

# Municipal Annual Report: 2009/10



**PORT ST JOHNS**  
• MUNICIPALITY •  
OUR HERITAGE, OUR PEOPLE

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## Part 1

### A. Preface by the Honourable Mayor

When FIFA President, Sepp Blatter, announced South Africa as the host nation for the 2010 World Cup on the 15<sup>th</sup> May 2004 it seemed farfetched a dream to be realised. From the beginning of the bid process South Africa committed that the 2010 World Cup would be an African World Cup, which would provide momentum to growth and development and the African renaissance. South Africa would be Africa's stage and the bid book proclaimed: "Africa's time has come, and South Africa is ready".

However, this did not stop critics to doubt South Africa's ability to make Africa proud, until of course the whistle was blown to end one of the most prestigious soccer events. The world now regards South Africa as a competent nation to host any event regardless of its magnitude and we couldn't have asked for a better year.

Amidst the excitement of the year 2010, Port St Johns municipality remains challenged in offering our communities reliable and predictable services as well as achieving a measure of financial stability. As a political collective of this institution, we remain persistent in our resolve to address these challenges. Also, we will continue to honour the pledge that we made and carry out the mandate given to us by communities, namely, accelerating service delivery, fighting poverty and unemployment as well as creating a safe and healthy environment for our communities.

For the year under review, we pride ourselves for having achieved amongst others, the following milestones:

1. Getting an Unqualified Audit Opinion from the Auditor General
2. Being one of the host towns that were earmarked by the Province to bring the 2010 FIFA World Cup to the people through Public Viewing Areas
3. Signing of MoU with the Department of Roads and Public Works on small town revitalisation.
4. Maintaining a stable political environment within the council.
5. Fully functional Community Development Workers (CDW's) and Ward Committees
6. Improved relations with other spheres of government

Port St Johns has four top priorities to address service delivery: poverty alleviation, expanding the supply of clean and treated water to a wider community, expanding the supply of electricity, constructing roads and providing housing. Though some of these priorities are unfunded mandates, inroads have been made through partnerships with a number of stakeholders and we continue to engage with other spheres of government for further partnerships.

Once more, I take this opportunity to thank my fellow Councilors, the Municipal Manager, Senior Management and all Council employees for their commitment and hard work in advancing the cause of our municipality

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**MW Mtakati (electronic signature)**

## **B. Message from the Municipal Manager**

### **Introduction and Background**

Whilst the municipality has got enormous service delivery challenges, we have managed to achieve a turnaround and recovery in the municipal cash flow. This turnaround will result in improved service delivery for the communities we serve.

Port St Johns is a gateway to the wild coast; however its true potential remains untapped due to backlogs in infrastructure and related services. We have made inroads to forge partnerships to unleash this potential.

### **Areas of Strategic Focus**

In a nutshell, the biggest challenge of the municipality is to improve service delivery while strengthening the financial viability. Improving the tourism and agricultural sectors for the benefit of our communities remains one of the major focus areas.

#### Key challenges

- Maintenance of rural access roads to acceptable standards
- Facilitate the provision of water and sanitation infrastructure by the OR Tambo District Municipality
- Facilitate the provision of rural electrification program by ESKOM
- Facilitate the provision of housing development
- Mobilization of funding for the establishment of the Mzimvubu River Front Development
- Mobilization of funding for the development of Beach facilities
- Conduct environmental management awareness campaigns
- Conduct disaster awareness campaigns
- Provision of waste management services for the urban area and awareness campaigns in rural areas
- Maintenance of municipal public amenities

- Development of a revenue enhancement strategy
- Maximum collection of revenue
- Ensuring that expenditure incurred is in line with Council approved budget
- Maintenance of a Municipal Fixed Assets Register
- Submission of the Integrated Development Plan to council
- Execution of council resolutions within the set time frames
- Development of a turn-around strategy for the Development Agency

### **Strategic achievements during the year under review**

Notwithstanding the challenges outlined above, the municipality has managed to attain the following: -

1. Receiving an Unqualified Audit Report from the Auditor General
2. Signing of funding agreement with National Treasury/NDPG Unit for the implementation of the Master Plan
3. R60 Million pledge by the Department of Roads and Public Works for the upgrade and surfacing of CBD streets.
4. Coordinating Port St Johns Development Forum which seats on quarterly basis
5. Winning first place in the district greenest town competition and taking 2<sup>nd</sup> place at provincial level
6. Improvement in corporate governance
7. Reduction in electrification backlogs to approximately 15%
8. Adoption of the Annual budget and the review of the Integrated Development Plan (IDP) within the legislated timeframe.
9. Approval of the Nodal Development Strategy for the municipal area
10. Development of By-Laws implementation Strategy for the municipality
11. Funding commitments received from the Department of Economic Affairs and Tourism for the development of Umzimvubu River Front, 2<sup>nd</sup> Beach rehabilitation and Ntafufu Beach Facilities
12. Establishing a fully functional Audit Committee
13. Hosting a successful PVA for the 2010 World Cup

## **Prospects**

Part of the municipal prospects includes acceleration of the implementation of projects identified in the master plan

Development of a strategy towards combating shark attacks in the area

Accelerate the expenditure of Municipal Infrastructure Grants (MIG) in a sustainable manner

Mobilize funding for the development of municipal offices

We, the management of the municipality remain fully committed to ensuring a smooth running of the administration and providing reliable support to the municipal council.

In conclusion, I would like to express my gratitude to the administration at large for their hard work and dedication which will ensure we provide quality services to our communities. Also, i would like to thank the political leadership for their continued support in the running of the institution

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Municipal Manager

## **C. Introduction and overview of Port St Johns Municipality**

### **Demographic Overview**

The Port St Johns Municipality is a category B Municipality, situated on the coast of the Indian Ocean in the largely rural Province of the Eastern Cape. It is bounded by Lusikisiki in the north, Libode in the west and Mthatha in the south. The municipality is one of the coastal municipalities within the OR Tambo District Municipality.

The municipality spans a total area of 1239 square kilometres (8800 hectares) and comprises of 16wards. It has a total population of 146 139, consisting mainly of Blacks (99%). The remaining 1% is composed of Whites, Coloureds and Indian/Asian ethnic groups.

Port St Johns is known for its beautiful beaches, mountainous terrain with hills, cliffs and sandy dunes. The municipality's beautiful scenery, its natural vegetation and pristine beaches referred to above are main attractions for tourism. It has land for commercial use and environmentally-friendly residential areas. There are 1053 types of plants and 164 plant families found around Port St Johns. Five of these plant families and 196 plant types are only found in the Pondoland area, of which Port St Johns is the heart. This unique vegetation harbours rare bird species, providing evidence of the rich biodiversity in Port St Johns.

The municipality has two key economic sectors: tourism and agriculture. In terms of commercial and economic activity, the municipality is growing at a steady pace.

#### **Socio-economic status**

We have roughly 28,715 households of which 91% earn less than R19,200 per annum and only 1.7% have an income of more than R76,800 per annum. According to the Census conducted in 2001, we have roughly 146 000 people. The overwhelming majority of these people i.e. 137 680 or 97.4% live in the rural areas of the municipality, while only 3 648 or 2.6% are classed as urban. There is one urban centre and 130 villages. We also have a young population with almost 45% between the ages 5-19 years i.e. school going age.

Our Gross Geographic Product (GGP) is estimated at R150.9m which equates to 2.3% of the GGP of the economy of the Oliver Tambo District Municipal area. The dominant sector is Community Services at 66.6% of the GGP (government and institutional administration of the area). The other sector of



significance is Trade at 12.3%. The unspoilt nature of the region attracts considerable numbers of tourists. Agriculture contributes 5.6% of GGP and is mostly undertaken in a traditional subsistence manner.

The municipality consists of 31 councillors. Of these, six councillors comprise the Executive Committee. In addition to the Executive Committee, the Council has four portfolio-based Standing Committees, viz: -

- Finance and Administration
- Local Economic Development
- Public Works, and
- Social Services

These portfolio-based committees are each headed by an Executive Committee member. These four Executive Committee members are accountable to the Executive Committee with regard to their respective portfolios. The Executive Committee itself is in turn accountable to the main Council. The Accounting Officer and the other Section 57 Managers attend Council meetings to provide an administrative account of the progress in the municipal strategies, which are embedded in the Integrated Development Plan.

The role of the Standing Committees is to support senior management in making decisions and effectively utilizing the resources of the municipality in the course of service delivery.

### **Municipality's Vision**

It is the vision of the Port St Johns Municipality to be a transformed, integrated municipality that subscribes to developmental local government principles and provides a sustainable quality of life. This will be achieved through the creation of a regional centre (Port St Johns – Gateway to the Wild Coast) that generates economic development and employment opportunities through improving basic services in rural areas and utilizing the area's natural resources and tourism potential.

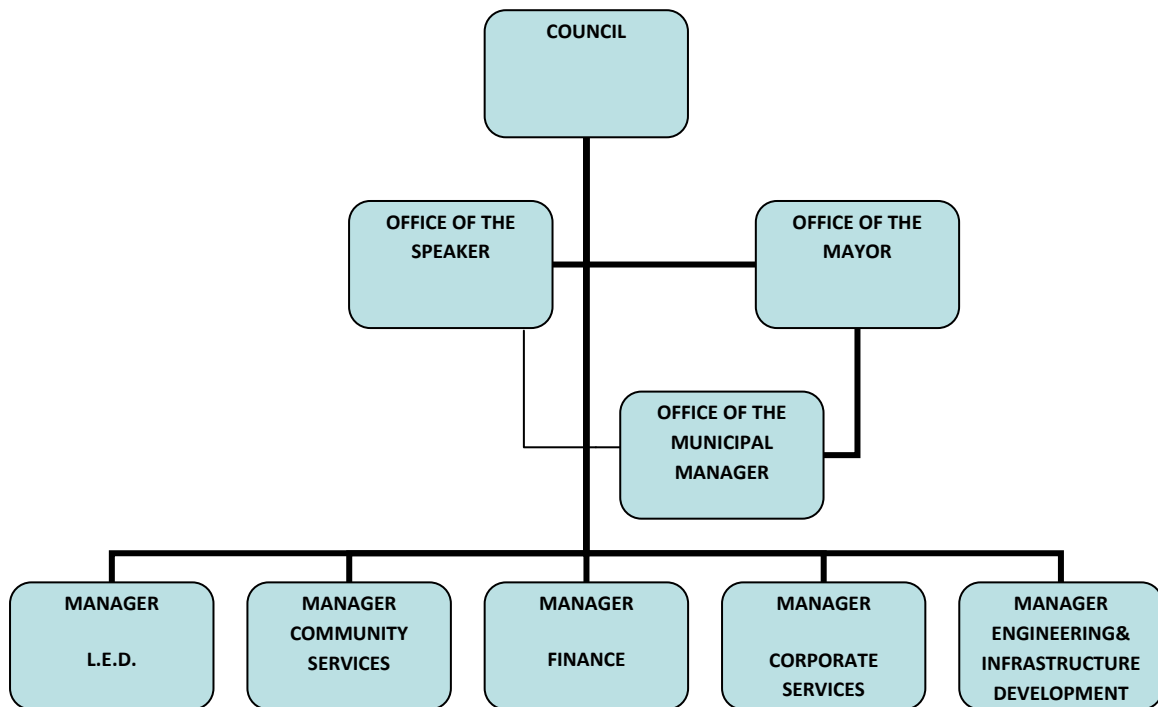
### **Mission**

Port St Johns Municipality will deliver services to the community and develop local communities to improve the quality of life.

**PART 2:**

**KEY PERFORMANCE AREA 1 - Human resource and other organization management**

**1.1 Organizational structure**



- There are 203 approved posts in the approved organizational structure.
- The total number of vacant posts is 28
- All section 57 manager's employment contracts and performance agreements are signed and submitted to the Department within set time frames (i.e. 6 performance contracts and 6 employment contacts )

## 1.2 Staff development initiatives during the Financial Year

### TYPES OF TRAININGS ATTENDED BY COUNCILLORS AND OFFICIALS

TYPE OF TRAINING	NUMBER OF EMPLOYEES ATTENDED	SERVICE PROVIDER
Conflict Management	20	DBSA
State Protocol	16	Office of the premier
Time management	20	HDPSA
Occupational Health & Safety	113	HDPSA
Administrative skills	22	HDPSA
Customer care	35	HDPSA
Personal budgeting	88	HDPSA
Team work	16	HDPSA
HIV/AIDS	146	Triple E Training
Communication skills	21	HDPSA

- The Municipality has an approved HRD Plan as well as an approved Workplace Skills Plan fully approved by LGSETA.

### 1.3 Key HR statistics per functional area

#### 1.3.1. Full time staff complement per functional area

##### a) Section 57 managers

	Approved positions	Number of approved and budgeted posts per position	Filled posts	Vacant posts
1	Municipal Manager	1	1	0
2	Corporate Services Manager	1	1	0
3	Finance Manager	1	1	0
4	Community services Manager	1	1	0
5	Engineering Manager	1	1	0
6	LED Manager	1	1	0
	TOTAL	6	6	0

##### b) Line Managers

#### CORPORATE SERVICES DEPARTMENT - MIDDLE MANAGEMENT

POST	NO OF POSTS	NO OF FILLED POSTS	NO OF UNFILLED POSTS
ASSISTANT MANAGER: Administration Support Services	1	0	1
ASSISTANT MANAGER: Human Resources Management and	1	0	1

Development			
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### **JUNIOR MANAGEMENT**

<b>POST</b>	<b>NO OF POSTS</b>	<b>NO OF FILLED POSTS</b>	<b>NO OF UNFILLED POSTS</b>
HUMAN RESOURCES	1	1	0
SECRETARIAL SERVICES	1	1	0
PROVISIONS & BOOKINGS	1	0	1
REGISTRY & CLIENT SERVICES	1	1	0
LR/HRD & PM	1	1	0
SALARY ADMINISTRATION	1	1	0
MPC MANAGER	1	1	0

### **SOCIAL DEVELOPMENT, COMMUNITY & TRAFFIC SERVICES - JUNIOR MANAGEMENT**

<b>POST</b>	<b>NO OF POSTS</b>	<b>NO OF FILLED POSTS</b>	<b>NO OF UNFILLED POSTS</b>
SOCIAL DEVELOPMENT	1	1	0
TRAFFIC	1	1	0
WASTE MANAGEMENT	1	1	0
LIBRARY SERVICES	1	1	0

### **FINANCE DEPARTMENT - MIDDLE MANAGEMENT FINANCE DEPARTMENT**

<b>POST</b>	<b>NO OF POST</b>	<b>NO OF FILLED POSTS</b>	<b>NO OF UNFILLED POSTS</b>

SENIOR ACCOUNTANCY	1	1	0

### **JUNIOR MANAGEMENT**

POST	NO OF POSTS	NO OF FILLED POSTS	NO OF UNFILLED POSTS
INCOME & CREDIT CONTROL	1	1	0
BUDGETING & EXPENDITURE	1	1	0
SUPPLY CHAIN MANAGEMENT	1	1	0

### **ENGINEERING & INFRASTRUCTURE DEVELOPMENT - MIDDLE MANAGEMENT**

POSTS	NO OF POSTS	NO OF FILLED POSTS	NO OF UNFILLED POSTS
TOWN PLANNING	1	1	0
MIG & EPWP UNIT	1	0	1
ROADS & STORM WATERS	1	1	0

### **JUNIOR MANAGEMENT**

POSTS	NO OF POSTS	NO OF FILLED POSTS	NO OF UNFILLED POSTS
ROADS & STORMWATERS	1	1	0
MECHANICAL WORKSHOP	1	1	0
BUILDING & PLUMBING	1	0	1

## LOCAL ECONOMIC DEVELOPMENT - JUNIOR MANAGEMENT

POSTS	NO OF POSTS	NO OF FILLED POSTS	NO OF UNFILLED POSTS
LED	1	1	0
ENVIROMENTAL SERVICES	1	0	1

### 1.4 Staff complement in the technical services

	Approved Technical Positions.	Number of approved and Budgeted posts per position.	Filled posts	Vacant posts.
1	Engineering Manager	1	1	0
2	Technician	1	1	0
3	Truck driver	6	4	2
4	Grader operator	2	1	1
5	TLB Operator	1	0	1
6	Project Manager	1	0	1
7	Building & plumbing inspector	1	0	1
8	Mechanic	2	1	1
9	Labourer	14	15	+1

#### 1.4.1 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 Manager	0	0	1
	Technician	0	0	1
	Mechanic	0	0	1
	Grader operator	0	0	1
	Truck driver	0	0	4

#### 1.4.2 Levels of education and skills

Total number of staff	Number of staff without Grade 12	Number of staff with Senior Certificate only	Number of staff with Tertiary/accredited professionals training
169	101	44	24

#### 1.4.3 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	194	32,448,000	22,167,219	68%
2007-2008	177	28,510,000	24,167,215	85%
2008-2009	172	41,119,000	26,342,264	64%
2009-2010	169			

**1.4.4 List of pension and medical aids to whom employees belong**

Names of pension fund	Number of members	Names of medical Aids	Number of members
SAMWU Pension fund	169	Bonita's medical scheme	91
		Samwu med medical scheme	56
		L.A. health medical scheme	11

**1.4.5 Senior officials' wages and benefits (even if included in the financial statements);**

Managers	Wage	Benefits
Municipal Manager	45180.12	Travel allowance, Public Office allowance, Subsistence allowance.
Corporate Services Manager	38591.74	Travel allowance, Public Office allowance, Subsistence allowance.
Finance Manager	30310.39	Travel allowance, Public Office allowance, Subsistence allowance.
Engineering Manager	38591.74	Travel allowance, Public Office allowance, Subsistence allowance.
Community Services Manager	38591.74	Travel allowance, Public Office allowance, Subsistence allowance.
LED Manger	38591.74	Travel allowance, Public Office allowance,

		Subsistence allowance.
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### 1.5 Implementation of the Performance Management System (PMS):

The PMS was adopted on the 23 September 2008 by the council for the institution, staff and section 57 manager's.

