorite (isabhunge) mining. This however needs to be regulated under the National Environmental Management Act (NEMA)(MPRDA)because it results into land degration.

Mnquma's contribution to the DM's economy was also slighly significant at 6,4% in 1996, 6,3% in 2001 and 5,9% in 2007. The following worrying trends should be noted:

- Mnquma's share of the value of the District economy has fallen by 0.5% since 1996, indicating the Mnquma's level of economic growth has been relatively slow
- The contribution of the manufacturing sector has fallen by 0.5% since 1996, indicating the lack of investment and business growth in this sector
- Mnquma is mainly reliant on government investment and grants for growth (which has only supported some growth in the wholeSAle and retail sectors, and needs to find ways to pursue additional sector growth opportunities in tourism, agriculture, and manufacturing.

Table 4: Value of Economic Output per Sector: 2001

Economic Sectors' contribution	
Description	**2001**
Agricultural related work	523
Mining	190
Manufacturing	1676
Electricity, gas, water	109
Construction	755
Wholesale, Retail	2668
Transport, Communications	615
Business Services	937
Community Services	9363
Private Household	
Undetermined	266608
Total	283444

Source: Census 2001

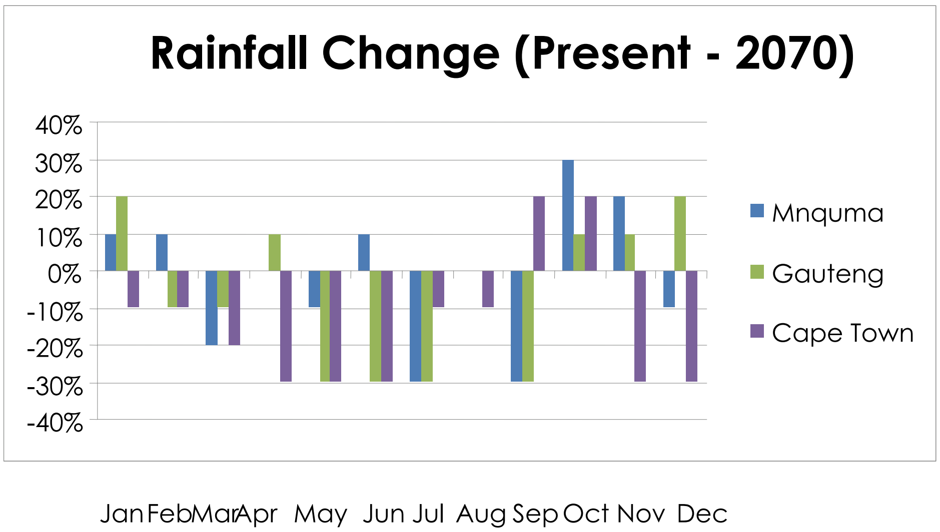
Work on the Mnquma Master Plan is looking at the possible long term impacts of Climate Change. This analysis shows that the main long term impacts on Mnquma could include the following:

- 10% less mean annual precipitation, i.e. less total rainfall
- Wetter summers with more extreme flooding events, and drier winters
- Very hot days (>40 degrees) will increase by 50% and total average temperatures will increase by 1-1.5%

- 25% decrease in storm flows
- 10% increase in demand for irrigation water
- Sediment yield decreases by 20%.

Generally, climate change is resulting in more extreme weather patterns, i.e. more severe flooding and more severe hot weather in summer. The increase in average temperature will also impact on the agriculture sector in terms of what kinds of crops are feasible under increasing temperature scenarios. There is also a real threat in terms of drought and water security.

