

Ingquza Hill Annual Report 09/10

Customized template and guidelines as from financial year 2008-2009

Prepared by

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PART 1: Introduction and Overview

A. Foreword by the Mayor

2009/10 financial year is a period where the municipality has made important achievements.

During the year, under review, we have reviewed and adopted the Integrated Development Plan (IDP) after following a process where we have witnessed active participation of communities through their ward committees, CBO's, CDW's, councillors, municipal employees and trade unions and managers from both provincial and national departments. IDP representative fora were well attended.

Budget Processes were allowing for participation of councillors and communities since it talks directly to IDP. This means that Service Delivery and Budget Implementation Plan (SDBIP) is the one through which we could use to measure the performance of managers if it was implemented in full.

In the last financial year we reported the lack of participation of the few Government Departments like Education, Health etc. This has since improved a lot and we are having scheduled meetings where we get comprehensive reports from all Departments. Clusters of IGR are sitting and have been strengthened. However, we have to strengthen the political structures that must oversee these officials if we are serious about monitoring and evaluation.

The municipality has not yet recovered from the effects of global recession and as a result we still having a challenge of many residents that are still owing the municipality. However, we have improved since we have seen the developers that have long been moaning about the lack of funding beginning with their developments as they were able to secure funding.

High backlogs in basic rural municipality like ours posed serious institutional challenge. Despite the increase in MIG funding and intervention from DME, they left a small dent in these backlogs.

In 2009/10 financial year we saw many access roads being constructed. Eleven villages were electrified (11, 12 & 17) though outages have not been done. This is because of dedication of the councillors and employees. We experienced problems with contractor that was unable to complete the project as per allocated time frames. We have seen the improvement in internal audit unit and audit committee as we resolved to have our internal audit and as a result reviews are done quarterly. This has helped a lot as we saw the improvement in the audit report with few qualifications emanating from the prior years.

We had experienced challenge in training of Councillors and Officials as we had to tighten our belts due to lack of revenue.

Local Economic Development (LED) projects were also affected by the lack of funds and as a result projects that were continuing did not yield any tangible harvest. The municipality makes sure that it spends all the grants it had received and systems are put in place to ensure effective and efficient management.

The municipality has witnessed natural disaster in the form of fire and storms that had a devastating blow to the citizens. The construction of the Disaster Satellite Center by O.R. Tambo Municipality would be great appreciated. Our municipality was able to provide relief and moral support since disaster management is the function of O.R. Tambo District Municipality.

The municipality had a challenge of not complying with the pieces of Legislation due to political instability that led to non-sitting of council, executive, standing committee meetings.

I would like to express my appreciation and gratitude for the achievements during this period to the Speaker, the Municipal Manager and all the staff of the municipality for the work well done. I would also like to thank the community of Ingquza Hill for the support it has given us during the trying times.

W. Ngozi

Mayor

B. Overview of the Municipality

As we present the 2009/10 annual report, it is important to provide an overview of the achievements; and challenges that still lie ahead. Our report covers the five Key Priority Areas of Local Government and also some functions that may not be competence and functions of local municipality.

- **Institutional Transformation and Organisation**

Our municipality improved a lot in this Key Priority level as we were able to develop an organisational structure that responds to the development objectives and strategies enshrined in the IDP. We were able to implement the Workplace Skills Plan that was developed with the consultation of stakeholders, viz: employees, trade unions, councillors and community albeit the financial challenges that led to the training of few councillors and officials. We submitted the employment equity plan and the report thereof to the department of Labour. We were able to fill the post that became vacant due to resignations, death and retirement. Legal Services were extended to labour relations and as a result we were able to defend litigious cases as well as instituting disciplinary hearings against those who transgressed from the policies and code of conduct.

The image of the municipality improved a lot in as far as customer care is concerned. Members of the public are not sent from pillar to post. Batho Pele Principles are implemented. Policies to ensure the smooth transformation were implemented by the council. Challenge remains being the non-sitting of the council that led to non adoption of the amended and new policies.

- **Local Economic Development**

The municipality takes local economic development very seriously since it is poor and rural. The municipality has a policy of funding the projects for three consecutive years to ensure sustainability of the projects. The projects benefited youth and women.

Developers were called upon to invest on shopping malls, housing, and offices with the aim of boosting the economy. We have seen funding amounting to 500 Euros for hawker stalls at Lusikisiki being secured from Italian Government. We have seen also Quanza Group Development in the form of shopping mall taking shape. Challenges at Magwa Tea Estate and the non recognition of Lambasi CPA delayed many developments that would boost local economic development.

- **Basic Service Delivery**

The core business of the municipality is to deliver basic services in a sustainable manner. Our municipality was able to embark on the construction of access roads and maintenance of some access roads. These were prioritised by the communities in their wards and communities also participated actively during the construction. We have also seen the construction of the paved road being undertaken by SANRAL at Matheko to Jombela. However, maintenance of the roads remains a big challenge as we have no funds.

The municipality has also embarked on turnkey electrification programme that is covering three (3) wards (11, 12, and 17).

It has witnessed the implementation of water projects by OR Tambo District Municipality.

Indigent people were assisted through subsidisation of Grid and non grid electricity.

- **Financial Management and Viability**

The municipality has ensured that meagre resources are spent and utilised prudently within the prescripts of MFMA (Municipal Finance Management Act). Finance reports were issued monthly, quarterly and annually. The Financial management system (MUNSOFT) was installed and assists us a lot in the generation of reports that are needed for oversight purposes.

Supply Chain Management (SCM) regulations were implemented as they are and the SCM policy is in place. Poor people benefited a lot in the implementation of SCM policy.

There was an improvement in the collection of revenue as Credit Control and Debt Collection policy was implemented in full. There is a need to improve our systems to ensure more revenue collection. Plant is contributing a lot to revenue collection. The delays in completion of vehicle testing centre by Department of Transport impact negatively to revenue. Sound financial management and implementation of internal controls led to municipality getting an improved audit report.

Budget process and budget control was implemented with the assistance of MUNSOFT though there is still a need to improve in the budget control and adherence to it.

Challenges remain being low revenue base, the going concern of the municipality, the lack of proper functional oversight structures.

- **Good Governance and Public Participation**

The Council meetings were properly convened and considered the reports from the Executive Committee which is the principal committee.

Quarterly, S. 72, IDP & Budget, Policies and annual report 2008/2009 were considered by the council.

Ward Committees remained the key Council committees that represented the communities in prioritising the needs of the communities, representing communities in the IDP rep Fora. Ward Roadshows and Mayoral Imbizos were conducted to ensure interaction between the communities and the council.

Audit Committee assisted a lot in improving the systems and to ensure clean governance. IGR meetings were held to ensure cooperative governance. Big challenge was the non-sitting of council and its committees and as a result proper oversight function was ignored.

Conclusion

The municipality has achieved many goals but there are still challenges that need to be tackled by both the Council and its committees to ensure the proper oversight. This annual report outlines the details of the various programmes of the municipality and how we have performed in achieving the annual target we have set.

I wish to express my sincere gratitude to the Mayor for the unwavering support towards the achievement we have mentioned above. We also thank the Council, Executive Committee, and Standing Committee for always ensuring the Oversight over the Management. We also like to thank the staff, trade unions for without them we could not have achieved anything.

Lastly, we express our gratitude to Community Stakeholders, Provincial and National departments, State owned enterprises and the O.R Tambo District Municipality for the support they gave us throughout the Financial Year

PART 2: KPA ACHIEVEMENT REPORT**Chapter 1: Human resource and other organization management –KPA 1****1.1 PRESENTATION OF THE ORGANIZATIONAL STRUCTURE (APPROVED ORGANOGRAM)**

As per the organisational structure that was approved for the 2008/9, the total number of posts was three hundred and eighteen (318), two hundred and six (217) have been filled and one hundred and two (101) posts remain vacant. There are six (6) Senior Managers who completed performance agreements and these were submitted to the Department within the prescribed timeframe.

1.2 STAFF DEVELOPMENT INITIATIVES DURING THE FINANCIAL YEAR**TRAINING PROGRAMMES**

The WSP was compiled, approved and submitted to Local Government SETA. Full implementation was done during the year under review. The draft HR Plan is ready for adoption by council.

1.3 KEY HR STATISTICS PER FUNCTIONAL AREA**1. Full time staff complement per functional area**

DEPARTMENT	POST TITLE	NO.	FILLED	VACANT
Office of the Municipal Manager	Municipal Manager	1	1	0
	Snr. Operations Officer	1	1	0
	Internal Auditor	1	1	0
	PA - Municipal Manager	2	1	1
Budget & Treasury	Chief Financial Officer	1	1	0
	Snr. Accountant	1	1	0
	PA – CFO	1	1	0
	Accountant (B&T)	1	0	1
	Jnr. Accountant (Budgeting)	1	0	1
	Budget Clerk	1	0	1
	Accountant (Expenditure)	1	1	0
	Jnr. Accountant (Expenditure)	2	1	1
	Expenditure Clerk	2	1	1
	Accountant (Revenue)	1	1	0
	Jnr. Accountant (Revenue)	1	1	0
	Revenue Clerk	1	1	0
	Cashier	2	2	0
	SCM Officer	1	1	0
	SCM Clerk	2	1	1
	Jnr. Accountant (Asserts)	1	1	0
Assert Clerk	2	1	1	
Corporate Services	Corporate Services Manger	1	1	0
	Snr. Corporate Services Officer	1	1	0
	HRM & Administration Co-ordinator	1	0	1
	Administration Officer	1	0	1
	Administration Clerk	1	1	0

	Cleaning Supervisor	2	0	2
	Cleansing Assistant	12	9	3
	Messenger/Driver	6	6	0
	Snr. Records Management Clerk	1	1	0
	Registry & Archives Clerk	2	1	1
	Fleet Management Officer	1	1	0
	Fleet Management Clerk	2	1	1
	Customer Care Services Officer	2	2	0
	Customer Care Services Clerk	4	4	0
	HR Administration Officer	1	0	1
	Personnel Clerk	2	1	1
	Payroll Clerk	1	0	1
	HR Development Officer	1	0	1
	Training Assistant	1	1	0
	ICT Systems Administration Officer	1	1	0
	ICT Jnr. Technician	2	1	1
	PA- Corporate Services Manager	1	1	0
	Legal Services & Council Support	1	0	1
	Council Support Officer	1	0	1
	Council Support Clerk	1	1	0
	Committee Clerk	2	2	0
	Whip's Clerk	1	0	1
	Executive PA- Speaker	1	0	1
	Legal Services Officer	1	1	0
	Recording Clerk	2	2	0
	IGR Officer	1	0	1
	Labour Relations Officer	1	0	1
Engineering & Infrastructure	Engineering & Infrastr. Manager	1	1	0
	Snr. Technician	1	0	1
	PA- Engineering & Infr. Manager	1	1	0
	Technician - Capital Projects	1	1	0
	Jnr. Technician - Roads	1	1	0
	Jnr. Technician - Buildings	1	0	1
	Technician - Operations & Maintain	1	0	1
	Cleansing Caretaker	1	1	0
	Cleansing Supervisor	2	2	0
	Cleansing Assistant	40	33	7
	Administration Officer	1	1	0
	Roads Assistant	16	15	1
	Handyman	1	1	0
	Roads Foreman	1	1	0
	Machine Operator	5	2	3
Community Services	Community Services Manager	1	1	0
	Snr. Community Services Officer	1	1	0
	Public Safety Co-ordinator	1	0	1
	Community Services Co-ordinator	1	0	1
	Chief Traffic Officer	1	1	0

	Superintendent	2	0	2
	Assistant Superintendent	4	2	2
	Traffic Officer	15	4	11
	eNaTIS Supervisor	1	1	0
	VELI Supervisor	1	0	1
	VELI Cashier	2	2	0
	DLTC Supervisor	1	0	1
	DLTC Cashier	2	2	0
	eNaTIS Clerk	1	0	1
	Administration Clerk	2	2	0
	Snr. Security & Protocol Officer	1	0	1
	Security Supervisor	4	4	0
	Security Officer	30	27	3
	VIP Team Leader	1	0	1
	VIP Protection Officer	6	6	0
	Disaster & Risk Management Officer	1	0	1
	PA - Community Services Manager	1	1	0
	Pound Supervisor	2	1	1
	Pounds, Parks & Cemetery. Caretaker	1	1	0
	Pound Master	2	0	2
	Pound Guards	8	5	3
	Rangers	8	0	8
	Cemetery Master	1	0	1
	Cemetery Assistant	8	7	1
	Parks Supervisor	2	2	0
	Parks Assistant	16	13	3
	SPU Officer	1	0	1
	SPU Clerk	1	1	0
	Social Facilitation Officer	1	1	0
	Library Officer	1	1	0
	Library Assistant	4	0	4
Strategic & Development Plann.	Strat. & Develop. Plan. Manager	1	1	0
	Snr. Strat. & Dev. Plan. Officer	1	1	0
	Planning & Commun. Co-ordinator	1	0	1
	Town Planner	1	1	0
	Jnr. Town Planner	1	0	1
	Building Control Officer	1	1	0
	Building Inspector	1	0	1
	Communications Officer	1	1	0
	Communications Clerk	1	0	1
	Public Participation Officer	2	1	1
	Community Liaison Officer	2	1	1
	LED Officer (Tourism)	1	1	0
	LED Officer (SMME)	1	1	0
	LED Officer(Agriculture)	1	1	0
	LED Officer(Forestry)	1	0	1
	LED Clerk	2	2	0

	LED Co-ordinator	1	0	1
	Executive PA- Mayor	1	0	1
	PA - Strat. & Dev. Plan. Manager	1	1	0
	TOTALS	318	217	101

a. E TECHNICAL SERVICES

2. Technical staff registered with professional bodies

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

3. Levels of education and skills

Total number of staff	Number of staff without Grade 12	Number of staff with Senior Certificate only	Number of staff with Tertiary/accredited professionals training
216	94	76	46

4. Trends on total personnel expenditure

Financial Years	Total number of staff	Total approved operating Budget	Personnel expenditure (salary and salary related)	Percentage of expenditure
2006-2007				
2007-2008				
2008-2009				

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

Names of pension fund	Number of members	Names of medical Aids	Number of members
SAMWU National Provident Fund	202	BONITAS	76
		SAMWU Med	13
		Med shield	2

		LA Health	34
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1.4 Senior officials' wages and benefits (even if included in the financial statements);

Municipal Manager	R 787 841
Chief Finance Officer	R 666 181
Corporate Services	R 676 663
Technical Services	R 468 229
Community Services	R 677 210
Strategic & Development Planning	R 681 364

1.5 Implementation of the Performance Management System (PMS):

The performance management system framework is in place. The implementation of the system is fully implemented for individual managers. It still has to be cascaded to employees at lower levels. The next phase will be to fully implement the system for the institution as a whole.

1.6 Annual performance as per key performance indicators in municipal transformation and organizational development

	Indicator name	Total number of people (planned for) during the year under review	Achievement level during the year under review	Achievement percentage during the year	Comments on the gap
1	Vacancy rate for all approved and budgeted posts;	80	High	80	Budgetary Constraints
2	Percentage of appointment in strategic positions (Municipal Manager and Section 57 Managers)	6	high	100	None
3	Percentage of Section 57 Managers including Municipal Managers who attended at least 1 skill development training course within the FY	6	High	100	None
4	Percentage of Managers in Technical Services with a professional qualification	4	High	100	None
5	Percentage of municipalities within the district area that have a fully functional Performance Management System (DM only)				

8	Percentage of staff that have undergone a skills audit (including competency profiles) within the current 5 year term	216	Low	20	First implementation of HRD Plan
9	Percentage of councillors who attended a skill development training within the current 5 year term	54	High	100	None
10	Percentage of staff complement with disability	1	Low	0.005	
11	Percentage of female employees	91	Average	42.1	
12	Percentage of employees that are aged 35 or younger	67	Low	31	

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

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

2.1 Water services

a) WATER SERVICES DELIVERY STRATEGY AND MAIN ROLE-PLAYERS:

Water service is the competency of the District Municipality (O. R. Tambo). The OR Tambo District Municipality is the Water Services Authority and Water Services Provider responsible for planning, implementation, and operation and maintenance of water and sanitation services within the 7 Local Municipalities. In terms of the law the District Municipality is therefore responsible for the development and the implementation of its water services by-laws, District Wide Water Master plans, Water Conservation & Water Demand Management and Water Services Master Plan.

O.R. Tambo District Municipality is a grant dependant municipality and most of its water capital projects are funded through the Municipal Infrastructural Grant (MIG) which the Department of Cooperative Government and Traditional Affairs (COGTA), the Department Local Government and Traditional Affairs (DLGTA), National Treasury and Provincial Treasury have micro control. The bulk water supply is funded through the Bulk Infrastructure Grant Funding funded by the Department of Water Affairs (DWA). In terms of the law DWA is the regulator. The Operation and maintenance is funded through the equitable share from the Division of Revenue (DORA) and through own funding. The Local Municipalities have very little role to play in water related services except playing a facilitation role.

B. LEVELS AND STANDARDS IN WATER SERVICES:

Yard water connections are regarded as the high level of services and the provision of communal Stand-pipes being the low level of services. Most of the information with this effect will be reported by the as the major role players in water services.

In estimating the water backlogs, the following assumptions have been applied:

- People with piped and borehole water within 200m are deemed to be served.
- People sourcing water from springs, rainwater tanks, streams, rivers, dams or water vendors are deemed to be unserved.
- People sourcing water from communal taps, yard taps or any other more basic source are deemed to be not served to a higher level.⁵⁶
- Yard water connections thus to indoor taps are regarded as the high level of service

Population served or unserved in 2007 has been escalated from the 2004 figures in line with the projected overall population change from 2004 to 2007

b. ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN WATER SERVICES

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the FY under review (actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households with access to potable water	100% (48 703) h/h	64% (31 359)	The DM will reflect on this in their report	The DM will reflect on this in their report	The DM will reflect on this in their report
2	Percentage of indigent households with access to free basic potable water	The DM will reflect on this in their report	The DM will reflect on this in their report	The DM will reflect on this in their report	The DM will reflect on this in their report	The DM will reflect on this in their report
4	Percentage of clinics with access to potable water	The DM will reflect on this in their report	The DM will reflect on this in their report	The DM will reflect on this in their report	The DM will reflect on this in their report	The DM will reflect on this in their report
6	Percentage of households using buckets	The DM will reflect on this in their report	The DM will reflect on this in their report	The DM will reflect on this in their report	The DM will reflect on this in their report	The DM will reflect on this in their report

There is big project of regional water scheme that is being implemented which will include construction of a dam, bulk supply & reservoirs, and reticulation.

C. Major Challenges in Water services and Remedial Actions

- There are constant water cut-offs especial in Flagstaff and this can be attributed to the fact that there is a scarcity of built water resources like big dams in the region although the rate of rainfall is high.
- The above point has lead to point that almost all the rural areas can't be serviced in terms of water.

Backlog eradication is not the only substantial challenge facing the OR Tambo District Municipality. Much of the existing water and sanitation infrastructure is not adequately maintained and, in many cases, is not functioning. Ongoing refurbishment and maintenance is therefore a priority for sustainable water services delivery. The backlog figures should therefore be considered in the light of this situation as they represent the population that is unserved by water or sanitation schemes. Those deemed to be "served" are not necessarily benefiting from a fully functional and operational water service, though they do live in the area covered by some sort of formal scheme

2. Remedial Actions

The Local Municipality will facilitate the following activities which will be carried out by the District Municipality:

- Refurbishment and replacement of the dilapidated infrastructure
- The DM should also look at either building more dams in the region, source water from other regions, construct boreholes, or use any alternative measures available in order to meet the demand.

2.2 Electricity services

A. Electricity services delivery strategy and main role-players

EXECUTIVE SUMMARY:

Ingquza Hill Local municipality does not carry an electricity distribution license. Electricity services are solemnly distributed by Eskom throughout the whole municipality area of jurisdiction, including the towns and suburbs. Through Council and officials' dedication the municipality managed to secure funding through turn-key programme to electrify a number of villages thus contributing in reducing backlogs. The programme will run over three years and the first allocation has been R20'000'000.00 that was used to electrify 3 wards (11, 12, & 17), thus covering 7villages with 1773 h/holds connected. The three year program starts from 2009 to 2011.

Due to a number of reasons pertaining mostly the poor performance by the service provider the municipality couldn't spend all its 09/10 allocation and portion of it was rolled over.

Once these projects are completed the municipality will hand them back to Eskom. Another 7 villages in 3 wards will be electrified in the 10/11 FY and 885 h/h will be serviced.

a. Electricity services delivery strategy and main role-players

Electrification is the competency of Eskom and therefore the municipality can only play a facilitation role. Backlog in the electrification of Ingquza Hill LM is very significant and as a big number of households are using other alternatives sources of energy. The municipality has engaged DME for electrification of villages in (ward 11, 12&17) from 2009-2011. The role players are Technical Services Department, Eskom, DME, Thunzi Consulting Engineers, Racec Power.