Due to lack of funding PMS has not been cascaded to all employees, as of now it only caters for top management. The assessment of the senior management was done and the Municipality was satisfied with the results found.

### 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;	203	169	82.5%	
2	Percentage of appointment in strategic positions (Municipal Manager and Section 57 Managers)	6	6	100%	
3	Percentage of Section 57 Managers including Municipal Managers who attended at least 1 skill development training course within the FY	6	6	100%	
4	Percentage of Managers in Technical Services with a	1	1	100%	

	professional qualification				
5	Percentage of municipalities within the district area that have a fully functional Performance Management System (DM only)	Not applicable to the LM, only applicable to the DM	Not applicable to the LM, only applicable to the DM	Not applicable to the LM, only applicable to the DM	
8	Percentage of staff that have undergone a skills audit (including competency profiles) within the current 5 year term	169	169	100%	
9	Percentage of councillors who attended a skill development training within the current 5 year term	31	31	100%	
10	Percentage of staff complement with disability  7 employees with disabilities.	7	7	4.1%	
11	Percentage of female employees.  87 female employee,.	85	85	51%	
12	Percentage of employees that are aged 35 or younger.  109 employees that are 35 younger.	108	108	63.4%	

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

CHALLENGES	REMEDIAL ACTION
Lack of office space	Organise adequate office space
Lack of financial funding to fulfil HRD mandate	Secure enough financial resources

## **Key Performance Area 2 - Basic Service delivery performance highlights (Engineering & Community Services)**

### **2.1 Water services**

a) The OR Tambo District Municipality is the Water Services Authority and Water Services Provider responsible for planning, implementation, 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.

b) Levels and standards in water services:

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

1. People with piped and borehole water within 200m are deemed to be served.

2. People sourcing water from springs, rainwater tanks, streams, rivers, dams or water vendors are deemed to be unserved.
3. People sourcing water from communal taps, yard taps or any other more basic source are deemed to be not served to a higher level.

C) Annual performance as per key performance indicators in water services

	<b>Indicator name</b>	<b>Total number of household/customer expected to benefit</b>	<b>Estimated backlogs (actual numbers)</b>	<b>Target set for the FY under review (actual numbers)</b>	<b>Number of HH/customer reached during the FY</b>	<b>Percentage of achievement during the year</b>
<b>1</b>	<b>Percentage of households with access to potable water</b>	<b>6180</b>	<b>22 535</b>	<b>12 168</b>	<b>12 168</b>	<b>54%</b>
<b>2</b>	<b>Percentage of indigent households with access to free basic potable water</b>	<b>6180</b>	<b>22 535</b>	<b>12 168</b>	<b>12 168</b>	<b>54%</b>
<b>4</b>	<b>Percentage of clinics with access to potable water</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0 %</b>
<b>5</b>	<b>Percentage of schools with access to potable water</b>	<b>165</b>	<b>165</b>	<b>0</b>	<b>0</b>	<b>0 %</b>
<b>6</b>	<b>Percentage of households using buckets</b>	<b>22 535</b>	<b>22 535</b>	<b>0</b>	<b>0</b>	<b>0 %</b>

**(Source: OR Tambo DM 09/10 Annual report)**

d) Major challenges in water services and remedial actions

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.

The focus of the district as an authority of this function has been at extending services to those with no access to the service which largely are the poor. This has meant that little resources were available for refurbishing, maintaining and increasing the capacity of existing infrastructure especially in urban areas and other historical nodes of development.

This has led to a situation where the state and capacity of existing infrastructure has become a constraint to growth and development. The DM now faces a challenge of having to balance extending services to unserved areas and refurbishing, maintaining and increasing the capacity of existing infrastructure to support economic growth and development.

**Remedial actions:**

- Construction of major dam that will supply water to rural schemes in Port St. Johns
- PSJ to become Water Service Authority and Water Services Provider
- Development of CIP (Comprehensive Infrastructure Plans)
- Source funding from National Treasury to upgrade water provision for future developments

**(Source: OR Tambo DM 09/10 Annual report)**

## **2.2 Electricity services**

a) Electricity services delivery strategy and main role-players

Electricity is not the competency of Port St. Johns Municipality in terms of powers and functions. Port St. Johns Municipality is only playing a support and the coordinating role in terms of electricity services. The electricity function lies with Eskom,

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. So far 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.

**Role players:**

1. Port St Johns Local Municipality
2. Department of Minerals and Energy (DME)
3. ESKOM

b) Level and standards in electricity services

- To provide safe electricity to communities
- Eskom to align electrification plans with municipal priorities

c) Annual performance as per key performance indicators in Electricity services

1. People who are connected to Eskom grid are regarded as fully served.
2. People who are connected to solar energy and gel are regarded as being served to basic level.
3. People who use candles and paraffin or any other source of energy are regarded as being unserved.

	<b>Indicator name</b>	<b>Total number of household/customer expected to benefit</b>	<b>Estimated backlogs (actual numbers)</b>	<b>Target set for the f. year under review (actual numbers)</b>	<b>Number of HH/customer reached during the FY</b>	<b>Percentage of achievement during the year</b>
1	Percentage of households with access to electricity services	3 623	6 637	3 623	2 900	88 %
2	Percentage of indigent households with access to basic electricity services	3 623	6 637	3 623	2 900	88 %
4	Percentage of indigent households with access to free alternative energy sources	49	68	49	49	72 %

d) Major challenges in electricity services and remedial actions

- Most villages are without electricity (schools and clinics affected)
- PSJ municipality does not provide electricity in the urban area and hence there is no revenue recovered from electricity in town.
- Application to Eskom take long time for electricity connections
- Eskom takes longer to implement rural electricity projects



Current electricity load far exceed the supply and Eskom needs to be engaged in order to strengthen substations. The rolling out of the Regional Electricity Distributors programme is eminent in order for the local municipality to benefit in terms of revenue collection.

### **Remedial actions**

- Apply with NERSA for an electricity distribution licence in the urban area
- Use of non grid alternative energy source
- Development of CIP (Comprehensive Infrastructure Plans)
- Source funding from National Treasury to install and upgrade electricity in the urban area for future development

### **2.3 Sanitation**

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

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, sanitation strategy, and the District wide Sanitation Master Plans.

O.R. Tambo District Municipality is a grant dependant municipality and most of its sanitation 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.

In terms of the law Department of Water and Environmental Affairs (DWEA) is the regulator. The Operation and maintenance is funded through the equitable share from the Division of Revenue (DORA) and own funding

**Role players:**

1. O.R. Tambo District Municipality
2. DWEA

b) Level and standards in sanitation services

- To ensure communities have access to free basic sanitation
- To ensure that the national sanitation targets are met

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

1. People with flushed toilets with waterborne, septic tanks and digesters are regarded as served to higher level
2. People with Ventilated Improved Pits (VIP) are regarded as served to lower level or basic level (RDP standard).
3. People with no toilet infrastructure or a toilet with no ventilated improved pit (pit latrines) or bucket system are regarded as not served.

c) Annual performance as per key performance indicators in sanitation services

	<b>Indicator name</b>	<b>Total number of household/customer expected to benefit</b>	<b>Estimated backlogs (actual numbers)</b>	<b>Target set for the f. year under review</b>	<b>Number of HH/customer reached</b>	<b>Percentage of achievement during the year</b>
1	Percentage of households with access to sanitation services	7 651	21 673	4 910	1 277	26 %

2	Percentage of indigent households with access to free basic sanitation services	7 651	21 673	4 910	1 277	26 %
4	Percentage of clinics with access to sanitation services	15	15	0	0	0 %
5	Percentage of schools with access to sanitation services	165	165	0	0	0 %

**Source: OR Tambo DM 09/10 Annual Report**

d) Major challenges in sanitation services and remedial actions

- Non availability of water borne sewer and waste water treatment plant in the urban area and results to sewer spillage in town
- High backlog in the provision of basic sanitation services
- V.I.P. toilets too small with poor quality material
- Environmental sensitivity of the area
- Long steep gradients

**Remedial actions**

- Construction of waste water treatment plant with water borne sewer installation
- PSJ to become Water Service Authority and Water Services Provider
- Development of CIP (Comprehensive Infrastructure Plans)
- Source funding from National Treasury to implement the water borne sewer

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

- The road function is a shared function among different stakeholders. South African Nation Road Agent (SANRAL) is responsible for the national road, N2 while the provincial road is the competency of Department of Roads and Public Works Provincial. Port St. Johns Municipality becomes responsible for all the access roads and urban internal roads.
- The first objective of road maintenance is to keep the road in such a condition that it sheds water quickly. If the road does not shed, the surface will become soft, ruts and potholes will quickly appear. Earth roads soon become impassable.
- Road maintenance is needed to restore a good camber on the road to enable water to drain off quickly. This is best achieved by regular grading. On gravel roads grading is also needed to restore gravel from shoulders which has been lost from the road surface, and to remove deep potholes and corrugations.
- Soft spots on the road may need to be patched. Patching can also be used for general repairs to the road surface when machinery is not available as it the case with our Municipality.
- As the surface of gravel road wears away, new gravel must be added before rapid deterioration of the surface starts. Re-gravelling may also be needed severe, and may also be used to improve an engineering earth road to gravel.

### Role players;

1. Supervisors with 1 foreman
2. Plant operators
  1. Operator for grader
  2. Operator for the roller
  3. Operator for the water tanker
4. 1 x machine attendant for each plant

#### b) Level and standards in road maintenance services

- All roads must be inspected on a monthly cycle and maintained such that the riding quality and access condition are reasonable. The maintenance activities must be done in such a manner that promotes the protection of the environment, minimize accidents and protect and promote investment in our towns, however, road maintenance cannot be divorced from storm-water management programme.

- The roads are to be maintained by the reprocessing of 150mm thick gravel wearing coarse varying in width from 5m to 7m. Storm-water will be handled by the construction of v-section side drains, concrete culverts and – pitched road crossing.
- The compaction should be at least 80 – 90% MOD AASHTO and the final layer should form a camber shape

Level & Standard;

- Households without access to gravel or graded roads are regarded as unserved.
- Households with access to gravel or graded roads are regarded as served to basic level.
- Households with access to paved roads are regarded as served to higher level
- All roads must be inspected on a monthly cycle and maintained such that the riding quality and access condition are reasonable. The maintenance activities must be done in such a manner that promotes the protection of the environment, minimize accidents and protect and promote investment in our towns, however, road maintenance cannot be divorced from stormwater management programme.
- The roads are to be maintained by the reprocessing of 150mm thick gravel wearing coarse varying in width from 5m to 7m. Stormwater will be handled by the construction of v-section side drains, concrete culverts and – pitched road crossing.
- The compaction should be at least 80 – 90% MOD AASHTO and the final layer should form a camber shape

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

	<b>Indicator name</b>	<b>Total number of household/customer expected to benefit</b>	<b>Estimated backlogs (actual numbers)</b>	<b>Target set for the f. year under review (Actual numbers)</b>	<b>Number of HH/customer reached during the FY</b>	<b>Percentage of achievement during the year</b>
1	Percentage of households without	31 300 (98 %)	512 km	128 km	153 km in 6	119 %

	access to gravel or graded roads				wards	
2	Percentage of road infrastructure requiring upgrade	28 800 (90 %)	490 km	122 km	42 km	34 %
3	Percentage of planned new road infrastructure actually constructed	158 km	1002 km	49 km	28 km	57 %
4	Percentage of capital budget reserved for road upgrading and maintenance effectively used.	R 15 139 000. 00	R 500m	182 km	65 km	37 %

d) Major challenges in road maintenance services and remedial actions

- 90% of these roads are in a poor condition and they require urgent maintenance and upgrades. The biggest challenge is the funding and the fact that only re-gravelling is being done with few paved roads. The capital cost for the re-gravelling is low but it has short design life. The first rain after the maintenance normally washes away the recently done road.
- Non availability of plant & equipment for maintenance
- Steep gradients and mountainous landscape
- Environmental sensitivity of the area
- Long and major rivers to cross and build bridges

**Remedial actions:**

- A new Agreement with DoRPW needs to be signed as to support the Municipality in road maintenance, such that both the Municipality and the Department can then join forces as to tackle the issue of maintenance of roads.
- The Municipality has managed to purchased a construction Plant but another set of new plant and equipment for maintenance

## **2.5 Waste management**

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

Port St Johns Municipality has a role of collecting waste and minimizing illegal dumping within the urban area whilst plans are in place for the collection of waste in rural areas. This forms part of the new waste management act by the Department of Economic Development and Environmental Affairs. Furthermore, it is the role of the municipality to;

- To ensure that there is efficient collection of waste
- To ensure that there is sustainable recycling waste projects
- To minimize illegal dumping
- To develop policies & implement by-laws relating to waste management
- To conduct awareness campaigns related to waste management
- To educate communities with regard to waste removal

### **ROLE PLAYERS IN WASTE MANAGEMENT**

- Manager community services department
- 1. Forelady
- 2. Tractor drivers
- 52 General labourers
- 1 Tip site attendant

IWMP – INTERGRATED WASTE MANAGEMENT PLAN

The integrated waste management plan is not yet in place. A change in waste management legislation requires local municipalities to align their plans with applicable legislation. The process is now at District Municipality level.

b) Level and standards in waste management services

Port St Johns Municipality collects waste in the urban area twice a week. At the present moment we serve the urban area together with the B & Bs in and around town. The services that include rural areas have not started yet as it has to wait until the IWMP is in place.

d) Major challenges in waste management services and remedial actions

CHALLENGES	HOW THEY ARE ADDRESSED	EXPECTED OUTCOMES
No refuse truck Landfill Compactor	No budget provision made. To be made in the next financial year.	Regular collections
One Tip attendant instead of two	Review organogram to include additional tip attendant	The register at the gate of the landfill site will be done and maintained.
Two Drivers instead of four	Formal appointment of truck/tractor drivers	Minimise overtime. Work will be done smoothly and on time.
There are no sanitation facilities at the tip site	Facilitate the establishment of sanitation facilities by the OR Tambo DM	Health standards will be met
No lights at the tip site	Facilitate installation of lights by ESKOM	Safety and security
Need for additional dustbins	No budget provision made. Provision to be made in the next financial year	Availability of sufficient dustbins

## 2.6 Housing and town planning

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



Low Cost income housing (RDP) is a function of the Department of Housing and the District Municipality acts as an implementing agent. The role of the Port St Johns Municipality is to ensure the availability of land.

There are types of housing that are done through partnerships between the Department of housing and Developers like social housing but for Port St. Johns Municipality such projects have not yet been implemented.

The Port St. Johns Municipality also acts as a coordinator and ensures that the following is done:

- Avail land for future housing development
- Prepare & submit a verified beneficiary list to Dept. Of Housing
- Provide awareness on housing beneficiation to communities
- Monitor the quality of houses built

**Role-players in Housing delivery:**

- 1 Dept of Housing
- 2 Dept of Land Affairs
- 3 OR Tambo District Municipality
- 4 PSJ Municipality
- 5 Developers

b) Level and standards in Housing and town planning services

Level & Standard

- All builders that build houses should have NHBRC certificate & all houses should be NHBRC approved for quality purposes.
- Building drawings for the houses to be built should be approved by the Municipal Town Planning department
- All contractors' certificates should be signed by a Municipal technical official for the purpose of quality assurance.