Figure 8: Change in Total Rainfall per Month



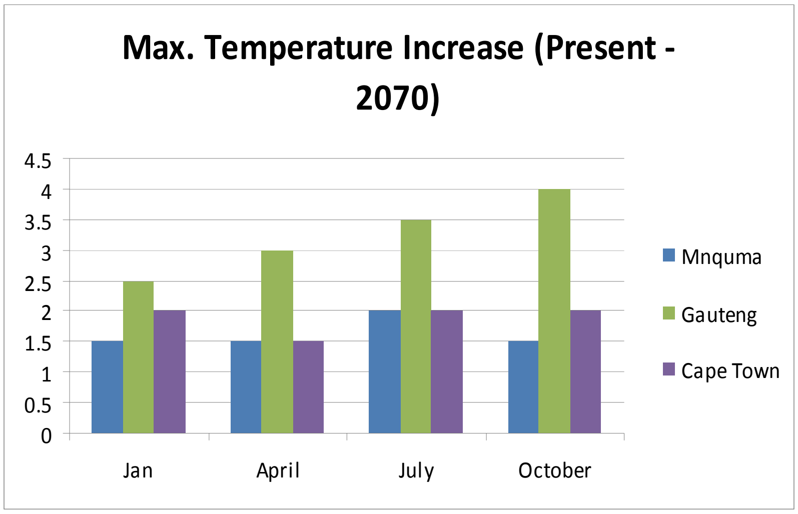
Source: Silimela Development Services analysis of Water Research Commission: 2005 Climate Change and Water Resources in South Africa

Table 1: Average Annual Rainfall

Average annual rainfall (mm)	**Total rainfall (mm)**
1996	778.34
1997	876.71
1998	820.57
1999	144.84
2000	894.56
2001	869.64
2002	872.57
2003	641.28
2004	784.20
2005	665.91

Source: Global Insights (2009)

Figure 9: Change in Maximum Temperature Ranges



Source: Silimela Development Services analysis of Water Research Commission: 2005 Climate Change and Water Resources in South Africa

(ii) Labour Force Employment

The graph below indicates a relatively high level of professionals at 30.8%; this includes Senior Officials, Professionals, Technical and Clerks. This is followed by elementary or unskilled labour at 18.6%. The high number of professionals corresponds with the high levels of employment in the government sector and the role that community services play. Service workers comprise 8% of the labour force while agricultural Workers comprise 19.3%. This poses a number of challenges to the economic growth of the municipality as well as its development and sustainability. The table below reflects that the municipality needs to invest in Human Capital as it lacks skilled personnel that would be suitable for the industry requirements.

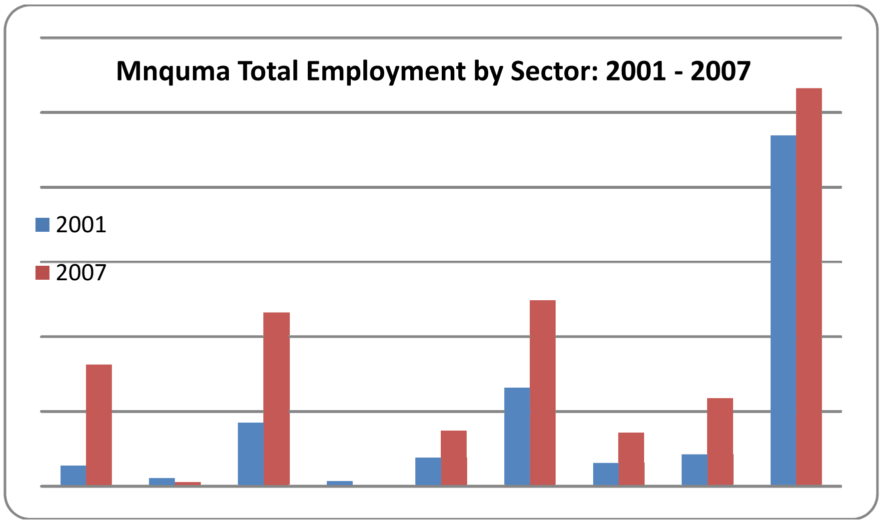
Table 5: Occupation/Labour Force by Skills Levels/ Occupation

Description	**Census 2001**	**CS 2007**
Senior Officials and Managers	4%	5%
Professionals	9%	16%
Technical/Assoc professionals	19%	3,3%
Clerks	10%	7,6%
Service workers	10%	8%
Skilled agricultural work	2%	19,3%
Elementary occupation	24%	18,6%
Occupations unspecified and not elsewhere classified	6%	12,2%
Plant operators	8%	4%
Other	8%	6,6%
Total	**100%**	**100%**