Electricity is not the competency of O.R. Tambo District Municipality in terms of powers and functions. Only KSD and Mbizana Local Municipality are licensed to supply electricity in their towns. The surrounding rural areas of KSD and Mbizana and other five local municipalities are supplied by Eskom. O.R. Tambo District Municipality is only playing a support and the coordinating role in terms of electricity services.

Regarding free basic energy, consultations with the stakeholders are underway in municipalities towards the development of policies thereof. Various sources of electricity have been identified to be the grid, solar energy and gel. The public participation processes conducted in this regard indicated that communities are not interested in the alternative sources of energy; they are only interested in the Eskom grid.

The electricity function lies with Eskom, however there are two local municipalities, King Sabata Dalindyebo and Mbizana, who are responsible for the supply of electricity in their towns. Free basic energy policies are developed by Local Municipalities as indigent policies are being developed by Local Municipalities.

B. LEVEL AND STANDARDS IN ELECTRICITY SERVICES

People who are connected to Eskom grid are regarded as fully served.

People who are connected to solar energy and gel are regarded as being served to basic level.

People who use candles and paraffin or any other source of energy are regarded as being unserved.

C. ANNUAL PERFORMANCE AS PER KEY PERFORMANCE INDICATORS IN ELECTRICITY SERVICES

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review (actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households with access to electricity services	100% (48 703) h/h	23%((30 871) h/h thus with the indication of 2% and 1% as projected in 2008)	Municipality targeted 1778 h/h despite those by Eskom.	1778 h/h connected but couldn't be energised.	50%
2	Percentage of indigent households with access to basic electricity				11238	

	services					
4	Percentage of indigent households with access to free alternative energy sources				3654	

C. Major challenges in electricity services and remedial actions

The municipality still have a huge backlog of electricity and in some instances is due to non accessibility as a result of poor roads infrastructure. The municipality tried to assist Eskom by providing access roads for their projects but EIA processes are taking a toll in delaying such programmes. Current electricity load far exceed the supply and Eskom needs to be engaged in order to strengthen their substations even further.

The rolling out of the REDS programme looked to be eminent in order for the local municipality to benefit in terms of revenue collection but it is moving at a very slow pace. Indigent register was never completed and therefore the extent of backlogs cannot be determined as well the annual target. Register to be completed.

2.3 Sanitation

a. Sanitation services delivery strategy and main role-players

Sanitation is the competency of District Municipality and therefore the municipality only plays a facilitation role.

b. Level and standards in sanitation services

In estimating the sanitation backlogs, the following assumptions have been applied:

People with flushed toilets with waterborne, septic tanks and digesters are regarded as served to higher level

People with Ventilated Improved Pits (VIP) are regarded as served to lower level or basic level (RDP standard).

People with no toilet infrastructure or a toilet with no ventilated improved pit (pit latrines) or bucket system are regarded as not served. Population served or unserved in 2007 has been escalated from the 2004 figures in line with the projected overall population change from 2004 to 2007.

C. Annual performance as per key performance indicators in sanitation services

Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year

1	Percentage of households with access to sanitation services	100% (48 703) h/h	80%(38 776) h/h	DM will reflect on this in their report	DM will reflect on this in their report	DM will reflect on this in their report
2	Percentage of indigent households with access to free basic sanitation services	DM will reflect on this in their report	DM will reflect on this in their report	DM will reflect on this in their report	DM will reflect on this in their report	DM will reflect on this in their report
4	Percentage of clinics with access to sanitation services	DM will reflect on this in their report	DM will reflect on this in their report	DM will reflect on this in their report	DM will reflect on this in their report	DM will reflect on this in their report
5	Percentage of schools with access to sanitation services	DM will reflect on this in their report	DM will reflect on this in their report	DM will reflect on this in their report	DM will reflect on this in their report	DM will reflect on this in their report

D. MAJOR CHALLENGES IN SANITATION SERVICES AND REMEDIAL ACTIONS

1. Challenges

- Lack of working relations or communication between DM & LM has lead to low or no service delivery with respect to sanitation.
- We are running a risk of facing an outbreak of diseases due to unhygienic ways of living due to poor sanitation methods being employed.
- Lack of adequate water is also stumbling block in terms of installing full water borne toilets system.

Approximately 62% of the population does not have an adequate level of sanitation (at least a VIP or equivalent). Of the 62%, 172,582 households (approximately 914,000 people) are located in the rural areas of the district. Only 4 of the 10 urban areas within the seven municipalities are either fully or partially served by waterborne sanitation systems. The rural areas generally depend on informal pit latrine toilets where at least 91.4% of the population has no formal sanitation services.

Refurbishment and upgrading of existing sewer plant eminent together with the replacement of existing old sewer lines. The implementation of waterborne sewer system in other towns is underway in four towns but more funding is required to upgrade waterborne sewer system in other five towns in the district.

2. 4. Road maintenance

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

It is the competency of the Local municipality to construct and maintain the access roads within the Ingquza Hill Municipality jurisdiction. Road maintenance includes re-gravelling, storm water drainage, bridges, pothole patching, paving, road signs, road markings and foot paths

There are two teams working in the implementation of roads maintenance, thus a plant unit and roads maintenance team which is the officials in the technical services department. The plant team is basically responsible for plant operations and management be it in roads maintenance or implementing capital projects. The roads maintenance unit is responsible for the following technical items:

- Patching of potholes
- Unblocking of drain
- Clearing of drain
- Light blading of gravel roads
- Road markings

c. Level and standards in road maintenance services

- i) Programmed and systematic inspection regime for the road network.
- ii) Reasonable smooth sealed driving surface with no dangerous deformations.
- iii) Sealed surface shall provide reasonable friction level for vehicles.
- iv) Provision of warning signs to road users of hazard potential hazards.
- v) Consistent nominal sealed width with no dangerous deformations.
- vi) Relatively consistent surface level between seal and the edge of the shoulder.
- vii) Regulatory signs to be visible and legible.
- viii) Provide smooth riding surface with good drainage.

c. Annual performance as per key performance indicators in road maintenance services

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (actual numbers)	Target set for the f. year under review (Actual numbers)	Number of HH/customer reached during the FY	Percentage of achievement during the year
1	Percentage of households without access to gravel or graded roads					
2	Percentage of road infrastructure requiring upgrade	100% (875km)	96% (838km gravel roads)	580 m	0%	0%
4	Percentage of planned new road	875 km	875km as at December	55.12km	50.62km	91.8%

	infrastructure actually constructed		2009			
5	Percentage of capital budget reserved for road upgrading and maintenance effectively used.			2.5 % (R500'000.00)	40 km	100% of the target

D. MAJOR CHALLENGES IN ROAD MAINTENANCE SERVICES AND REMEDIAL ACTIONS

Challenges

- The heavy rains and the fact that most of the areas covered by the municipality are mountainous is not doing justice to our roads especial the gravel roads.
- There is a very limited budget available or reserved to maintain roads that have been constructed or rehabilitated using MIG funding.
- There is also a lack of resources that are needed to perform the road maintenance function effectively as the available plant (which is also not adequate) is meant for capital projects.
- There is no capacity or resources to assess all our roads and compile a report that will clarify the exact amount of backlogs as well as the condition of them for the purposes of planning and budgeting.

2. Remedial Actions

- The roads maintenance budget needs to be increased to the minimum acceptable level that will enable for the efficient maintenance of roads.
- The Municipality should look at hiring an additional plant with operators that can be used to assist the current plant.
- The Municipality should also look at appointing a service provider or a consortium of Consultants to do a backlog study citing as well the condition of our roads.

2.5 WASTE MANAGEMENT

a. Waste management services delivery strategy and main role-players

Waste management is the competency of Ingquza Hill LM its focus is in refuse removal and management of dumping sites to practise the high level of environmental health and safety. Refuse removal Services only focuses on the CBDs and peri-urban areas of both units. This leaves out quite a number of households practising their own rubbish disposal and their own refuse sites. The municipality does not have legalized dumping sites. The role players are employees on solid waste section, departmental supervisors and managers, affected communities. A waste collection plan was presented to the Standing committee and was adopted. The department is currently using this plan in fulfilling the role of refuse collection. A copy of such a plan is attached at the back of this report.

b. Level and standards in waste management services

- i) Ensuring environmental healthy areas
- ii) Ensuring cleanest towns
- iii) Dumping site that are environmentally friendly

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	Percentage of achievement during the year
1	Percentage of households with access to refuse removal services	48 703 h/h	47 083	1620	1620	100%

Challenges in waste management services and remedial actions

E. Major Challenges

Refuse collection only covers the urban and peri-urban areas leaving the vast majority of rural communities practising their own refuse removal.

This can be alluded to a shortage of resources (in terms of both personnel and equipment), as well as funding to cover the whole municipality area.

The dumping sites are neither legalised nor operated in a correct way.

This alluded to the fact that the current land-fill sites are not welcome by communities closer to where they are and lack of skills in terms of being able to operate the sites correctly.

Remedial measures

Government to pump in more funding especially to the rural municipalities that have a low revenue base.

Municipalities to use such funding to build capacity in terms of human numbers and equipment and also in building the necessary skills or employ relevant professionals.

Municipality to identify land that can be used for land-fill sites.

2.6 Housing and town planning

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

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

The Ingquza Hill Local Municipality has implemented and managed two housing projects in both Flagstaff (503 Units) and Lusikisiki (1117 units) respectively. Since the unblocking of the project the Department of Housing (Human Settlements) has become the developer and responsible for the process of appointing contractors and assistance in the issue of conveyancing. Status of the different projects varies from project to project because of unique challenges that projects are faced with.

1. Thabo Mbeki Settlement: 503 units

This housing project has been running since 2000 with very slow progress due to it having been a “blocked” project. The project resumed in March 2009 with Kentha Construction as the appointed contractor by the Dept of Housing. From July 2009 100 slabs have been completed, with NHBRC trainees also completing 4 show houses. There are 110 Houses that have roofing and are completed. NHBRC is yet to approve. What must be noted is that the construction company Kentha

has been relieved of their contract on site for the 503 Housing Project. The issue of conveyencing in Flagstaff 503 is still on-going with only 275 properties transferred, but no title deeds exist with the municipality.

Further information gathering is on-going for some of the beneficiaries to be located and their details passed on to the conveyancer. No services currently exist in the settlement. This is a major issue for the residents affecting their dignity as human beings of this settlement. One finds that people have to relieve themselves at the nearest bush area, were recently at least three dead people have been found. Also, there are a large number of disabled people living in Mbeki Park, people in wheel-chairs and they too find it extremely difficult to find areas for sanitary purposes. As a municipality we believe that the issue of infrastructure relating to services in this area really needs to be addressed and we are awaiting the Department of Housing to carry out the installation of bulk infrastructure at the project site.

2. Joe Slovo Settlement

The remaining units are still not completed due to the problems found previously such as encroachment of neighborhood school into the settlement, land invasion onto the settlement and topography affecting building process. Currently the view of the municipality is that the number of units for this settlement be reduced to 1111 units. This has to still be passed to council. The service provider arcuss Gibb was appointed by the department to handle issues relating to transfers in the area, but to date not

RURAL HOUSING PROJECTS

Currently there are 5 new rural housing projects for Ingquza Hill Local Municipality, each with 500 units allocated, these include: Xopozo (500), Dimfi (500), Mpoza (500), Holy Cross (500) and Ingquza (500). Housing consumer workshops have been held at these villages. Beneficiary lists for the above mentioned areas; have already been sent for screening.

Two urban housing projects, being Nkulukweni and Unity Park were applied for by the municipality, we have not received feedback on those applications as yet.

There are two rural housing projects at Nkoza and Mantlaneni, with 300 units per area. Both projects were implemented through the People's Housing Process (PHP), by OR Tambo District Municipality, with the local municipality playing a supportive role.

Mantlaneni & Nkozo Rural Projects

In Mantlaneni to date 209 houses are completed, 15 with roofing, 14 super structures and in Nkozo 260 houses have been completed, 40 under construction, 11 super structures, 2 at the roofing stage, 27 finishing, 29 not yet started The biggest challenges facing these two projects range from the condition of road leading to the above mentioned areas is very poor which leads to slow delivery of material, continuous late payment of suppliers, shortage of water in the area.

d. Level and standards in Housing and town planning services

Low & high level access to housing: Currently the municipality has low cost housing projects that have offered access to housing to some of the municipality's disadvantaged groups. But demand does exist from these groups. The middle income group has very little access to housing as this is determined by the availability of land to develop these residential areas. Therefore the demand is there for access to housing.

Low & high quality standard: The standard of housing is going through changes due to the employment of a building inspector to inform and guide the building and approval of structures. The town planning services offered are evident in the several land use application received as expressions of interest by residents using these services. The down side becomes were the numbers in people using these services do not tally with what is actually happening on the ground.

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

b. Level and standards in Housing and town planning service

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

	Total number of household/customer expected to benefit	Indicator name	Estimated backlogs (Actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
1	5000	Percentage of households living in informal settlements	5000	1000	Nil	Nil
2	Percentage of households with access to electricity services	100% (48 703) h/h	23%((30 871) h/h thus with the indication of 2% and 1% as projected in 2008)	Municipality targeted 1778 h/h despite those by Eskom.	1778 h/h connected but couldn't be energised.	50%
3	Assessment has not been made, however this will be done for all the existing structures in urban areas	Percentage of households in formal housing that conforms to the minimum building standards for residential houses	Not determined yet	10 % of existing houses	Nil	0 %

e. Major challenges in housing and town planning services and remedial action

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

	Indicator name	Total number of household/customer expected to benefit	Estimated backlogs (Actual numbers)	Target set for the f. year under review	Number of HH/customer reached	Percentage of achievement during the year
1	Percentage of households living in informal settlements					

2	Percentage of informal settlements that have been provided with basic services					
3	Percentage of households in formal housing that conforms to the minimum building standards for residential houses					

d. Major challenges in housing and town planning services and remedial actions

2.7 Spatial planning

a. Preparation and approval process of SDF:

The municipality approached the Department of Land Affairs for funding to carry out the reviewal process of the municipal wide Spatial Development Framework (SDF).

The development nodes that are proposed give general view of what direction the two towns will take in terms of expansion and this will then help to guide future infrastructure development and planning. The SDF will make various proposals for development in the two urban centres, Flagstaff and Lusikisiki, while also addressing the potential for development along the coast. Last year the service providers were appointed and the preparatory meeting started to guide how the document will be disseminated to the relevant stakeholders. The project advisory committee that included various government departments, stakeholders and interested and affected parties was established and the first workshop was set up in Flagstaff to present the first draft of the SDF so as to receive comments and discussions. The final presentation will be done in order to encompass any objections or additions and the final copy of the reviewed SDF will be presented to council for adoption.

b. Land use management:

The municipality assist residents with various land use applications by using the Ordinance 33 of 1934. Although the interest is there in people taking on the route of having their properties serve as mixed land use properties, the percentage of land use applications that come through the municipality is minimal as compared to what is on the ground.

Rezoning	10
Sub-Division	8
Consent use	0
Removal of Restrictions	6
Township Establishments	4

a. Preparation and approval process of SDF:

The current municipal developments are guided by the existing spatial development framework; however the municipality is currently working on the SDF reviewal for 2011/2012 financial year. The current SDF has been workshop to councillors and various stakeholders. The SDF will then be forward to the government departments and be adopted by council.

b. Land use management:

The municipalities should provide information that indicates effective use of land through the number of applications received and processed in the following categories:

- Rezoning,
- Sub-division,
- Consent use,
- Removal of restrictive conditions
- Township establishments

c. Major challenges in spatial planning services and remedial actions

Spatial Planning has major challenges that relate to the following:

Spatial Planning	Remedial
• Land use management	Rezoning and subdivision of the unsurveyed site
• Land invasions,	Identified the municipal boundaries and advising council of encroachments
• Illegal buildings,	Identification of illegal buildings and advising offenders
• Encroachments,	Instituting legal charges
• Land Claims	The municipality is currently fast tracking the land claim issues and the relevant department has been engaged
• Lapsed township register, and	Revalidation of the townships
• Erven without title deeds.	Advising owners of the erven without title deeds

c. Major challenges in spatial planning services and remedial action

2.8 Indigent policy implementation

- a. Preparation and approval process of the indigent policy
There is an existing Indigent Policy that was adopted and implemented however there is an amended Indigent Policy as per the new legislation that is yet to be adopted by the council.
- b. Implementation of the policy
Indigent Policy is implemented and the register is in place and maintained however the contracted implementing organisation is under liquidation and other alternative energy is being considered.

2.9 Overall service delivery backlogs

Basic service delivery area	30 June 200..	30 June 200..
-----------------------------	---------------	---------------

Water backlogs (6KL/month)	Required	Budgeted	Actual	Required	budgeted	Actual
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)						
Backlogs to be eliminated (%: total HH identified as backlog/total number of HH in the municipality)						
Spending on new infrastructure to eliminate backlogs (R000)						
Spending on renewal of existing infrastructure to eliminate backlog (R000)						
Total spending to eliminate backlogs (R000)						
Spending on maintenance to ensure no new backlogs (R000)						
Electricity backlogs (30KWH/month)						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)						
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)						
Spending on new infrastructure to eliminate backlogs (R000)						
Spending on renewal of existing infrastructure to eliminate backlog (R000)						
Total spending to eliminate backlogs (R000)						
Spending on maintenance to ensure no new backlogs (R000)						
Sanitation backlogs						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)						
Backlogs to be eliminated (%: total HH identified as backlog/total						

numb of HH in the municipality						
Spending on new infrastructure to eliminate backlogs (R000)						
Spending on renewal of existing infrastructure to eliminate backlog (R000)						
Total spending to eliminate backlogs (R000)						
Spending on maintenance to ensure no new backlogs (R000)						
Road maintenance backlogs						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)						
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)						
Spending on new infrastructure to eliminate backlogs (R000)						
Spending on renewal of existing infrastructure to eliminate backlog (R000)						
Total spending to eliminate backlogs (R000)						
Spending on maintenance to ensure no new backlogs (R000)						
Refuse removal						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)						
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)						
Spending on new infrastructure to eliminate backlogs (R000)						
Spending on renewal of existing infrastructure to eliminate backlog (R000)						
Total spending to eliminate						

backlogs (R000)						
Spending on maintenance to ensure no new backlogs (R000)						
Housing and town planning						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)						
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)						
Spending on new infrastructure to eliminate backlogs (R000)						
Spending on renewal of existing infrastructure to eliminate backlog (R000)						
Total spending to eliminate backlogs (R000)						
Spending on maintenance to ensure no new backlogs (R000)						

CHAPTER 3: MUNICIPAL LOCAL ECONOMIC DEVELOPMENT FRAMEWORK- (KPA 3)

3.1 Brief presentation of LED strategy/plan (1 page max)

The Local Economic Development Strategy has been completed and approved by the Council. This Strategy is aligned with the District LED Strategy, ISRDP, SDF, RSDP, IDP and other relevant documents.

The main role players in the process of formulation of the LED Strategy were as follows:

- Ingquza Hill Municipal Council and officials
- OR Tambo District Municipality
- Community Leaders (Traditional Leaders, Council of Churches etc)
- Non – governmental Organization
- Government departments
- Labour Organizations
- Government Agencies

The LED Strategy entails

Setting up a LED Unit

The municipality has an established LED Unit and is placed under the Directorate of Strategic & Development Planning and has no separate functional head. The LED Unit is responsible for:

- Co-ordination of LED initiatives
- Promoting joint production, marketing and purchasing schemes
- Establishment and management of municipal LED database

- Prioritising and Coordinating LED Financing

The Availability of LED Expertise

The LED Unit has four Sub- units which are Agriculture, Forestry, Tourism and SMME promotion in which there is a responsible official in each of them. There is currently officers and one Administration Support Staff.

LED Stakeholder Forum functionality

There is an ongoing communication of plans and activities between all relevant LED stakeholders. A proper LED Forum is in the process of being established as the process would start after the LED Strategy has been completed. Consultation meetings are ongoing which and this will lead to the establishment of the LED Stakeholder Forum. Meetings are held quarterly and when there is a need to keep stakeholders informed of all ongoing activities and to share information.

- Funding opportunities of LED activities

Project Name	Project Type	Funding Source	Amount
Construction of Hawker Stalls	Infrastructural Support	DEDEA	R1, m
Construction of Hawker Stalls	Infrastructural Support	Regional Government of Tuscany Italy	R 5 m
Agricultural projects	Agriculture	MIG	R 1,5 m

3.2 Progress towards achieving the LED key objectives (3 pages max)

a. Improve public and market confidence

The LED strategy has been finalised and adopted by the Council of Ingquza Hill municipality. The review of the Spatial Development Framework had already been started. The first draft of the SDF has been presented and is due to be completed before the end of the second quarter of the year. The SDF does indicate general land uses and guidelines of the Land Use Management but the municipality does not have the LUMS yet.