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	5000 HH	8000 HH	0 HH	0 HH	0 HH
2	Percentage of informal settlements that have been provided with basic services	60 %	2500 HH	0	0	0
3	Percentage of households in formal housing that conforms to the minimum building standards for residential houses	100 HH	4900	0	0	0

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

- Housing applications take too long to be approved by the Department of Human Settlement and this leads to communities invading land reserved for Housing purposes.
- Housing projects do not come with bulk infrastructure the Municipality should provide all the services before the project can be approved.

## 2.7 Spatial planning

### a) Preparation and approval process of Spatial Development Framework (SDF):

A spatial Development Framework was developed and approved during 2005. It is currently undergoing a review process.

### b) Land use management:

- Rezoning, (1 application)
- Sub-division, (1 Application)
- Consent use, (Nil)
- Removal of restrictive conditions (Nil)
- Township establishments (Nil)

## 2.8 Indigent policy implementation

### a) Preparation and approval process of the indigent policy

An Indigent Policy was developed and approved by council with all other budget related policies on 28 May 2009.

### b) Implementation of the policy

For effective implementation of the Indigent Policy, an Indigents Committee needs to be established by council. This committee will be responsible for screening applications received from qualifying consumers.

During the year under review, only indigents receiving electricity subsidy from Eskom participated on the indigents scheme. For other services, participation will only be determined after the indigents committee has effectively started to function.

## 2.9 Overall service delivery backlogs

Basic service delivery area	30 June 2009			30 June 2010		
	Required	Budgeted	Actual	required	budgeted	Actual
Water backlogs (6KL/month)						
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)						
<b>Electricity backlogs (30KWH/month)</b>						
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)						
<b>Sanitation backlogs</b>						
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)						
<b>Road maintenance backlogs</b>						
Backlogs to be eliminated (n0. HH not receiving the minimum standard	R 500m 31 400	R 15.1 m	R 6 m 1120			

service)	HH	2 800 HH	HH			
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality	98 % (31 400) / 32 000 HH	9 %	4 %			
Spending on new infrastructure to eliminate backlogs (R000)	R 500 m	R 14.9 m	R 5.8m			
Spending on renewal of existing infrastructure to eliminate backlog (R000)	R 70m	R 120 000	R 1.4m			
Total spending to eliminate backlogs (R000)	R 570m	R 15.1 m	R 7.2m			
Spending on maintenance to ensure no new backlogs (R000)	R 0.00	R 0.00	R 0.00			
<b>Refuse removal</b>						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)	1133 HH	R 0.00	R 0.00			
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality	1133 HH / 32 000	2200 HH	2190			
Spending on new infrastructure to eliminate backlogs (R000)	R 2.8m	R 2.7m	R 0.00			
Spending on renewal of existing infrastructure to eliminate backlog (R000)	R 500	R500	R0.00			
Total spending to eliminate backlogs (R000)	R 3.3m	R 2m	R 0.00			
Spending on maintenance to ensure no new backlogs (R000)	R 0.00	R 0.00	R 0.00			
<b>Housing and town planning</b>						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)	106 000	R 16m	R0.00			
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality	60 % (32 000)	1 %	R0.00			

Spending on new infrastructure to eliminate backlogs (R000)	R 59 b	R 16m	R0.00			
Spending on renewal of existing infrastructure to eliminate backlog (R000)	R0.00	R0.00	R0.00			
Total spending to eliminate backlogs (R000)	R 59 b	R16m	R 0.00			
Spending on maintenance to ensure no new backlogs (R000)	R0.00	R0.00	R0.00			

### **Key Performance Area 3 - LOCAL ECONOMIC DEVELOPMENT**

#### **Background**

Port St. Johns Municipality has a non-existent industrial economy. The economy is small and relatively unsophisticated. Its GGP (R150.9m) contributes only 2 to 3% to the GGP of the OR Tambo District Municipality area and is the smallest economy of the seven local municipalities of OR Tambo District Municipality (source: Adapted from Wefa, 2000). The high illiteracy rate and unemployment has created a situation of grant dependency. The economy is largely driven by trade and primary economic activities. The predominant rural nature of the area limits commercial and business development. Business activities in rural areas are confined to supply stores (building material), taverns and general dealers. Commercial and business development is confined to the urban area which is just 3% of the population.

Topography and natural vegetation have played an important role in the economic development of the Wild Coast. Its inaccessible virgin landscapes have led to a sparse settlement pattern with only one urban area namely Port St. Johns and have 130 villages. This pattern is reflected in the economic make up of the area. The dominant sector is community services at 66.6% of the GGP (government and institutional administration of the area). The only other sector of any significance is trade. This reflects the consumer needs of the surrounding villages (shopping expeditions to Port St. Johns on pension and social grants pay days). Also included in these figures is tourism and agriculture (difficult to establish the exact contribution of tourism and agriculture as it is not defined as an economic sector in the Standard Industrial Classification System. The un-spoilt nature (wildness) of the region attracts a considerable number of tourists. Agriculture only contributes 5.6% of the GGP, which is in line with the generally mountainous terrain and inaccessibility of the area.

#### **Economic Development Goals**

Our employment statistics as indicated in the integrated Development Plan suggests an underdeveloped economy, far too dependent on the government as employer, with an under developed private sector and widespread poverty, even though much of this poverty is masked by rural subsistence lifestyles. Our main goal is to reduce the areas' dependency on the government grants by increasing all other key sectors. The ultimate goal is to see a robust economy with a fair distribution of sectors. Our LED Strategy has identified Tourism, Agriculture, SMME Development and Infrastructure as key drivers of the economy that need focus.

## **Tourism**

Port St. Johns is the only town on the Wild Coast with the potential to become a destination and thereby create a critical mass of tourists that could be spread to rural areas in order to alleviate poverty in these economic depressed areas. We have identified areas which focus on tourists in the town of Port St. Johns e.g. Mthumbane Location has been identified as a Culture Town and Mpantu a Forest Node to attach a character. Accommodation in Port St. Johns has increased from 871 beds in 2005 to 1241 in 2009. This is due to the increasing demands in the increase of visitors and events held in Port St. Johns. More homes are converted into B&B's or Guesthouses to address the shortage of beds.

We require linkages, packaging of products, equestrian and walking trails along with the development of theme routes, etc. We have all the assets to become a major destination for adventure tourism as identified in the District and Provincial Tourism Framework.

### **Projects identified to meet this potential:**

- Adventure Centre at the entrance of the town (base station for the Cable car project)
- Cable Car which is at EIA Stage
- Mzimvubu Riverfront Development which is at the implementation stage
- Visitor Information Centre revitalization (completed), 62 jobs were created
- Customer services training to all tourism products (Partnership with TEP), 18 people trained
- Tourism awareness campaigns (done yearly during Tourism month)
- Coast care (ongoing cleaning 7 rehabilitation of beaches), with facilities such as braai stands, concrete chairs and added ablution facilities and 55 Jobs has been created in the process

### Areas needing prioritization:

- Infrastructure development
- Product development
- Tourist safety
- Tourism awareness amongst communities

### Agriculture

The climatic and soil conditions render PSJ viable for a number of agricultural products. Although agriculture is prevalent throughout the area, it is currently not a significant sector according to researchers; it contributes very little (5.6%) to the economy due to subsistence nature thereof. Subsistence farming and cash crop such as vegetables and maize are prevalent and poverty is kept at bay by these practices. According to research done by the Agricultural Research Council, the municipal area is most suitable for crop and fruit production.

The farmers including subsistence and the commodity groups are organized and have monthly meetings. They are affiliates to the OR Tambo District Farmers Association and the Farmers Union.

There is land (1000 hectares) along the Mngazi Valley that has been earmarked for Citrus fruit production and land in the Mantusini area is earmarked for pastures for the Dairy parlour which has already been constructed. The Citrus Fruit production project is at feasibility study stage and the dairy is at the stage of creating partnerships with investors.

A high value crop production project involving the training and supply of seedlings to households of fruit and vegetable production is underway in all the villages. The program is a partnership with the Department of Agriculture and Rural Development, I'sBaya Rural Development and the municipality and is funded by Thina Sinako

Beneficiaries in the high value crop production project are homesteads.

### Projects Implemented 2009 - 2010

Projects	Wards	No. Of Beneficiaries
Siyakhula	1	1 project
Siyazondla	4,5,6,7,8,10,12,& 15	207
Comprehensive Agricultural Support Programme (Casp)	6	1



Majola Tea	8	150
Mantusini Dairy	7	200 (land owners)
PSJ Citrus Fruit Production	4,5 &7	To be discussed
High Value Crop Production Project	4,5,7,10	All interested homesteads
PSJ Nodal Development Strategy	1,4,10,12,14	4Nodes
Forest Rehabilitation (closed)	4,5,6,1&11	132 jobs created
Coast Care	4,6,10 &11	55 jobs created

### **Poverty Alleviation Projects funded by Social Development & DAC**

1. Lundini Food Security Project funded with an Amount of R750 000 (DOSD)- vegetable production in ward 3
2. AmaMpondokazi Project - Crafts Project R500 000 (DAC), ward 2

### **Projects for 2010-2011**

The Projects mentioned below are in various stages such as EIA stage, feasibility study stage or waiting for funding request responses:

1. PSJ Cable Car & Adventure Centre at EIA stage in ward 6
2. Airstrip development at feasibility study stage in ward 6
3. Cwebeni Conservation Project is at business plan stage (funding diverted from another project), in ward 4
4. Isinuka Development business plan stage in ward 6
5. Noqhekwana Tourism Facility in ward 10
6. Riverfront Development in ward 6
7. Coast Care in wards 1, 2, 4, 6, 10 & 11
8. Forest Rehabilitation in wards 4, 5, 6, 10

### **Cooperatives registered (7)**

1. Abasuki Tannery Cooperative in Ward 2
2. MziwaMampondo Cooperative in Ward 2
3. Khwela Kuwo Farmers Cooperative in Ward 10
4. Mantusini Agricultural Cooperative in Ward 7
5. Zanempilo Agricultural Cooperative in Ward 1

6. Mila Agricultural Cooperative in Ward 13
7. Phuthuma Agricultural Cooperative in ward 3

### **Challenges**

- Lack of funding (Internal resources to fund the development of sector specific plans)
- Poor bulk infrastructure to attract investors to invest in mega projects
- Lack of commitment & consistence from subsistence farmers to supply the Kei Fresh Produce Market.
- Lack of participation/cooperation of Tourism Product Owners in Tourism Forums
- Lack of infrastructure such as irrigation, fencing, tractors, electricity and roads.
- Lack of institutional capacity (human capital)

### **Key Performance Area 4: Municipal Financial Viability and Management**

#### **The Chief Financial Officer's Report**

##### **1. Introduction**

In an eventful year that was filled with joy and excitement no one will ever forget such a spectacular event that has united the nation, however, to many of us it was business as usual, the challenge to address unlimited needs within the constraints of limited resources has necessitated a change in the way we do business to ensure that we stretch our resources to the maximum. During the financial year ended 30 June 2010, our focal areas were financial viability, management of resources, capacitating of staff and compliance with legislation.

On financial viability, our financial performance statement clearly indicates that the municipality is heavily dependent on grants. In striving to turnaround the situation, the municipality has developed a Master Plan and submitted Business Plans to various government departments and entities for funding of the basic infrastructure that is key for development that could broaden our revenue tax base.

On resources management, the statement of financial performance has shown positive results of R22, 691,470 compared to R3, 082,433 in the previous year. The financial position has improved from R35, 085,634 in the previous year to R57, 976,268 in the current year by 65%. Cash flow management resulted to a reduction of overdraft from R1, 473,008 in the previous year to R53, 057 at year end.

Capacitating of staff, four of our employees have been enrolled to study a Local Government Accounting Certificate that is offered by National Treasury & SAICA and three of our interns are enrolled to study a Municipal Finance Management Programme offered by DBSA Vulindlela Academy.

Regarding compliance with legislation, we have successfully implemented our new valuation roll as required by the Municipal Property Rates Act of 2006 and also have reviewed our policies to be in line with the current legislation and regulations. In the current financial year the annual financial statements were prepared in full compliance with the GRAP accounting framework, whereas in the previous year they were prepared in accordance with the modified standards of Generally Recognised Accounting Practice (GRAP), Generally Accepted Municipal Accounting Practices (GAMAP) and Generally Accepted Accounting Practice (GAAP)

## 2. Operating Results

Details of the operating results per department, classification and object of expenditure are included in Appendix B to the Annual Financial Statements. The overall operating results for the year ended 30 June 2010 are as follows:

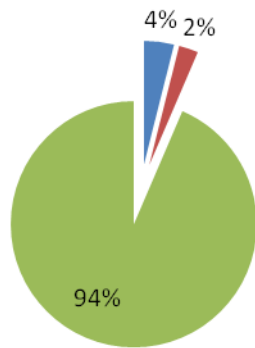
	Actual 2009 R	Actual 2010 R	Variance 2009/10 %	Adjusted Budget 2010 R	Variance Actual Budget %
Revenue- Property rates	2,887,593	3,113,764	8	2,082,544	33
Service charges- refuse	802,589	509,407	(37)	184,678	64
Rental of facilities	65, 581	276,775	322	692,133	(150)
Interest earned-external investment	26,561	933,617	3,415	-	100
Fines	11,519	8,500	(26)	4,800	44
Licences and Permits	67,422	25,068	(63)	51,220	(104)
Government grants and subsidies	51,277,922	74,236,290	45	61055,529	18

Other income	177,692	256,077	44	1,064,093	316
	55,316,879	79,359,498		65,134,99	
<b>Expenditure</b>					
Employee related costs	17,129,523	21,269,352	24	18,807,417	12
Remuneration of councillors	5,948,180	6,204,316	4	7,063,217	14
Bad debts	4,046,996	1,44,638	(64)	-	100
Depreciation	-	-	-	-	-
Repairs and maintenance					
Interest paid	1,744,400	913,891	(48)	739,770	19
General expenses	467,800	50,988	(89)	210,114	(312)
	22,884,548	25,129,298	10	13,924,853	45
	52,221,447	55,014,483		40,746,008	
Less: Impairment loss on disposal of assets		1,653,545			
	3,095,432	22,691,470		24,388,989	
<b>NET RESULTS FOR PERIOD</b>					
<b>Significant variances:</b>					
Revenue: the municipality received substantially more grants than was anticipated for the budget due to various proactive municipal initiatives.					

Expenditure: on the whole, the budget has been exceeded due to higher level of municipal activity during the financial year, the key factor being the fact that the municipality did not overspend its total funding received.

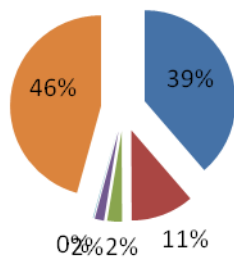
### Operating revenue

■ Property rates   ■ Other income   ■ Government grants



### Operating expenditure

■ Employee related costs   ■ Remuneration of Councillors  
 ■ Bad debts   ■ Repairs and maintenance  
 ■ Interest paid   ■ General expenses



### 3. Debtors

Details regarding debtors are provided in Note 8 and 9 of the Annual Financial statements

#### **Rates: Ageing**

Current	(189,056)
0 - 30 days	249,197
31 - 60 days	370,995
61 - 90 days	1,857,407
91 -120 days	7,706,809
<b>Total</b>	<b>9,995,352</b>

#### **Refuse: Ageing**

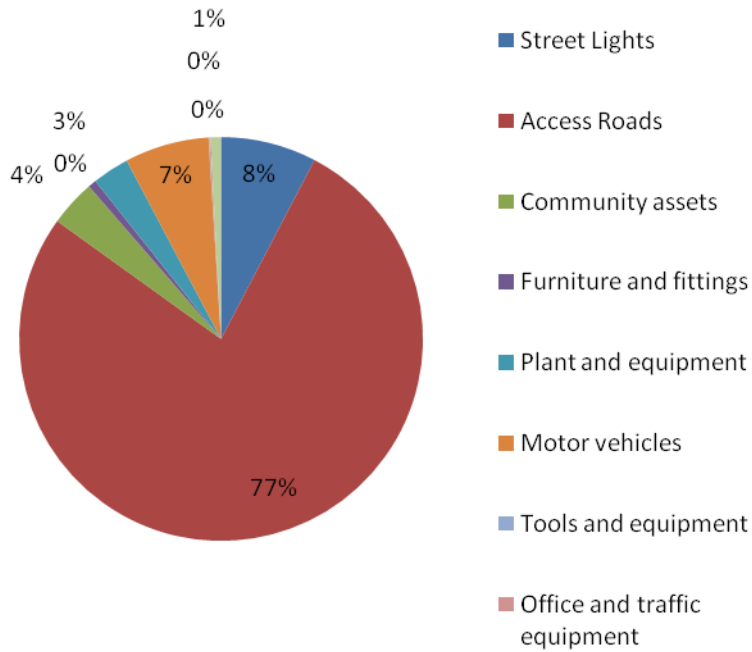
Current	294,829
0 - 30 days	118,618
31 - 60 days	146,037
61 - 90 days	48,017
91 -120 days	2,005,019
<b>Total</b>	<b>2,612,519</b>

### 4. Capital expenditure

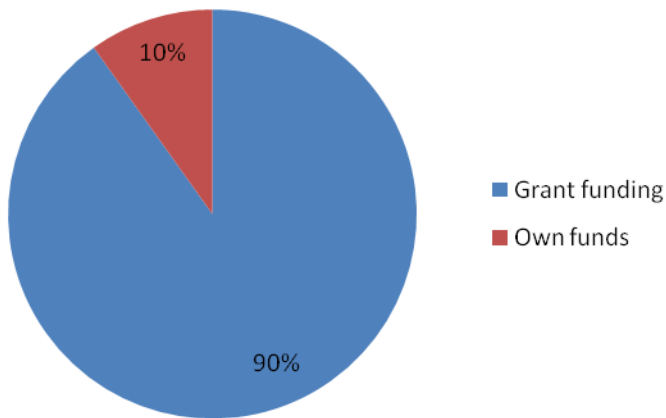
The expenditure on fixed assets amounted to R13, 232,293 and R23, 788,737 for 2008/09 and 2009/10 respectively.