Source: Census 2001 and Community Survey – 2007 Stats SA

Regarding employment trends, total employment numbers have increased slightly in all sectors except mining between 2001 - 2007

Figure 10: Total Employment by Sector: 2001 – 2007



2. Finance and Administration Performance

Function: Sub Function:	Finance and Administration Finance		
Reporting Level	**Detail**	**Total**	
Overview			
	Finance in the Municipality is termed as Budget and Treasury which is in line with the MFMA 56 of 2003.This function is composed of three divisions i.e. • Expenditure and Supply Chain • Budget and Financial Reporting • Revenue and Debt Management Role of this function is to ensure that the Municipality is financially viable hence planned to increase its revenue by 20% in 2010. It also responsible for financial reporting and improve compliance with applicable legislation, hence planned to have an improved system of municipal governance in line with applicable legislation by 2010. This function is also responsible to maintain municipal creditors by ensuring that they are paid on time and full implementation without bias the Supply Chain Management Policy The planned activities for the year under review was as follows:		

Function: Sub Function:	Finance and Administration Finance				
Reporting Level	**Detail**			**Total**	
	Strategy	Objective	Achieved/ Not Achieved		
	To ensure a developmentally-oriented planning by 2012.	Review IDP in line with legislative requirements.	Achieved		
	To have an improved system of municipal governance in line with applicable legislation by 2012.	(a) Develop and implement municipal policies, procedures, strategies and bylaws. (b) Compliance with legislation and reporting. (c) Implement, monitor and evaluate municipal performance	Achieved Achieved Partially Achieved		
	To ensure that the Municipality receives a Clean Audit by 2014.	Establish and ensure functioning of structures towards realization of a clean audit by the Municipality.	Achieved		
	Increase the institutions budget and/or Revenue enhancement by 20% by 2012.	(a) Broadening of revenue base. (b) Leverage of local, provincial, national and international resources. (c) Safeguarding of assets. (d) To ensure that the SCM responds to National and Local aspirations. (e) Monitor production and generation of income.	Partially Achieved Not Achieved Achieved Achieved Partially Achieved		

Function: Sub Function:	Finance and Administration Finance		
Reporting Level	Detail	Total	
Analysis of Function			

DEBTORS BILLING VS. ACTUAL)ANALYSIS BY FUNCTION

RATES DEBTORS BILLING vs ACTUAL AS AT END JUNE 2010

	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10
Rates	9,477,443	1,011,248	1,010,893	1,089,875	984,165	1,000,010	949,883	1,566,014	780,600	767,523	756,771	137,500
Actual Rec		91,166	129,645	470,274	2,935,463	1,087,693	163,997	2,875,925	306,963	466,180	573,576	327,821
Total	**9,477,443**	**920,082**	**881,248**	**619,600**	**-1,951,298**	**-87,682**	**785,886**	**-1,309,912**	**473,638**	**301,343**	**183,195**	**-190,321**
No of properties billed	8620	8620	8620	8620	8699	8699	8699	8700	8699	8699	8708	8106

REFUSE REMOVAL DEBTORS BILLING vs ACTUAL AS AT END JUNE 2010

	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10
Refuse Removal	403,692	403,692	404,370	412,740	412,740	412,890	413,569	261,928	262,064	262,064	265,158	252,416
Actual Rec		10,796	16,774	26,692	21,216	15,772	29,045	26,007	23,323	27,633	38,473	29,599
Total	**403,692**	**392,895**	**387,596**	**386,048**	**391,524**	**397,118**	**384,524**	**235,921**	**238,742**	**234,431**	**226,685**	**222,816**
No of properties billed	5508	5508	5514	5524	5524	5526	5530	5530	5532	5532	5565	5260

RENTAL DEBTORS BILLING vs. ACTUAL AS AT END JUNE 2010

	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10
Rental	180,571	158,401	156,828	157,561	157,561	157,561	1,521,013	164,663	181,426	181,426	179,541	181,413
Actual Rec		4,555	19,656	24,572	26,954	23,659	214,223	27,176	27,080	84,399	73,440	47,370
Total	**180,571**	**153,846**	**137,173**	**132,990**	**130,608**	**133,902**	**1,306,790**	**137,487**	**154,346**	**97,027**	**106,101**	**134,043**
No of properties billed	505	505	504	507	507	507	507	508	510	510	513	523