Licensing and trading permits

The municipality is not involved in issuing and managing trading licences as this has been a mandate of the Department of Economic Development and Environmental Affairs. However, the municipality remains responsible for issuing permits for hawker trading in both towns although there are still challenges in regulating this industry. Because of current challenges that include space, infrastructure, water and Sanitation the Municipality has temporarily suspended issuing permits to Street Traders until these challenges are resolved.

Investment

There were five anchor projects that were identified by the municipality as key for development in the municipality. These projects were packaged and exhibited in the OR Tambo investment conference. The projects are as follows:

- Lusi Park
- Forestry
- Agriculture and process in Lambasi
- Wild Coast development of Golf Estate
- Mining (quarry)

These projects are at different stages of progress with Lusi Park having developers that have been appointed. Further proposals are being developed for the development of the Wild Coast and there has been an expression of interest in the forestry.

Trading By-Laws

There are by-laws that were developed and gazetted to regulate street trading; the by-laws are also supported by a street trading policy which was adopted by the municipality. The challenge that remains is that these by-laws are still being reviewed to cover other aspects so they can be enforced.

Provision and maintenance of infrastructure

Infrastructure is one single enabler for economic development which is seriously inadequate. The inadequacy of infrastructure is a historic matter which has to be viewed in the context of poor planning or deliberately limiting development of the rural towns like Lusikisiki and Flagstaff.

The linear planning of the towns as resulted on creating pressure points in the town and thereby limiting development. Water and sanitation are a function of the District municipality and as such the local municipality has requested the district municipality to prioritise water and sanitation in both towns.

Further, the municipality is in partnership with Asgisa-EC to conduct a study of infrastructure levels and required levels to cope with the anticipated developments. Once more disaster management is a function of the District municipality; however the municipality has made provision for land to construct a disaster management centre for the district.

b. Exploit comparative and competitive advantage for industrial activities

The large section of the economy of Ingquza Hill is currently based on government services and transfers. There is a very limited industrial activity; however there are light industrial activities that include hardware traders. The only seriously potential light industrial activity is on agro-processing which has not taken shape yet due to low levels of production in terms of quality and quantity.

The Magwa tea estate remains the only light industrial activity which still needs to be enhanced. The tea production may further be improved because of the climatic conditions that are conducive to growing of tea, this (climate) is a major comparative advantage. The sector that has potential that has not yet been exploited is forestry. There is already study has been conducted by DWAF of forestry potential. However this sector still has challenges of expertise, finance support and so on.

c. Intensify Enterprise support and business development

Business Development Services

Over the period under review there were services that were facilitated by the municipality for the benefit of the SMME sector. The first is that the municipality provided space for South African revenue Services to assist small businesses to complete and submit tax returns and also conduct general tax awareness. The municipality has also signed an MOU with SEDA to bring their services closer to their clients by deploying an official to assist all prospective and existing SMME's in the area.

The ORTDM has also provided support in terms of training and funding local SMME's.

There has also been an engagement with Eastern Cape Tourism Board to provide training and assistance to local operators particularly around the tourism Indaba month.

Number of new formal SMMEs established

The entrepreneurial spirit is not yet at a level which we would have said it is addressing the key issues of job creation and poverty eradication. There has been a reasonable improvement in the SMME Sector in terms of registering almost all the community based projects and formal businesses and training them. This year has shown an increase in the number of businesses entering the main stream.

3.3 Annual performance as per key performance indicators in LED

	Indicator name	Target set for the year	Achievement level during the year (absolute figure)	Achievement percentage during the year
1	Percentage of LED Budget spent on LED related activities.	R 3 000 000.00	Nil	Nil
2	Number of LED stakeholder forum held	8 times a year	8 meetings were held in collaboration with O.R Tambo D.M	100 %
3	Percentage of SMME that have benefited from a SMME support program	10	Training of the SMME	20%
4	Number of job opportunities created through EPWP	759	759	100%
5	Number of job opportunities created through PPP	34	34	100

3.4 Challenges regarding LED strategy implementation

There are challenges that face the LED Strategy implementation the first challenge is as follows:

- **Budget**

The projects are normally having challenges in terms of the budget because of the projects inability to make revenue. The projects are merely dependent of municipality for support. There is less external funding support and the external funding is not supports one or two projects leaving the rest of the projects unsupported.

The project members do not have financial skills to manage the project and therefore the cash flows are not always considered. This affects the project sustainability in the long run. The municipal funding cycles at time is not assisting the projects as there are always problems associated with the expenditures. The lack of private sector involvement in most of

the LED projects is the greatest challenge because of the lack of support for the projects after their productions have been yielded.

The municipality has not attracted a lot of the private investors for various reasons and some of the reasons explained are as follows:

- The level of economy and existing economic sectors,
- Skills availability,
- Land tenure, and
- Infrastructure.

- **Project ownership by the communities**

There is also a challenge for the ownership of projects as people only associate themselves when the project is prospering. This information was obtained during the monitoring and evaluation done for the local economic development. Most projects fail as a result of poor ownership and this result in wasteful expenditure from the side of government.

The communities get to be divided in terms of who should lead the project and the management systems all discourage the involvement of various community members. The group of people that happens to be unhappy automatically refuse to acknowledge the project.

- **Infrastructure**

The infrastructure is seen as the biggest challenge that discourages the implementation of major LED projects and certain instances the investors are reluctant to invest because of lack of infrastructure. This leads to their investment not reaping the required rewards.

The accessibility to our areas of beauty where the municipality can improve their revenue through the tourism development tends not to be sustainable as a result of the distance and infrastructural capacity. The funding required for the upgrade of the municipal infrastructure is enormous and it is not easily afforded. There is also a challenge in terms of telecommunications as there are areas that cannot be accessible through cellular phone networks and Telkom in general.

- **Poor human capital**

The municipality is faced with the challenge of having inadequate skills to address the development challenges within its area of jurisdiction. The municipality is faced with the challenges of unemployment with huge high illiteracy rates. As a result, it is very difficult to attract investment to the area because of the poor skills development and most SMME's require intensive training before they can have sustainable project development.

The effectiveness of the LED strategy is affected by the skills levels in our area of jurisdiction and therefore the ways in which to deal or to start driving indigenous knowledge programme is seen to be having a potential to succeed as people are aware of the indigenous programmes.

- **Non-viable projects**

The LED projects that were funded in the previous financial years have not really shown potential firstly because of the unavailability of the markets to support the projects, secondly, the scale of the projects is minimal for the effectiveness and there are no controls such as financial management.

There are project ownership conflicts and all the issues mentioned above contribute to the less effectiveness of the LED projects. The LED strategy has identified a need to embark on sustainable local economic development.

- **Access to markets**

The municipal area does not provide support in the form of opportunities for the local SMME. The goods produced from these LED projects are only utilised by the surrounding communities and the businesses in urban areas are not supporting these projects. This affects the viability of the projects and discourages our local economic development projects.

- **Poor private investment**

There is poor private investment for LED which has been caused by the lack of infrastructure, land tenure issues and affordability of the municipal residents. The local economy is mainly primary sector driven and this therefore affects what type of private investment that can be undertaken.

for

INGQUZA HILL LOCAL MUNICIPALITY
for the year ended 30 June: **2010**Province: **Eastern Cape**

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INGQUZA HILL LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

General information

Members of the Executive Council

Councillor W Ngozi	Mayor
Councillor B Nkani	Speaker
Councillor NP Jam-Jam	Member of the Executive committee
Councillor D Mjokovana	Member of the Executive committee
Councillor JN Sabona	Member of the Executive committee
Councillor M Maxhayi	Member of the Executive committee
Councillor FN Mtsoiso	Member of the Executive committee
Councillor B Nongoma	Member of the Executive committee
Councillor P Dutshwa	Member of the Executive committee
Councillor T Cezula	Member of the Executive committee
Councillor NA Gagai	Member of the Executive committee

Municipal Manager

M Fihlani

Chief Financial Officer

L Pepeta

Grading of Local Authority

Grade 3

Auditors

Auditor-General

Bankers

First National Bank
Meeg Bank

INGQUZA HILL LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS for
the year ended 30 June 2010

General information (continued)

Registered Office: 135 Main street, Flagstaff

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135 Main street
FLAGSTAFF
4810

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4810

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INGQUZA HILL LOCAL MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2010

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 40, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 13 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

M Fihlani
Municipal Manager

L Pepeta
Chief Finance Officer

**INGQUZA HILL LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2010**

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INGQUZA HILL LOCAL MUNICIPALITY STATEMENT OF FINANCIAL POSITION As at 30 June 2010			
	Notes	2010 R	2009 R
NET ASSETS AND LIABILITIES			
Net assets		39,106,809	7,113,702
Accumulated surplus		39,106,809	7,113,702
Non-current liabilities			
Long term liabilities	1	6,825,840	6,825,840
Current liabilities		27,984,425	20,644,354
Current provisions	2	903,531	728,801
Trade and other payables from exchange transactions	3	14,177,099	10,886,823
Unspent conditional grants and receipts	4	12,649,201	4,000,000
Bank overdraft	9	16,907	5,028,730
Sundry creditors	3	237,687	-
Total Reserves and Liabilities		73,917,073	34,583,896
ASSETS			
Non-current assets		53,266,676	19,870,313
Property, plant and equipment	5	49,712,660	16,582,844
Investment held as a collateral	8	3,554,016	3,287,469
Current assets		20,650,397	14,713,583
Consumer debtors	6	5,115,286	6,740,084
Sundry debtors	6	949,529	-
VAT receivable	7	1,796,029	2,042,280
Bank balances and cash	9	12,789,552	5,931,219
Total Assets		73,917,073	34,583,896

**INGQUZA HILL LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2010**

	Notes	2010 R	2009 R
REVENUE			
Property rates	10	15,391,779	7,655,553
Service charges - refuse	11	1,228,086	1,280,588
Donations		-	27,886
Rental of facilities		27,635	33,042
Interest earned - external investments		575,143	246,311
Fines		220,400	3,400
Lease rentals		-	-
Licences and permits		18,123	20,765
Government grants and subsidies	12	94,099,614	60,244,416
Other income		2,891,379	4,130,372
Proceeds on sale of assets		-	714,870
Total Revenue		114,452,159	74,357,203
EXPENDITURE			
Employee related costs	13	45,042,767	35,017,672
Remuneration of Councillors	14	10,901,216	10,289,001
Repairs and maintenance		889,824	3,099,865
Impairment of debtors		11,370,857	5,925,370
Interest paid	15	524,064	28,890
General expenses		12,485,263	18,049,737
Total expenditure		81,213,991	72,410,535
SURPLUS FOR THE YEAR		33,238,168	1,946,668

INGQUZA HILL LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2010

	(Accumulated Deficit) / Accumulated Surplus	Total
<u>2009</u>		
Balance at 01 July 2008	4,740,698	4,740,698
Previously reported	(35,032)	(35,032)
Surplus for the year after restated figures	1,946,668	1,946,668
	6,687,366	6,687,366
Correction of prior period error	426,336	426,336
Surplus for the year	-	-
	7,113,702	7,113,702
<u>2010</u>		
Balance at 01 July 2009	1,643,072	1,643,072
Change in accounting policy	-	-
Balance at 01 July 2009	1,643,072	1,643,072
Correction of errors (Note 25)	4,225,569	4,225,569
Surplus for the year	33,238,168	33,238,168
	39,106,809	39,106,809

INGQUZA HILL LOCAL MUNICIPALITY			
CASH FLOW STATEMENT			
For the year ended 30 June 2010			
	Notes	2010 R	2009 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		121,956,425	87,905,943
Cash paid to suppliers and employees		<u>(76,740,984)</u>	<u>(70,446,413)</u>
Cash generated by / (utilised in) operations	22	45,215,441	17,459,530
Investment income		575,143	246,311
Interest paid		<u>(524,064)</u>	<u>(28,890)</u>
NET CASH FROM OPERATING ACTIVITIES		<u>45,266,520</u>	<u>17,676,951</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(33,129,817)	(16,582,844)
Proceeds on disposal of PPE		-	714,870
Investment held as a colateral		<u>(266,547)</u>	<u>(3,287,469)</u>
NET CASH FROM INVESTING ACTIVITIES		<u>(33,396,365)</u>	<u>(19,155,443)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans increase - DBSA		-	6,825,840
NET CASH FROM FINANCING ACTIVITIES		<u>-</u>	<u>6,825,840</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		11,870,156	5,347,348
Cash and cash equivalents at the beginning of the year		<u>902,488</u>	<u>(4,444,860)</u>
Cash and cash equivalents at the end of the year	9	<u>12,772,644</u>	<u>902,488</u>

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2010

6 CONSUMER DEBTORS

	Gross balance	Provision for bad debts	Net balances
	R	R	R
As at 30 June 2010			
Business	15,292,683	(14,910,366)	382,317
Domestic	12,819,650	(12,499,159)	320,491
Government	4,412,478	-	4,412,478
	32,524,811	(27,409,525)	5,115,286

As at 30 June 2009

Rates	20,734,172	(16,038,668)	4,695,504
	20,734,172	(16,038,668)	4,695,504
Error correction			2,044,580
Adjusted balance			6,740,084

	2010	2009
	R	R
Refuse and Rates: Ageing		
0 - 30 days (current)	140,598	(1,785,398)
31 - 60 days	112,395	115,082
61 - 90 days	112,251	117,057
91 -120 days	(867,872)	113,339
121 - 150days	112,024	99,507
151 - 180 days	111,083	116,610
181 - 210 days	11,972,243	116,480
211 - 240 days	110,736	111,586
241 - 270 days	110,683	113,927
271 - 300 days	105,529	113,773
301 - 330 days	109,335	112,831
331 - 360 days	109,994	5,050,807
+361 days	20,285,812	16,338,571
Total	32,524,811	20,734,172

Summary of Debtors by Customer Classification

In terms of the financial instruments classification (Note 9.1), management has classified consumer debtors as loans and receivables for the purposes of assessing credit risk and liquidity (Notes 10.1 and 10.2). The concentration of credit risk has been on residential consumers. Provision for impairment of consumer debtors has been more aggressive in the year under review, and has been made for all residential consumer balances outstanding for more than 90 days (2009: 90 days). In management's professional judgement, no further credit credit provision is required in excess of the Provision for impairment.

Consumer Debtors comprises a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer Debtors are presented net of provision for impairment.

6.1 Sundry debtors	949,529	-
7 VAT		
Vat receivable	1,796,029	2,042,280

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2010

1. BASIS OF ACCOUNTING

1.1 Basis of presentation

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003) and we have adopted the requirements exempted in Gazette 30013 of 27 June 2007. The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing costs
GRAP 6	Consolidated financial statements and accounting for controlled entities
GRAP 7	Accounting for Investments in Associates
GRAP 8	Financial Reporting of Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial reporting in hyperinflationary economies
GRAP 11	Construction contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Asset
GRAP 100	Non-current assets held for sale and discontinued operations
GRAP 101	Agriculture
GRAP 102	Intangible assets

Where there is no equivalent standard of GRAP or IPSAS an International Financial Reporting Standard (IFRS) that is effective forms part of the GRAP reporting framework. This applies to the accounting standards detailed below:

IAS 12 (AC102)	Income Taxes
IAS 14 (AC 115)	Segment reporting
IAS19 (AC 116)	Employee benefits
IAS20 (AC 134)	Accounting for government grants and disclosure of government assistance
IAS24 (AC 126)	Related party disclosures
IAS26 (AC 136)	Accounting and rereporting by retirement benefit plans
IAS29 (AC 124)	Financial reporting in hyperinflationary economies
IAS 30 (AC 120)	Disclosures in the financial statements of banks and similar financial institutions
IAS 32 (AC 125)	Financial instruments: Disclosure and presentation
IAS 33 (AC 104)	Earnings per share
IAS 34 (AC 127)	Interim Financial Reporting
IAS 36 (AC 128)	Impairment of assets
IAS 39 (AC 133)	Financial instruments: Recognition and measurement
IFRS 02 (AC 139)	Share-based payment
IFRS 03 (AC 140)	Business combinations
IFRS 04 (AC 141)	Insurance contracts
IFRS 06 (AC 143)	Exploration for and evaluation of mineral resources
IFRS 07 (AC 144)	Financial Instruments: Disclosures

Exemptions from these standards as they relate to the interim arrangements on the implementation of GRAP are detailed under each relevant accounting policy note below as they apply to the municipality.

**INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2010**

1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 Going concern assumption

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

1.4 Comparative information

Budget information in accordance with GRAP 1 and 24 has been provided in an annexure to these financial statements and forms part of the annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as practicable and the prior year comparatives are restated accordingly.

1.5 Accounting policies, changes in accounting estimates and errors

The municipality has taken advantage of the interim arrangements with respect to the implementation of GRAP.

1.6 HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

2. RESERVES

2.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

**INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 30 June 2010

2.2 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated a transfer is made from the Government Grant to the accumulated surplus. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus.

2.3 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus. On disposal, the net revaluation surplus is transferred to the accumulated deficit while gains or losses on disposal based on revalued amounts, are credited or charged to the Statement of Financial Performance.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services and for administrative purposes and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The municipality has applied the transitional provision, within GRAP17 - Property, plant and equipment, as it relates to measurement and therefore the cost of the assets have been recorded at provisional amounts, namely at R0 per major asset category. There has been no subsequent measurement of property, plant and equipment and therefore no depreciation has been accounted for in the annual financial statements. The municipality has till the end of June 2012 to measure property, plant and equipment in terms of GRAP17.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be a provisional amount.

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 the provisional amount.

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

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2010

3. PROPERTY, PLANT AND EQUIPMENT (Cont.)

3.2 Subsequent measurement - revaluation model (Land and Buildings)

The municipality has applied Directive 4 with regards to GRAP17 - Property, plant and equipment and therefore there has been no subsequent measurement. The municipality is in the process of ascertaining values for the assets and this is required to be performed by 30 June 2012.

3.3 Depreciation and impairment

As the municipality has applied Directive with regards to GRAP17 - Property, plant and equipment as relates to measurement, no depreciation has been accounted for in the annual financial statements.

3.4 Derecognition

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

4. INVESTMENT PROPERTY

4.1 Initial recognition

Investment property includes property (land or a building, or a part of a building, or both land or buildings held under an operating lease) held to earn rentals and / or for capital appreciation, rather than held to meet service delivery objectives, production or supply of goods or services or the sale of an asset in the ordinary course of operations. Investment properties are initially recognised as assets on acquisition date and are initially recorded at cost. The municipality has applied Directive 4 with regards to GRAP16 - Property, plant and equipment (inclusive of investment property), as it relates to measurement and therefore the cost of the assets have been recorded at provisional amounts, namely at R0. There has been no subsequent measurement of property, plant and equipment and therefore no depreciation has been accounted for in the annual financial statements. The municipality has till the end of June 2012 to measure property, plant and equipment in terms of GRAP16.

Where an investment property is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be a provisional amount.

Where an investment property 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 the provisional amount.

4.2 Subsequent measurement - revaluation model (Investment property)

The municipality has applied Directive 4 with regards to GRAP16 - Property, plant and equipment (inclusive of investment property) and therefore there has been no subsequent measurement. The municipality is in the process of ascertaining values for the assets and this is required to be performed by 30 June 2012.

4.3 Depreciation and impairment

As the municipality has applied Directive 4 with regards to GRAP16 - Property, plant and equipment as relates to measurement, no depreciation in respect of investment property has been accounted for in the annual financial statements.

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2010

4. INVESTMENT PROPERTY (Cont.)

4.4 Derecognition

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

5. TRADE AND OTHER RECEIVABLES

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

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

6. TRADE PAYABLES AND BORROWINGS

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

7. CASH AND CASH EQUIVALENTS

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

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

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2010

8. INVENTORIES

8.1 Initial Recognition

The municipality has taken advantage of Directive 4 in the implementation of GRAP, accordingly the municipality is exempted from complying with GRAP 12 to the extent that it relates to immovable capital assets.

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

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

8.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, working-in-progress and finished goods, are valued at the lower of cost and the net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method.

9. FINANCIAL INSTRUMENTS

The Municipality has various types of financial instruments and these can be broadly catergorised as either Financial Assets or Financial liabilities.

9.1 Financial Assets - Classification

A financial asset is any asset that is cash or contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereof:

Investment in Fixed Deposits (Banking Institutions, etc)
Long term receivables
Consumer debtors
Other debtors
Bank, cash and cash equivalents

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2010

9. FINANCIAL INSTRUMENTS (continued)

9.1 Financial assets (continued)

Type of financial assets	Classification in terms of IAS 36.06
Short term investment deposits - call	Available for sale
Bank, cash and cash equivalents	Available for sale
Long term receivables	Loans and receivables
Consumer debtors	Loans and receivables
Other debtors	Loans and receivables
Bank, cash and cash equivalents	Held at maturity

Financial assets at fair value through profit and loss are financial assets that meet either of the following conditions:

- They are classified as held for trading; or
- Upon initial recognition they are designated as a fair value through the Statement of Financial Performance.