A complete analysis of capital expenditure per department, classification or service is included in appendix A1.

### Capital Expenditure



### Funding Source



### 5.External Loans, Investments and Cash

External loans (being an overdraft) outstanding on 30 June 2009 amounted to R1, 473,008 and was reduced to R53, 057 at 30 June 2010. More information regarding loans, investments and cash are disclosed in the notes (11 and 12)

## **6.Anti Corruption Strategy**

Fraud prevention policy was developed and approved by council for implementation; the municipal staff were also workshopped.

## **7.Expression of Appreciation**

I wish to convey my sincere appreciation to the Mayor, Councillors, the Chairperson and members of the Financial Portfolio Committee, the Municipal Manager and Management for their support during the year 2009/10.

A special word of appreciation to finance staff for the hardwork, sacrifices and concentrated efforts during the financial year 2009/10, more so during the preparation and submission of the Annual Financial Statements within the prescribed period as required by S126 of the MFMA

To National and Provincial Treasury including the European Union (MFIP11); special thanks for assisting in strengthening financial management capacity of the municipality.

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**Z. Mrwebi**

**Chief Financial Officer**



# REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON PORT ST JOHNS MUNICIPALITY

## REPORT ON THE FINANCIAL STATEMENTS

### Introduction

1. I have audited the financial statements of the Port St Johns Municipality which comprise the statement of financial position as at 30 June 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement/statement of cash flows for the year then ended on the 30 June 2010 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 the Statements of Generally Recognised Accounting Practice (GRAP) and in the manner required by the 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) read with section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
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.

## **Opinion**

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Port St Johns Municipality as at 30 June 2010 and its financial performance and its cash flows for the year then ended, in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Municipal Finance Management Act of South Africa, 2003 (Act No.56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2009 (Act No. 12 of 2009) (DoRA).

## **Emphasis of matters**

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

## **Deviations from the financial framework**

9. I draw attention to accounting policies 3 and 4 on property, plant and equipment (PPE) and investment properties in the financial statements which indicates that the municipality has taken advantage of Directive 4 exemptions on PPE and investment properties on the transitional provisions on the implementation of GRAP 16 and GRAP 17 as issued by the Accounting Standard Board (ASB) on the 11 March 2009. In terms of the exemption the municipality is not required to measure PPE and investment properties for a period of three year from the date of implementation of GRAP. The municipality implemented GRAP on the 1 July 2007.

## **Going concern**

10. I draw attention to Note 29 in the financial statements which indicates that the municipality is in financial difficulty in discharging its financial obligation to their creditors in the ordinary course of business. These conditions, along with other matters as set forth in Note 29, indicate the existence of a material uncertainty that may cast significant doubt about the municipality's ability to continue as a going concern.

## **Unauthorised, fruitless and wasteful expenditure**

11. As disclosed in note 21.2 the municipality has in contrary to section 32 of the MFMA incurred unauthorised expenditure as it had exceeded the budget by an amount of 1075 832.5
12. The municipality incurred fruitless and wasteful expenditure due to the following:  
  
Interest and penalties on the late payment of PAYE, UIF and SDL to the amount of R254 888.40 was incurred. In addition to that there were suppliers, who were not paid within 30 days, resulting in an interest amounting to R505 240.38 being charged on the overdue accounts.
13. Input VAT claim was disallowed to the amount of R152 492 by the SARS as the municipality did not have a valid tax invoice as required by section 20 of the VAT Act.

## **Additional matter(s)**

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

## **Unaudited supplementary schedules**

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

### **Municipal Property Rates Act, No. 6 of 2004**

24. Contrary to section 23(3) of the municipal Property Rate Act, the municipality property register does not have a part B that indicates properties that are exempted, rebated, reduced, phased-in properties or excluded from property rates.

### **Skill Development Level Act, No. 97 of 1998**

25. Contrary to section 6(1) of the Skills Development Levies Act, the municipality did not pay over SDL to the South African Revenue Service (SARS).

### **Unemployment Insurance Act, No. 63 of 2001**

26. The Auditor-General issued a position paper on 14 July 2010 on the treatment of contributions to UIF by members of council of the Municipality. This position paper states that members should contribute to UIF, with retrospective application from the date of inception of the Unemployment Insurance Act, Act No. 63 of 2001.

## **INTERNAL CONTROL**

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

28. The matters reported below are limited to the significant deficiencies regarding the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

- **Leadership**

The Municipality did not have adequate controls and processes in place to ensure compliance with all applicable legislation. Further, there is inadequate oversight by senior officials to ensure that policies, procedures and controls are implemented correctly.

- **Financial and performance management**

The annual financial statements submitted for audit were subject to numerous amendments to ensure achievement of fair presentation. There were numerous invoices that were not paid within 30 days as required by legislation.

- **Governance**

The following information could not be submitted for audit purposes:

- Reliability of Performance measurement against Key Performance indicators
- The recommendations of the municipality's audit committee
- Quarterly reports of the Internal Audit on Performance Measurements submitted to the Audit Committee
- Review of Performance Management System
- Performance management audit reports submitted by internal audit

- Two audit reports on Performance Management to Council

This resulted in a limitation of scope as the required information could not be obtained and thus we cannot assess the effectiveness of the Audit Committee and the Internal Audit in terms of the MFMA due to the scope limitation.

*Auditor General*

Port Elizabeth

30 November 2010



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*





**PORT ST JOHNS**  
• MUNICIPALITY •  
OUR HERITAGE, OUR PEOPLE

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2010

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I certify that the salaries, allowances and benefits of Councillors as disclosed in note 17 of these 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.

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**Z M Hewu**  
**Municipal Manager**

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**Date**

**PORT ST JOHNS LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
For the year ended 30 June 2010**

**General information**

**Members of the Council**

Councillor W.M Mtakati	<b>Mayor (Member of the Executive Committee)</b>
Councillor P Langa	<b>Speaker</b>
Councillor N Kawu	<b>Chief whip</b>
Councillor N Gaya	Member of the Executive Committee
Councillor B Nokanda	Member of the Executive Committee
Councillor K Marini	Member of the Executive Committee
Councillor N Mfiki	Member of the Executive Committee
Councillor J N Tamboodala	Member of the Executive Committee
Councillor H Z Cube	Member
Councillor A N Ncoyini	Member
Councillor N R Nodela	Member
Councillor K Hanxa	Member
Councillor J T Qikani	Member
Councillor S Ndabeni	Member
Councillor B P Vapi	Member
Councillor N Tshiceka	Member
Councillor N Xhongo	Member
Councillor D S Ncola	Member
Councillor M C Mzilikazi	Member
Councillor A Jakavi	Member
Councillor D Mangqo	Member
Councillor J S Lobi	Member
Councillor J Jijimba	Member
Councillor M N Matentamo	Member
Councillor V Msobo	Member
Councillor R M Zweni	Member
Councillor M Hilihili	Member
Councillor N Qikani	Member
Councillor V Msobo	Member
Councillor T Saziwa	Member
Councillor N W Zwelonke	Member

**Municipal Manager**

Z Hewu

**Bankers**

ABSA

**Chief Financial Officer**

Z Mrwebi

**Physical address**

257 Main street , Port St Johns

**Grading of Local Authority**

Grade 2

**Postal address**

P O Box 2, Port St Johns ,5120

**Auditors**

Auditor-General

Telephone :047-564-1207

Fax :047-564-1206

Website : www.psjmunicipality.gov.za

**PORT ST JOHNS LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
For the year ended 30 June 2010**

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**PORT ST JOHNS LOCAL MUNICIPALITY  
STATEMENT OF FINANCIAL POSITION  
For the year ended 30 June 2010**

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	Note	2 010 R	2009 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>		<b>34 678 431</b>	<b>10 440 048</b>
Accumulated surplus / (deficit)		34 678 431	10 440 048
<b>Non-current liabilities</b>			
<b>Non-current provisions</b>	1	<b>124 506</b>	<b>127 144</b>
<b>Current liabilities</b>		<b>23 173 330</b>	<b>24 518 441</b>
Creditors	3	19 649 214	19 930 108
Unspent conditional grants and receipts	4	3 471 059	3 115 325
Bank overdraft	12	53 057	1 473 008
Current portion of long-term liabilities		-	-
<b>Total Reserves and Liabilities</b>		<b>57 976 268</b>	<b>35 085 634</b>
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>50 388 815</b>	<b>29 199 652</b>
Property, plant and equipment	5	50 388 812	29 199 649
Investment properties carried at cost	6.2	3	3
<b>Current assets</b>		<b>7 587 453</b>	<b>5 885 982</b>
Inventory	7.2	115 135	154 134
Consumer debtors	8.	98 984	73 999
Other debtors	9	58 833	58 833
VAT	10	7 305 373	5 180 593
Call investment deposits	11	9 104	218 534
Bank balances and cash	12	24	199 889
<b>Total Assets</b>		<b>57 976 268</b>	<b>35 085 634</b>

**PORT ST JOHNS LOCAL MUNICIPALITY  
STATEMENT OF FINANCIAL PERFORMANCE  
For the year ended 30 June 2010**

Page 2

	Note	2 010 R	2009 R
<b>REVENUE</b>			
Property rates	13	3 113 764	2 887 593
Service charges - refuse	14	509 407	802 589
Rental of facilities		276 775	65 581
Interest earned		933 617	26 561
Fines		8 500	11 519
Licences and permits		25 068	67 422
Government grants and subsidies	15	74 236 290	51 277 922
Other income		256 077	177 692
<b>Total Revenue</b>		<b>79 359 498</b>	<b>55 316 879</b>
<b>EXPENDITURE</b>			
Employee related costs	16	21 269 352	17 129 523
Remuneration of Councillors	17	6 204 316	5 948 180
Bad debts		1 446 638	4 060 996
Depreciation		-	-
Repairs and maintenance		913 891	1 744 400
Interest paid	18	50 988	467 800
General expenses		25 129 298	22 884 548
<b>Total expenditure</b>		<b>55 014 483</b>	<b>52 235 446</b>
Gain /( loss) on sale of assets		(1 540 187)	-
(Impairment loss) / Reversals of impairment loss		(113 358)	-
Profit /(loss) on value adjustment		-	-
Inventories : (Write-down )/reversal of write-down to net realisable value		-	-
<b>Surplus / for the period</b>		<b>22 691 470</b>	<b>3 081 433</b>

**PORT ST JOHNS LOCAL MUNICIPALITY**  
**STATEMENT OF CHANGES TO NET ASSETS**  
**For the year ended 30 June 2010**

	Capitalisation Reserve	Total Reserves	(Accumulated Deficit) / Accumulated Surplus	Total
<b>2009</b>				
Balance at 01 July 2008	-	-	1 097 913	1 097 913
Change in accounting policy		-	(168 421)	(168 421)
Balance at 01 July 2008			929 492	929 492
Correction of error (note 21) impairment		-	8 253 831	8 253 831
Payables fair value adjustment			(2 309 232)	(2 309 232)
Restated balance			484 525	484 525
Surplus for the year			7 358 616	7 358 616
			3 081 433	3 081 433
	-	-	<b>10 440 048</b>	<b>10 440 048</b>
<b>2010</b>				
Balance at 01 July 2009	-	-	10 440 048	10 440 048
Change in accounting policy	-	-		-
Balance at 01 July 2009	-	-	10 440 048	10 440 048
Changes to O/B			780 703	780 703
Transfers			(215 010)	(215 010)
Vat Correction			(82 505)	(82 505)
PAYE Correction			1 092 524	1 092 524
Adjustment of employee costs			(31 040)	(31 040)
Correction of error	-	-	2240	2 240
Restated balance			11 986 961	11 986 961
Surplus for the period	-	-	22 691 470	22 691 470
				-
	-	-	<b>34 678 431</b>	<b>34 678 431</b>

**PORT ST JOHNS LOCAL MUNICIPALITY  
CASH FLOW STATEMENT  
For the year ended 30 June 2010**

	Note	2 010 R	2009 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other		78 425 881	55 290 317
Cash paid to suppliers and employees		<u>(55 565 865)</u>	<u>(37 553 713)</u>
Cash generated by / (utilised in) operations	19	<b>22 860 017</b>	17 736 605
Interest received		933 617	26 561
Interest paid		(50 988)	(467 800)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b><u>23 742 645</u></b>	<b><u>17 295 367</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(23 788 737)	(13 232 293)
Proceeds from sale of property, plant and equipment		1 059 388	3
Acquisition of Investment Properties at fair value			(3)
Decrease in long-term receivables			-
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b><u>(22 729 349)</u></b>	<b><u>(13 232 293)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase / (Decrease) in non-current provisions		(2 638)	127 144
Loans repaid			-
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b><u>(2 638)</u></b>	<b><u>127 144</u></b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b><u>1 010 658</u></b>	<b><u>4 190 218</u></b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b><u>(1 054 586)</u></b>	<b><u>(5 244 803)</u></b>
<b>Cash and cash equivalents at the end of the period</b>	20	<b><u>(43 928)</u></b>	<b><u>(1 054 586)</u></b>

## **1. BASIS OF ACCOUNTING**

### **1.1 Basis of presentation**

The annual financial statements have been prepared in accordance with Generally Recognised Accounting Practices (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) the Municipal Finance Management Act,(Act N o 56 of 2003 ) 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.

### **1.2 Presentation currency**

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

### **1.3 Going concern assumption**

These 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

When the presentation or classification of items in the 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. Accordingly and with respect to GRAP 4 the municipality is not required to identify the impact of GRAP standards that have been issued but are not yet effective.

### **1.6 Significant judgements and sources of estimation uncertainty**

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

#### **Trade receivables classified as loans and receivables**

The Municipality assesses its receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

#### **Allowance for slow moving, damaged and obsolete stock**

An allowance for stock to adjust stock to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The judgement is made to an allowance account for obsolete inventory.

#### **Fair value estimation**

The fair value of financial instruments traded in active markets (such as trading and available for sale securities) is based on quoted market prices at the financial position date. The quoted market price used for financial assets held by the Municipality is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting, where material, the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

The recoverable amounts of cash generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimated are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

### **Provisions**

A provision is recognised when the Municipality has a present obligation (legal/ constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Contributions are made to or from the provisions to reflect the current best estimate. Expenditure relating to provisions is charged to the provision when incurred.

### **Effective interest rate**

The municipality used the prime interest rate as basis to discount future cash flows.

**PORT ST JOHNS LOCAL MUNICIPALITY  
ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS  
For the year ended 30 June 2010**

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## **2. PROPERTY, PLANT AND EQUIPMENT**

### **2.1 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 R1 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 2011 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.

For the year ended 30 June 2010

**2. PROPERTY, PLANT AND EQUIPMENT (Cont.)****2.2 Subsequent measurement - revaluation model (Land and Buildings)**

The municipality has applied the transitional provisions within 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 2011.

**2.3 Depreciation and impairment**

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

**2.4 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.

**3. INVESTMENT PROPERTY****3.1 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 the transitional provision, within GRAP17 - 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 R1. 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 2011 to measure property, plant and equipment in terms of GRAP17.

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.

**3.2 Subsequent measurement - revaluation model (Investment property)**

The municipality has applied the transitional provisions within GRAP17 - 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 2011.

**3.3 Depreciation and impairment**

As the municipality has applied the transitional provision within GRAP17 - Property, plant and equipment as relates to measurement, no depreciation in respect of investment property has been accounted for in the annual financial statements.