INDIGENT DEBTORS BILLING vs. REBATES AS AT END JUNE 2010

	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10
Rates	-3400	-3400	-3400	-3400	-3400	-3400	-3400	-3400	-3400	-3400	-3400	-3400
Actual Rec	0	0	0	0	0	0	0	0	0	0	0	0
Total												
No of properties billed	52	52	52	52	52	52	52	52	52	52	52	52

(ii) Debtors Age Analysis

AGE ANALYSIS AS AT END JUNE 2010

SERVICE	Current (0-30 Days)	31-60 Days	61-90 Days	91-120 Days	121-365 Days	>365 Days	Total
Rates	564,198	839,133	799,016	794,749	802,455	44,901,996	48,701,547
Refuse Removal	269,174	236,678	228,405	227,238	15,084,506	0	16,046,001
Housing Rental	253,689	130,626	149,169	224,540	139,043	6,960,065	7,857,132
Fire Levy	235	233				3,615,320	3,615,788
Total	**1,087,296**	**1,206,670**	**1,176,590**	**1,246,527**	**16,026,004**	**55,477,381**	**76,220,468**

(iii) Write off for the year ended 30 June 2010

No write offs were done in the year under review , provision as write off

(iv) Property Rates information

Description	No	Amount
Number and value of properties rated	8 620	R 859 288 100
Number and value of properties not rated	289	n/a
Number and value of rate exemptions	611	n/a
Rates collectible for the current year	n/a	R 13 932 548

(v) Property Valuation

Last valuation roll was done in 2008/2009 financial year and it was implemented in 2009/2010.The next valuation is due in 2014 and yearly there are supplementary valuations conducted to cater for those properties that were not valued during the General Valuation process.

(vi) Indigent Policy

17 000 properties were affected and R3500 000 was budgeted for subsidy on electricity and paraffin

(vii) Creditor Payment

CREDITORS AGE ANALYSIS AS AT END JUNE 2010

SUPPLIER	Current (0-30 Days)	31-60 Days	61-90 Days	Total
A & J Motors	21,882	0	0	21,882
Insight Office Furniture	145,171	0	0	145,171
Sebata Municipal Solution	21,945	0	0	21,945
The Post Master	66,217	0	0	66,217
Walton's Stationery	155,374	0	0	155,374
Total	**410,589**	**0**	**0**	**255,215**

3. Planning and Development Performance

Function:	**Planning and Development**
Sub Function:	**Economic Development**

Reporting Level	Detail	Total	
Overview:	To increase the support to SMME. To mobilise relevant stakeholders. To promote tourism and related activities. To provide support towards the development of the Agricultural sector		

Function:	**Planning and Development**
Sub Function:	**Economic Development**

Reporting Level	**Detail**	**Total**	
Overview of the Activity	The municipality has a mandate to: Facilitate the socio economic development. The Municipality has established the Hawkers association, cooperatives forum, Agric forum, Fishing Forum, and further the municipality has developed an LED Strategy, Agric strategy, Tourism cluster plan, Master Plan, all adopted by council except for the SMME Strategy which is still in draft form.		

Function:	**Planning and Development**
Sub Function:	**Economic Development**

Reporting Level	**Detail**	**Total**	
Analysis of the Function:	Summary of Expenditure will include other functions performed under planning and development Directorate which are Communications, Research and IDP		
1	Number and cost to employer of LED component:		*R (000s)*
	Director Manager Officers Contract	*1* *2* *3*	*R 1 772495*
	Number and Cost to employer of Communications Manager Officers Non Professional (clerical)	 *1* *3* *2*	*R 917 750*
	Number and Cost to employer of IDP and PMS Manager Officers	 *1* *2*	 *R 545 938*
	Number and Cost to employer of Research and Policy Development Manager Officers Non Professional (clerical)	 *1* *1* *1*	*R 1 772 495*

Function:	**Planning and Development**
Sub Function:	**Economic Development**

Reporting Level	**Detail**	**Total**	
	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	***15***	