Available for sale investment are financial assets that are designated as available for sale or are not classified as:

Loans and receivables
 Held to maturity investments; or
 Financial asset at fair value through the Statement of Financial Performance.

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment maturity.

Loans and receivables are non derivative financial assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months, which are classified as noncurrent assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition financial assets are provision for impairment.

9.2 Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereof:

Long term liabilities
 Creditors
 Bank overdraft
 Short term loans
 Current portion of long term liabilities

There are two main categories of financial liabilities, the classification based on how they are measured. Financial liabilities may be measured at:

- (i) Fair value through profit or loss; or
- (ii) Not at fair value through profit or loss (other financial liabilities)

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2010

9. FINANCIAL INSTRUMENTS (continued)

9.2 Financial liabilities (continued)

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. Purchase with the intention to sell or repurchase in the short term, derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short term profiteering or are resulted gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities should be classified as financial liabilities that are not measured at fair value through profit or loss are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

In accordance with IAS 39.09 the Financial Liabilities of the Municipality are all classified as financial liabilities that are not measured at fair value through profit or loss.

9.3 Initial and Subsequent Measurement

9.3.1 Financial Assets:

Held to maturity investments and loans and receivables are initially measured at fair value plus transactions costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective interest method less any impairment, with revenue recognised on an effective yield basis.

Financial Assets at Fair Value and Available for sale are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

9.3.2 Financial liabilities

Financial liabilities at fair value and subsequently measured at fair value. Other financial liabilities are measured at amortised cost using the effective interest rates method.

9.4 Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39

Initially accounts impairment of trade receivables are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year end. Bad debts are written off the year in which they are identifying as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2010

9. FINANCIAL INSTRUMENTS (continued)

9.4 Impairment of financial assets (continued)

With the exception of Available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of Available for sale equity securities, impairment losses previously recognised through profit or loss are not reversed through the Statement of Financial Performance. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Consumer debtor is stated at cost less a provision for impairment. The provision is made in accordance with IAS 36.64 whereby the recoverability of consumer debtors is assessed individually and then collectively after grouping the assets in financial assets with similar credit risks characteristics. Government accounts are not provided for such accounts are regarded as receivable.

Loans and receivable are non-derivative Financial Assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 month, which are classified as non-current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

9.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the assets expires or it transfer the financial asset and sub-sequentially all the risks and rewards of ownership of the asset to another entity, except when the Council approves the write-off of Financial Assets due to non-recoverability.

If the Municipality neither transfers nor retain substantially all the risks and rewards of the ownership and continues to control the transfer asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the Municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

9.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, the Municipality's obligations are discharged, cancelled or they expire.

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2010

10 RISK MANAGEMENT OF FINANCIAL ASSET AND LIABILITIES

It is the policy of the Municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instrument to which the Municipality is exposed on the reporting date.

Risks and exposure are disclosed as follows:

10.1 Credit Risk

- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

10.2 Liquidity Risk

- A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.
- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in the financial statement

11. PROVISIONS

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

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

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

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2010

12. LEASES

12.1 Municipality as lessee

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

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating leases are accrued and accounted for on a straight-line basis over the term of the relevant lease, this on the basis of the of the cash flows in the lease agreement. The principle of smoothing the current and future lease payments has not been applied. Notwithstanding the exemptions on the recognition of operating lease agreement, the municipality has early adopted IAS 17 (AC 105).

12.2 Municipality as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

13. CONDITIONAL GRANTS AND RECEIPTS

Revenue from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligation embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met.

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2010

14. REVENUE

14.1 REVENUE FROM EXCHANGE TRANSACTIONS

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

Interest revenue is recognised on a time proportion basis.

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

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

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

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

The municipality has opted to take advantage of the exemption on accounting for revenue in terms of GRAP 09. That means revenue has initially been measured at cost and not at fair value wherein all future receipts are discounted at the imputed rate of return.

14.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

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

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

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2010

14.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS (Continued)

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

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

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

15. GRANTS, TRANSFERS AND DONATIONS

IAS 20 (AC 134) has been early adopted.

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

16. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance.

17. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (32 of 2000), the Public Office Bearers Act (20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure is accounted for as an expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. FRUITLESS AND WASTEFUL EXPENDITURE

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

INGQUZA HILL LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2010

19. BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

20. RETIREMENT BENEFITS

The municipality operates a defined contribution plan in the form of a provident fund scheme covering employees. The assets of the scheme are held separately from those of the municipality and are administered by the scheme's trustees. Contributions to the defined contribution retirement benefit plan are recognized as an expense when employees have rendered service entitling them to contributions.

21. IMPAIRMENT OF ASSETS

The municipality has taken advantage of the transitional arrangements with respect to IAS 36 (AC 128) impairment of assets, meaning that the municipality is exempted from complying with this standard.

22. SEGMENT REPORTING

The municipality has taken advantage of the transitional arrangements with respect to IAS 14 (AC 115) segment reporting, accordingly the municipality is exempted from complying with this standard.

23. EVENTS AFTER THE REPORTING DATE

The municipality considers events that occur after the reporting date for inclusion in the annual financial statements. Events that occur after the reporting date (30 June 2010) and the date on which the audit of the financial statements is completed (30 June 2010) are considered for inclusion in the annual financial statements.

**INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010**

	2010	2009
	R	R
1 LONG TERM LIABILITIES		
Loans - DBSA	6,940,711	6,825,840
Less: Sundry creditors	(114,870)	-
	<u>6,825,840</u>	<u>6,825,840</u>

The DBSA external loan is repayable in 2019. The fixed interest rate is 6.75% per annum. One bullet payment at the end of term from proceedings of zero coupon bonds. The payment shall commence on the last day of half year during which the first disbursement was advanced to the Borrower. The loan is secured by the investment held with FNB-RMB which was ceded to the DBSA which is an investment on zero coupon bond and has the following details:

Account number - 128331

Type of account – RMB

Value – R3 287 467

2 CURRENT PROVISION

Provision for service bonus	<u>903,531</u>	<u>728,801</u>
	<u>903,531</u>	728,801

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2010

	2010 R	2009 R
3 CREDITORS		
Trade creditors and accruals	2,485,804	6,559,873
Payroll creditors	6,223,269	-
Provision for Leave Pay	3,354,735	2,689,257
Prepaid income	2,113,290	<u>1,497,614</u>
Balance at the end of the year	<u>14,177,099</u>	<u>10,746,744</u>
Error correction		<u>140,079</u>
Adjusted balance		<u>10,886,823</u>
Sundry creditors		
Interest on DBSA Loan (refer to note 1)	114,870	<u>-</u>
Other creditors	<u>122,816</u>	<u>-</u>
	<u>237,687</u>	<u>-</u>
4 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Traffic Testing Centre	-	115,893
DME - Electrification	9,010,563	<u>-</u>
MIG Grant	<u>3,638,638</u>	4,000,000
	<u>12,649,201</u>	<u>4,115,893</u>
Error correction		<u>(115,893)</u>
Adjusted balance		<u>4,000,000</u>

See note 12 for reconciliation of grants from other spheres of government. These unspent conditional grants at year end are directly cash backed as required by the MFMA i.e. at year end there were designated investment bank accounts supporting these unspent grants, however, the Housing Development Fund was in the main account.

INGQUZA HILL LOCAL MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 For the year ended 30 June 2010

5 PROPERTY, PLANT AND EQUIPMENT

At 30 June 2010

5.1 Reconciliation of Carrying Value

Description	Land and buildings	Infrastructure	Community assets	Capitalised leased assets - Motor vehicles	Other assets	Total
	R	R	R	R	R	R
Carrying values at 1 July 2009	2,585,209	13,475,633	-	-	522,002	16,582,844
Cost	2,585,209	13,475,633	-	-	522,002	16,582,844
Correction of error	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated depreciation:	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Correction of error	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-
Acquisitions	856,860	25,829,843	-	-	6,443,113	33,129,816
Capital under construction	-	-	-	-	-	-
Depreciation:	-	-	-	-	-	-
- based on cost	-	-	-	-	-	-
- based on revaluation	-	-	-	-	-	-
Carrying value of disposals:	-	-	-	-	-	-
Cost/revaluation	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-
Cost/revaluation	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
Carrying values at 30 June 2010	3,442,069	39,305,476	-	-	6,965,115	49,712,660
Cost	3,442,069	39,305,476	-	-	6,965,115	49,712,660
Revaluation	-	-	-	-	-	-
Accumulated depreciation:	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2010

	2010 R	2009 R
8 NON-CURRENT ASSETS		
Investments - FNB: RMB	3,554,016	3,287,469
<p>The investment is with RMB and is pledged as security for loan with DBSA and the municipality has no access to the investment till the loan is repayed in 2010. This investment is on zero coupon bond and has the following details:</p> <p>Account number - 128331 Type of account – RMB Value – R3 287 467</p>		
9 BANK, CASH AND OVERDRAFT BALANCES		
The Municipality has the following bank accounts:		
9.1 Current Account (Primary Bank Account)		
FNB - 6224175712	-	(5,028,730)
Meeg - 40-5276-4652	(16,907)	
Cash book balance at the beginning of the year - overdrawn		
Cash book balance at the end of the year - overdrawn	(16,907)	(5,028,730)
Bank statement balance at the beginning of the year - overdrawn		
Bank statement balance at the end of the year - overdrawn	(16,907)	(5,028,730)
9.2 Current and call accounts		
Meeg - 40-5276-4652	-	4,929,176
FNB - 6224175712	1,608,460	-
FNB - 62003235307	11,209	11,797
FNB - 62219877836	165,648	159,583
Meeg - free basic service	5,201	5,253
Meeg - call account	263,381	557,622
Meeg - free basic electricity	5,202	5,258
Standard call account	10,631	145,391
Standard call account	2,350	116,253
FNB - Electrification	9,010,563	-
FNB - MIG projects	1,700,000	-
FNB - 761	6,823	-
Cash book balance at the end of the year	12,789,469	5,930,333
Bank statement balance at the end of the year	12,789,469	5,930,333
9.3 Petty cash balance	82	479
Error correction		407
Adjusted balance		886
Bank and cash balance	12,789,551	5,931,219
Cash and cash equivalents	12,772,643	902,489

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2010

	2010 R	2009 R
10 PROPERTY		
RATES <u>Actual</u>		
Rates	15,391,779	<u>5,610,973</u>
Total assessment rates	<u>15,391,779</u>	<u>5,610,973</u>
Error correction		<u>2,044,580</u>
Adjusted balance		7,655,553
<u>Property valuations</u>		
Rates		
Total property valuations	<u>-</u>	<u>-</u>
<p>Valuations on land and buildings are performed every four years. The last valuation came into effect on 01 July 2007. A general rate of R0.03 is applied to property valuations to determine the assessment rates. Rates are levied on an annual basis on property owners.</p>		
11 SERVICE CHARGES		
Refuse charges	<u>1,228,086</u>	<u>1,280,588</u>
12 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	60,075,535	45,332,649
Department of Minerals and Energy	10,989,437	735,000
MSIG Grant	735,000	619,386
Municipal Finance Management Grant	1,000,000	120,381
IDP Development - Grant	120,280	250,000
MIG Grant	18,928,363	13,187,000
Municipal Support Programme	2,251,000	
Total government grants and subsidies	<u>94,099,614</u>	<u>60,244,416</u>

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2010

	2010 R	2009 R
12 GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
12.1 Equitable share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. As part of this service, the municipality provides free basic electricity through a formalised mechanism through Eskom.	<u>60,075,535</u>	<u>45,332,649</u>
12.2 Department of Minerals and Energy		
Balance unspent at the beginning of the year	-	-
Current year receipts	20,000,000	-
Conditions met - transferred to revenue	<u>(10,989,437)</u>	-
Conditions still to be met - transferred to liabilities	<u>9,010,563</u>	-
 This is an electrification support grant. Conditions yet to be met are that the mu must still utilise this funding for electrification expenditure purposes and that this amount represents the tranche for 2009/10 grant.		
12.3 MSIG Grant		
Balance unspent at the beginning of the year	-	-
Current year receipts	735,000	735,000
Conditions met - transferred to revenue	<u>(735,000)</u>	<u>(735,000)</u>
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
12.4 Municipal Finance Management Grant		
Balance unspent at the beginning of the year	-	-
Current year receipts	1,000,000	-
Conditions met - transferred to revenue	<u>(1,000,000)</u>	-
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
12.5 IDP Development - Grant		
Balance unspent at the beginning of the year	-	-
Current year receipts	120,280	120,000
Conditions met - transferred to revenue	<u>(120,280)</u>	<u>(120,000)</u>
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
12.6 MIG Grant		
Balance unspent at the beginning of the year	4,000,000	-
Current year receipts	18,567,000	13,187,000
Conditions met - transferred to revenue	<u>(18,928,363)</u>	<u>(9,187,000)</u>
Conditions still to be met - transferred to liabilities	<u>3,638,637</u>	<u>4,000,000</u>

This is an infrastructure support grant. Conditions yet to be met are that the municipality must still utilise this funding for Capital expenditure purposes and that this amount represents the first tranche of the 2009/10 Infrastructure Grant.

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2010

	2010 R	2009 R
12.7 Municipal Support Programme		
Balance unspent at the beginning of the year	-	-
Current year receipts	2,251,000	-
Conditions met - transferred to revenue	(2,251,000)	-
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
13 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and wages	32,559,396	25,497,848
Employee related costs - Contributions for UIF, provident, m/aid, etc	5,021,650	3,733,642
Travel, motor car, accommodation, subsistence	2,196,952	2,658,866
Overtime payments	2,371,916	687,112
Housing benefits and allowances	1,132,305	811,028
Provision for Bonus	1,760,549	1,629,176
Total employee related costs	<u>45,042,767</u>	<u>35,017,672</u>
Remuneration of the Municipal Manager		
Annual remuneration	624,907	662,136
Car allowance	131,943	110,546
Contribution to UIF and related items	50,346	15,160
	<u>807,196</u>	<u>787,842</u>
Remuneration of the Chief Finance Officer		
Annual remuneration	529,271	495,910
Car allowance	126,468	105,804
Contribution to UIF and related items	16,239	64,467
	<u>655,739</u>	<u>601,714</u>
Remuneration of the Corporate Services		
Annual remuneration	531,797	522,098
Car allowance	120,834	115,058
Contribution to UIF and related items	42,787	39,508
	<u>695,418</u>	<u>676,664</u>
Remuneration of the Technical Services		
Annual remuneration	529,271	391,847
Car allowance	126,468	76,381
Contribution to UIF and related items	29,231	-
	<u>684,970</u>	<u>468,228</u>
Remuneration of the Community Services		
Annual remuneration	531,797	522,644
Car allowance	120,834	115,058
Contribution to UIF and related items	42,787	39,508
	<u>695,418</u>	<u>677,210</u>
Remuneration of the Strategic Planning		
Annual remuneration	531,797	522,918
Car allowance	115,660	115,660
Contribution to UIF and related items	42,787	42,787
	<u>690,244</u>	<u>681,365</u>

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2010

	2010 R	2009 R
14 REMUNERATION OF COUNCILLORS		
Mayor		
Annual remuneration	424,786	395,039
Allowances, contribution to UIF and related items	150,268	139,640
	<u>575,054</u>	<u>534,679</u>
Speaker		
Annual remuneration	363,504	316,162
Allowances, contribution to UIF and related items	123,897	114,777
	<u>487,401</u>	<u>430,939</u>
Chief Whip		
Annual remuneration	175,446	163,092
Allowances, contribution to UIF and related items	65,646	60,800
	<u>241,093</u>	<u>223,892</u>
Exco members		
Annual remuneration	1,579,018	1,489,414
Allowances, contribution to UIF and related items	590,814	547,200
	<u>2,169,833</u>	<u>2,036,614</u>
Councillors		
Annual remuneration	5,342,851	5,096,532
Allowances, contribution to UIF and related items	2,084,985	1,966,346
	<u>7,427,836</u>	<u>7,062,878</u>
Total remuneration for councillors	<u>10,901,216</u>	<u>10,289,001</u>
15 INTEREST PAID		
Long term liabilities	524,064	76,791
Bank overdraft	-	28,891
Total interest on external borrowings	<u>524,064</u>	<u>105,682</u>
16 CHANGE IN ACCOUNTING POLICY		
16.1 Provision for the landfill site rehabilitation	<u>-</u>	<u>-</u>
Previously this provision was not made in the annual financial statements.		
17 CORRECTION OF ERROR		
During the year ended 30 June 2009 revenue in respect to property rates were identified which were accrued but not recorded in prior years. The comparative amount have been restated as follows: Debtors	-	<u>2,302,277</u>
Net effect on deficit	<u>-</u>	<u>2,302,277</u>

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2010

	2010 R	2009 R
18 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:		
Bank balances and cash	12,789,552	5,931,219
Bank overdraft	(16,907)	(5,028,730)
Total cash and cash equivalents	<u><u>12,772,644</u></u>	<u><u>902,489</u></u>

19 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

19.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	-	-
Unauthorised expenditure current year	-	-
Approved by Council or condoned	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	<u><u>-</u></u>	<u><u>-</u></u>

Incident	Disciplinary steps / criminal proceedings
N/A	None.

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2010

	2010 R	2009 R
19 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
19.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	-	-
Fruitless and wasteful expenditure current year	888,325	82,108
Condoned or written off by Council	-	-
Transfer to receivables for recovery	-	-
Irregular expenditure awaiting condonement	<u>888,325</u>	<u>82,108</u>

Incident	Disciplinary steps / criminal proceedings
The municipality has had few meetings of Exco, Council, Standing committee meetings which were cancelled during the year when refreshments were already been ordered. An amount of R22 599 was incurred in respect of these meetings. PAYE, UIF and SDL penalty and interest for non payment of these statutory deduction resulted in cost of R793 678.73. Expenditure incurred relating to a 3G card that a former employee continued to use after termination of employment. An amount of R72 048 has been incurred in the current financial year and R82 108 (2009)	N/A

19.3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	-	-
Irregular expenditure current year		
Approved by Council or condoned	-	-
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting authorisation	<u>-</u>	<u>-</u>

Incident	Disciplinary steps / criminal proceedings
Not applicable	Not applicable.

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2010

	2010 R	2009 R
20 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
20.1 Audit fees		
Opening balance	554,143	-
Current year audit fee	1,011,825	1,268,088
Amount paid - current year	(723,124)	(713,945)
Amount paid - previous years		
Balance unpaid (included in creditors)	<u>842,844</u>	<u>554,143</u>
20.2 VAT		
VAT input receivables are shown in note 10.	1,796,029	2,042,280
20.3 PAYE and UIF		
Opening balance	429,271	-
Current year payroll deductions	5,141,700	4,592,642
Amount paid - current year	(429,271)	(3,813,349)
Amount paid - previous years	-	(350,022)
Balance unpaid (included in creditors)	<u>5,141,700</u>	<u>429,271</u>
20.4 Pension and Medical Aid Deductions		
Opening balance	-	-
Current year payroll deductions and council contributions	3,171,164	5,404,613
Amount paid - current year	(3,171,164)	(3,540,789)
Amount paid - previous years	-	(1,863,824)
Interest on arrears		
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
21 CONTINGENT LIABILITY	Amount claimed	
Nature of claim and commencement of claim	<u>551,052</u>	

These are employees with cases that are still pending and / or under arbitration process from which the outcome may favour any of the

two parties involved. These employees are still on suspension pending their cases.

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2010

	2010 R	2009 R
22 CASH GENERATED/(UTILISED) BY OPERATIONS		
Surplus/(deficit) for the year	33,238,168	1,946,668
Adjustment for:	-	
Depreciation	-	-
Proceeds on sale of assets	-	(714,870)
Prior year adjustment	(1,245,060)	11,991,749
Investment income	(575,143)	(246,311)
Interest paid	524,064	105,682
Operating surplus/(deficit) before working capital changes:	31,942,029	13,082,918
Increase in inventories	-	-
Decrease in consumer debtors	1,624,798	3,056,810
(Increase)/decrease in other debtors	-	-
Increase in creditors	3,290,276	276,706
Decrease in VAT	246,251	1,518,447
Decrease in unspent conditional grants and receipts	8,649,201	1,505,941
Cash generated by / (utilised in) operations	45,752,554	19,440,822

23 23.1 GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to the going concern. This 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. The ability of the Municipality to continue as a going concern is dependant on a number of factors.

1. Liquidity - in terms of section 214 of the Constitution of RSA (Act 108) the parliament is instructed to provide for an Act (DORA) that will enable the National Government to raise and collect revenue from all sources and distribute it equitably to both Provincial and Local Government (Municipalities). Allocation for 2010/11 is R 73.5m and R 82.7m for 2011/12

2. Debtors collection - to fully comply with the credit control and debt collection policy the Municipality is procuring the services of the skilled debt collector to collect the outstanding debts from business and residents, we are embarking on a reveue enhancement programme.