**3. INVESTMENT PROPERTY (Cont.)****3.4 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.

**PORT ST JOHNS LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2010**

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**4. INVENTORIES**

**4.1 Initial Recognition**

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.

**4.2 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.

**5. FINANCIAL INSTRUMENTS**

**5.1 INITIAL RECOGNITION**

Financial instruments are initially recognised at fair value.

**5.2 SUBSEQUENT MEASUREMENT**

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

**5.3. INVESTMENTS**

Investments which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-

maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

**PORT ST JOHNS LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**For the year ended 30 June 2010**

Page 12

**5.4 TRADE AND OTHER RECEIVABLES**

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

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

**5.5 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 repayments, plus interest.

**5.6. CASH AND CASH EQUIVALENTS**

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

Bank overdrafts are recorded based on the facility utilised. Finance charges on 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.

**6. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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).

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.

## **7. LEASES**

### **7.1 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 derecognition 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 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 agreements, the municipality has early adopted IAS 17 (AC 105).

### **7.2 Municipality as lessor**

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

## **8. 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 obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a

## **9. REVENUE**

### **9.1 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 passed 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.

## **9.2 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 payment is received, together with an estimate of spot fines and summons that will be received based on past experience of amounts collected.

## **9.2 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 Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

## **10. GRANTS, TRANSFERS AND DONATIONS**

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.

## **11. 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 (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance.

## **12. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular 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.

## **13. 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.

# **PORT ST JOHNS LOCAL MUNICIPALITY ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 30 June 2010**

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## **14. 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.

## **15. 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.

## **16 CONSTRUCTION CONTRACTS AND RECEIVABLES**

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by *[the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs OR surveys of work done OR completion of a physical proportion of the contract work]*.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

## **17 IMPAIRMENT OF ASSETS**

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

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

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

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

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

#### **18 Related party transactions**

Port St Johns Municipality treats all the transactions between Port St Johns Municipality and Port St Johns Development Agency as related party transactions. Details have been disclosed under notes to the financial statements.

#### **19 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 November 2010) are considered for inclusion in the annual financial statements.













	2 010 R	2009 R
<b>1 NON-CURRENT PROVISIONS</b>		
Provision for rehabilitation of landfill sites		
<b>Total Non-Current Provisions</b>		
<p>The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 4.2 over an average period of 10 years.</p> <p>The movement in the non-current provision is reconciled as follows: -</p>		
Provision for rehabilitation of landfill sites:		
<b>Balance at the beginning of year</b>		-
Contributions to provision	124 506	127 144
Expenditure incurred	-	-
Decrease in provision due to discounting		-
Transfer to current provisions	-	-
<b>Balance at the end of year</b>	<u>124 506</u>	<u>127 144</u>
<b>2 CURRENT PROVISIONS</b>		
Current portion of long-service provision (see note 1)	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
<p><b>The movement in current provisions is as follows:</b></p>		
		<b>Landfill site rehabilitation</b>
Transfer from non-current		-
Balance at the beginning of the year	-	168 421
Contributions to provision		-
Expenditure incurred		(168 421)
<b>Balance at the end of the year</b>	<u>-</u>	<u>-</u>

With regards to the provision for Landfillsites: It is stated in the Department of water affairs and Forestry "Minimum Requirements for Waste Disposal by Landfill" Second Edition 1998, Chapter 2.3.4, that "all landfills except those closed prior to August 1990 when the permitting system came into effect, must be permitted before they can be considered closed. Closure will involve, inter alia, the application of final cover, topsoiling, vegetation, drainage maintenance and leachate management. " Rehabilitation costs in respect of geohydrological monitoring is anticipated to be a recurring cost for the next 20 years. The future value of the rehabilitation of landfill sites obligation was calculated by inflating the non-current rehabilitation cost to an estimated future cost which was then discounted to present value.

Assumptions used

Interest rate used is the weighted average cost of capital of 8.0% (2008/9: 9.6%) based on the Risk Free Model (ie.treasury/government bonds - R154)

	<b>2 010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
<b>3 CREDITORS</b>		
Trade creditors and accruals	6 635 255	10 359 149
Payroll creditors	9 281 363	7 993 305
Provision for Leave Pay	662 333	496 593
Provision for Bonuses (13th cheque)	391 474	281 472
Other creditors	3 100 000	1 269 953
Retention Monies	402 941	0
Deposits	20 199	14 160
Payables fairvalue adjustment	(844 350)	(484 525)
<b>Balance at the end of the year</b>	<b><u>19 649 214</u></b>	<b><u>19 930 108</u></b>
<b>4 UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
Municipal Finance Management Grant	-	-
MSIG Grant	-	115 325
MIG Grant	2 621 963	3 000 000
MSP Grant	849 096	
Department of Transport Intervention	0	
	<b><u>3 471 059</u></b>	<b><u>3 115 325</u></b>

See note 15 for reconciliation of grants from other spheres of government.

5 PROPERTY, PLANT AND EQUIPMENT

At 30 June 2010

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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
<b>Carrying values at 1 July 2009</b>	<b>5 135 554</b>	<b>19 827 549</b>	<b>3</b>	<b>-</b>	<b>4 236 543</b>	<b>29 199 649</b>
Cost	5 135 554	19 827 549	3	-	4 236 543	29 199 649
Correction of error	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated depreciation:	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Correction of error	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-
Acquisitions	-	5 954 941	885 511	-	2 700 856	9 541 308
Capital under construction	-	14 247 429	-	-	-	14 247 429
Depreciation:	-	-	-	-	-	-
- based on cost	-	-	-	-	-	-
- based on revaluation	-	-	-	-	-	-
Carrying value of disposals:	(1)	-	-	-	(2 599 574)	(2 599 575)
Cost/revaluation	(1)	-	-	-	(2 599 574)	(2 599 575)
Accumulated depreciation	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-
Cost/revaluation	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
<b>Carrying values at 30 June 2010</b>	<b>5 135 554</b>	<b>40 029 919</b>	<b>885 514</b>	<b>-</b>	<b>4 337 825</b>	<b>50 388 812</b>
Cost	5 135 554	40 029 919	885 514	-	4 337 825	50 388 812
Revaluation	-	-	-	-	-	-
Accumulated depreciation:	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-

5 PROPERTY, PLANT AND EQUIPMENT

At 30 June 2009

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
<b>Carrying values at 1 July 2008</b>	<b>5 135 558</b>	<b>6 970 257</b>	<b>3</b>	<b>587 710</b>	<b>3 291 833</b>	<b>15 985 361</b>
Cost	5 135 558	6 970 257	3	587 710	3 291 833	15 985 361
Correction of error	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated depreciation:	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Correction of error	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-
Acquisitions	-	-	-	-	375 001	375 001
Capital under construction	-	12 857 292	-	-	-	12 857 292
Increases/decreases in revaluation	-	-	-	-	-	-
Depreciation:	-	-	-	-	-	-
- based on cost	-	-	-	-	-	-
- based on revaluation	-	-	-	-	-	-
Carrying value of disposals:	(1)	-	-	-	(18 001)	(18 002)
Cost/revaluation	(1)	-	-	-	(18 001)	(18 002)
Accumulated depreciation	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-
Cost/revaluation	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-
Other movements	(3)	-	-	-	-	(3)
<b>Carrying values at 30 June 2009</b>	<b>5 135 554</b>	<b>19 827 549</b>	<b>3</b>	<b>587 710</b>	<b>3 648 833</b>	<b>29 199 649</b>
Cost	5 135 554	19 827 549	3	587 710	3 648 833	29 199 649
Revaluation	-	-	-	-	-	-
Accumulated depreciation:	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-

**5.2 PROPERTY, PLANT AND EQUIPMENT**

- a) The municipality has taken advantage of the transitional provisions set out in Directive 4 meaning no subsequent measurement has been applied on PPE.
- b) As the results the classes of assets in note five above have not been measured in accordance with the standard of GRAP.
- c) The municipality has developed presented to the Audit committee the implementation plan for the proceess to comply with GRAP7 fully by 2010/2011.



<b>6 INVESTMENT PROPERTIES CARRIED AT NOMINAL VALUE</b>	<b>Total Municipal Properties</b>	
Opening balance	3	-
Transfer from Property, Plant and Equipment		3
Closing balance	<u>3</u>	<u>3</u>

The three municipal properties representing investment properties are in accordance with the accounting policy carried at nominal value.

- a) The municipality has taken advantage of the transitional provisions set out in Directive 4 meaning no subsequent measurement has been applied on Investment Property
- b) As the results the classes of assets in note six above have not been measured in accordance with the standard of GRAP.
- c) The municipality has developed presented to the Audit committee the implementation plan for the process to comply with GRAP7 fully by 2010/2011

<b>7 INVENTORY</b>		
Consumable stores at cost	<u>115 135</u>	<u>154 134</u>
	<b>115 135</b>	<b>154 134</b>

	2 010 R			2009 R
8. CONSUMER DEBTORS	<u>Gross balance</u>	<u>Provision for bad debts</u>	<u>Provision for impairment</u>	<u>Net balances</u>
<b>As at 30 June 2010</b>				
Service debtors				
Rates	9 995 352	7 996 281	1 999 070	29 054
Refuse	2 612 519	2 090 015	452 574	69 929
Property lease	1 276 291	1 276 291		0
	<u>13 884 162</u>	<u>11 362 587</u>	<u>2 451 644</u>	<u>98 984</u>
<b>As at 30 June 2009</b>				
Service debtors				
Rates	9 255 445	7 227 321	2 028 124	-0
Refuse	2 292 726	1 937 618	281 109	73 999
Property lease	1 085 222	1 085 222		0
	<u>12 633 393</u>	<u>10 250 161</u>	<u>2 309 233</u>	<u>2 383 232</u>
<b><u>Rates: Ageing</u></b>				
Current		(189 056)		(203 602)
0 - 30 days		249 197		178 548
31 - 60 days		370 995		111 327
61 - 90 days		1 857 407		242 317
91 -120 days		7 706 809		182 952
121 - 150days		-		1 372 722
+ 150 days		-		7 371 181
<b>Total</b>		<u>9 995 352</u>		<u>9 255 445</u>
<b><u>Refuse: Ageing</u></b>				
Current		294 829		118 446
0 - 30 days		118 618		136 261
31 - 60 days		146 037		68 031
61 - 90 days		48 017		536 879
91 -120 days		2 005 019		101 140
121 - 150 days		-		42 503
+ 150 days		-		1 289 466
<b>Total</b>		<u>2 612 519</u>		<u>2 292 726</u>

	2 010 R	2009 R	
<b>8. CONSUMER DEBTORS (Cont.)</b>			
<b><u>Property Lease: Ageing</u></b>			
Current	(129 997)	(79 483)	
0 - 30 days	-	2 617	
31 - 60 days	679	1 308	
61 - 90 days	340	2 617	
91 -120 days	1 405 268	2 617	
121 - 150 days	0	1 308	
+ 150 days	0	1 154 238	
<b>Total</b>	<b><u>1 276 291</u></b>	<b><u>1 085 222</u></b>	
 <b>Grand-total consumer debtors</b>	 <b><u><u>13 884 162</u></u></b>	 <b><u><u>12 633 393</u></u></b>	
 <b>Councillors and staff owing 90 days and above:</b>	<b><u>Rates</u></b>	<b><u>Refuse</u></b>	<b><u>Total</u></b>
Mtambeki Z	1 138	1 843	2 981
Mtakati MW	3 756	1 987	5 743
Vapi B.P	23 783	7 047	30 830
Qikani J.T	4 167	5 190	9 357
	<b><u>32 844</u></b>	<b><u>16 067</u></b>	<b><u>48 911</u></b>
 <b>9 OTHER DEBTORS</b>			
<b>Other</b>		<b><u>58 833</u></b>	<b><u>58 833</u></b>
 <b>10 VAT</b>			
<b>Vat receivable</b>		<b><u>7 305 373</u></b>	<b><u>5 180 593</u></b>

VAT is payable on a receipt basis. Only once payment is received from debtors is VAT paid over to SARS.

	2 010 R	2009 R
<b>11 CALL INVESTMENT DEPOSITS</b>		
<b>Financial instruments</b>		
IDP Fund	-	367
Disaster Fund	-	353
Aids Awareness Fund	-	532
MSP Call Deposit	-	866
Mayoral Discretionary Fund	-	874
Youth Development Fund	-	92
Free Basic Services Fund	-	8
Local Economic Development Fund	-	887
Standard Bank Revolving Fund	8 635	7 854
MIG Cheque Account	469	801
Meeg Revolving Fund	-	204 462
Meeg Bank 32 Day Notice Deposit	-	1 437
<b>Investment call accounts</b>	<b>9 104</b>	<b>218 534</b>

**12 BANK, CASH AND OVERDRAFT BALANCES**

The Municipality has the following bank accounts:

**12.1 Current Account (Primary Bank Account)**

Meeg Bank - Port St Johns Branch - Account Number  
 Account Number 4052439958

Cash book balance at the beginning of the period - overdrawn	(1 473 008)	(5 779 807)
<b>Cash book balance at the end of the period - overdrawn</b>	<b>(53 057)</b>	<b>(1 473 008)</b>

Bank statement balance at the beginning of the period - overdrawn	(1 473 008)	(5 779 807)
<b>Bank statement balance at the end of the period - overdrawn</b>	<b>(53 057)</b>	<b>(1 473 008)</b>

**12.2 Current Account**

Standard Bank - Lusikisiki - Account Number 280790007

Cash book balance at the beginning of the period	199 743	1 102
<b>Cash book balance at the end of the period</b>	<b>-</b>	<b>199 743</b>

Bank statement balance at the beginning of the period -	199 743	1 102
<b>Bank statement balance at the end of the period</b>	<b>-</b>	<b>199 743</b>

	2 010 R	2009 R
<b>12 BANK, CASH AND OVERDRAFT BALANCES (Cont.)</b>		
12.3 Petty cash balance	<u>24</u>	<u>147</u>
Bank and cash balance	<u>(43 928)</u>	<u>199 889</u>

**13 PROPERTY RATES**

**Actual**

Residential	473 477	1 283 493
Commercial	938 165	928 996
State	1 702 122	675 104
<b>Total assessment rates</b>	<b><u>3 113 764</u></b>	<b><u>2 887 593</u></b>

**Property valuations**

Residential	267 588 450	41 896 772
Commercial	148 195 500	28 460 093
State	69 060 500	34 198 228
Municipal	38 443 800	7 430 992
Farms	47 170 000	
Churches	9 809 000	
Vacant plots	52 322 000	
<b>Total property valuations</b>	<b><u>632 589 250</u></b>	<b><u>111 986 085</u></b>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 01 July 2009. The Interim valuations are processed annually to take into account the individual property values due to alterations. The general rate of 1cent in a rand is applied to determine the assessment rates, rebates of 30% are granted to state properties. Rates are levied on annual bases on property owners.