4. **Community and Social Service**

Function:	**Community Services**
Sub Function:	**All inclusive**

Reporting Level	**Detail**	**Total**	
Overview:	Includes all activities associated with the provision of community and social services		
Description of the Activity:	The function of provision of various community and social services within the municipality is administered as follows and includes: **1.** Traffic Safety and Law Enforcement, Registration Authority, Security Services, Security law enforcement, Solid Waste Management, environmental Management,Primary Health Services and Emergency Services		

Function:	**Community Services**
Sub Function:	**All inclusive**

Reporting Level	Detail	Total	
	Traffic Safety and Law Enforcement, Security Services,Security law enforcement, Solid Waste and Environmental Management The strategic objectives of this function are to: To educate public about traffic safety and enforce law thereafter to traffic offenders, To provide security to all municipal assets, To provide anenvironment that is not harmful to people's health or well being		
Analysis of the Function:		**no of facilities:**	**no of users:**
	Library Services	3	3000
	Department of Sports ,Arts and Culture provides the service		
	Museum and Galleries	*n/a*	
	Other Community Halls/Facilities	*9*	*R485 345*
	Cemeteries and Crematoriums	*5*	*18 000 people*
	Child Care Facilities		
	- Child care (including crèchesetc.)	*35*	*3000 kids*
	- Aged care (including aged homes, home help)	*1*	*60 people*
	- Schools	*411*	*17000 house holds*
	- Sporting facilities (specify)	*5*	*120 people*
	- Parks	*8*	*1750 people*
	Number and cost to employer of all personnel associated with each community services function:		*R 21m*
	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance		
6	Out of 25 Activities set for the year 18 were 100%t achieved, reasons for not achieving set goals, in most not achieved were depended on the co-operation of another	Achieved 18 and Not	*R (000s)*

Function:	Community Services
Sub Function:	All inclusive

Reporting Level	Detail	Total	
	party, an instance in this regard is SAPS that has to approve and facilitate construction of satellite police station. plans to improve would be to enhance co-operative governance.	Achieved 25	

5. **Housing Function's Performance**

Function:	Housing
Sub Function:	N/A

Reporting Level	Detail	Total	
Overview:	Includes all activities associated with provision of housing		
Description of the Activity:	The function of provision of housing within the municipality is administered as follows and includes: Housing function is derived from Section 26 of The Constitution of the Republic Africa, 1986 which acknowledges provision of adequate Housing as a fundamental human right and compels the state to take reasonable legislative and other measures, within its available resources to achieve the progressive realisation of this right. The following are the key programmes • Integrated Residential Development Programme simply known as BNG – provides for acquisition of land servicing of stands for a variety of land uses including commercial, recreational, schools, clinics as well as residential stands for both low, middle and high income groups. • Upgrading of Informal Settlements • Community Residential Units Programme-facilitate provision of secure, stable rental tenure for lower income households to the existing Govt or Municipal Hostels. • Individual Subsidy Programme- provides access to the state assistance where qualifying households wish to acquire an existing house or a vacant serviced residential stands. • Rural Housing Subsidy Programme- applicable in		

Function:	Housing
Sub Function:	N/A

Reporting Level	Detail	Total	
	areas of Communal Land Tenure which may include upgrading of existing informal structures • Consolidation Subsidy Programme- provides assistance to beneficiaries that have acquired stands or built houses with their own resources. • Provision of Social and Economic Facilities Programme – provides primary funding to social and economic amenities where funding is not available from other sources. • Housing Assistance in Emergency Circumstances like temporal re-housing households their informal settlements are being upgrades as well as areas where natural or manmade disasters have occurred. • Social Housing Programme- develops affordable rental in areas where bulk infrastructure may be underutilised. • Institutionalised Subsidy Programme- provision of capital grants to social housing institutions which construct and manage affordable rental units The municipality has a mandate to: ○ Provide land in which the houses and the services are to be built. The duties of the Municipality is to take ownership of the installed services including taking care and maintenance of the services. ○ It is responsible for the beneficiary identification, administration and other demand management issues pertinent to the Municipality's housing databases. ○ Submit applications to the Department of Human Settlements on behalf of the beneficiaries for subsidy consideration. ○ Responsible for submitting housing needs to the Department of Human Settlements The strategic objectives of this function are to: • Facilitate the unblocking of the housing subsidy projects. • Facilitate the development of new settlements for households		