3. Statutory payments - the municipality is owed VAT refund by SARS and imediately we are paid we shall settle the outstanding debt using the equitable share allocation that we are awaiting on the 30

November 2010. The most significant of these is that the Accounting Officer continue to procure funding for the on-going operations of the Municipality. However the

Municipality is facing financial constraints. This is evident that the majority of our creditors are more than 90 days overdue as at 30 June 2010, however we have since reduce the agying of creditors to less than 60 days.

23.2 EVENTS AFTER THE REPORTING DATE

After the reporting date the MEC for local government in the Eastern Cape issued a notice to the Mayor and Speaker of the Council to state the reasons why they fill the MEC should not dissolve the Council if the council meetings do not sit, they were both given up to 29 November 2010 to respond. the council meeting was then held on the 25 of November 2010 and a number of resolutions regarding compliance and programme were taken.

24 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Appendix E(1).

INGQUZA HILL LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2010

		2010	2009
		R	R
25 Accumulated surplus			
Opening balance	Since conversion from Venus consumer control account did not balance with age analyses an adjustment needed to be made to balance them	(2,298,075.00)	-
Rates	Rebates did not reduce the consumer account because they were not linked	253,495.00	-
Provisions - reversal	Reversal of provisions that were made last year to give way for the current provisions	(3,418,058.07)	-
Reversal	Reversal of the credit notes that were passed to this account	(815,790.67)	-
DBSA Loans	Reversal of interest capitalised in 2009, to restate the loan amount	(76,791.71)	-
Reversal	Reversal of the credit notes that were passed to this account	(50,443.67)	-
Petty cash	Write of the opening balance for petty cash that was incorrect	407.11	-
Adjustments	Write down of funds	(426,335.51)	-
Accruals - reversal	Reversal of the accruals for 2009 that were raised per AG recommendation after they were expensed in the current CB	(1,910,147.00)	-
Adjustments	Accruals paid	(5,000.00)	-
Reversal	Accruals paid	(653,514.39)	-
Error	Last year expenditure not captured	2,907.00	-
Reallocation	Last year expenditure not captured	2,500.00	-
Prior year payments	Outstanding cheques	3,252,735.09	-
Prior year payments	Last year expenditure not captured	3,591.00	-
Prior year payments	Last year expenditure not captured	5,495.00	-
Prior year payments	Last year expenditure not captured	2,315.00	-
Prior year payments	Last year expenditure not captured	28,232.96	-
Prior year payments	Last year expenditure not captured	3,052.36	-
Penalties	Amounts owed to SARS	(416,072.56)	-
Penalties	Amounts owed to SARS	8,877.00	-
Pension	Payments for previous year deduction	354,065.81	-
Prior period error	write down of the funds (adjustment from	310,443.00	-
Prior period error	IMFO to GRAP)	(620,886.00)	-
Housing development	Write down	-	310,443
Expenditure for last year		2,237,429.00	
		(4,225,569)	310,443

INGQUZA HILL LOCAL MUNICIPALITY

APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30/06/09	Paid during the year	Interest for the year	Balance at 30/06/10	Carrying Value of Property, Plant and Equipment	Other costs in accordance with the MFMA
							R	R
			R	R	R	R	-	-
DBSA - Loans			6,902,632	(409,192)	909,255	7,402,695	-	-
			6,902,632	(409,192)	909,255	7,402,695		

INGQUZA HILL LOCAL MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2010

	Cost / Revaluation				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions / Revaluation	Under Construction	Transfer / Disposal	Closing Balance	Opening Balance	Additions	Disposals	
Land and Buildings									
Land	-	-	-	-	-	-	-	-	-
Land and buildings	2,585,209	856,860	-	-	3,442,069	-	-	-	3,442,069
	2,585,209	856,860	-	-	3,442,069	-	-	-	3,442,069
Infrastructure									
Street Lights	-	-	-	-	-	-	-	-	-
Electrification - Work in Progress	-	9,729,772	-	-	9,729,772	-	-	-	9,729,772
Access Roads	13,475,633	16,100,071	-	-	29,575,704	-	-	-	29,575,704
	13,475,633	25,829,843	-	-	39,305,476	-	-	-	39,305,476
Community assets									
Graveyard	-	-	-	-	-	-	-	-	-
Recreation grounds	-	-	-	-	-	-	-	-	-
Community Halls	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Leased assets									
Motor vehicles	-	-	-	-	-	-	-	-	-
Other assets									
Landfill site	-	-	-	-	-	-	-	-	-
Park homes	-	-	-	-	-	-	-	-	-
Furniture and fittings	-	-	-	-	-	-	-	-	-
Plant and equipment	-	-	-	-	-	-	-	-	-
Motor vehicles	453,378	-	-	-	453,378	-	-	-	453,378
Tools and equipment	68,624	6,039,899	-	-	6,108,523	-	-	-	6,108,523
Office and traffic equipment	-	360,640	-	-	360,640	-	-	-	360,640
Computer equipment	-	-	-	-	-	-	-	-	-
	-	42,574	-	-	42,574	-	-	-	42,574
	522,002	6,443,113	-	-	6,965,115	-	-	-	6,965,115
	16,582,844	33,129,816	-	-	49,712,660	-	-	-	49,712,660

INGQUZA HILL LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
FOR THE YEAR ENDED 30 JUNE 2010

	Cost / Revaluation					Accumulated Depreciation				Carrying
	Opening Balance	Additions	Under Construction	Transfer / Disposals	Closing Balance	Opening Balance	Additions	Disposal	Closing Balance	
	R	R	R	R	R	R	R	R	R	
Municipal council	1,053	360,640	-	-	361,693	-	-	-	-	-
Management office	1,053	-	-	-	1,053	-	-	-	-	-
Budget and treasury	92,020	-	-	-	92,020	-	-	-	-	-
	97,755	-	-	-	97,755	-	-	-	-	-
	128,116	42,574	-	-	170,690	-	-	-	-	-
	89,945	-	-	-	89,945	-	-	-	-	-
	16,172,902	22,139,970	-	-	38,312,872	-	-	-	-	-
Community & Social Services	16,582,844	22,543,184	-	-	39,126,028	-	-	-	-	-

INGQUZA HILL LOCAL MUNICIPALITY

APPENDIX E(1)

ACTUAL VS BUDGET (Revenue and Expenditure)

FOR THE YEAR ENDED 30 JUNE 2010

REVENUE	2010 <u>Actual</u>	2010 <u>Budget</u>	2010 <u>Variance</u>	2010 <u>Variance %</u>	Explanation of significant Variances
Property rates	15,391,779	10,671,894	4,719,885	44%	
Service charges - refuse	1,228,086	1,000,000	228,086	23%	
Rental of facilities	27,635	230,889	(203,254)	-88%	
Interest earned - external investments	575,143	140,000	435,143	311%	
Fines	220,400	150,000	70,400	47%	
Licences and permits	18,123	-	18,123	-100%	
Government grants and subsidies	94,099,614	107,672,535	(13,572,921)	-13%	
Other income	2,891,379	13,870,500	(10,979,121)	-79%	
Total Revenue	114,452,159	133,735,818	(19,283,659)	-14%	
EXPENDITURE					
Executive and Council	10,901,216	10,901,216	-	0%	
Management	2,855,522	4,500,716	1,645,194	37%	
Office Corporate	10,201,427	12,071,408	1,869,981	15%	
Services Budget	18,957,296	15,794,699	(3,162,597)	-20%	
and Treasury	5,940,637	7,946,530	2,005,893	25%	
Local Economic	20,692,652	69,876,027	49,183,375	70%	
	17,184,407	24,093,980	6,909,573	29%	
Total Expenditure	86,733,157	145,184,576	58,451,419	40%	
NET SURPLUS FOR THE YEAR	27,719,003	(11,448,758)	39,167,761	-100%	

4.2 Audit Report

AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON INGQUZA HILL LOCAL MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements, 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, and a summary of significant accounting policies and other explanatory information as set out on pages ... to ...

Accounting officer's responsibility for the financial statements

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

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with 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.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the

financial statements.

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

Basis for qualified opinion

Accumulated surplus

7. In terms of GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors, paragraph 42, all material prior period errors shall be corrected retrospectively by restating comparative amounts for prior period errors and if an error occurred before the earliest prior period presented, by restating the earliest prior period presented. The requirements of this standard has not been correctly adhered to since the restated opening accumulated surplus per the Statement of Changes in Net Assets for 2010 does not agree to the restated closing accumulated surplus by an amount of R 1,2 million. The municipality could also not provide sufficient audit evidence to support an amount of R 3, 4 million that was included as current year adjustments to the opening accumulated surplus.
8. The disclosure requirements as required per GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors, paragraph 49, requires the nature or prior errors as well as the correction per financial statement line item to be disclosed. The Prior period error, Note 25 to the financial statements, amounting to R 4,2 million does not comply with the requirements of GRAP 3.

Bank and Cash

9. In terms of section 62 (1) (b) of the MFMA, the accounting officer should ensure that full and proper records of the financial affairs of the entity are kept. However adequate controls were not exercised over the bank reconciliations. This resulted in an invalid reconciling item of R 1,5 million being reflected on the year end bank reconciliation. This relates to three R 500 000 transactions which were incorrectly recorded as credits to the Statement of Financial Performance. Had this amount not been incorrectly recorded, Bank Balances and Cash as disclosed on the Statement of Financial Position would reduced by R 1,5 million and Other Income on the Statement of Financial Performance would be decreased by R 1,5 million.
10. In my previous report on the financial statements for the year ended 30 June 2009 my opinion was modified due to the bank reconciliation not having been properly prepared. The corresponding figure of R 8,2 million for bank and cash was not corrected. As a result, the prior year revenue, expenditure, and cash and bank figures are still misstated. Consequently, my opinion is again modified due to the comparability of the corresponding figures.

Financial instruments

11. The municipality did not to comply with the provisions of the International Accounting Standards (IAS) 32 and 39 in respect of the disclosure, recognition and measurement of financial instruments. Due to a lack of documentation it was not possible to assess the impact of this non-disclosure on the financial statements. Furthermore, the municipality did not disclose any items required by the International Financial Reporting Standard

(IFRS) 7, either in the statement of financial position or in the notes to the annual financial statements.

Qualified opinion paragraph

12. In my opinion, except for the effects of the matter(s) described in the Basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Ingquza Hill Local Municipality as at 30 June 2010 and its financial performance and its cash flows for the year then ended, in accordance with the South African Standards of Generally Recognised Accounting Practice and in the manner required by the Municipal Finance Management Act of South Africa.

Emphasis of matters

13. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Basis of accounting amendments to the applicable basis of accounting

14. The financial statements were prepared using the initial adoption of Generally Recognised Accounting Practice (GRAP) basis of accounting. The municipality applied Directives 4 (Transitional Provisions for medium and low capacity municipalities) and 5 (Determining the GRAP reporting framework), issued by the Accounting Standards Board in March 2009.
15. GRAP 1 requires an entity to provide an analysis of its expenditure for the year using a classification based on either the nature of the expenses or their function within the entity, whichever method provides the more reliable and relevant information. The annual financial statements reflect General Expenses amounting to R 14,7 million for which no such analysis has been made.
16. In terms of GRAP 16: Investment Property, paragraph 18, an entity shall separately recognise investment property when it meets the recognition criteria. During the audit, property valued at R nil was identified which have not been recognised as investment property. Furthermore in terms of the requirements of Directive 4, the municipality should state that they have applied the transitional provisions per Directive 4 as well as the effect steps taken towards complying with GRAP 16: Investment Property. These disclosures have not been made and therefore the municipality has not complied with the recognition and disclosure requirements of GRAP 16: Investment Property.
17. Computer software amounting to R 817 122 that satisfies the definition criteria for intangible assets has been incorrectly included as property, plant and equipment. GRAP 102 sets out the requirements for measurement and recognition of intangible assets. The effect of this error results in the overstatement of property, plant and equipment by this amount.

Going concern assessment

18. While the Ingquza Hill Local Municipality continues to operate, there are a number of indicators that its financial sustainability is under threat. The average debtor's payment period is in excess of 360 days and an impairment loss of R 11, 3 million in respect of doubtful debts was necessary for the current year, compared to R 5, 9 million for the previous year. Statutory deductions from salaries and wages amounting to R 6, 2 million were not paid to the South African Revenue Service. Only two municipal council meetings were convened during the year. This has been disclosed in Note 23 of the annual financial statements.

Fruitless and wasteful / irregular expenditure

19. Fruitless and Wasteful expenditure amounting to R793 678 with regards to penalties and interest incurred on late payments of PAYE, UIF and SDL have been disclosed in Note 19 in the financial statements.
20. Fruitless and Wasteful expenditure amounting to R22 599 with regards to refreshments bought for Council meetings that were never held has been disclosed in Note 19 in the financial statements.
21. Fruitless and Wasteful expenditure amounting to R72 048 with regards to costs incurred on the payment for the continued data usage on a 3G card for the former municipal manager after the termination of his employment contract has been disclosed in Note 19 in the financial statements.
22. Irregular expenditure incurred due to the payment of Councillor Salaries in excess of the maximum limits as set by the Government Gazette Notice 1225 of 21 December 2009 amounting to R24 632 has not been disclosed per the financial statements.

Subsequent events

23. Subsequent to financial year end, reports emanating from the Eastern Cape Provincial Government indicate that the municipal council could be dissolved in terms of Section 34 of the Municipal Structures Act. This could have a severely negative impact on the municipality's ability to continue operating as a going concern.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

24. As required by the PAA and in terms of *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the following key laws and regulations – Section 23, 34, 35, 41, 43 and 46 of the Municipal Systems Act of South Africa, No 32 of 2000 (MSA), Municipal Planning and Performance Management Regulations, 2001, and financial management (internal control).

Predetermined objectives

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

Non-compliance with regulatory and reporting requirements

Municipal Systems Act of South Africa, No.32 of 2000 (MSA)

26. The municipality does not make use of the general key performance indicators as prescribed in terms of section 43 of the MSA.
27. The municipality did not included the performance of external service providers, comparisons of targets set for performance in the previous financial year for both the municipality and each service provider nor the measures taken to improve performance as required in terms of Section 46(1) of the MSA.
28. In contravention of Section 26(1)(h) of the MSA and regulation 2(3) of the Local Government Municipal Planning and Performance Management Regulation, 2001 which states that an integrated development plan must reflect a financial plan and a budget projection for the next three years, the following deviations have been identified:
 29. No budget projection has been included in the IDP for 2009/2010.
 30. No specific section in the IDP has been dedicated to indicating financial resources for capital project developments and operational expenditure.
 31. For the identified development strategies, objectives and projects listed in chapter 3, no budget allocations have been disclosed. These are the key objectives that will be used to assess the type and quantity of audit work to be carried out on the reported performance information.
 32. The budgets for various projects listed in the integrated development plan is haphazardly tabled, significantly incompletely and often provides little to no relevance in respect of the year under review.
 33. The municipality did not properly review and update its Integrated Development Plan as required by Section 34 of the MSA.

Usefulness of information

34. 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:

Planned and reported performance targets not specific/measurable/time bound

35. The target with regards to all the objectives were not:

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

Reported information not consistent with planned objectives, indicators and targets

36. The Ingquza Hill Local Municipality has not reported throughout on its performance against predetermined objectives which is consistent with the approved integrated development plan.

Reliability of information

37. The following criteria were used to assess the reliability of the planned and reported performance:

- Validity: Has the actual reported performance occurred and does it pertain to the entity i.e. can the reported performance information be traced back to the source data or documentation?
- Accuracy: Amounts, numbers and other data relating to reported actual performance has been recorded and reported appropriately.
- Completeness: All actual results and events that should have been recorded have been included in the reported performance information.

The following audit findings relate to the above criteria:

Lack of appropriate information systems generating performance information

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

Source information not accurate and complete

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

COMPLIANCE WITH LAWS AND REGULATIONS

Use of more than one Primary Bank account

40. Per section 8 (1) of the MFMA a municipality must have a primary bank account and if it has more than one bank account, a primary bank account must be designated. Section 8 (2) (a) of the MFMA requires all allocations to a municipality must be paid into its primary bank account. Furthermore section 8 (4) of the MFMA states that no organ of state in the national, provincial or local sphere of government may transfer an allocation of money referred to in subsection (2) to a municipality except through the municipality's primary bank account. Contrary to the requirements of these sections the municipality has been receiving allocations in more than one bank account and has been using more than one bank account for its operations.

Bank reconciliations not done effectively

41. The municipality has performed only a combined bank reconciliation of its two operating bank accounts on a monthly basis. At year end, separate bank reconciliations were prepared for these bank accounts, however none of these bank reconciliations balances. This is in contravention of Section 62(c) of the MFMA which requires the accounting officer to establish effective, efficient and transparent systems of financial and risk management.

Accounting officer did not adhere to his statutory responsibilities

42. The municipal manager has failed to report to council as soon as possible after 30 June a report indicating the amount of arrears which is believed to be uncollectible, together with reasons for this conclusion. This is in direct contravention of Section 100(a) of the MFMA which requires that the municipal manager must implement and enforce the municipality's credit control and debt collection policy. Per Part 20 of the municipality's Debt collection and Credit Control policy, it requires the municipal manager to present the report indicating the amount of debtors believed to be uncollectible as indicated above.
43. Of the R 32,5 million of the debtors that are overdue by more than 360 days, the municipal manager has only collected R720 191 in arrear service fees through the municipality's attorney's and/or debt collection agents. This is in contravention of Section 100(a) of the MFMA which requires that the municipal manager must implement and enforce the municipality's credit control and debt collection policy.

Settlement of creditors within 30 days

44. The municipality did not settle all monies due to creditors within 30 days of receiving the invoice, as required by section 65(2)(e) of the MFMA.

Prior year annual report

45. The municipality did not publicise the annual report for the year ended 30 June 2009 as is required by Section 127(5)(a) of the MFMA.

Supply chain management

46. Not all documents relating to construction tenders awarded signed by a delegated municipal official on behalf of the municipality, and not all tender documents contained all of the essential attachments and annexes, which is in contravention of Circular 25 of the MFMA and Section 4 of The Guide for Accounting Officers of Municipalities and Municipal Entities.
47. Not all bidders, from whom the municipality requested written quotations for the supply of goods and services, were required to submit declarations of interests which is in contravention of the Supply Chain Management Regulations
48. Contracts issued for consulting services do not always include a clause that the copyright in any document produced and the patent rights or ownership in any plant, machinery, process designed or devised, by a consultant, in the course of consultancy service, is vested in the municipality, which is in contravention of the Supply Chain Management Regulations.

INTERNAL CONTROL

49. I considered internal control relevant to my audit of the financial statements and the

report on predetermined objectives as well as compliance with the MSA, MFMA and Treasury Regulations, but not for the purpose of expressing an opinion on the effectiveness of internal control.

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

Leadership

51. No formal policies and procedures have been implemented which means that oversight will be more onerous to prove. Performance of the municipality has not been measured against predetermined objectives as set in the integrated development plan and staff is also not subjected to performance measurement, which does not set the correct tone at the top. The lack of effective processes and procedures to prevent and detect unauthorised, irregular and fruitless and wasteful expenditure affects the management's ability to effectively mitigate risk.

Financial and performance management

52. A performance management system has not been established by the municipality nor have policies been reviewed over a continuous basis ensuring the relevancy thereof. No controls are in place to ensure that creditors are settled within 30 days as required. There is also no evidence as yet as to the processes in place over maintenance of the newly established asset register; furthermore IT systems have not been established to ensure strategic alignment, which all point to a lack of adequate systems over these areas. Bank reconciliations are also not performed in an effective manner in which all reconciling items are monitored for validity. Poor controls also exist over the use of consultants in the process.

Governance

53. The risk assessment process does not specifically address the risk of material misstatement and as such is not an effective risk management tool. Several deficiencies were noted with respect to the internal audit function. No evidence exists that staff have been made fully aware at all levels of the fraud prevention plan, nor are controls over fraud assessment reviewed during the year and as such fraud prevention is not functioning effectively.
54. The Internal Audit function has not been fully effective in the discharge of their legislative requirements nor has it reviewed performance information, and therefore is assessed as not functioning effectively. The audit committee has only met twice as opposed to four times, which is a requirement of the MFMA. The Audit Committee Charter also excludes the functions of performance audit committee, performance management, performance evaluation and effective governance.