**14 SERVICE CHARGES**

Refuse removal	<u>509 407</u>	<u>802 589</u>
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	2 010 R	2009 R
<b>15 GOVERNMENT GRANTS AND SUBSIDIES</b>		
Equitable share	36 583 109	27 602 807
LG Seta	44 854	
Municipal Support Programme - Various	2 306 503	2 305 800
Municipal Finance Management Grant	1 750 000	250 000
IDP Development Grant	110 000	110 000
MIG Grant	20 631 037	10 589 000
MSIG Grant	1 065 335	619 675
Department of Transport Special Grant	11 745 452	8 685 460
Environmental Management Plan Grant		216 580
Independent Electoral Commission Grant		698 600
MFMA Support Grant		200 000
<b>Total government grants and subsidies</b>	<b>74 236 290</b>	<b>51 277 922</b>
<b>15.1 Equitable share</b>		
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.		
<b>15.2 Municipal Support Programme - Various</b>		
Balance unspent at the beginning of the year	-	2 305 800
Current year receipts	3 155 599	-
Conditions met - transferred to revenue	(2 306 503)	(2 305 800)
<b>Conditions still to be met - transferred to liabilities</b>	<b>849 096</b>	<b>-</b>
<b>15.3 Municipal Finance Management Grant</b>		
Balance unspent at the beginning of the year	-	-
Current year receipts	1 750 000	250 000
Conditions met - transferred to revenue	(1 750 000)	(250 000)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>
<b>15.4 IDP Development - Grant</b>		
Balance unspent at the beginning of the year	-	-
Current year receipts	110 000	110 000
Conditions met - transferred to revenue	(110 000)	(110 000)
<b>Conditions still to be met - transferred to liabilities</b>	<b>-</b>	<b>-</b>

	2 010 R	2009 R
<b>15 GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>15.5 MIG Grant</b>		
Balance unspent at the beginning of the year	3 000 000	705 000
Current year receipts	20 253 000	12 884 000
Conditions met - transferred to revenue	<u>(20 631 037)</u>	<u>(10 589 000)</u>
<b>Conditions still to be met - transferred to liabilities</b>	<b><u>2 621 963</u></b>	<b><u>3 000 000</u></b>
<p>This is an infrastructure support grant. Conditions has been met are that the municipality will reconcile the admin portion</p>		
<b>15.6 MSIG Grant</b>		
Balance unspent at the beginning of the year	115 325	-
Transfer from accum surplus	215 010	
Current year receipts	735 000	735 000
Conditions met - transferred to revenue	<u>(1 065 335)</u>	<u>(619 675)</u>
<b>Conditions still to be met - transferred to liabilities</b>	<b><u>0</u></b>	<b><u>115 325</u></b>
<p>This is a systems development / capacity building grant intended to support the municipality as a whole.</p>		
<b>15.7 Provincial Department of Transport Special Grant</b>		
Balance unspent at the beginning of the year	-	-
Current year receipts	11 745 452	8 685 460
Conditions met - transferred to revenue	<u>(11 745 452)</u>	<u>(8 685 460)</u>
<b>Conditions still to be met - transferred to liabilities</b>	<b><u>0</u></b>	<b><u>-</u></b>
<b>15.8 Environmental Management Plan Grant</b>		
Balance unspent at the beginning of the year		-
Current year receipts		216 580
Conditions met - transferred to revenue		<u>(216 580)</u>
<b>Conditions still to be met - transferred to liabilities</b>		<b><u>-</u></b>

	2 010 R	2009 R
<b>15 GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>15.90 Independent Electoral Commission Grant</b>		
Balance unspent at the beginning of the year	-	-
Current year receipts	-	698 600
Conditions met - transferred to revenue	-	(698 600)
<b>Conditions still to be met - transferred to liabilities</b>	<u>-</u>	<u>-</u>
<b>15.10 MFMA Support Grant</b>		
Balance unspent at the beginning of the year	-	-
Current year receipts	-	200 000
Conditions met - transferred to revenue	-	(200 000)
<b>Conditions still to be met - transferred to liabilities</b>	<u>-</u>	<u>-</u>
<b>15.11 LG Seta Grant</b>		
Balance unspent at the beginning of the year	-	-
Current year receipts	44 854	-
Conditions met - transferred to revenue	(44 854)	-
<b>Conditions still to be met - transferred to liabilities</b>	<u>-</u>	<u>-</u>



	2 010 R	2009 R
<b>16 EMPLOYEE RELATED COSTS</b>		
Employee related costs - Salaries and wages	16 784 941	12 275 188
Employee related costs - Contributions for UIF, Provident Fund, Medical Aids and SDL and other allowances	126 918 3 303 686	2 683 254 1 657 958
Overtime payments		76 468
Provision for Leave Pay	662 333	155 183
Provision for Bonus	391 474	281 472
<b>Total employee related costs</b>	<b><u>21 269 352</u></b>	<b><u>17 129 523</u></b>
<b>Remuneration of the Municipal Manager</b>		
Annual remuneration	547 773	541 990
Car allowance	152 904	162 228
Travelling allowance	40 650	
Other allowances	80 701	
Contribution to UIF and related items	17 968	1 539
	<b><u>839 996</u></b>	<b><u>705 757</u></b>
<b>Remuneration of the Chief Finance Officer</b>		
Annual remuneration	396 915	398 709
Car allowance	191 256	176 261
Travelling allowance	17 319	
Other allowances	67 542	
Contribution to UIF and related items	4 631	1 991
	<b><u>677 663</u></b>	<b><u>576 961</u></b>
<b>Remuneration of the Manager - Corporate Services</b>		
Annual remuneration	467 701	437 366
Car allowance	150 578	180 042
Travelling allowance	71 368	
Other allowances	41 327	
Contribution to UIF and related items	4 631	4 083
	<b><u>735 604</u></b>	<b><u>621 491</u></b>
<b>Remuneration of the Engineering Manager</b>		
Annual remuneration	467 701	436 320
Car allowance	150 578	141 412
Travelling allowance	12 660	
Other allowances	39 647	
Contribution to UIF and related items	4 631	4 371
	<b><u>675 217</u></b>	<b><u>582 103</u></b>
<b>Remuneration of the Local Economic Development Manager</b>		
Annual remuneration	467 701	436 440
Car allowance	150 578	145 048
Travelling allowance	17 220	
Other allowances	40 967	
Contribution to UIF and related items	4 631	4 371
	<b><u>681 097</u></b>	<b><u>585 859</u></b>
<b>Remuneration of the Community Services Manager</b>		
Annual remuneration	467 699	337 666
Car allowance	150 578	112 863
Travelling allowance	1 710	
Other allowances	39 166	29 056
Contribution to UIF and related items	4 631	3 643
	<b><u>663 784</u></b>	<b><u>483 228</u></b>

	2 010 R	2009 R
<b>17 REMUNERATION OF COUNCILLORS</b>		
Mayor	504 602	522 934
Speaker	418 090	465 222
Exco members	1 338 129	1 038 609
Councillors	3 943 495	3 921 415
<b>Total councillors' remuneration</b>	<b><u>6 204 316</u></b>	<b><u>5 948 180</u></b>
<b>18 INTEREST PAID</b>		
Finance leases		-
Bank overdraft	50 988	467 800
Outstanding payments		-
<b>Total interest on external borrowings</b>	<b><u>50 988</u></b>	<b><u>467 800</u></b>

	2 010 R	2009 R
<b>19 CASH GENERATED BY OPERATIONS</b>		
Surplus for the period	22 691 470	3 081 433
Adjustment for:		
Loss / (gain) on disposal of property, plant and equipment	1 540 187	18 001
Change in accounting policy	780 703	-
Correction of error	797 249	8 253 831
Accumulated impairment		(2 309 232)
Payables fair value adjustment		484 525
Adjustment of employee costs	(31 040)	
Interest earned	(933 617)	(26 561)
Interest paid	50 988	467 800
<b>Operating surplus / (deficit) before working capital changes:</b>	<b>24 895 941</b>	<b>9 969 796</b>
(Increase)/decrease in inventories	38 999	(41 868)
(Increase)/decrease in consumer debtors	(24 984)	2 966 303
Decrease / (increase) in other debtors	-	2 695 450
Increase/( decrease) in unspent conditional grants and receipts	355 734	104 525
Increase/(decrease) in creditors	(280 893)	5 603 902
Decrease / (increase) in provisions		(168 421)
Increase in VAT refundable	(2 124 780)	(3 149 613)
Decrease in current portion of long-term receivables		-
(Decrease) / Increase in current portion of long-term liabilities		(243 469)
<b>Cash generated by / (utilised in) operations</b>	<b>22 860 017</b>	<b>17 736 605</b>

**2 010**                      **2009**  
R                                      R

**20 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	24	199 889
Call investment deposits	9 104	218 534
Bank overdraft	(53 057)	(1 473 008)
<b>Total cash and cash equivalents</b>	<b>(43 928)</b>	<b>(1 054 586)</b>

**21 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**21.1 Fruitless and wasteful expenditure**

The Municipality has failed to make its statutory payments to the South African Receiver of Revenue and thus resulting in Penalties and interest on the Municipality.

Reconciliation of fruitless and wasteful expenditure:

Opening balance	867 073.00	-
Unauthorised expenditure current year	646 653.85	867 073.00
Approved by Council or condoned		-
Transfer to receivables for recovery		-
<b>Fruitless and wasteful expenditure awaiting authorisation</b>	<b>1 513 726.85</b>	<b>867 073</b>

<b>Incident</b>	<b>Disciplinary steps / criminal proceedings</b>
<p>The municipality has been facing financial difficulties for the last few years. As a result, defaulting on payment terms has been un-avoidable.</p> <p>However the municipality has taken some steps to meet its obligation. An arrangement has been made with SARS whereby all the municipality's VAT refunds will be set off against PAYE.</p> <p>As at 30 June 2010 an amount of R 1 774 874.07 of VAT refunds has been set off against PAYE debt and there are still other VAT refunds to be netted off against PAYE that are still to be finalise for Audit by SARS.</p>	<p>None.</p>

	2010 R	2009 R
<b>22 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>22.1 Contributions to organised local government</b>		
Opening balance		83 000
Council subscriptions		-
Amount paid - current year		(83 000)
Amount paid - previous years		-
<b>Balance unpaid (included in creditors)</b>		<u>-</u>
* The 2008/09 amount of R83, 000 was billed in April 2008 hence part of creditors at year end.		
<b>22.2 Audit fees</b>		
Opening balance	1 763 491	698 819
Current year audit fee	1 136 387	1 064 672
Amount paid - current year	-	-
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<u>2 899 878</u>	<u>1 763 491</u>
<b>22.3 VAT</b>		
VAT input receivables are shown in note 11.		
<b>22.4 PAYE and UIF</b>		
Opening balance	6 622 715	4 789 836
Current year payroll deductions	3 078 024	2 500 295
Amount paid - current year	(996 671)	-
Amount paid - previous years	(2 440 792)	(667 416)
Adjustments	319 854	-
<b>Balance unpaid (included in creditors)</b>	<u>6 583 130</u>	<u>6 622 715</u>
<b>22.5 CAPITAL COMMITMENTS</b>		
Approved and Contracted for Infrastructure	13 041 940.00	19 799 430
Approved but not yet contracted Infrastructure	3 764 000.00	-
<b>Total</b>	<u>16 805 940.00</u>	<u>19 799 430.00</u>

This expenditure will be financed from:

Government Grants

16 805 940.00      19 799 430

2010  
R

2009  
R

**22 ADDITIONAL DISCLOSURES IN TERMS OF  
 MUNICIPAL FINANCE MANAGEMENT ACT**

**22.6 OPERATING LEASES**

At the reporting date the municipality has outstanding commitments under operating leases which fall due as follows:

**Operating leases - lessee**

Within one year	791 373	413 350
In the second to fifth year inclusive		140 067
After five years		-
<b>Total</b>	<b>791 373</b>	<b>553 417</b>

Operating leases consists of the following:

Operating lease payments represents two categories of payments being rentals payable by the municipality for various units of the office equipment and monthly amounts payable in respect of cellular phone equipment as utilised by the councillors and the relevant members of staff. Leases for office equipment are negotiated for an average term of 5 years and the rental payable is generally fixed. Cellular phone equipment contracts have a 24 month duration.

**Operating leases - lessor**

**Minimum lease payments due**

Within one year	265 080	258 600
In the second to fifth year inclusive		-
After five years		-
<b>Total</b>	<b>265 080</b>	<b>258 600</b>

**Operating Leases consists of the following:**

The Municipality's investment property is primarily held to generate rental income. Lease agreements are renewed and are renewable on an annual basis.

	2010 R	2009 R
<b>22 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)</b>		
<b>22.7 Pension and Medical Aid Deductions</b>		
Opening balance	821 121	-
Current year payroll deductions and council contributions	5 184 089	4 365 715
Amount paid - current year	(2 953 784)	(3 544 594)
Amount paid - previous years	(879 255)	-
Interest on arrears	-	-
<b>Balance unpaid (included in creditors)</b>	<u><u>2 172 171</u></u>	<u><u>821 121</u></u>

**24 RETIREMENT BENEFIT INFORMATION**

The municipality has a retirement contribution plan to which all qualifying employees belong.



	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
<b>25 GENERAL EXPENSES</b>		
Advertising	83 699.23	146 205.18
Audit committee fees	63 062.28	30 316.57
Audit Costs	1 139 398.77	1 763 490.52
Bank charges	70 106.01	120 002.70
Catering	83 317.77	106 633.23
Cleaning Materials	75 869.47	113 420.92
Community Participation & Roadshows	206 119.03	212 199.00
Computers & accessories	46 104.91	16 904.91
Conference Fees	31 164.66	8 896.84
Consultants & Professional Fees	1 324 973.46	1 322 293.43
Consumables & Beverages	109 268.99	77 407.05
Electricity & Water	830 800.01	730 850.20
Entertainment	127 757.53	70 878.36
Fmg Grant Expenditure	898 854.51	-
Free Basic Services	682 818.28	82 939.96
Fuel & Oil	373 617.70	519 990.90
Furniture & Fittings	4 752.00	6 378.00
Grant - Provincial Dept Of transp expendi	10 155 528.90	3 597 504.75
Grant - Msig Expenditure	541 543.42	471 497.94
Hire - External Transport	3 532.82	-
Hire Charges - Office Equipment	44 640.57	17 607.29
Hire Charges - Vehicle	31 401.81	25 073.79
Insurance - General	247 373.80	277 843.92
Legal Fees	1 592 719.00	2 160 086.23
Licence Fees	25 576.65	33 022.47
LED Programms	1 818 239.40	2 160 086.23
Mayor Discretionary Fund	57 807.67	91 522.60
Membership Fees	3 805.00	114 940.67
MSP grant Expenditure	447 748.30	64 450.00
Pensioners Rebates& discounts	14 493.75	232 513.93
Postage & Courier Costs	671.06	1 386.62
Printing & Stationary	283 062.29	357 064.03
Publications & marketing material	98 571.70	-
Refuse Bags & Bins	85 456.66	44 598.55
Rent - Equipment	95 816.04	225 934.66
Recruitment costs	-	166 213.12
Security Cost	362 300.00	950 328.95
Social Responsibility Programmes	154 298.31	42 252.76
Subsistence & Travel	1 211 203.85	1 158 692.24
Sundries	253 722.02	1 521.63
Support to Traditional Authorities	61 630.30	-
Telephone	989 845.20	1 019 200.21
Training - External	141 410.84	58 258.89
Uniforms & Protective Clothing	146 300.66	-
Workman's Compensation	85 853.76	34 512.46
Other expenditure	23 059.39	4 249 625.84
	<b>25 129 297.78</b>	<b>22 884 548</b>

	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
<b>26 CORRECTION OF ERROR</b>		
During the year the following adjustments were made to transactions whereby amounts were erroneously stated in previous financial periods		
Corrections included:		
Deposits received from Mrs Hlupheko for land sale were included in sundry income in previous financial periods.	6 000	-
	<u><u>6 000</u></u>	<u><u>          </u></u>

**27 RELATED PARTIES**

Port St Johns Development Agency (section 21 company registration no. 1999/009129/08 )

The PSJD has advanced the Municipality with an amount of R 4,600,000 during the current financial year.

At 30 June 2010 an amount of R3 100 000 is still outstanding

**28 RISK MANAGEMENT**

**28.1 Maximum credit risk exposure**

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

No credit rating is done on trade receivables, however an assesement is done on customers for affordability through indigent registration process.

No major financial assets are exposed to credit risk at year end except for investment account 4062227478 Meeg Bank and 388554193 STD Bank.

**28.2 Liquidity risk**

The municipality's risk to liquidity is a result of funds availability to cover future commitments. At present we do not have any finance lease obligations or longterm borrowings.The commitments we have are trade and other payables which are managed through an ongoing review process.

**Sensitivity Analysis of Market risk**

		<b>Present value</b>	<b>discounted</b>
	<b>%</b>	<b>at year end</b>	<b>value at</b>
			<b>current rate</b>
Effect of a 1% change in the prime rate			
Trade and other receivables	11.00	2 521 574.23	2 422 590.45
Trade and other payables	11.00	20 657 505.00	18 092 282.62
Cash and cash equivalents	11.00	0	0
Call investment deposits	11.00	0	0

**28.3 Interest rate risk**

The municipality has no significant interest bearing assets.  
 The municipality's income and operating cashflows are independent of changes in market interest rates.

**29 Going concern**

The annual financial statements have been prepared on the basis of accounting policies applicable to a 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 is dependant on a number of factors. The most significant of these is that the Accounting Officer continue to procure funding for the ongoing 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.

**30 EVENTS AFTER THE REPORTING DATE**

There are no events subsequent to the reporting date that require reporting.