Function:	**Housing**
Sub Function:	**N/A**

Reporting Level	**Detail**	**Total**	
	living in inadequate housing conditions. • Improve / upgrade the housing condition of the low income households in existing settlements • Provide support to households qualifying for the Housing Finance linked Individual Subsidy who are staying in informal settlements or who are renting. • Rectify poorly built houses that are already occupied in Butterworth 282 Housing Project. The key issues for 2009/10 are: Unblocking of Centane , Ngqamakhwe 312 and Butterworth 282 Housing Projects. Commence installation of Services in the New Rest BNG Housing Project. Survey of 40 Hectare land in Zizamele for another Housing provision Funding for Ndabakazi Rural Housing		
Analysis of the Function: 1	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 Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package. Professional includes project design, Field includes all tradespersons.	 *<total>* *<total>* *<total>* *<total>* *<total>* *<total>*	*R (000s)* *<cost>* *<cost>* *<cost>* *<cost>* *<cost>* *<cost>*
2	Number and total value of housing projects planned and current: Centane, Ngqamakhwe 312, Butterworth 282 and New Rest BNG Current (financial year after year reported on)		*R (000s)*

Function:	**Housing**
Sub Function:	**N/A**

Reporting Level	Detail	Total	
	Centane Top Structure and Services, New Rest BNG Services, Ngqamakhwe 312, Butterworth 282, Ndabakazi, Zingqayi, Ehlobo, Mgcwe Rural Housing, Smuts Ngonyama, Siyanda Planned (future years) Note: provide total project and project value as per initial or revised budget		
	Type of habitat breakdown: - number of people living in a house or brick structure - number of people living in a traditional dwelling - number of people living in a flat in a block of flats - number of people living in a town/cluster/semi-detached group dwelling - number of people living in an informal dwelling or shack - number of people living in a room/flat let	 *28362* *34358* *2685* *725* *9279* *725*	
Reporting Level	**Detail**	**Total**	
7	Type and number of grants and subsidies received:		*R (000s)*
	Note: Total value of specific housing grants actually received during year to be recorded over the five quarters - Apr to Jun last year, Jul to Sep, Oct to Dec, Jan to Mar, Apr to Jun this year.	1414	
8	Total operating cost of housing function		*R (000s)*

Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current	Target
	○ Centane Housing Projects unblocked and close to 200 top structures have been completed and the plan was just to unblock the project. ○ Butterworth 282 was unblocked and an advert was issued for the rectification and completion of the top structures even though there has been a delay in the award of the contract as it has not been awarded as yet. Consultants was appointed in Butterworth 282 for investigating the services that still need to done ○ Contractor was appointed for the construction of Services in New Rest Butterworth and could not progress as planned due to disruption by the community members and the matter is being attended by the Municipal leadership.		

6. Waste Management

Function:	**Waste Management**
Sub Function:	**Solid Waste**

Reporting Level	Detail	Total	
Overview:	Includes refuse removal, solid waste disposal and landfill, street cleaning and recycling		
Description of the Activity:	**The refuse collection functions of the municipality are administered as follows and include:** Solid Waste Management Landfill Site Management These services extend to include waste avoidance, re-use , recycle and disposal of. The municipality has a mandate to: *To educate community to minimize waste,to re-use and recycle, collect and dispose*		

Function:	**Waste Management**
Sub Function:	**Solid Waste**

Reporting Level	**Detail**	**Total**	
	The strategic objectives of this function are to: To minimise waste, collect and dispose off. **The key issues for 2009/10 are:** To mobilise resource for solid waste management, To educate community to keep their environment healthy and clean, to intensify cleaning within our jurisdiction		
Analysis of the Function:			
1	Number and cost to employer of all personnel associated with refuse removal:		*R (000s)*
	- Professional (Engineers/Consultants)	*4*	*370287*
	- Field (Supervisors/Foremen)	*4*	*251660*
	- Office (Clerical/Administration)	*1*	
	- Non-professional (blue collar, outside workforce)	*75*	*325438*
2	Number of households receiving regular refuse removal services, and frequency and cost of service:		
	- Removed by municipality at least once a week	*5264*	
	- Removed by municipality less often	*Nil*	*Nil*
	- Communal refuse dump used	*Nil*	*Nil*
	- Own refuse dump	*3*	
	- No rubbish disposal	*1*	
	Note: if other intervals of services are available, please provide details		
4	Total number, capacity and life expectancy of refuse disposal sites:		
	- Domestic/Commercial (number)	*15*	*15*
	- Garden (number)	*15*	*15*