East London

30 November 2010



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

4.3 Action Plan for Audit Report

BANK & CASH

AUDIT REPORT FINDING:	Bank & cash Para. 9 & 10	Bank in the GL not properly maintained which resulted to Statement of financial performance overstated by R 1,5 and bank reconciliation showing invalid reconciling items			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTIONS TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	Budget and Treasury - CFO			By management	By Auditor General
		Adjust and correct the bank(GL) by R 1.5 m, maintain the correct bank reconciliations	30-Apr-11		

FINANCIAL INSTRUMENTS

AUDIT REPORT FINDING:	Financial instruments Paragraph 11	The municipality did not comply with the provisions of the IAS 32 and 39 in respect of the disclosure, recognition & measurement of financial instruments.			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTION(S) TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	Budget & Treasury Office			By management	By Auditor General

	- CFO	Comply with the requirements of IAS 32 & 39 and IFRS 7	30-Apr-11		

EMPHASIS OF MATTERS

AUDIT REPORT FINDING:	Emphasis of matter Para. 15	Analyses of expenditure for the year on either nature or function of expense was not provided for the general expenditure			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTIONS TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	Budget and Treasury - CFO	Expenses for the year should be classified according to nature or function for all expenditure categories	30-Apr-11	By management	By Auditor General

EMPHASIS OF MATTERS

AUDIT REPORT FINDING:	Emphasis of matter Para. 16	Investment property valued at R nil was identified which have not been recognised as investment property			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTIONS TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	Budget and			By	By

	Treasury - CFO			management	Auditor General
		Comply with the requirements of GRAP standards (GRAP 16 investment property)	30-Apr-11		

AUDIT REPORT FINDING:	Emphasis of matter Para. 17	Computer software that satisfies the definition of intangible assets has been incorrectly classified as part of PPE, amounting to R 817 122			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTIONS TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	Budget and Treasury - CFO	Ensure that all assets are classified in accordance with all the GRAP standards, and perform a reconciliation of PPE	30-Apr-11	By management	By Auditor General

AUDIT REPORT FINDING:	Going Concern Paragraph 18	Although the municipality continues to operate there are a number of indicators that its financial sustainability is under threat, eg, non payment from debtors, non sitting of Council meetings, etc.			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTION(S) TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	Budget & Treasury Office - CFO	Improve the financial standing of the Municipality and increase the collection rate from debtors, seek guidance from MEC about Council meetings, hold meetings with rate payers	30-Apr-11	By management	By Auditor General

AUDIT REPORT FINDING:	Fruitless Para. 19	Interest and penalties with regards to late payments of PAYE, UIF and SDL			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTIONS TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	Budget and Treasury - CFO	Ensure that all statutory deductions are paid on time to avoid interest and penalties being charged to the Municipality and develop a plan to settle the long outstanding debt to SARS	30-Apr-11	By management	By Auditor General

AUDIT REPORT FINDING:	Fruitless PARAGRAPH 20	Expenditure incurred with regards to refreshments for the council meetings that were never held			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTION(S) TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	MM's Office - Accounting Officer	Seek guidance from MEC and Ensure the sitting of the council meetings	30-Apr-11	By management	By Auditor General

		when due to sit		
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AUDIT REPORT FINDING:	Fruitless Para. 21	Expenditure incurred on 3G card for the continued use by former Municipal Manager after the termination of his employment contract by the Municipality, this amounts to R 72 048 for the current year			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTIONS TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	MM's OFFICE - AO			By management	By Auditor General
		Cancel or terminate the use of 3G card from the network service provider and recover all the monies spent after the contract was legally/lawfully terminated	30-Apr-11		

AUDIT REPORT FINDING:	Irregular exp Paragraph 22	Irregular expenditure incurred due to to the payment of Council salaries in excess of the maximum limits as set by the Government Gazette Notice 1225 of 21 December 2009			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTION(S) TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	Corporate Services - HR			By management	By Auditor General
		Ensure that the correct interpretation and application	30-Apr-11		

		of Government Gazette is implemented and reviewed by a senior official			
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AUDIT REPORT FINDING:	Non compliance Paragraph 26	The municipality does not make use of the general key performance indicators as prescribed in terms of s43 of the MSA			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTION(S) TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	MM's OFFICE - AO	Ensure that the Municipality complies with the condtions of section 43 of the Municipal Systems Act	30-Apr-11	By management	By Auditor General

AUDIT REPORT FINDING:	Non compliance Paragraph 27	Municipality did not include the performance of external service providers, comparisons of targets set for performance targets set for performance inn the previous financial year for both the municipality and service provider			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTION(S) TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	Budget and Treasury - CFO	Ensure that the Municipality complies with the condtions of section 46(1) of the Municipal	30-Apr-11	By management	By Auditor General

		Systems Act			
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AUDIT REPORT FINDING:	Non compliance Paragraph 28	An IDP did not reflect the financial plan and the budgeted projections for the next three years			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTION(S) TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	MM' OFFICE - AO			By management	By Auditor General
		Ensure compliance with s26(1)(h) of the MSA and regulation 2(3) of the Local Government Municipal Planning and Performance Management regulation, 2001.	30-Apr-11		

AUDIT REPORT FINDING:	Non compliance Paragraph 29	No budget projection has been included in the IDP for 2009/2010			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTION(S) TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	MM'S Office - Accounting Officer			By management	By Auditor General
		Ensure the inclusion of	30-Apr-11		

		budget projections for the year 2010/2011			
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AUDIT REPORT FINDING:	Non compliance Para. 30	No specific section in the IDP has been dedicated to indicate financial resources for capital project developments and operational expenditure			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTIONS TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	MM's Office - Accounting officer			By management	By Auditor General
		Ensure the inclusion of financial resources to finance the projects in the IDP	30-Apr-11		

AUDIT REPORT FINDING:	Non compliance Paragraph 31	There are no budget allocations shown for the identified development strategies, objectives and projects listed in chapter 3 of the IDP <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTION(S) TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	MM's Office - Accounting officer			By management	By Auditor General
		Show budget allocations for the strategies, objectives and	30-Apr-11		

		projects			

INTERNAL AUDITING OF PERFORMANCE MANAGEMENT

AUDIT REPORT FINDING:	Non compliance Para 32	The budget for the various projects listed in the IDP is haphazardly tabled, significantly incomplete and often provides no relevance to the current year under audit			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTION(S) TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	Strategic and Planning - Strategic and planning manager			By management	By Auditor General
		Ensure proper allocation of budget to the projects in the IDP and ensure clear alignment	30-Apr-11		

AUDIT REPORT FINDING:	Non compliance Para. 33	the municipality did not properly review and update IDP as required by s34 of the MSA			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTIONS TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	Strategic and Planning - Strategic and planning manager			By management	By Auditor General
		Ensure strict compliance with section 34 of the MSA	30-Apr-11		

AUDIT REPORT FINDING:	Non compliance Para. 40 & 41	The municipality made use of more than one primary bank account which contravenes the requirements of the MFMA, and bank reconciliations not done properly at least monthly			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTIONS TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	MM' Office - Accounting Officer			By management	By Auditor General
		Ensure that the Municipality has and uses only one primary bank account and perform bank reconciliations atleast monthly	30-Apr-11		
AUDIT REPORT FINDING:	Non compliance Para. 42 & 43	The MM has failed to report to Council after 30 June indicating the amount owed by the debtors to the Municipality and poor implementation of the credit control policy			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTIONS TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	MM' Office - Accounting Officer			By management	By Auditor General
		Report to Council about the debt owed by the debtors and the reasons thereto and also ensure compliance with SCM policies	30-Apr-11		

AUDIT REPORT FINDING:	Non compliance Para. 44	Late payment of creditors owed by the municipality for more than 30 days after receiving a valid invoice			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTIONS TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	BTO - CFO			By management	By Auditor General
		Ensure that creditors are paid within 30 working days on receipt of a valid tax invoice	30-Apr-11		
AUDIT REPORT FINDING:	Non compliance Para. 45	The municipality did not publicise the annual report for the year ended 30 June 2009 as is required by s127(5)(a) of the MFMA			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTIONS TO BE TAKEN	TARGET DATE	PROGRES REPORT	
	MM' Office - Accounting Officer			By management	By Auditor General
		Ensure the publication of the annual report by the prescribed period	30-Apr-11		
AUDIT REPORT FINDING:	Supply chain Para. 46, 47 & 48	Not all tender contracts were signed by the municipal representative, not all bidders signed the declaration of interest and no copyright clauses are included in the contracts for consultants			

AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTIONS TO BE TAKEN	TARGET DATE	PROGRES REPORT	
				By management	By Auditor General
	MM' Office - Accounting Officer	Ensure that all tender contracts are signed and declaration of interest form is signed and copyright for the consultants is signed	30-Apr-11		
AUDIT REPORT FINDING:	Internal control - Leadership Para. 51	No formal policies and procedures have been implemented which means that oversight will be more onerous to prove, performance of the municipality has not been measured against predetermined objectives in the IDP and the staff performance is not measured			
AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTIONS TO BE TAKEN	TARGET DATE	PROGRES REPORT	
				By management	By Auditor General
	MM' Office & LED - Accounting Officer	Ensure performance measurement for both staff and the municipality(IDP)	30-Apr-11		
AUDIT REPORT FINDING:	Internal control - Governance Para. 53	Risk assessment process does not specifically address the risk of material misstatement and as such is not an effective risk management tool			

AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTIONS TO BE TAKEN	TARGET DATE	PROGRES REPORT	
				By management	By Auditor General
	MM' Office & LED - Accounting Officer	Risk assessment should address the material misstatement	30-Apr-11		

AUDIT REPORT FINDING:	Internal control Para. 54	The Internal Audit function has not been fully effective in the discharge of their legislative requirements nor has it reviewed performance information, and therefore is assessed as not functioning effectively. The audit committee has only met twice as opposed to four times a year. The Audit Committee Charter also excludes the functions of performance audit committee, performance management, performance evaluation and effective governance			
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AUDITOR GENERAL'S RECOMMENDED ACTION	RESPONSIBLE DEPT / PERSON	PROPOSED ACTIONS TO BE TAKEN	TARGET DATE	PROGRES REPORT	
				By management	By Auditor General
	MM' Office - Accounting Officer	Accounting Officer must ensure full utilisation and functioning of the Internal Audit Unit	30-Apr-11		

4.4 Budget to actual comparison

REVENUE

Item Name	Budget	Actual Received	Variance	Variance %
ASSESSMENT RATES	10,671,894.00	14,456,733.00	3,784,839.00	135%
DME – GRANT	20,000,000.00	20,000,000.00	-	100%
REFUSE REMOVAL	1,000,000.00	1,228,086.00	228,086.00	123%
PLANT HIRE	4,800,000.00	(268,285.00)	(5,068,285.00)	-6%
DBSA - LOAN	3,000,000.00	-	(3,000,000.00)	0%
LG SETA TRAINING	50,000.00	16,004.00	(33,996.00)	32%
FUNERAL FEES	10,000.00	10,219.00	219.00	102%
PLAN FEES & SERVITUDES	40,000.00	109,231.00	69,231.00	273%
POUND FEES	30,000.00	31,547.00	1,547.00	105%
MSP	2,210,000.00	2,251,000.00	41,000.00	102%
TENDER DOCUMENTS	50,000.00	72,500.00	22,500.00	145%
INFORMAL TRADING	5,000.00	9,890.00	4,890.00	198%
REZONING & SUBDIVISION	10,000.00	9,346.00	(654.00)	93%
NATIS AGENCY FEES	1,800,000.00	2,264,063.00	464,063.00	126%
ADVERTISING RENTAL	150,000.00	129,829.00	(20,171.00)	87%
LEASE RENTALS	160,889.00	126,394.00	(34,495.00)	79%
RENT: HALL	70,000.00	27,635.00	(42,365.00)	39%
INTEREST : INVESTMENTS	140,000.00	489,771.00	349,771.00	350%
FINES	-	1,500.00	1,500.00	0%
TRAFFIC FINES	150,000.00	218,900.00	68,900.00	146%
	-			

LICENCES: BUSINESS		18,123.00	18,123.00	0%
FMG	1,000,000.00	1,000,000.00	-	100%
EQUITABLE SHARE	60,075,535.00	60,075,535.00	-	100%
MSIG	735,000.00	735,000.00	-	100%
MIG	22,567,000.00	22,567,000.00	-	100%
SALE OF SITES	985,500.00	30,472.00	(955,028.00)	3%
SALES: WOOD	60,000.00	59,115.00	(885.00)	99%
SUNDRY INCOME	-	(2,889.00)	(2,889.00)	0%
INSURANCE REFUND	-	10,633.00	10,633.00	0%
VAT REFUND	11,300,000.00	4,362,368.00	(6,937,632.00)	39%
IDP DEVELOPMENT	120,000.00	120,280.00	280.00	100%
LOAN –DBSA	3,530,000.00		(3,530,000.00)	0%
			-	
TOTAL REVENUE	144,720,818.00	130,160,000.00	(14,560,818.00)	90%

The budgeted total revenue for the financial year 2009 & 2010 was 144 million and the actual collected revenue during that year was 130 million which reflects 90% revenue collection. There are only five vote items which are below 50% others are below 80 and 90% revenue collection. For internal revenue we notice that we have under budgeted the rates collection which we have rectified on '10/'11 financial year. Two items, sundry income, insurance refund, penalty fines and business licensing were not budgeted for and this has been rectified.

PERSONNEL EXPENDITURE

Item Name	Budget	Actual spent	Variance	Variance %
SALARIES	39,118,741.00	37,981,474.00	1,137,267.00	97%
SALARIES : BONUS-ANNUAL LEAVE	2,180,010.00	1,760,549.00	419,461.00	81%
SALARIES: LEAVE PAY	416,498.00	143,251.00	273,247.00	34%
MEDICAL AID	1,356,953.00	1,583,741.00	(226,788.00)	117%
ALLOWANCE : WARD ADMINISTRATORS	2,301,712.00	-	2,301,712.00	
TRAVELLING ALLOWANCE	6,325,942.00	4,652,445.00	1,673,497.00	74%
CELLPHONE ALLOWANCE	711,118.00	723,139.00	(12,021.00)	102%
HOUSING ALLOWANCE	1,325,148.00	1,132,305.00	192,843.00	85%
ACTING ALLOWANCE	177,478.00	122,669.00	54,809.00	69%
OVERTIME	994,383.00	2,371,916.00	(1,377,533.00)	239%
BARGAINING COUNCIL LEVY	183,031.37	8,606.00	174,425.37	5%
INSURANCE : UIF	2,017,578.00	237,921.00	1,779,657.00	12%
PROVIDENT FUND CONTRIBUTIONS	2,747,063.00	3,171,164.00	(424,101.00)	115%
STANDING & NIGHT ALLOWANCE	479,770.00	691,137.00	211,367.00)	144%
SKILLS DEVELOPMENT LEVY	1,856,196.00	313,959.00	1,542,237.00	17%
PERFORMANCE BONUS	575,226.33		575,226.33	0%
SALGA LEVIES	324,710.00	260,640.00	64,070.00	80%
EXPERIENTIAL TRANEES	133,714.00	38,300.00	95,414.00	29%
RENTAL ALLOWANCE	306,785.00		306,785.00	0%
CASUAL LABOUR	229,650.00	721,944.00	(492,294.00)	314%
TOTAL PERSONNEL EXPENSES	63,761,706.70	55,915,160.00	7,846,546.70	88%

Total budget for personal expenditure was 63,8million with actual of 55,9 million which relates to 88% overall expenditure. This is a good performance since last financial year was exceeded by 1,1 million. The municipality have manage to save an amount of 7,8 million in related to personal expenditure.

GENERAL EXPENSE

Item Name	Budget	Actual spent	Variance	Variance %
ADVERTISING FEES	218,000.00	101,225.00	116,775.00	46%
ACCOUNTING AND AUDIT FEES	751,168.00	723,124.00	28,044.00	96%
ELECTRICITY PURCHASES	160,593.00	151,734.00	8,859.00	94%
BANK CHARGES	857,047.00	855,388.00	1,659.00	100%
CONFERENCE FEES WORKSHOPS	140,000.00	137,262.00	2,738.00	98%
TEAM BUILDING	22,346.00	1,750.00	20,596.00	8%
CATERING MEETINGS	258,000.00	261,992.00	(3,992.00)	102%
CLEANING MATERIAL	55,000.00	48,358.00	6,642.00	88%
DISASTER MANAGEMENT	60,000.00	29,453.00	30,547.00	49%
MUNSOFT & PAYDAY	346,368.00	297,783.00	48,585.00	86%
CONVERSION OF AFS	798,500.00	798,325.00	175.00	100%
BEACH MANAGEMENT	60,000.00	59,711.00	289.00	100%
HOTEL ACCOMMODATION	1,368,039.00	661,426.00	706,613.00	48%
CONSULTANTS & PROFF. FEES	3,016,000.00	2,080,674.00	935,326.00	69%
EDUCATIONAL PROGRAMMES	80,000.18		80,000.18	0%
WARD ADMINISTRATORS	900,000.00	541,783.00	358,217.00	60%
INTERNAL AUDIT FEES	167,000.00	31,421.00	135,579.00	19%
IDP DEVELOPMENT	245,000.00	242,484.00	2,516.00	99%
INSURANCE : EXTERNAL	690,000.00	463,353.00	226,647.00	67%
LICENCE FEES	93,000.00	92,959.00	41.00	100%
MAYORAL FUND	255,000.00	191,312.00	63,688.00	75%
VEHICLE CAR HIRE	500,000.00	494,734.00	5,266.00	99%
POSTAGE	1,000.00	637.00	363.00	64%
DATA LINES	79,000.00	59,167.00	19,833.00	75%
DBSA LOAN REPAYMENT	595,000.00	524,064.00	70,936.00	88%
TOWING SERVICES	1,500.00	1,500.00	-	100%
PRINTING & STATIONERY	440,000.00	248,701.00	191,299.00	57%
PROPERTY VALUATIONS	726,900.00	425,088.00	301,812.00	58%
PUBLIC PARTICIPATION	60,000.00	44,881.00	15,119.00	75%
REFUND LAND SALES	430,000.00	-	430,000.00	0%
HEALTH SERVICE	20,000.00		20,000.00	0%
RENT - OFFICE EQUIPMENT	272,000.00	271,179.00	821.00	100%
S & T	589,807.00	534,392.00	55,415.00	91%

SUPPORT TO TRADITIONAL INSTITUTIONS	70,000.00	48,930.00	21,070.00	70%
SURVEY & PLANNING	500,000.00	372,070.00	127,930.00	74%
TELEPHONE	1,705,000.00	1,722,291.00	(17,291.00)	101%
VODACOM 3G	164,205.00	63,916.00	100,289.00	39%
TRAINING : OFFICIALS	200,000.01	162,484.00	37,516.01	81%
VACCINATION OF ANIMALS	10,000.00		10,000.00	0%
TRAINING : ACCOMMODATION	150,000.00		150,000.00	0%
VEHICLE FUEL & OIL	1,460,000.00	1,402,294.00	57,706.00	96%
IMPAREMENT OF DEBTORS	-	4,884,226.00	(4,884,226.00)	0%
CRIME PREVENTION	30,000.00	5,396.00	24,604.00	18%
EQUITABLE SHARE	1,300,000.00	387,840.00	912,160.00	30%
LEGAL FEES	1,600,000.00	1,098,689.00	501,311.00	69%
PAUPER BURIALS	5,000.00	3,600.00	1,400.00	72%
PROTECTIVE CLOTHING	160,000.00	53,685.00	106,315.00	34%
SPECIAL PROGRAMMES	200,000.00	200,106.00	(106.00)	100%
REFUSE BAGS	587,000.00	139,581.00	447,419.00	24%
DEPARTMENT OF TRANSPORT	649,996.00	172,372.00	477,624.00	27%
HIV & AIDS	40,000.00	14,340.00	25,660.00	36%
IGR	17,000.00		17,000.00	0%
TOTAL GENERAL EXPENSES	23,104,469.19	21,107,680.00	1,996,789.19	91%

Total budget for operational expenditure was 23,1million with actual of 21,1 million which relates to 91% overall expenditure. Based on cash flow management we have manage the line item vote to be in line with the budget line items, which resulted to a saving of 1,9 million on this financial year. In conclusion the operational expenditure was within the budgeted departmental vote and we have managed the budget in this financial year very well.