**31 COMPARISON WITH THE BUDGET**

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



APPENDIX A  
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30/06/09	Received during the year	Redeemed / written off during the year	Balance at 30/06/10
			R	R	R	R
<b>LEASE LIABILITY</b>						
Mercedes Benz ML350	30-1957-2774	30 June 2009	0	-	0	-

Carrying Value of Property, Plant and Equipment	Other costs in accordance with the MFMA
R	R
-	-

APPENDIX A  
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	Closing Balance	
<b>Land and Buildings</b>										
Land	3 459 331	-	-	-	3 459 331	-	-	-	-	3 459 331
Land and buildings	1 676 223	-	-	-	1 676 223	-	-	-	-	1 676 223
	<b>5 135 554</b>	-	-	-	<b>5 135 554</b>	-	-	-	-	<b>5 135 554</b>
<b>Infrastructure</b>										
Street Lights	1 286 422	1 824 476	-	-	3 110 898	-	-	-	-	3 110 898
Tarred Roads	1	-	-	-	1	-	-	-	-	1
Access Roads	18 541 127	4 130 466	14 247 429	-	36 919 022	-	-	-	-	36 919 022
	<b>19 827 550</b>	<b>5 954 941</b>	<b>14 247 429</b>	-	<b>40 029 921</b>	-	-	-	-	<b>40 029 921</b>
Community assets	1	885 511	-	-	885 512	-	-	-	-	885 512
Investment Property	3	-	-	-	3	-	-	-	-	3
	<b>4</b>	<b>885 511</b>	-	-	<b>885 515</b>	-	-	-	-	<b>885 515</b>
<b>Other assets</b>										
Landfill site	638 551	-	-	-	638 551	-	-	-	-	638 551
Park homes	228 509	-	-	-	228 509	-	-	-	-	228 509
Furniture and fittings	792 271	155 230	-	558 743	388 758	-	-	-	-	388 758
Plant and equipment	494 765	702 719	-	-	1 197 484	-	-	-	-	1 197 484
Motor vehicles	1 538 326	1 606 428	-	1 953 373	1 191 380	-	-	-	-	1 191 380
Tools and equipment	1	11 044	-	-	11 045	-	-	-	-	11 045
Office and traffic equipment	68 850	26 912	-	4 981	90 781	-	-	-	-	90 781
Computer equipment	475 269	198 523	-	82 477	591 315	-	-	-	-	591 315
	<b>4 236 542</b>	<b>2 700 856</b>	-	<b>2 599 574</b>	<b>4 337 824</b>	-	-	-	-	<b>4 337 824</b>
	<b>29 199 650</b>	<b>9 541 308</b>	<b>14 247 429</b>	<b>2 599 574</b>	<b>50 388 813</b>	-	-	-	-	<b>50 388 813</b>

PORT ST JOHNS LOCAL MUNICIPALITY  
APPENDIX B(1): UNAUDITED  
Actual versus budget (Revenue and expenditure)

For the year ended 30 June 2010

REVENUE	2010 Actual	2010 Budget	2010 Variance	2010 Variance %	Explanation of significant Variances
Property rates	3 113 764	2 082 544	1 031 220	50%	
Service charges - refuse	509 407	184 678	324 729	176%	
Rental of facilities	276 775	692 133	(415 358)	-60%	
Interest earned on external investments	933 617	-	933 617	100%	
Interest earned on outstanding debtors	-	-	-	100%	
Fines	8 500	4 800	3 700	100%	
Licences and permits	25 068	51 220	(26 152)	100%	
Government grants and subsidies	74 236 290	61 055 529	13 180 761	22%	Includes transport grant
Other income	256 077	1 064 093	(808 016)	-76%	
Gains on disposal of property, plant and equipment	-	-	-	100%	
<b>Total Revenue</b>	<b>79 359 498</b>	<b>65 134 997</b>	<b>14 224 501</b>	<b>22%</b>	
<b>EXPENDITURE</b>					
Executive and Council	11 709 691	12 474 916	765 225	6%	
Corporate Services	8 314 719	6 821 048	(1 493 671)	-22%	Includes provisions for leave and bonuses not budgeted for
Budget and Treasury	8 927 954	7 144 652	(1 783 302)	-25%	Includes provision for bad debts not budgeted for
Local Economic Development	2 860 853	2 074 878	-785 975	-38%	
Engineering and planning	15 042 543	5 012 178	-10 030 365	-200%	Included is transport grant expenditure initially not budgeted for
Community and Social services	8 171 365	7 217 336	-954 029	-13%	
<b>Total Expenditure</b>	<b>55 027 125</b>	<b>40 745 008</b>	<b>-14 282 117</b>	<b>-35%</b>	
<b>NET SURPLUS FOR THE YEAR</b>	<b>24 332 373</b>	<b>24 389 989</b>	<b>(57 616)</b>	<b>-100%</b>	

## Report of the Audit Committee for the year ended 30 June 2010

We present the audit committee report for the financial year ended 30 June 2010 in compliance with the Municipal Finance Management Act 56 OF 2003 and in accordance with King III. The Audit and Risk Committee (the Committee) is a sub-committee of Council. The responsibilities of the Committee are detailed in its terms of reference (the Audit and Risk Committee Charter) that has been approved by Council. The Committee comprises four independent members, and the Municipal Manager who attends *ex officio*. Details of the Committee members are as follows:

<u>Member</u>	<u>Number of meetings attended</u>
• Mr. N Swana ca (sa) TGMP (Harvard)- Chairperson	5
• Mr. S Mntonga	5
• Ms. N Makuni	5
<b>Changes</b>	
• Ms Unathi Mkhize (Appointed: 03 Nov.2010)	0
• Mr. GM Salanje (Resigned : 30 July 2010 )	3

The members of the Committee collectively possess the necessary skills and experience to direct the Committee constructively in the execution of its responsibilities. The permanent invitees to the Committee meetings include: the Finance Manager, Senior managers and representatives from Internal Audit and External Audit.

The responsibilities of the Committee, as laid down in the Charter, include providing oversight on financial reporting and other matters such as the monitoring of governance processes, controls and risk management in the Company. The Committee also ensures effective communication between the internal auditors, external auditors, the Council, board (entities), and management. The minutes of the proceedings of the Company's audit committee meetings are tabled at the Council meetings.

The committee held five (5) scheduled meetings for the year ended 30 June 2010. The audit committee attended to the following significant matters:

- Review and recommending of financial policies.
- Assessment of the capacity and effectiveness of the financial management directorate.
- Review and approval of the Risk Management policy and framework .
- Review and approval of the Risk Management assessment report.
- Review and monitoring of Revenue and cash flow enhancement plans.
- Review and approval of the risk based three (3) year rolling internal audit plan and for 2010-11 plan.
- Review of management action plans in response to the audit findings of the Auditor General and Internal Audit for the 2008 and 2009 financial years and ensured that they were effectively attended to.
- Adequacy, reliability and accuracy of financial information provided by management.
- Review of all internal audit and external audit reports
- Review of all performance audit terms of reference and performance audit reports
- Review of the institution's compliance with legal and regulatory provisions;
- Review of the annual financial statements for the year ended June 2010.
  
- Effectiveness of internal control systems
  
- the effectiveness of the internal audit function.

The Committee is responsible for the maintenance of the professional relationship with external auditors. The external auditors have unrestricted access to the Committee and the Council. The Committee also annually assesses non-audit work done by external auditors to ensure the independence of the external auditors is maintained. The Committee in assessing the independence of the external auditors reviews independence letters submitted by the external auditors, these letters include amongst others, non-audit services provided by the external auditors for the period under review.

The Internal Audit Charter which lays down the purpose, authority and responsibility of the internal audit function is approved by the Committee and the Council. The Committee concurs with the appointment of the



Internal Auditors. It also reviews the scope and coverage of the internal audit function and has approved its coverage and work plan for the period under review. The internal auditors have unrestricted access to all functions, records, property and personnel of the Company. To enhance their independence the internal auditors have unrestricted access to the Committee and the Board.

Management is focused on continuous improvements to the system of internal control. The internal audit function reviews the adequacy and effectiveness of internal controls. The Committee reviews the internal audit reports and assesses the role, independence and effectiveness of the internal audit function on a continuous basis.

The Committee confirms that it carried out its functions responsibly and has satisfactorily complied with its mandate for the period under review. The Committee has also satisfied itself that the external auditors are independent and are hereby able to conduct their audit functions without any undue influence from the Municipality.

### **Evaluation of Financial Statements**

We have:

- Reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General South Africa and the Accounting Officer.
- Reviewed the Auditor-General South Africa's management report and management's response thereto;
- Reviewed changes in accounting policies and practices );
- Reviewed the municipality's compliance with legal and regulatory provisions
- Reviewed significant adjustments resulting from the audit.

We concur with and accept the Auditor-General of South Africa's report on the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted read together with the report of the Auditor-General South Africa.

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**N Swana ca(sa) TGMP (Harvard)**  
Chairperson of the Audit and Risk Committee  
28 Jan 2011

## Key Performance Area 5 - GOOD GOVERNANCE AND PUBLIC PARTICIPATION

### 4.1 Overview of the Executive and Council functions and achievements

#### Executive Committee

Councilor	Portfolio
Cllr W.M. Mtakati	Chairperson
Cllr Gaya	Chairperson – Finance and Administration Standing Committee
Cllr Mfiki	Chairperson – Community Services Standing Committee
Cllr Tambodala	Member
Cllr Nokhanda	Chairperson – Local Economic Development Standing Committee
Cllr Marini	Chairperson – Engineering and Development Standing Committee

#### The Council

Councilor	Portfolio
Cllr W.M. Mtakati	Mayor
Cllr P. Langa	Speaker
Cllr N. Kawu	Chief Whip
Cllr Gaya	Exco Member
Cllr Mfiki	Exco Member
Cllr Tambodala	Exco Member
Cllr Nokhanda	Exco Member
Cllr Marini	Exco Member
Cllr N.A. Ncoyini	Councilor
Cllr Z.H. Cube	Councilor
Cllr P. Ngozi	Councilor
Cllr N.R. Nodela	Councilor
Cllr K. Hanxa	Councilor
Cllr N. Qikani	Councilor
Cllr S. Ndabeni	Councilor
Cllr B.P. Vapi	Councilor
Cllr N. Tshiceka	Councilor
Cllr N. Xhongo	Councilor
Cllr J.T. Qikani	Councilor
Cllr C. M. Mzilikazi	Councilor
Cllr D.S. Ncola	Councilor
Cllr J.S. Lobi	Councilor
Cllr M.N. Matentamo	Councilor
Cllr A. Jakavu	Councilor
Cllr D.M. Mangqo	Councilor
Cllr V. Msobo	Councilor
Cllr R.M. Zweni	Councilor
Cllr M. Hilihili	Councilor
Cllr T. Saziwa	Councilor
Cllr N.W. Zwelonke	Councilor
Cllr J. Jjimba	Councilor

#### **4.2 Public participation and consultation**

During the IDP compilation process, IDP Steering Committee and IDP Representative forum meetings convene to consider IDP Priorities. Once a Draft IDP and Draft Budget are tabled to council, IDP and Budget Roadshows/Imbizo's where all wards are visited are convened. In these roadshows both the Draft documents are presented and community comments are sought, and where applicable, necessary changes are made prior final adoption.

There are also constant engagements with the key stakeholders (Ratepayers Association; Caguba Community Property Association; Traditional Leaders, etc) whenever matters arise.

During the year under review the Honourable Mayor conducted four (4) central Imbizo's in a form of IDP and Budget reviews for all 16 wards.

#### **4.3 Ward committees' establishment and functionality**

Port St Johns Municipality has 16 wards. All these wards are each represented by a ward committee member who attends meetings. Ward Committees convene meetings and all members do attend meetings in their respective wards.

Ward committees submit monthly minutes of the proceedings to the Speakers Office. The Office of the Speaker keeps records of the minutes of feedback meetings with communities. During the year under review, 5 wards (ward1, 2, 5, 9 &10) held monthly meetings and submitted reports thereof.

#### **4.4 Community Development workers performance monitoring**

Monthly reports are compiled by all CDW's which are submitted to the office of the speaker. Each CDW attends 10 to 15 cases per month in their respective wards. CDW's form part of the municipal gatherings such as the IDP and contribute thereof. For the year under review, CDW's submitted 12reports for their monthly meetings.

#### **4.5 Communication strategy**

Communication Strategy was developed and approved by council.

#### **4.6 Intergovernmental Relations**

The municipality launched a Development Forum in August 2009. This forum seats on quarterly basis.

## Legal matters

### 5.8.1 Setting up of Legal Units

The Municipality does not have a legal services department. All legal services are outsourced to Le Roux Inc. Attorneys who specialise in public law.

### 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
None	None	None

b. Unfavourable cases

Case name	Compliance with judgement (yes/No)	Reasons for non compliance with judgement
None	None	None

2. Case age analysis,

Case name	Nature of the case	Date of commencement	Cases of 2 years or below	Cases beyond 2 years	Reasons for extensive duration
Estate Late: P.M.Ngcingwana	Recovery of rates and taxes	26/05/06			Judgment was obtained against the estate of the late P.M.Ngcingwana.
B.Z.Ngcingwana	Recovery of rates and taxes	26/05/06			The Executor refused to pay the outstanding amount and further action must now be taken to recover the funds.
Coastal Properties	Recovery of rates and taxes	26/05/06			The claim has been defended and has been set down for trial on 23 <sup>rd</sup> February 2011.
Municipal Councillors Pension Fund	Claim against Municipality for	13/05/08			Judgment has been obtained. The Sheriff is having difficulty in serving the Warrant of Execution and further steps must now be taken.  The Municipal Councillors Fund has not taken any action to finalise matter.

	Pension Deductions				
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1. Default judgements

Case name	Reasons for default judgement
None	None

2. 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 prevented.

3. 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.

**FINANCE**

Key Performance Indicator	Annual Target	Actual Performance	Reason for variance	Remedial action
<b>Financial Management</b>				
Implementation of a Revenue Enhancement Strategy	Improved collections from Debtors. To be reported quarterly	100% achieved		
Implementation of the Municipal Property Rates Act.	Capturing of the new valuation roll and billing thereof	100% achieved		
Conduct Interim Valuations on Properties	Updated Valuation Roll	100% achieved		
Maximum collection of Revenue	Collection of approximately 60% of Billed Revenue.	47% achieved	Non responsive debtor	Strategy is in place to address the status quo
Ensure that expenditure incurred is in line with council approved budget.	Quarterly reports to council	100% achieved		
Compilation of the Indigents Register	Updated Indigent Register	Not done	Council delays in setting committees	To be prioritised in the next Financial Year
Implementation of the Indigents Register	Monthly subsidies to indigents	50% achieved	Council delays in setting committees	
Facilitate the payment of all outstanding creditors.	Paid up creditors	100% achieved, however further assistance is sought from N	Budget constraints	Written request sent to Provincial Treasury for further assistance in the payment of some creditors
Review of the Petty Cash Policy	Council approved policy	100% achieved		
Full implementation of Finance Procedures	Fully implemented finance procedures	100% achieved		
Facilitate the appointment of Debtors: Billing and Indigent Clerk	Appointed credit control clerk	100% achieved		
To ensure implementation of By-Laws	Quarterly reports to council	100% achieved		
<b>MFMA Compliance regarding Budgeting Principles (Chapter4)</b>				
To develop a Budget and IDP process plan in line with MFMA requirements	Tabling to council	100% achieved		
Compilation of an Adjustments Budget.	Council approved Adjustments Budget	100% achieved		
Review of Budget Related Policies in preparation for the next years budget.	Council approval of policies	100% achieved		
Compilation of the Draft Budget for 2011/13 MTEF period.	Tabling to council by 31 March 2010	100% achieved		
Submission of final budget for 2011/13 MTEF period for approval by council.	Approval by council by 31 May 2010	100% achieved		
<b>Implementation of Supply Chain Management Policy</b>				
Facilitate the appointment of a Manager - Supply Chain and Asset Management	Appointed Mngr	Not done	Budget constraints	To be budgeted for in the next F/Y
Development and maintenance of a supplier database.	Updated database.	100% achieved		
Ensure that goods procured are in line with the Supply Chain Management Policy	Quarterly reports to Municipal Manager for council consideration.	100% achieved		
Facilitate training of the members of the Bid Committees	Conducted Training	100% achieved		
<b>Asset Management</b>				
Appointment of a Service Provider to insure municipal Assets.	Appointed Service Provider	100% achieved		
Maintenance of a Fixed Assets Register	Updated Fixed assets register	100% achieved		
Physical Verification and Bar coding of assets.	Existence of fixed assets.	100% achieved		

Facilitate the disposal of fixed assets	Proceeds from disposal of fixed assets	100% achieved		
Review the Asset Management Policy	Council Approved Policy	100% achieved		
Ensure the development of Fleet Management Policies and Procedures	Council Approved Policy and Procedures	100% achieved		
Ensure proper management of the Municipal Fleet	Quarterly reports	100% achieved		
<b>Implementation of Information Communication Technology (ICT)</b>				
Capture opening balances for the 2008/09 financial year	Report generated from PROMUN	100% achieved		
Capture the Adjustments budget figures for 2008/09 on PROMUN	Report generated from PROMUN	100% achieved		
Facilitate training of users on PROMUN	Trained staff members	100% achieved		
Centralize control of ICT.	Linked network for offices	Not done	Budget constraints	To be budgeted for in the next FY
Development of a Disaster Recovery Plan	Approved Plan	Not done	Awaiting Council approval	
Performance of Backups on all Servers	Regular Backups	100% achieved		
Implementation of the Fixed Assets Module on PROMUN	Computerized fixed assets register	100% achieved		
Implementation of the Creditors Module on PROMUN	Computerized Creditors Module	100% achieved		
Interface Payday with PROMUN	Electronic General Ledger update with Payroll data.	Not done	Consultants from both Payday & PROMUN were not available at the same time during the year under review	To be prioritised in the next FY
Ensure submission of monthly reports (S71)	Monthly reports	100% achieved		
Ensure submission of quarterly reports	Quarterly reports to council	100% achieved		
Ensure compilation of Annual Financial Statements	Submission to Auditor General	100% achieved		