Function:	**Waste Management**
Sub Function:	**Solid Waste**

Reporting Level	**Detail**	**Total**	
	Note: provide the number of tip sites, their total current capacity and the expected lifespan as at end of reporting period		
Reporting Level	**Detail**	**Total**	
5	Anticipated expansion of refuse removal service:		*R (000s)*
	- Domestic/Commercial		
	- Garden		
	Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality		
6	Free Basic Service Provision:		
	- Quantity (number of households affected)	*nil*	
	- Quantum (value to each household)	*nil*	
	Note: Provide details of how many households receive the FBS provision, and the average value it means per household. Describe in detail the level of Free Basic Services provided.		
7	Total operating cost of solid waste management function **Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance** Out of ten activities five were successfully achieved and to address the backlog the directorate has increased its human resource base with skilled personnel.		*R (000s)*

7. Roads Maintenance Performance

Function:	**Road Transport**
Sub Function:	**Roads**

Reporting Level	Detail	Total	Cost
Overview:	Construction and maintenance of roads within the municipality's jurisdiction		
Description of the Activity:	The road maintenance and construction responsibilities of the municipality are administered as follows and include: The Municipality has Project Management Unit that is responsible for the Construction of New Roads and this unit report to the Municipal Manager. Infrastructure Directorate has a responsible for taking care and maintenance of all the constructed municipal roads including the streets in the urban areas. The Directorate is also responsible for the storm water management system The municipality has a mandate to: Raise funds for the construction and maintenance of the roads and its associated storm water management through grants and its own revenue. The strategic objectives of this function are to: Provision of adequate transportation system for an efficient and safe movement of goods and services within its area of jurisdiction. The key issues for 2009/10 are: Construction of new roads to a total of 75km Maintenance of roads by ensuring that at least 100km is graded and a total of 400 square meters of surfaced roads are patched. A total of 20km is patch re-gravelled		
Analysis of the Function: 1	Number and cost to employer of all personnel associated with road maintenance and construction: - Professional (Engineers/Consultants)		*R (000s)*

Function:	**Road Transport**
Sub Function:	**Roads**

Reporting Level	Detail	Total	Cost
	- Field (Supervisors/Foremen) - Office (Clerical/Administration) - Non-professional (blue collar, outside workforce) - Temporary - Contract Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package		
2	Total number, kilometres and total value of road projects planned and current: - New bitumenised (number) - Existing re-tarred (number) - New gravel (number) - Existing re-sheeted (number) Note: if other types of road projects, please provide details	 *3kms* *75kms* *20kms*	*R (000s)*
3	Total kilometres and maintenance cost associated with existing roads provided - Tar - Gravel Note: if other types of road provided, please provide details	 *400m²* *100km*	*R (000s)*
4	Average frequency and cost of re-tarring, re-sheeting roads - Tar - Gravel Note: based on maintenance records	 *15* *10*	*R (000s)*
5	Estimated backlog in number of roads, showing kilometres and capital cost - Tar - Gravel	 *1500*	*R (000s)* *R1.2b*
Reporting Level	**Detail**	**Total**	**Cost**
	Note: total number should appear in IDP, and cost in future budgeted road construction programme		
6	Type and number of grants and subsidies received: *MIG* Note: total value of specific road grants actually received during year to be recorded over the five quarters - Apr to Jun this year, Jul to Sep, Oct to Dec, Jan to Mar, Apr to Jun this year.	*<1>*	*R (000s)* *<R36.886m>*
7	Total operating cost of road construction and maintenance function		*R (2.4m)*