REPAIRS & MAINTAINANCE

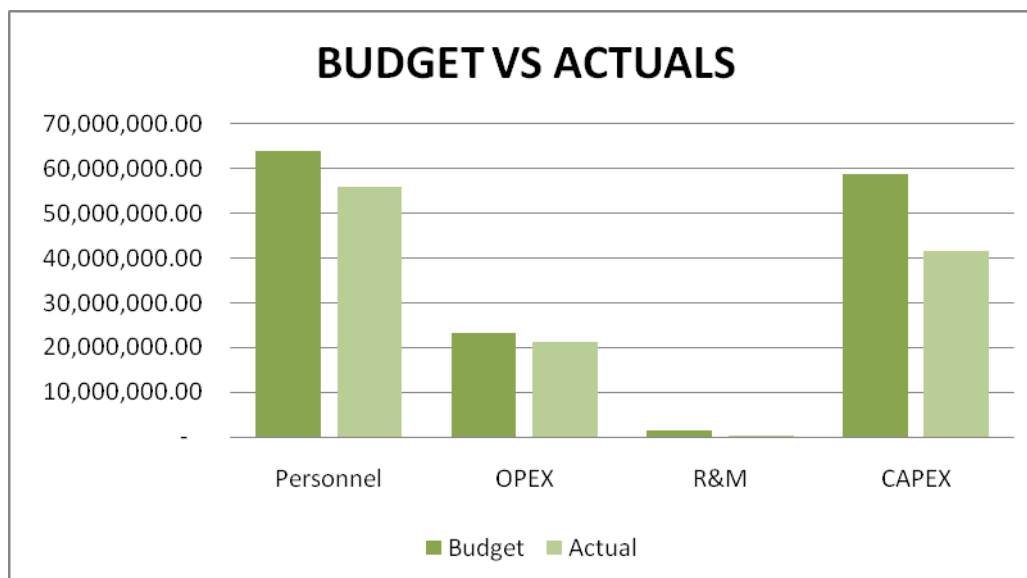
Item Name	Budget	Actual spent	Variance	Variance %
BUILDINGS & INSTALLATIONS	-			
COMPUTER INSTALLATION	100,000.00	24,320.00	75,680.00	24%
STREET LIGHTS	400,000.00	25,439.00	374,561.00	6%
ROAD MAINTENANCE	500,000.00	135,253.00	364,747.00	27%
TOOLS & EQUIPMENT	50,000.00	21,839.00	28,161.00	44%
VEHICLES	436,288.00		436,288.00	0%
TOTAL REPAIRS & MAINTENANCE	1,486,288.00	206,851.00	1,279,437.00	14%

The table above shows variance between budget and actual money spent on repairs and maintenance. With repairs and maintenance the total budget was 1,5 million with the actual of 206 851 and overall expenditure rate of 14%. The reason for this we have disposed a lot of fleet in the last financial year (2008/09).

CAPITAL EXPENDITURE

Item Name	Budget	Actual spent	Variance	Variance %
FLAGSTAFF PAVING ROAD	2,210,000.00	2,210,000.00	-	100%
OMPUTER EQUIPMENTS	50,000.00	26,764.00	23,236.00	54%
PLANT & EQUIPMENT	6,825,841.20	6,039,899.00	785,942.20	88%
FENCING OF CEMETRY	100,000.00		100,000.00	0%
L E D PROJECTS	500,000.00	92,948.00	407,052.00	19%
MOTOR VEHICLES	395,000.00	360,640.00	34,360.00	91%
ROAD CONSTRUCTION	22,567,000.00	20,867,000.00	1,700,000.00	92%
TESTING CENTRE	4,731,770.00	976,820.00	3,754,950.00	21%
POUND AND FENCING	100,000.00		100,000.00	0%
SAFES	30,000.00		30,000.00	0%
SPORT FIELDS	300,000.00		300,000.00	0%
FIRE ARMS	30,000.00		30,000.00	0%
ELECTRIFICATION	20,000,000.00	10,989,437.00	9,010,563.00	55%
COMMUNITY HALL	1,000,000.00		1,000,000.00	0%
TOTAL CAPITAL EXPEND	58,839,611.20	41,563,508.00	17,276,103.20	71%

The table above shows variance between budget and actual money spent on capital expenditure. With capital expenditure the total budget was R 58,8 million with the actual of R 41,6 million and overall expenditure rate of 71%. There is an improvement in this financial year compare with 64% which was spent in the last financial year, and the reason for high variance relate to 9 million of electrification programme which will be completed by the end of November 2010



The bar chart above is a consolidation of budget vs. actual per category for the financial year '09/10. The main purpose for having this chart was to at a glance indicate the summation of the allocation of the budget per item. Additional to this, it also gives summation of the actual expenditure. Based on the outcome of the bar chart it tells us that the municipality needs to have clear strategy on the management of personnel expenditure and also strategy to improve the capital expenditure

4.3 Grants and transfers' spending

GRANT	FUNDER	Budget	Opening balance	Amount Received & Spent each quarter								Total Rec	Total Spent
				Q1 Rec	Q1 Spent	Q2 Rec	Q2 Spent	Q3 Rec	Q3 Spent	Q4 Rec	Q4 Spent		
Equitable Share	NT	60,075,535		24,139,120	24,139,120	16,856,756	16,856,756	19,079,659	19,079,659			60,075,535	60,075,535
FMG	NT	1,000,000		750,000	64,731	-	193,457	250,000	289,980	-	451,832	1,000,000	1,000,000
DME	DME	20,000,000		15,140,000	8,718,174	2,020,000	-	2,840,000	2,271,263	-	-	20,000,000	10,989,437
MSIG	PT	735,000		735,000	416,675		261,603		56,722			735,000	735,000
MIG	NT	22,567,000	4,000,000	3,000,000	3,810,504	4,500,000	7,702,532	11,067,000	6,428,826	-	2,925,138	22,567,000	20,867,000
TOTAL BUDGET		104,377,535	4,000,000	43,764,120	37,149,204	23,376,756	25,014,348	33,236,659	28,126,450	-	3,376,970	104,377,535	93,666,972

NB: Included in the MIG receipts on the last quarter is an amount of R 4 million that was received on 30 June 2009 for the 2009/10 financial year.

4.4 Meeting of Donors' requirements in respect of conditional grants

Base on circular 51 related on rollovers of unspent conditional grant, we have made an application to national treasury for the MIG and DME grant to roll over it to the next financial year and our application was granted. All other grants we have meet their conditions.

4.5 Long term contracts entered into by the municipality

During the '08/'09 financial year the municipality has entered into a long term contract with the Development Bank of South Africa for the a loan amounting to 6,8 million. The duration of the contract is 10 years starting from May 2009 till April 2019. The purpose of the contract was to get a loan to purchase plant machinery that will be used to reduce backlog on roads and maintenance.

Provide information to the Department on the type of long term contracts the Municipality has entered into with service providers and other entities. Agreement was that the municipality must put collateral of 3million to invest for 10 years. This is a strategy to pay back the loan

4.6 Annual performance as per key performance indicators in financial viability

	Indicator name	Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
1	Percentage of expenditure on capital budget	R58 839 611	R41 563 508	71%
		Target set for the year (35%) R(000)	Achievement level during the year R(000)	Achievement percentage during the year vs the operational budget
2	Salary budget as a percentage of the total operational budget	R63 761 706	R55 915 160	88%

		Target set for the year (20% or less) R(000)	Achievement level during the year R(000)	Achievement percentage during the year vs the actual revenue
3	Total actual trade creditors as a percentage of total actual revenue	R8 067 785	R74 014 384	11%
		Target set for the year (30% and more) R(000)	Achievement level during the year R(000)	Achievement percentage during the year
4	Total municipal own revenue as a percentage of the total actual budget	R38 133 283	R23 531 465	62%
		Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
5	Rate of municipal consumer debt reduction	R2 059 245	R5 450 037	38%
6	Percentage of MIG budget appropriately spent	R22 567 000	R20 867 000	93%
7	Percentage of MSIG budget appropriately spent	R735 000	R735 000	100%
8	Percentage of FMG budget appropriately spent	R1 000 000	R1 000 000	100%
9	Percentage of DME budget appropriately spent	R20 000 000	R10 989 437	55%

4.7 The Audit committee functionality

1. AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The audit committee consists of the members listed hereunder and is supposed to meet four times per annum as approved terms of reference. During the current year three meetings were held of which one was special to discuss financial statements.

Name of Member	Number of meetings attended
1 Dr. Prince Mkuseli Mancotywa (Chairperson)	03
2 Mr. Lindela Mtwazi	03
3 Mr. Tembekile Faithful Tayi	03

2. AUDIT COMMITTEE RESPONSIBILITY

The audit committee is satisfied that it has complied though to a certain extent with its responsibilities as outlines in Section 166 of the MFMA No. 56 of 2003. The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter and also reviewed and endorsed the internal audit charter. It has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of Internal Control

- The municipality has not reviewed its risk profile at both strategic and operational level during the year. The audit committee has noted that, the municipality has operated in changing and hence challenging risk management environment and it is encouraged that the municipality and its departments
- The internal audit reports presented and discussed indicated instances where controls were inadequate or ineffective
- Recommendations were provided by internal audit but management fell short in implementing some of the corrective actions
- There are challenges that need to be addressed urgently with regard to governance structures in the municipality
- The municipality must consider establishing its own internal audit unit and risk management unit
- The municipality must also have Fraud Prevention Plan
- An internal anti-corruption committee must be established to reinforce the management as it has shown commitment in the fight against corruption
- The audit committee has noted with concern the issues raised in the report of the auditor General. The audit committee has tasked management to prepare a comprehensive plan to indicate how the municipality will address the issues and report progress regularly to the committee

3. QUALITY OF MANAGEMENT AND MONTHLY/QUARTERLY REPORTS SUBMITTED IN TERMS OF THE ACT

The municipality presented and review meetings. These reports were not tabled to the audit committee due to the challenges of the shared internal audit unit with O.R. Tambo.

Evaluation of financial statements

The audit committee has:

- Reviewed and discussed with the Auditor general and the accounting officer the audited annual financial statements to be included in the annual report.
- Reviewed the Auditor General's management letter and management response

The committee concurs with many issues raised by the Auditor General though it finds it difficult to understand and accept the conclusions of the Auditor General on the annual financial statements

4.8 Arrears in property rates and service charges

Raters and Refuse:

Ageing

0 - 30 days (current)	140,598.00
31 - 60 days	112,395.00
61 - 90 days	11,251.00
91 - 120 days	(867,872.00)
121 - 150 days	11,024.00
151 - 180 days	111,083.00
181 - 210 days	11,972,243.00
211 - 240 days	110,736.00
241 - 270 days	110,683.00
171 - 300 days	105,529.00
301 - 330 days	109,335.00
331 - 360 days	109,994.00
+361 days	20,285,812.00
	32,322,811.00

Chapter 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION- (KPA 5)

1.1 Overview of the Executive and Council functions and achievements;

5.2 Public participation and consultation;

During the year under consideration, the Municipality had designed public participation by using Mayoral Imbizos that were run by the Executive Committee in preparation of the Integrated Development Plan and the Budget. All the twenty seven (27) wards were visited with good turn-out by the communities. The Imbizos ran from the 29th April 2009 to the 12th May 2009. The Executive Committee members participated supported by the Senior Management members.

Issues that were raised in the Imbizos were taken into the process of the IDP and the budget process so as to include them in the process. Clearly, some of the issues raised in the Imbizos were not issues of a local municipality competency; in such cases issues raised were brought to the attention of the relevant department. An example of such issues is the issue of housing in ward 8, 18, 26, 27 which were raised by communities and subsequently applications to the department of Human Settlements have been made. Communities in the urban areas raised a need for opening new townships for residential and business purpose and as such a process of applying for such has been started. The issue of community halls has been raised as an important issue and three halls were included in the Municipal Infrastructure Grant programme.

The IDP representative forum has also been used as a platform from which general public voice out their issues which have to be considered as part of the IDP process. The other platform that was utilised is the Community Radio Station which was used to host developmental programmes to outline the municipal IDP issues achievements and plans. These radio shows were led by the Mayor complemented by some of the senior official.

A matter that still needs attention is the Customer satisfaction survey; this is influenced by the capacity problems of the Municipality as it is a fairly small municipality that may not be able to have all the functions adequately equipped in terms of human resource complement.

1.2 Ward committees' establishment and functionality

2. Ward committees' establishment and functionality

3. All wards have ward committees as an essential council extension in terms of the Municipal Structures Act. The municipality budgeted for out of pocket expenses for ward committees. The Municipality employed a Public Participation Officer whose main task is to ensure that there are mechanisms in place to encourage public participation in municipal affairs. The

Public Participation Officer is also responsible for providing support to the functioning of the Ward Committees.

4. Ward Committees are paid the out of pocket expenses once proof of meetings has been submitted in the municipality. Ward committees were convening every month and minutes and attendance register submitted to the municipal offices for the purpose of processing payments. For the year under review, council has not convened to deal ordinary matter of council has such there has not been issues that were flowing from the Ward Committees to the council processes. The proof of meetings between Ward Committee and communities has not been forwarded to the municipal offices. There were no separate ward committee reports for the year under review as the municipality based its interaction with ward committees on the basis of monthly

5.4 Community Development workers performance monitoring

The work of Community Development Workers may not be verified as they were appointed by the Provincial government and as such are reporting to the Provincial Government presumably. However, some CDWs do participate in the IDP process.

5.5 Communication strategy

The municipality did not have a communication strategy owing to the limited funds available to put together a Communication Strategy. However, attempts to engage the Government Communications and Information Service (GCIS) were approached to assist in the process of developing a Communication Strategy. There is already an appointed Communications Officer; however, the communications unit is made up of the Communications officer, the Public Participation Officer, the Senior Operations Officer, the Social facilitator and any other person who may participate on an ad hoc basis. The municipality is experiencing a chronic shortage of space; as such the Communications Officer is sharing an office with the LED Officer. There is also a shortage of equipment such as cameras, recording equipment, computers and others.

5.7 Intergovernmental Relations

The Municipality is expected to report on the development, adoption and implementation of the IGR framework during the year under review.

The municipality should clearly indicate the number of IGR meetings organized or attended to;

In case the municipality has signed partnership agreements with other government departments or private organizations, and municipalities in foreign countries, the municipality should provide information on the number of such partnerships and their effectiveness in meeting the purpose.

5.8 Legal matters

5.8.1 Setting up of Legal Units

The municipality should provide information regarding the availability of legal services within the municipality. In case the municipality has a legal Unit, information should be provided on the human resource capability. In case the municipality is outsourcing legal services, they should disclose the names of the firms used during the year under review.

5.8.2 Management of litigation

1. Case Load Management with specific reference to:

a. Favourable cases

Case name	Recovery (yes/No)	Reasons for non recovery

b. Unfavourable cases

Case name	Compliance with judgement (yes/No)	Reasons for non compliance with judgement

2. Case age analysis,

Case name	Nature of the case	Date of commencement	Cases of 2 years or bellow	Cases beyond 2 years	Reasons for extensive duration

3. Default judgements

Case name	Reasons for default judgement

4. Prevention mechanisms of current litigations:
The municipality is expected to clearly indicate steps taken by the legal services to prevent the current litigations and the reasons why these litigations could not be prevent
5. Criminal matters emanating from corruption and fraud
The municipality is expected to provide the list of cases of criminal matters emanating from corruption and fraud.

5.8.3 Management of Legal Risks

The municipality is expected to provide information on any existing policy adopted by the Council to manage legal risks during the year under review. In case of non existence of a policy, the municipality should say what steps are being taken to ensure that the policy for management of legal risk is in place and adopted.

PART 3- FUNCTIONAL AREAS REPORTING AND ANNEXURE

A: FUNCTIONAL AREA SERVICE DELIVERY REPORTING

1. General information (population statistics)

<i><Insert name of municipality></i> GENERAL INFORMATION	
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Reporting Level	Detail	Total	
Overview:	Provide a general overview of municipality: this may include a short narrative of issues peculiar to the municipality and issues specific to the financial year being reported		
Information:	<i><Provide statistical information on (as a minimum):></i>		
	Geography: 1 Geographical area in square kilometres Note: Indicate source of information	<i><total></i>	
	Demography: 2 Total population Note: Indicate source of information	<i><total></i>	
	3 Indigent Population Note: Indicate source of information and define basis of indigent policy including definition of indigent	<i><total></i>	
	4 Total number of voters	<i><total></i>	
	5 Aged breakdown: - 65 years and over - between 40 and 64 years - between 15 and 39 years - 14 years and under Note: Indicate source of information	<i><total></i> <i><total></i> <i><total></i> <i><total></i>	
6 Household income:			

	- over R3,499 per month	<total>	
	- between R2,500 and R3,499 per month	<total>	
	- between R1,100 and R2,499 per month	<total>	
	- under R1,100 per month	<total>	
	Note: Indicate source of information		

2. Finance and Administration function's performance

Function:	Finance and Administration	
Sub Function:	Finance	

Reporting Level	Detail	Total	
Overview:	Includes all activities relating to the finance function of the municipality. Note: grants information should appear in Chapter 4 on <i>Financial Statements and Related Financial Information</i> .		
Description of the Activity:	<p>The function of finance within the municipality is administered as follows and includes:</p> <p><List administration of each function here: this should detail what is offered, and how it is offered to the community></p> <p>These services extend to include <function/area>, but do not take account of <function/area> which resides within the jurisdiction of <national/provincial/other private sector> government. The municipality has a mandate to:</p> <p><List here></p> <p>The strategic objectives of this function are to:</p> <p><List here></p> <p>The key issues for 200X/OY are:</p> <p><List here></p>		
Analysis of the Function:	<Provide statistical information on (as a minimum):>		
1	Debtor billings: number and value of monthly billings: Function - <list function here eg: water, electricity etc>	<total>	R (000s) <total>
	- Number and amount billed each month across debtors by function (eg: water, electricity etc) and by category: Government, Business, Residents and Indigents Note: create a suitable table to reflect monthly billed and received (against billed) across debtors by function (eg: water, electricity etc) and by category	<number>	<value>
2	Debtor collections: value of amount received and interest: Function - <list function here eg: water, electricity etc>	R (000s) <total>	R (000s) <total>
	- Value received from monthly billings each month and interest from the previous month across debtors by function (eg: water, electricity etc) and by category: Government, Business, Residents and Indigents	<received>	<interest>

	Note: create a suitable table to reflect amount received from that month's billings plus interest from the previous month across debtors by function and by category		
3	Debtor analysis: amount outstanding over 30, 60, 90 and 120 plus days: Function - <list function here eg: water, electricity etc> - Total debts outstanding over 30, 60, 90 and 120 plus days across debtors by function (eg: water, electricity etc) and category Note: create a suitable table to reflect debts outstanding over 30, 60, 90 and 120 plus days across debtors by function and category	<i>R (000s)</i> <total>	
4	Write off of debts: number and value of debts written off: - Total debts written off each month across debtors by function (eg: water, electricity etc) and category Note: create a suitable table to reflect write offs each month across debtors by function and category	<number>	<i>R (000s)</i> <value>
5	Property rates (Residential): - Number and value of properties rated - Number and value of properties not rated - Number and value of rate exemptions - Rates collectible for the current year	<number> <number> <number>	<i>R (000s)</i> <value> <value> <value> <value>
Reporting Level	Detail	Total	
6	Property rates (Commercial): - Number and value of properties rated - Number and value of properties not rated - Number and value of rate exemptions - Rates collectible for the current year	<number> <number> <number>	<i>R (000s)</i> <value> <value> <value> <value>
8	Property valuation: - Year of last valuation - Regularity of valuation	<year> <cycle>	
9	Indigent Policy: - Quantity (number of households affected) - Quantum (total value across municipality)	<total> <value>	
10	Creditor Payments: <List creditors here> Note: create a suitable table to reflect the five largest creditors individually, with the amount outstanding over 30, 60, 90 and 120 plus days	<i>R (000s)</i> <value>	<age>
11	Credit Rating: <List credit rating details here> List here whether your Council has a credit rating, what it is, from whom it was provided and when it was last updated	<i>R (000s)</i> <value>	<date>
12	External Loans: - Total loans received and paid during the year Note: Create a suitable table to reflect the balance of each external loan at the beginning of the year, new loans raised during the year and loans repaid during the year as well as the balance at the end of the year. Interest rates payable on each loan, together with the date of repayment should be also disclosed in the table.	<i>R (000s)</i> <received>	<i>R (000s)</i> <paid>
13	Delayed and Default Payments: <List delayed and default payments here>	<value>	<date>

	List here whether Council has delayed payment on any loan, statutory payments or any other default of a material nature		
	Note: This information need not be reported here if reported as notes to the accounts.		