**INFRASTRUCTURE TECHNICAL AND ENGINEERING MANAGEMENT**

Key Performance Indicator	Annual Target	Actual Performance	Reason for variance
To ensure that 512km of municipal rural access roads are maintained to the required standards.	To maintain access roads in atleast 3 villages per ward.	31% of access roads maintained	Plant breakage
To ensure that the 42km of urban roads is adequately maintained	30km of the urban roads maintained.	71% urban roads maintained	Plant breakage
To monitor the surfacing of urban roads by the Department of Roads & Transport	Quarterly reports to council.	100% achieved, report submitted	no action
To maintain 3km of stormwater drainage from Mpanu to Town and clearing of bushes.	3km of stormwater side drain maintained including clearing of bushes.	100% achieved	
To maintain blocked drains in the Urban Area.	Clearing of blocked drains.	100% achieved	
Clearing of alien bushes in the Mzimvubu canal	Clearing of alien bushes on a quarterly basis.	100% achieved	
Grasscutting from Mpanu to Second Beach.	Clean road reserves throughout the year.	100% achieved	
Roof maintainance and painting on the finance building.	Completed roofing and painting.	100% achieved	
Minor Renovations on the Town Hall and Municipal Offices	Completed renovations on the Town Hall.	100% achieved	
Renovations on the Majola Community Hall	Completed renovations on the Community Hall	Not done	budget adjustment
Electrical connection to the Nomvalo & Gomolo Community Hall	Electrified Community Halls.	Not Done	Budget adjustment
Facilitate appointment of a service provider for the maintenance of street lights.	Number of maintained street lights.	100% achieved (69 reported faulty streetlights maintained)	
Facilitate sittings of the Transport Forum.	Quarterly reports to council.	100% achieved, minutes and reports sumitted to council	
To ensure approval and monitoring of all building plans.	Number of building plans approved/Report to EXCO.	100% achieved 5 building plans approved	
To monitor rezoning; relaxation; subdivision; consolidation; alteration and encroachment of buildings.	Number of applications received.	3 applications received, 2 approved with one pending	late advertisement for rezoning of land use
To develop a Building Control and Procedures manual.	Council approved Building Control and Procedures manual.	Not done	still at the developmental stage
Facilitate the provision of housing development	Number of units erected.	16 emegency temporal structures erected for fire victims . Permanent structures to be build in the next financial year	
Establishment of a Program Management Unit (PMU)	Fully established unit.	Not achieved, 1 post filled	budget adjustments
Acquisition of computers and equipment for the PMU Staff	Acquired working utensils	utensils purchased for the filled position	
Review and submission of the PMU business Plan and approval thereof.	Approved business plan by DPLG.	100%, approved business plan	
Provision of workshop and mechanical services to the municipal fleet	Quarterly reports	reports submitted	
Development and maintenance of a stock control register and procedures manual at the workshop.	Approved procedures manual and maintained stock control register.	100% achieved	
Conduct Aerial Mapping photography of Port St Johns.	Approved contour maps by the DPLG	100%achieved	
Identify land for the establishment of municipal cemety	Council resolution on land identified.	Not achieved	work in progress



Ensure that the identified land for the cemetery is fenced	Fenced cemetery	Not achieved	work in progress
Development of an Environmental Management Plan (EMP)	Council approved EMP.	Not achieved	work in progress
Develop of a concept document for the Urban renewal program.	Council approved document	100% achieved	
To facilitate the review of the Departmental Organogram	Council approved revised organogram.	100% achieved, approved organogram	
To ensure implementation of By-Laws	Quarterly reports	100% achieved (by-laws relating to Advertising implemented)	
To develop and update a register for usage of municipal cemeteries. (Move to technical services)	Updated municipal register and quarterly reports.	100% achieved	
Proper management of access controls to the waste disposal site through maintenance of a register. (Move to technical services)	Updated register/Monthly reports.	100% achieved	





**CORPORATE SERVICES**

Key Performance Indicator	Annual Target	Actual Performance	Reason for variance
Ensure compliance with legislation, regulations, policies & prescripts (PMS; 4 Ordinary council meetings; Organizational policies etc).	Council approved performance management system; IDP; Organizational policies and SDBIP.	100% achieved	
Educate staff on legal provisions & compliance areas.	4 workshops	100% achieved	
Ensure sustainability of services provided in compliance with legislation	Compliance with SDBIP and PMS.	100% achieved	
Ensure compliance reporting to council and its structures.	Compliance monitoring & reporting to be a standing item in council agenda	100% achieved	
Ensure development, implementation and compliance with council by-laws	Approval by council and implementation there-of	100% achieved	
Workshop all councilors and staff on approved by-laws	Attendance of workshops by councilors and staff.	30% achieved	Budget restructuring
Co-ordinate information sharing workshops on all council policies for staff members.	Number of staff who attended the training.	Not done	Policies not approved by council due to amendments yet to be effected on policies
Ensure the development of a File Plan.	Council Approved file plan.	Not done	File plan developed/adapted from DSRAC, but council requested to be workshop on the document
Ensure that all Corporate Services related policies are reviewed	Council approved reviewed policies	Not done	Budget restructuring
To ensure proper management of the Telephone System.	Quarterly reports.	100% achieved	
Maintain accurate and reconciled leave records.	Up-to-date leave register.	100% achieved	
Ensure implementation and monitoring of the performance management system.	Council approved performance management strategy.	100% achieved	
Ensure implementation of a uniform employee remuneration system.	Market related remuneration packages. Adherence to SALGBC remuneration prescripts.	100% achieved	
Ensure that all staff performance is reviewed regularly and performance improvement methods implemented.	Monthly & Quarterly performance reports.	100% achieved	
Encourage that all positions in the department are filled	Filling of vacant posts on the organogram.	100% achieved	
Development of job descriptions for all posts in the organogram	Job descriptions for all posts.	100% achieved	
Facilitate review of the organizational structure.	Council approved reviewed structure	100% achieved	
Ensure prompt preparation of payroll schedules	Existence of payroll schedules on time.	100% achieved	
Ensure compliance to Labour Relations legislation.	Compliance with Bargaining Council prescripts.	100% achieved	
Ensure that grievances submitted by employees are resolved.	60% of grievances per annum resolved	100% achieved	
Ensure that all disciplinary hearings are resolved.	60% of disciplinary hearings per annum resolved	100% achieved	
Encourage good relations between labour and the employer within the legislation.	Compliance with Bargaining Council prescripts.	100% achieved	













## Municipal Manager

Key Performance indicator	Annual Target	Actual Performance	Reason for variance
Coordination and submission of quarterly reports to council	Council resolution.	100% achieved	
Submission of Annual Financial Statements and Performance Report to Auditor General	Confirmation from the AG's office	100% achieved	
Submission of Monthly S71 report to Mayor	Confirmation from the Mayor's Office	100% achieved	
Submission of Quarterly S52(d) report to Council	Council resolution.	100% achieved	
Submission of Mid-year S72 report to Council	Council resolution.	100% achieved	
Submission of Annual Report to Council (Tabling and Approval)	Council resolution adopting the annual report.	100% achieved	
Coordinate the Adjustments Budget Process for the current financial year	Council Approval	100% achieved	
Coordinate the Budget and IDP reviewal process for the 2010/11 financial year (Tabling and Approval)	Council resolution.	100% achieved	
Coordinate the compilation of Service Delivery and Budget Implementation Plans	Council resolution.	100% achieved	
Coordinate the Reviewal of Performance contracts for Senior Managers	Council resolution.	100% achieved	
Establish an IGR Forum	Inception meeting and minutes	Not done	Function to be moved to the Mayors Office
Facilitate sitting of Quoterly IGR Meetings	Quarterly Reports.	Not done	Function to be moved to the Mayors Office
Coordinate sittings of the Audit Committee	Quarterly Reports	100% achieved	
Facilitate the Development and Implementation of a Risk Management Strategy	Council Approval and Quarterly Reports	100% achieved	
Coordinate the formulation of responses from issues raised by the Internal Audit Unit	Quarterly Reports	100% achieved	
Facilitate the Implementation of the Action Plan developed for the 2007/08 audit report	Improved Audit Report on issues raised.	100% achieved	
Co-ordinate audit of the 2008/09 financial year including formulation of responses to issues raised by the Auditor General	Confirmation of receipt of responses and minutes of meetings by the Auditor General.	100% achieved	
Facilitate Tabling of the Audit Report and Action Plan addressing Audit issues to Council	Council Resolution	100% achieved	
Assist in the compilation of the Oversight Report to council	Council Resolution	100% achieved	
Facilitate implementation of Council Resolutions	Quarterly reports.	100% achieved	

Coordinate the sittings of Management Meetings	Management Committee Minutes	100% achieved	
Conduct Quarterly and Annual Performance Appraisals for the Heads of Departments	Quarterly Reports.	100% achieved	
Facilitate the Roll-out of Agreement with the Department of Transport	Quarterly Reports to council.	100% achieved	
Facilitate the Disestablishment of the Development Agency	Quarterly Reports.	Not achieved	Council resolved that Development Agency should not be disestablished but a turn around strategy be should be formed. Municipality is working with the IDC for the continuation of the Agency
Solicit funding from the National Treasury through the NDPG Programme-Urban Development	Written Confirmation from the National Treasury	50% achieved	In principle agreement with NT
Oversee the implementation of the 2010 Plan	Quarterly Reports.	100% achieved	
Communications within and outside the institution streamlined through an approved communications plan/ strategy including the development of Brochures.	Approval of Communication Strategy by Council: Issue of Brochures. Continuous updating of website with information prescribed in the MFMA	100% achieved	
Facilitate the review of the Departmental Organogram	Council approved revised organogram.	100% achieved	
Ensure facilitation and coordination of legal issues	Quarterly reports	100% achieved	
Establish a Service Level Agreement with the District Municipality for Assistance on legal issues	Signed SLA with the District Municipality.	Not done	District does not have enough capacity to assist
Facilitate the implementation of the Master Plan	Quarterly reports	10%achieved, master plan partly implemented plan	10year project
Facilitate and Co-ordinate the Port St Johns Development Forum	Quarterly reports	100% achieved	
Facilitate launch of the PSJ Development Forum	Sitting of the forum	100% achieved	





**LOCAL ECONOMIC DEVELOPMENT**

Key Performance indicator	Annual Target	Actual Performance	Reason for variance	Remedial action
Appointment of an L.E.D. Officer	Appointment of an L.E.D. Officer	Not done	Organogram yet to be approved	
Appointment of an Admin. Clerk - Tourism	Appointment of an Admin. Clerk - Tourism	Not Done	Organogram yet to be approved	
Development of a Tourism Plan	Approved tourism plan by council	Not Done	lack of funding	Still sourcing funding from the DBSA
Plan and Facilitate the hosting of the Spatial Development Initiative (SDI)	Hosted Festival	100% achieved		
Wild Coast Cultural Festival				
Create and Manage a Database of Tourism Information Products.	Updated database on a monthly basis	100% achieved		
Establish and maintain On-line central booking system via the Municipal Website website	Up-to-date booking system on municipal website	Not done	Budget reconstruction	To be prioritised in the next financial year
Revitalization of the Farmers Forum	Number of meetings held	100% achieved 4meetings		
Facilitate the implementation of DEAT projects	Reports about the number of projects implemented.	100% achieved (reports available on projects currently being implemented)		
Establishment of the Mzimvubu River Front Development.	Developed Mzimvubu River Front	Work in progress	Currently undergoing an EIA stage	
Establishment of the Ntlafu Beach Facilities	Established Ntlafu Beach Facilities	Work in progress		
Promote and market tourism in Port St Johns	Quoterly reports	100% achieved		
Development of SMME Sector Plan	Approved plan by council	Not Done	Budget reconstruction	To be budgeted for in the next financial year
Agricultural Development Plan	Approved plan by council	Not Done	Budget reconstruction	To be budgeted for in the next financial year
Establish and maintain an SMME database.	Updated database on a monthly basis	100% achieved		
Development of an Investment Plan	Approved plan by council	Not Done	Budget reconstruction	To be budgeted for in the next financial year
Facilitation of business support services.	Number of businesses assisted	100% achieved		
Facilitate the establishment of Department of Agriculture Programmes (Siyazondla; CASP; Massive Food etc)	Quoterly reports	100% achieved		
Develop Co-operatives and create a Forum.	Number of Co-ops established together with a number of meetings for the forum.	100% achieved, 18 cooperatives established and meetings held		
Facilitation development of the Environmental Management Plan.	Quoterly reports	Not Done	Draft available	
Review LED Sector Plan	Council approved plan	Not Done	Budget reconstruction	Follow up with funding requested from DBSA
Implementation of the Spatial Development Framework	Quoterly reports	100% achieved		
Development of a Guest house Policy	Council approved policy	Guest house policy developed	awaits council approval	
Spatial Development Framework (SDF) reviewal	Council approved SDF	Work in progress	Draft available and yet to be tabled to council	
To ensure implementation of By-Laws	Quoterly reports	Not Done		

**TRAFFIC AND PUBLIC SAFETY**

Key Performance indicator	Annual Target	Actual Performance	Reason for variance
Facilitate the establishment of health council/committee.	Quarterly Report	100% achieved	
Monitor the provision of healthcare service to the communities.	Quarterly Reports	100% achieved	
Monitor the provision of education service to the communities.	Quarterly Reports	100% achieved	
Monitor the establishment of education council/committee.	Quarterly Report	100% achieved	
Monitor the establishment of welfare council/committee.	Quarterly Report	100% achieved	
Monitor the establishment of Sport & Recreation council/committee.	Quarterly Report	100% achieved	
Monitor the provision of safety and security to communities.	Quarterly Report	100% achieved	
Establishment of a Social needs Cluster (health; education; welfare; arts & culture etc).	Quarterly Reports	100% achieved	
The proper management of public amenities through the conclusion of a service level agreement in respect of libraries with the DSRAC	Signed Service Level Agreement	Not done	Draft SLA available
Monitor hosting of a Career Exhibition show on Libraries	Hosted show.	100% achieved	
Development and maintenance of a database for households and job seekers seekers	Regular maintained database.	100% achieved	
Ensure safety on municipal beaches	Quarterly reports	100% achieved	
Development of a housing sector plan.	Council approved housing sector plan.	100% achieved	
Facilitate the provision of housing needs to the communities.	Quarterly Reports	100% achieved	
To identify land for the establishment of a municipal pound.	Council resolution on land identified.	100% achieved	
To ensure that the identified land is properly fenced as per SPCA standards.	Compliance certificate from SPCA.	Not done	awaiting funding from DOT
To facilitate the transfer of staff to work in the municipal pound.	Transfer letters to identified employees and signed by employees.	Not done	Building is still on the construction phase
Development and signing of a Service Level Agreement with the OR Tambo District Municipality	Signed Service Level Agreement	Not done	District municipality still formulating its policies
Co-ordinate prompt response in times of disaster.	Quarterly reports	100% achieved	
Development of a Disaster management plan	Council approved plan	Not done	District municipality still formulating its policies
To identify land for the establishment of a Vehicle Testing Station and related Traffic Services.	Council resolution on land identified.	70% achieved	DOT appointed engineers for the establishment of a suitable site for VTS
To solicit funding from the Department of Transport for the establishment of a Vehicle Testing Station.	Agreement with the Department of Transport regarding the provision of funding.	50% achieved, DOT agreed in principle to fund this project	Yet to receive written agreement from DOT
To increase revenue generated through traffic enforcement.	To collect 75% of budgeted revenue/Quarterly reports.	40% achieved, monthly register of offences being monitored	
Operationalize the learners testing class	Operational Class.	Not done	
Appointment of a learners Examiner	Appointed Examiner.	Not done	Examiner to be appointed when learners testing class is operational
Development and maintenance of a register of offences by Traffic Officers	Monthly reports	100% achieved	
Development of an integrated waste management plan	Council approved plan	Not done	Intergrated plan to be done only after District Plan
Conduct cleaning awareness campaigns.	Twice per annum.	50% achived, only one awareness campaign done	Budget constraints