3. Planning and Development function's performance

Function:	Planning and Development		
Sub Function:	Economic Development		
Reporting Level	Detail	Total	
Overview:	Includes all activities associated with economic development initiatives		
Description of the Activity:	The function of economic planning / development within the municipality is administered as follows and includes:		
	<i><List administration of each function here: this should detail what is offered, and how it is offered to the community></i>		
	These services extend to include <i><function/area></i> , but do not take account of <i><function/area></i> which resides within the jurisdiction of <i><national/provincial/other private sector></i> government. The municipality has a mandate to:		
	<i><List here></i>		
	The strategic objectives of this function are to:		
	<i><List here></i>		
	The key issues for 200X/OY are:		
	<i><List here></i>		
Analysis of the Function:	<i><Provide statistical information on (as a minimum):></i>		
	1 Number and cost to employer of all economic development personnel:		R (000s)
	- Professional (Directors / Managers)	<total>	<cost>
	- Non-professional (Clerical / Administrative)	<total>	<cost>
	2 - Temporary	<total>	<cost>
	- Contract	<total>	<cost>
	3 Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package		
Detail and cost of incentives for business investment:		R (000s)	
<i><list details></i>		<cost>	

4	Note: list incentives by project, with total actual cost to municipality for year		
5	Detail and cost of other urban renewal strategies: <list details>		R (000s) <cost>
6	Note: list strategies by project, with total actual cost to municipality for year		
6	Detail and cost of other rural development strategies: <list details>		R (000s) <cost>
6	Note: list strategies by project, with total actual cost to municipality for year		
6	Number of people employed through job creation schemes:		
	- Short-term employment	<number>	
	- Long-term employment	<number>	
	Note: total number to be calculated on full-time equivalent (FTE) basis, and should only be based on direct employment as a result of municipal initiatives		
	Number and cost to employer of all Building Inspectors employed:		R (000s)
	- Number of Building Inspectors	<number>	<value>
	- Temporary		
	- Contract		
	Note: total number to be calculated on a full-time equivalent (FTE) basis, total cost to include total salary package		
	Details of building plans:		
	- Number of building plans approved	<number>	
	- Value of building plans approved	<value>	
	Reporting Level	Detail	Total
	Note: Figures should be aggregated over year to include building plan approvals only		
7	Type and number of grants and subsidies received: <list each grant or subsidy separately>	<total>	R (000s) <value>
	Note: total value of specific planning and development grants actually received during year to be recorded over the five quarters - Apr to Jun last year, Jul to Sep, Oct to Dec, Jan to Mar, Apr to Jun this year.		

4. Community and social services function's performance

Function:	Community and Social Services
Sub Function:	All inclusive

Reporting Level	Detail	Total
Overview:	Includes all activities associated with the provision of community and social services	

<p>Description of the Activity:</p>	<p>The function of provision of various community and social services within the municipality is administered as follows and includes:</p> <p><List administration of each function here: this should detail what is offered, and how it is offered to the community></p> <p>These services extend to include <function/area>, but do not take account of <function/area> which resides within the jurisdiction of <national/provincial/other private sector> government. The municipality has a mandate to:</p> <p><List here></p> <p>The strategic objectives of this function are to:</p> <p><List here></p> <p>The key issues for 200X/0Y are:</p> <p><List here></p>		
<p>Analysis of the Function:</p>	<p><Provide statistical information on (as a minimum):></p> <p>1 Nature and extent of facilities provided:</p> <ul style="list-style-type: none"> - Library services - Museums and art galleries - Other community halls/facilities - Cemeteries and crematoriums - Child care (including creches etc) - Aged care (including aged homes, home help) - Schools - Sporting facilities (specify) - Parks <p>Note: the facilities figure should agree with the assets register</p> <p>2 Number and cost to employer of all personnel associated with each community services function:</p> <ul style="list-style-type: none"> - Library services - Museums and art galleries - Other community halls/facilities - Cemeteries and crematoriums - Child care - Aged care - Schools - Sporting facilities - Parks <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package</p> <p>6 Total operating cost of community and social services function</p>	<p>no of facilities:</p> <p><number></p> <p><number></p> <p><number></p> <p><number></p> <p><number></p> <p><number></p> <p><number></p> <p><number></p> <p><number></p> <p><number></p> <p><number></p> <p><sq km></p> <p></p> <p></p> <p></p> <p><total></p> <p><total></p> <p><total></p> <p><total></p> <p><total></p> <p><total></p> <p><total></p> <p><total></p> <p><total></p> <p></p>	<p>no of users:</p> <p><number></p> <p><number></p> <p><number></p> <p><number></p> <p><number></p> <p><number></p> <p><number></p> <p><number></p> <p><number></p> <p><number></p> <p></p> <p>R(000s)</p> <p><cost></p> <p><cost></p> <p><cost></p> <p><cost></p> <p><cost></p> <p><cost></p> <p><cost></p> <p><cost></p> <p><cost></p> <p><cost></p> <p></p> <p>R (000s)</p>

Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current	Target

<ul style="list-style-type: none"> Approved HIV/AIDS strategy; Approved Disaster management policy frameworks and plans (Metro and DM) 	<p>< List here the actual performance achieved over the financial year, and the variance between performance planned and actual performance, providing an explanation of the variance. Also provide details of any improvements planned for next year.</p>		
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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:	<p>The function of provision of housing within the municipality is administered as follows and includes:</p> <p><List administration of each function here: this should detail what is offered, and how it is offered to the community></p> <p>These services extend to include <function/area>, but do not take account of <function/area> which resides within the jurisdiction of <national/provincial/other private sector> government. The municipality has a mandate to:</p> <p><List here></p> <p>The strategic objectives of this function are to:</p> <p><List here></p> <p>The key issues for 200X/0Y are:</p> <p><List here></p>		
Analysis of the Function:	<p><Provide statistical information on (as a minimum):></p> <p>1 Number and cost of all personnel associated with provision of municipal housing:</p> <ul style="list-style-type: none"> - Professional (Architects/Consultants) - Field (Supervisors/Foremen) - Office (Clerical/Administration) 		R (000s)
		<total>	<cost>
		<total>	<cost>
		<total>	<cost>

	- 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>	<cost> <cost> <cost>
2	Number and total value of housing projects planned and current: - Current (financial year after year reported on) - Planned (future years) Note: provide total project and project value as per initial or revised budget	<total> <total>	R (000s) <value> <value>
3	Total type, number and value of housing provided: <list details by type of dwelling, see below> Note: total number and total value of housing provided during financial year	<total>	R (000s) <value>
4	Total number and value of rent received from municipal owned rental units <list details, including number of units handed over to residents>	<total>	R (000s) <value>
5	Estimated backlog in number of (and costs to build) housing: <list details by type of dwelling, see below> Note: total number should appear in IDP, and cost in future budgeted capital housing programmes	<total>	R (000s) <cost>
6	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/flatlet	<total> <total> <total> <total> <total> <total>	
Reporting Level	Detail	Total	
7	Type and number of grants and subsidies received: <list each grant or subsidy separately> 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.	<total>	R (000s) <value>
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
<List at least five key performance areas relative to the above function as articulated in the 200X/OY budget here>	< List here the actual performance achieved over the financial year, and the variance between performance planned and actual performance, providing an explanation of the variance. Also provide details of any improvements planned for next year.>		

6. Waste management function's performance

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:	<p>The refuse collection functions of the municipality are administered as follows and include:</p> <p><i><List administration of each function here: this should detail what is offered, and how it is offered to the community></i></p> <p>These services extend to include <i><function/area></i>, but do not take account of <i><function/area></i> which resides within the jurisdiction of <i><national/provincial/other private sector></i> government. The municipality has a mandate to:</p> <p><i><List here></i></p> <p>The strategic objectives of this function are to:</p> <p><i><List here></i></p> <p>The key issues for 200X/0Y are:</p> <p><i><List here></i></p>		
Analysis of the Function:	<p><i><Provide statistical information on (as a minimum):></i></p> <p>1 Number and cost to employer of all personnel associated with refuse removal:</p> <ul style="list-style-type: none"> - Professional (Engineers/Consultants) - Field (Supervisors/Foremen) - Office (Clerical/Administration) - Non-professional (blue collar, outside workforce) - Temporary - Contract <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package</p> <p>2 Number of households receiving regular refuse removal services, and frequency and cost of service:</p> <ul style="list-style-type: none"> - Removed by municipality at least once a week - Removed by municipality less often - Communal refuse dump used - Own refuse dump - No rubbish disposal <p>Note: if other intervals of services are available, please provide details</p> <p>3 Total and projected tonnage of all refuse disposed:</p> <ul style="list-style-type: none"> - Domestic/Commercial - Garden <p>Note: provide total tonnage for current and future years activity</p>		
			R (000s)
		<i><total></i>	<i><cost></i>
		<i><total></i>	<i><cost></i>
		<i><total></i>	<i><cost></i>
		<i><total></i>	<i><cost></i>
		<i><total></i>	<i><cost></i>
			R (000s)
		<i><total></i>	<i><cost></i>
		<i><total></i>	<i><cost></i>
		<i><total></i>	<i><cost></i>
		<i><total></i>	
		<i><total></i>	
		<i><current></i>	<i><future></i>
		<i><current></i>	<i><future></i>

4	Total number, capacity and life expectancy of refuse disposal sites: - Domestic/Commercial (number) - Garden (number) Note: provide the number of tip sites, their total current capacity and the expected lifespan as at end of reporting period	<capacity> <capacity>	<lifespan> <lifespan>
Reporting Level	Detail	Total	
5	Anticipated expansion of refuse removal service: - Domestic/Commercial - Garden Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality	<total> <total>	R (000s) <cost> <cost>
6	Free Basic Service Provision: - Quantity (number of households affected) - Quantum (value to each household) 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.	<total> <value>	
7	Total operating cost of solid waste management function		R (000s)

7. Waste water management

Function:	Waste Water Management
Sub Function:	Sewerage etc

Reporting Level	Detail	Total	Cost
Overview:	Includes provision of sewerage services not including infrastructure and water purification, also includes toilet facilities		
Description of the Activity:	<p>The sewerage functions of the municipality are administered as follows and include:</p> <p><List administration of each function here: this should detail what is offered, and how it is offered to the community></p> <p>These services extend to include <function/area>, but do not take account of <function/area> which resides within the jurisdiction of <national/provincial/other private sector> government. The municipality has a mandate to:</p> <p><List here></p> <p>The strategic objectives of this function are to:</p> <p><List here></p> <p>The key issues for 200X/0Y are:</p> <p><List here></p>		

Reporting Level	Detail	Total	Cost
Analysis of the Function:	<Provide statistical information on (as a minimum):>		
1	Number and cost to employer of all personnel associated with sewerage functions: - Professional (Engineers/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	<total> <total> <total> <total> <total> <total>	R (000s) <cost> <cost> <cost> <cost> <cost> <cost>
2	Number of households with sewerage services, and type and cost of service: - Flush toilet (connected to sewerage system) - Flush toilet (with septic tank) - Chemical toilet - Pit latrine with ventilation - Pit latrine without ventilation - Bucket latrine - No toilet provision Note: if other types of services are available, please provide details	<total> <total> <total> <total> <total> <total> <total>	R (000s) <cost> <cost> <cost> <cost> <cost> <cost>
3	Anticipated expansion of sewerage: - Flush/chemical toilet - Pit latrine - Bucket latrine - No toilet provision Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality	<total> <total> <total> <total>	R (000s) <cost> <cost> <cost> <cost>
4	Free Basic Service Provision: - Quantity (number of households affected) - Quantum (value to each household)	<total> <value>	
5	Total operating cost of sewerage function		R (000s)
	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.		

8. Road maintenance's function's 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:	<p>The road maintenance and construction responsibilities of the municipality are administered as follows and include:</p> <p><i><List administration of each function here: this should detail what is offered, and how it is offered to the community></i></p> <p>These services extend to include <i><function/area></i>, but do not take account of <i><function/area></i> which resides within the jurisdiction of <i><national/provincial/other private sector></i> government. The municipality has a mandate to:</p> <p><i><List here></i></p> <p>The strategic objectives of this function are to:</p> <p><i><List here></i></p> <p>The key issues for 200X/0Y are:</p> <p><i><List here></i></p>		
Analysis of the Function:	<p><i><Provide statistical information on (as a minimum):></i></p> <p>1 Number and cost to employer of all personnel associated with road maintenance and construction:</p> <ul style="list-style-type: none"> - Professional (Engineers/Consultants) - Field (Supervisors/Foremen) - Office (Clerical/Administration) - Non-professional (blue collar, outside workforce) - Temporary - Contract <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package</p> <p>2 Total number, kilometres and total value of road projects planned and current:</p> <ul style="list-style-type: none"> - New bitumenised (number) - Existing re-tarred (number) - New gravel (number) - Existing re-sheeted (number) <p>Note: if other types of road projects, please provide details</p> <p>3 Total kilometres and maintenance cost associated with existing roads provided</p> <ul style="list-style-type: none"> - Tar - Gravel <p>Note: if other types of road provided, please provide details</p> <p>4 Average frequency and cost of re-tarring, re-sheeting roads</p> <ul style="list-style-type: none"> - Tar - Gravel <p>Note: based on maintenance records</p> <p>5 Estimated backlog in number of roads, showing kilometres and capital cost</p> <ul style="list-style-type: none"> - Tar - Gravel 		<p><i>R (000s)</i></p> <p><i><total></i> <i><cost></i></p> <p><i><total></i> <i><cost></i></p> <p><i><total></i> <i><cost></i></p> <p><i><total></i> <i><cost></i></p> <p><i><total></i> <i><cost></i></p> <p><i><total></i> <i><cost></i></p> <p><i>R (000s)</i></p> <p><i><total></i> <i><cost></i></p> <p><i><total></i> <i><cost></i></p> <p><i>R (000s)</i></p> <p><i><total></i> <i><cost></i></p> <p><i>R (000s)</i></p> <p><i><total></i> <i><cost></i></p>
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: <list each grant or subsidy separately>	<total>	R (000s) <value>
	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.		
7	Total operating cost of road construction and maintenance function		R (000s)

9. Water distribution function's performance

Function:	Water
Sub Function:	Water Distribution

Reporting Level	Detail	Total	Cost
Overview:	Includes the bulk purchase and distribution of water		
Description of the Activity:	<p>The water purchase and distribution functions of the municipality are administered as follows and include:</p> <p><List administration of each function here: this should detail what is offered, and how it is offered to the community></p> <p>These services extend to include <function/area>, but do not take account of <function/area> which sits within the jurisdiction of <national/provincial/other private sector> government. The municipality has a mandate to:</p> <p><List here></p> <p>The strategic objectives of this function are to:</p> <p><List here></p> <p>The key issues for 200X/0Y are:</p> <p><List here></p>		
1	<p><Provide statistical information on (as a minimum):></p> <p>Number and cost to employer of all personnel associated with the water distribution function:</p> <ul style="list-style-type: none"> - Professional (Engineers/Consultants) - Field (Supervisors/Foremen) - Office (Clerical/Administration) - Non-professional (blue collar, outside workforce) - Temporary - Contract <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package.</p>	<p><total></p> <p><total></p> <p><total></p> <p><total></p> <p><total></p> <p><total></p>	<p>R (000s)</p> <p><cost></p> <p><cost></p> <p><cost></p> <p><cost></p> <p><cost></p> <p><cost></p>
2	<p>Percentage of total water usage per month</p> <p><Insert table showing monthly water usage ></p>	<volume>	<volume>

	Note: this will therefore highlight percentage of total water stock used per month		
3	Total volume and cost of bulk water purchases in kilolitres and rand, by category of consumer		R (000s)
	- Category 1 <insert here>	<volume>	<cost>
	- Category 2 <insert here>	<volume>	<cost>
	- Category 3 <insert here>	<volume>	<cost>
	- Category 4 <insert here>	<volume>	<cost>
4	Total volume and receipts for bulk water sales in kilolitres and rand, by category of consumer:		R (000s)
	- Category 1 <insert here> (total number of households)	<volume>	<cost>
	- Category 2 <insert here> (total number of households)	<volume>	<cost>
	- Category 3 <insert here> (total number of households)	<volume>	<cost>
	- Category 4 <insert here> (total number of households)	<volume>	<cost>
5	Total year-to-date water losses in kilolitres and rand		R (000s)
	<detail total>	<volume>	<cost>
Reporting Level	Detail	Total	Cost
6	Number of households with water service, and type and cost of service:		R (000s)
	- Piped water inside dwelling	<total>	<cost>
	- Piped water inside yard	<total>	<cost>
	- Piped water on community stand: distance < 200m from dwelling	<total>	<cost>
	- Piped water on community stand: distance > 200m from dwelling	<total>	<cost>
	- Borehole	<total>	<cost>
	- Spring	<total>	<cost>
	- Rain-water tank	<total>	<cost>
	Note: if other types of services are available, please provide details		
7	Number and cost of new connections:		R (000s)
	<detail total>	<number>	<cost>
8	Number and cost of disconnections and reconnections:		R (000s)
	<detail total>	<number>	<cost>
9	Number and total value of water projects planned and current:		R (000s)
	- Current (financial year after year reported on)	<total>	<cost>
	- Planned (future years)	<total>	
	Note: provide total project and project value as per initial or revised budget		
10	Anticipated expansion of water service:		R (000s)
	- Piped water inside dwelling	<total>	<cost>
	- Piped water inside yard	<total>	<cost>
	- Piped water on community stand: distance < 200m from dwelling	<total>	<cost>
	- Piped water on community stand: distance > 200m from dwelling	<total>	<cost>
	- Borehole	<total>	<cost>
	- Spring	<total>	<cost>
	- Rain-water tank	<total>	<cost>
	Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality		
11	Estimated backlog in number (and cost to provide) water connection:		R (000s)
	- Piped water inside dwelling	<total>	<cost>
	- Piped water inside yard	<total>	<cost>
	- Piped water on community stand: distance < 200m from dwelling	<total>	<cost>

	- Piped water on community stand: distance > 200m from dwelling - Borehole - Spring - Rain-water tank Note: total number should appear in IDP, and cost in future budgeted capital housing programmes	<total> <total> <total> <total>	<cost> <cost> <cost> <cost>
12	Free Basic Service Provision: - Quantity (number of households affected) - Quantum (value to each household) 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.	<total> <value>	
13	Type and number of grants and subsidies received: <list each grant or subsidy separately> Note: total value of specific water 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.	<total>	R (000s) <value>
14	Total operating cost of water distribution function		R (000s)

10. Electricity distribution function's performance

Function:	Electricity
Sub Function:	Electricity Distribution

Reporting Level	Detail	Total	Cost
Overview:	Includes the bulk purchase and distribution of electricity		
Description of the Activity:	<p>The electricity purchase and distribution functions of the municipality are administered as follows and include:</p> <p><List administration of each function here: this should detail what is offered, and how it is offered to the community></p> <p>These services extend to include <function/area>, but do not take account of <function/area> which resides within the jurisdiction of <national/provincial/other private sector> government. The municipality has a mandate to:</p> <p><List here></p> <p>The strategic objectives of this function are to:</p> <p><List here></p> <p>The key issues for 200X/0Y are:</p> <p><List here></p>		

Analysis of the Function:	<Provide statistical information on (as a minimum):>			
	1	Number and cost to employer of all personnel associated with the electricity distribution function: - Professional (Engineers/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.		R (000s)
			<total>	<cost>
			<total>	<cost>
			<total>	<cost>
			<total>	<cost>
			<total>	<cost>
			<total>	<cost>
	2	Total quantity and cost of bulk electricity purchases in kilowatt hours and rand, by category of consumer		R (000s)
		- Residential	<volume>	<cost>
		- Commercial	<volume>	<cost>
		- Industrial	<volume>	<cost>
		- Mining	<volume>	<cost>
		- Agriculture	<volume>	<cost>
		- Other	<volume>	<cost>
	3	Total quantity and receipts for bulk electricity sales in kilowatt hours and rand, by category of consumer:		R (000s)
		- Household	<volume>	<cost>
		- Commercial	<volume>	<cost>
		- Industrial	<volume>	<cost>
		- Mining	<volume>	<cost>
	- Agriculture	<volume>	<cost>	
	- Other	<volume>	<cost>	
4	Total year-to-date electricity losses in kilowatt hours and rand		R (000s)	
	<detail total>	<volume>	<cost>	
5	Number of households with electricity access, and type and cost of service:		R (000s)	
Reporting Level	Detail	Total	Cost	
	- Electrified areas			
	- Municipal	<total>	<cost>	
	- Eskom	<total>	<cost>	
	- Alternate energy source			
	- Gas	<total>	<cost>	
	- Paraffin	<total>	<cost>	
	- Solar	<total>	<cost>	
	- Wood	<total>	<cost>	
	- Non electrified	<total>	<cost>	
	Note: if other types of services are available, please provide details			
6	Number and cost of new connections:		R (000s)	
	<detail total>	<volume>	<cost>	
7	Number and cost of disconnections and reconnections		R (000s)	
	<detail total>	<volume>	<cost>	

8	Number and total value of electrification projects planned and current: - Current (financial year after year reported on) - Planned (future years) Note: provide total project and project value as per initial or revised budget	<total>	R (000s) <cost>
		<total>	<cost>
9	Anticipated expansion of electricity service: <detail total> Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality	<total>	R (000s) <cost>
10	Estimated backlog in number (and cost to provide) water connection: <detail total> Note: total number should appear in IDP, and cost in future budgeted capital housing programmes	<total>	R (000s) <cost>
11	Free Basic Service Provision: - Quantity (number of households affected) - Quantum (value to each household) 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.	<total>	
		<value>	
12	Type and number of grants and subsidies received: <list each grant or subsidy separately> Note: total value of specific electricity 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.	<total>	R (000s) <value>
13	Total operating cost of electricity distribution function		R (000s)

B: ANNEXURE

The annexure is made up of the following documents arranged in the sequence below:

1. Full AG reports;
2. Plan of action of the municipality to address findings of the AG report;
3. Audit committee report
4. Approved Municipal Structure (Staff establishment);
5. Council resolutions adopting the Annual Report

For more information on this format please contact

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